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BUSINESS OPPORTUNITY FOR DAIRY FARM IN
BANGLADESH

Degree Programme in International Business
and Marketing Logistics
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The purpose of this thesis is to find out business opportunities for a dairy farm in Bangladesh. The main concern of this thesis was to find the required data and helpful information associated with the milk industry in Bangladesh.

The entire thesis contains seven core sections and under each of the core section there are subsections to represent the idea properly. The core sections are Introduction, Theoretical framework, Empirical framework, Implementation of the research, Evaluation of the process, Recommendation and Conclusion. The introduction part has covered the general impression of the thesis and the theoretical framework has described the theory linked to the thesis. The fourth section has explained the implementation process, the fifth section has evaluated the whole thesis, the sixth section gives recommendation, and the seventh section has drawn the conclusion of the thesis.

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1 INTRODUCTION

1.1 Background of the Thesis

I have a dream since high school life to open a business and to be self employed in my own town. I have been looking for a suitable business idea for a long time. I was searching for such kind of business idea which can be growing in the future.

During the last decade, it has been noticed that an optimistic change in dairy industry around in Bangladesh especially in the big cities. Because of economical progress in the country, purchasing power of the people has been increased. Demand of dairy products has increased and dairy farmers are doing good business. According to the recent report seventy percent of dairy products are imported from abroad.

1.2 Purposes and Objectives

A bachelor thesis is obligatory to graduate and get a bachelor degree. Main purpose of this thesis is to complete my bachelor degree program in Satakunta University of applied sciences. Another purpose of this thesis is to find out the business opportunity for dairy farm in Bangladesh. I will try to find out the market situation for dairy products in Bangladesh. I will conduct some market research to find out this question. Bangladesh is a third underdeveloped country with low purchasing power, so I have to find out if it is a good idea to do business in Bangladesh. I will try to explore the risks of doing business in Bangladesh.

In this thesis the following questions will be answered to find out business opportunity for dairy farm in Bangladesh.

1. Is there good market for dairy products?
2. Is it a good idea to do business in Bangladesh?
3. What are the risks of doing business in Bangladesh?

1.3 Conceptual Framework

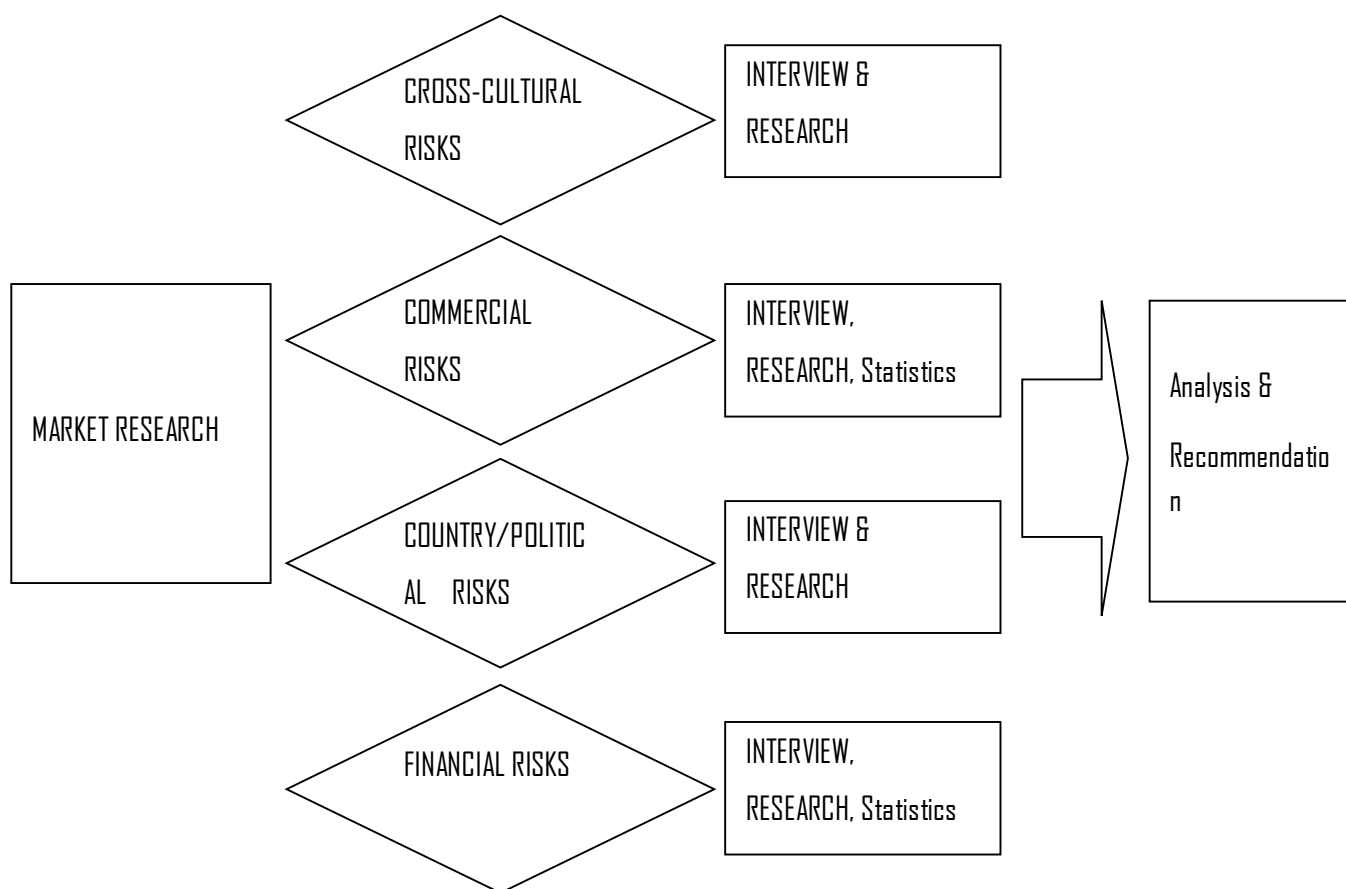


Figure: 1 Conceptual framework of the thesis project

The conceptual framework above expresses the graphic illustration of the concept of the thesis. According to the conceptual framework I will conduct market research in Bangladesh dairy market. Market research will include commercial risks, financial risks and country risks. For commercial risks I will take some interviews of some managers of existing dairy farm in Bangladesh. I will also do some research. For financial risks I will do some research. For country risks I will take some interviews of some managers of dairy farms in Bangladesh and will also do some research.

1.4 Limitations of the thesis

This thesis has limitations like all other thesis. Financials will not be discussed in the thesis. Interviews will be taken through email or phone only.

2 THEORETICAL FRAMEWORK

2.1 What is international market research?

International Market Research is a specific order of Market Research, concentrating on certain geological region. International Market Research is concerned with consumer products, additionally with any asset or service inside a value chain which will be industrially used or further handled, which is the sector of industrial merchandise and B2B-Marketing. There may be different objectives and purposes of International Market Research projects. . (Proctor 2005, 3.)

Typical market research often deals with cross-country issues. If the same question raised in different countries, answer may be different from country to country – due to historical or cultural background. This means that particular country answers will also lead to internationally differing marketing decision. (Proctor 2005, 9.)

Research topics usually include the following aspects:

- Assessment and selection of target markets. For example: investigating market potentials, market barriers, market attractiveness, intensity of competition, customer segmentation, sales channels etc.
- Preparations for new sales market entry.
- Development of customer necessities and customer wishes
- Customer's awareness of the company, contrast to competitor companies
- Performance and capability of marketing tools such as manufactured goods and services, branding, direct sales and distribution channels, communications including internet marketing, pricing etc.

- Marketing innovation: new business models and billing plans, Innovative variations of marketing tools, new know-how applications
- Service quality of business relations between sales persons and customers or service technicians
- Openness for acceptance of new technology applications

(Jobber 2004, 180-195.)

2.2 Benefits of market research

Market research aims to provide new ideas, comparisons, and control information for marketing deciders. These deciders are found not only in Marketing and Sales, Import and Export positions, but also in New Business Development, in a Strategy staff, in Corporate Planning departments and of course, within top management. International Market Research provides an information base for strategic decisions. Here, competitive information needs to be available early, quickly, and with the right filter. (Edward 2009, 20-24)

Market Research helps to identify new business opportunities. Research might make it clear that a planned new product may not be what a certain market requires or desires. Then there is chance to modify the product or service according to suit of the customer. Market research guides communication with current and potential customers. After research result is ready there is enough information to formulate the most efficient way of communication with customers. Market research gives the idea about what customers like/don't like to hear/see/do. (Edward 2009, 20-24)

Market research helps you minimize risks. By conducting market research it is possible to decide whether to take action on a specific issue. For example: you may find that the location where you want to do a business has already full with same kind of business. Then it is possible to find a more suitable place to open the same business. (Edward 2009, 20-24)

Market research measures your reputation. Market research helps to know more about competitors. Market research can indentify you position in the market compare to your competitors. Then appropriate actions can be taken to improve position in the market. (Edward 2009, 20-24)

Market research uncovers and identifies potential problems. You can get customer's responses to new item or service when it is yet being developed. This can clarify any further improvement is needed for the intended market. Market research helps you plan ahead. Research can help to calculate approximately the possible sales of a new product or service and also the promotion expenses required to reach highest profits. (Edward 2009, 20-24)

Market research can help you establish trends. By doing market research periodically there will be lot of data to analyze customers and create a specific trend. Market research helps you establish your market positioning. It's necessary to know the position of your business at specific time. Data from market research helps you benchmark and screen your improvement, which can be valuable to settle on decisions and act accordingly. (Edward 2009, 20-24)

Market research can determine the most persuasive 'promise'. Each brand needs to make a promise. All well known brands do promise to their customers. It can be security, a quick and delicious meal or the guarantee of top technology. Market research can help to identify your brand's promise. (Edward 2009, 20-24)

2.3 Cross-cultural risk

In the beginning, overseas markets are subject to cross-cultural risk, which refers to significant diversity in lifestyles, traditions, language, mindsets, and religions of people living abroad. Every country's religious, cultural, historic, and geographic conditions lead its people to consume according to their tradition. For example, when buying food stuffs, people may shop weekly, instead of daily, a pattern that affects pricing, product size, packaging and delivery, along with other factors.

(Cavusgil 2009, 3-13)

2.4 Commercial risks

Commercial risk is the possible loss or failure those results from business strategies, plans, or procedures that are poorly developed or poorly implemented. Managers may make poor choices in creation of product features, pricing, market entry, and

promotional idea. Company management must coordinate the operational dimensions of market entry, logistic, local distribution and customs clearance. The company must account for foreign competitors and competitive intensity in the target market. These concerns also present in the domestic market, their occurrence is usually more obvious or more difficult in foreign markets. (Cavusgil 2009, 3-13)

2.5 Financial risks

Countries are subject to financial risk, which often includes unfavorable fluctuations in currency exchange rates. These fluctuations can strongly influence company pricing strategy and following sales. Other probable challenges include the level of taxation. Income, value-added taxes, and sales taxes vary significantly from country to country. Transfer pricing can be complicated by exchange rates, currency restrictions, and income repatriation laws. Some countries suffer from high and varying inflation levels, which complicate the firms pricing activities. (Cavusgil 2009, 3-13)

2.6 Country risks (Political risk)

Country risk refers to the potentially bad effects on business activities caused by development in legal, political, and economic atmosphere overseas. Governments often get involved in firm's marketing activities, for example, by restricting access to markets or striking bureaucratic procedures. Countries may have weak legal systems or undeveloped intellectual property rights. Economic circumstances, such as inflation and government indebtedness, can create some difficulties. Foreign buyers may have unstable income levels, which may limit their purchasing power. Infrastructure needed to market products and services, such as transportation networks and communications systems, may be lacking. (Cavusgil 2009, 3-13)

2.7 Porter's five forces analysis

Michael Porter is the founder of structure called the five forces model to understand the situation of competitive intensity. This model deals with five key features that conclude the strength of the competitive forces inside an industry and thus industry

profitability. According to Porter customers, suppliers, new entrants, and substitute products or services are the potential competitors and therefore organization's intention is to find out how to protect itself from effect of these forces or how it can control them such a way so that they can do maximum profit. By analyzing these five forces an organization can build up a portrait whether the particular industry is a very competitive low profit market or a low competition market with high profits.

(McIvor 2005, 122.)

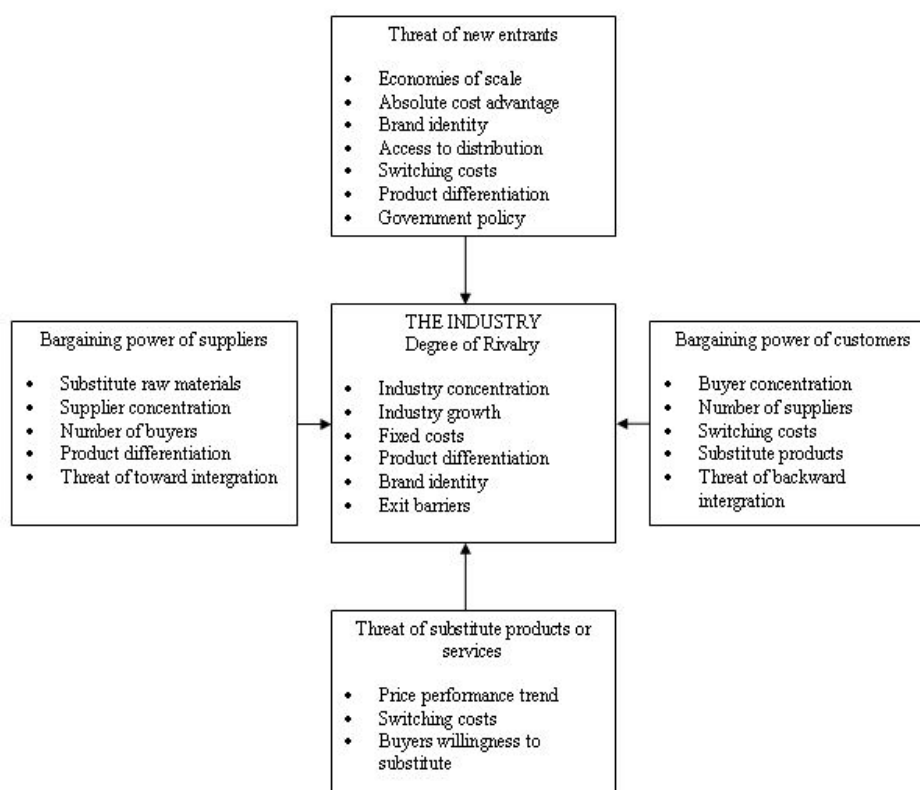


Figure 2. Porter's five forces model. (Subhash 2001, 93.)

Degree of Rivalry

The central force in the Porter's model is the degree of rivalry in the industry. Degree of rivalry can measure the intensity of competition. Indicators of industry concentration determine rivalry. For example: by measuring "Concentration Ratio" rivalry of

the industry can be determined. Concentration ratio indicates the percent of market share held by the largest companies. A high ratio means that the industry is concentrated and there are only few firms having a large market share. A lower concentration ratio implies that many rivals exist, none of which has a major market share. If the rivalry among firms is low, the industry is considered as in order. (Cambell, Stonehouse, & Houston 2002, 140.)

Degree of rivalry explains the intensity of competition among existing companies in an industry. If there are too many firms in an industry it means too many firms competing for the same amount of customers. If these organizations have comparably same market share, the rivalry gets bigger. When the market growth is slow organizations fight for market share, because in a slow growing market they cannot pick up revenues. When competitive pressure is high it puts pressure on prices, margins, and therefore, on profitability of every firm in the industry. (David 2005, 94-95.)

Threat of new entrants

Present competitors as well as potential competitors have influence in the industry profitability. The new entrant's threat is generally based on barriers to enter in the market. The barriers are like high opening funds and fixed costs, cost advantages of present companies, economies of scale (minimum size requirement for profitable operation), customers brand loyalty, intellectual property rights, how strongly access to raw materials is controlled by present companies, how strongly distribution channels are controlled by present companies, high customers switching costs, strict government legislation. (Brumfitt et al. 2001, 18-19)

Threat of substitute products or services

When there is alternative product or service having same performance or parameters with lower cost, there is a threat of substitutes. In future they can take the significant proportion of the market and decrease the potential sales of the present companies.

The threat of substitutes is estimate by factors such as switching costs for customers, brand loyalty, customer relationship, price of the substitute's products etc. (Hellriegel, Slocum, & Jackson 2004, 82.)

Bargaining power of suppliers

When there are many buyers and relatively less dominant suppliers, then there is high bargaining power of supplier in the industry. In this situation suppliers can easily find suitable new customers for themselves. (Bengtsson 1998, 30.)

Bargaining power of customers

The ability of customer to influence on the price of the product or service or to the features of the products is called the bargaining power of customers. When there are a small number of buyers and volume of product offered is large as a result, their bargaining power is greater. There are some other factors that influence on the bargaining power of customers. The switching costs for customers and the availability of alternative products are among them. If switching costs of alternative products are low, then customers have a controlling position due to the incapability of industry players to increase their prices. (Campbell, Stonehouse & Houston 2004, 138-139.)

2.8 PEST analysis

PEST analysis is a tool from marketing principles. Besides marketing, this model is also used by organizations to follow the business environment they are working in or planning to begin a new product or service. In PEST analysis P means Political, E means Economic, S means Social and T means Technological. PEST analysis gives an overview of the whole business environment from different angles. (Morrison 2006, 28-35)

Political

Political factors determine at what extent government policies and legal issues influence an organization's capability to be productive and successful. Political issues includes tax policies, fiscal policy, trade tariffs, copyright and property law enforcement, political stability, social policy, environmental policy, employment laws and safety regulations etc. Organizations need to think about local and central government structure. They should also consider how anticipated shifts in government could influence their business. (Morrison 2006, 28-35)

Economic

Economic factors examine of an economy's performance that directly influences company's success and resonating long term effects. As economic factors need to consider items like economic growth, foreign exchange rates, inflation rates, interest rates, economic stability, predictable shifts in commodity and supply costs, unemployment policies, credit availability and unemployment policies. Economic factors also include FDI (foreign direct investment) for certain specific industries. (Morrison 2006, 28-35)

Social

Social factors determine cultural and demographic aspects of the organization's market. These factors help businesses analyze customer needs and conclude what drive them to shop. Issues that need to be analyzed are population growth rates, demographics, age division, mind-set toward work, job market tendency, religious beliefs, ethical beliefs, lifestyle, educational factors, environmental factors and health awareness. (Morrison 2006, 28-35)

Technological

Technological factors take into consideration technological issues that may affect the operation of industry and the market favorably and unfavorably. Among the particular items that need to be considered are technological developments, government expenditure on technology development, life cycle of existing technology, internet's role and influence in potential information technology changes if any changes occur

in internet. Furthermore organization should also take into consideration how a small shift of technology can affect to their customers. (Morrison 2006, 28-35)

3 EMPIRICAL FRAMEWORK:

3.1 Style of Business in the market

In Bangladesh business market is a free for all types of businesses. Sole proprietorship small business is the main form of business but according to recent survey the number of private limited and public limited business is on the rise. The joint venture businesses also present in the country but it is not so commonly as sole proprietorship. There are also some state owned enterprises which are losing their business to others and some are being privatized.

3.2 Industry analysis

Bangladesh small country with an enormous population of 158.2 million having deficiency of milk to fulfill the demand of the country (Website of Bangladesh Bureau of Statistics).

The population is growing rapidly and consumption of milk and milk products is also rising as a result of the higher income and increasing awareness regarding the importance of milk for healthy life. According to the national nutrition plan annual consumption of milk should be 90 kg per capita. Thus total demand of milk in the country is 14.2 million tonnes (Haque 2007). Bangladesh is currently able to produce about 2.3 million tonnes milk that is only 15 kg per capita annually, which less than the actual demand of the country by 6 times. 15 kg per capita annually is really small number if we compare this number to Finland the highest milk consuming country 184 kg of milk annually per capita.

Now Bangladesh has annual increase of 1.9% domestic milk production which is far behind the demand of the country. This increase of milk production is not enough to fulfill the present and future demand. So there is obvious gap between demand and supply in Bangladesh milk market which will be remaining also in near future. The figure below demonstrates trend of milk production in the country.

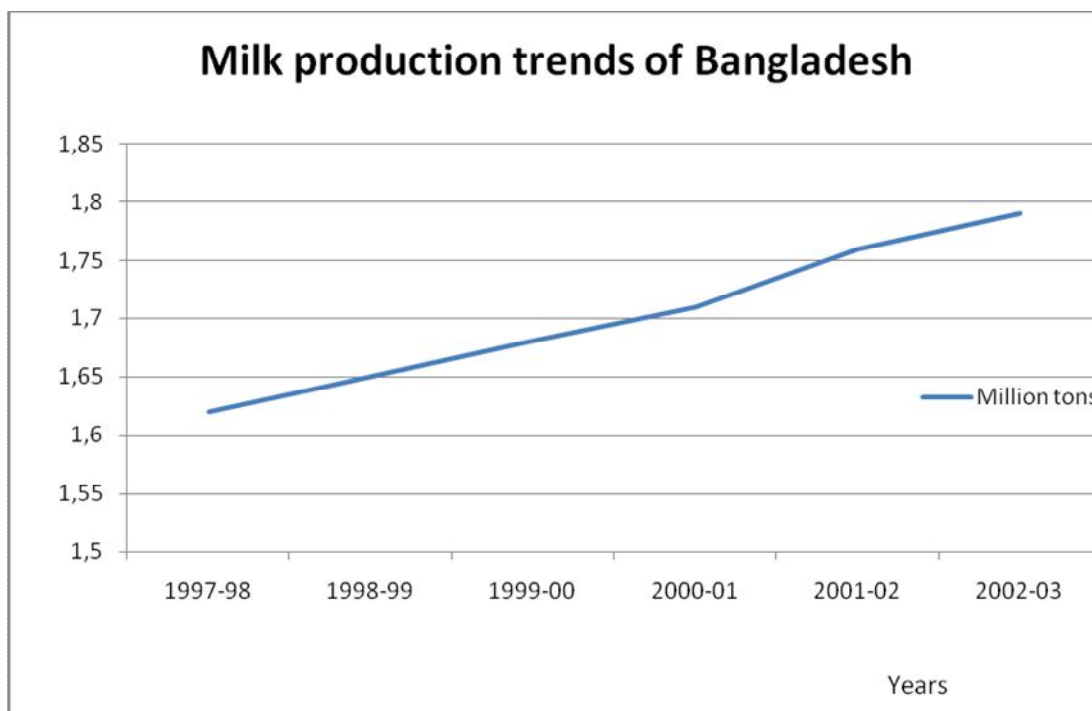


Figure 3: Milk production trend in Bangladesh
(Rao and Odermatt 2006)

Despite the fact that Bangladesh has a low milk production cost advantage comparing in international aspect however it cannot increase local production because of high fodder costs, shortage of land and low milk price for the producers. Another reason is that the cows are local breed which gives only 200kg milk annually and poor quality of livestock feed. The figure bellow shows a comparison of milk production of Bangladesh with other countries:

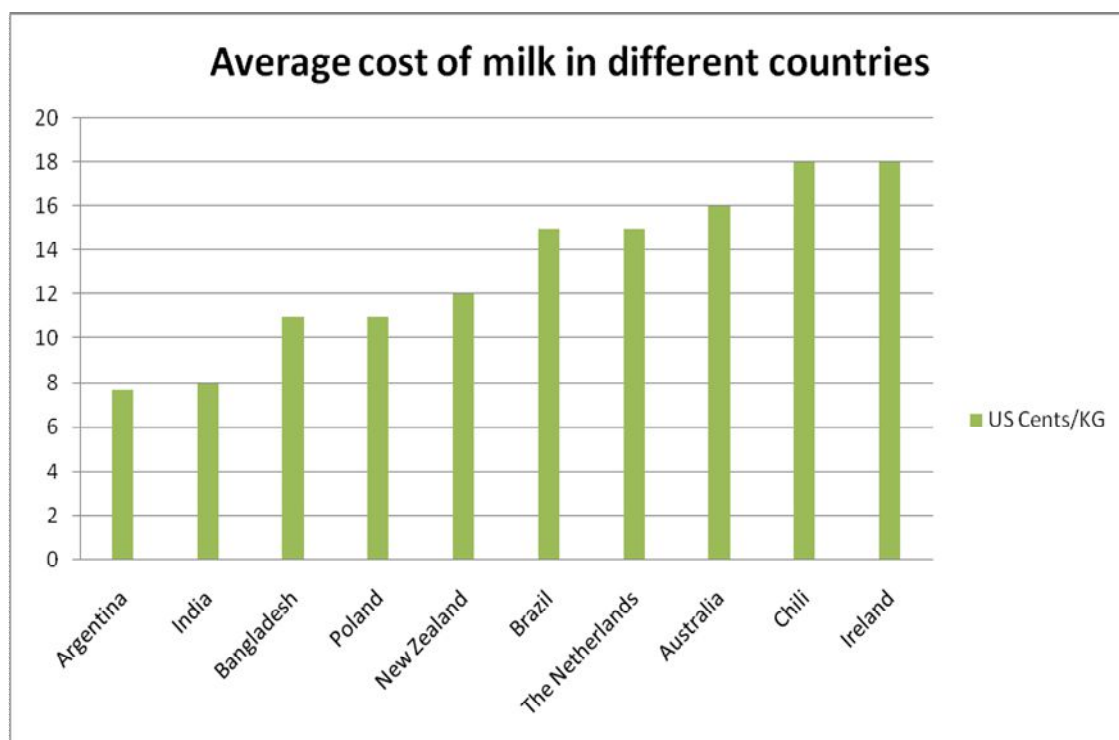


Figure 4: Average cost of milk in different countries

Rank	Country	US Cents/KG
1	Argentina	7.7
2	India	8.0
3	Bangladesh	11.0
4	Poland	11.0
5	New Zealand	12.0
6	Brazil	15.0
7	The Netherlands	15.50
8	Australia	16.0
9	Chili	18.0
10	Ireland	18.0

Figure 5: Average cost of milk in different countries

(Rao and Odermatt 2006)

It is almost 75% of the total milk supply in Bangladesh is milk powder imported from abroad. For last few decades Bangladesh government is trying to decrease the amount of imported powder milk by putting high import tax rates. Now import duties

starts from 47 percent could be up to 72 percent for imported powder milk. Import trend of milk powder shown in the figure below....

Import of milk powder by year

Years	Tonnes
1990-91	60
1991-92	55
1992-93	45
1993-94	35
1994-95	25
1995-96	21
1996-97	14
1997-98	13
1998-99	15
2000-01	19
2001-02	20
2002-03	18
2003-2004	16
2004-2005	15

Figure 6: Year wise milk import
(Hayes 2008)

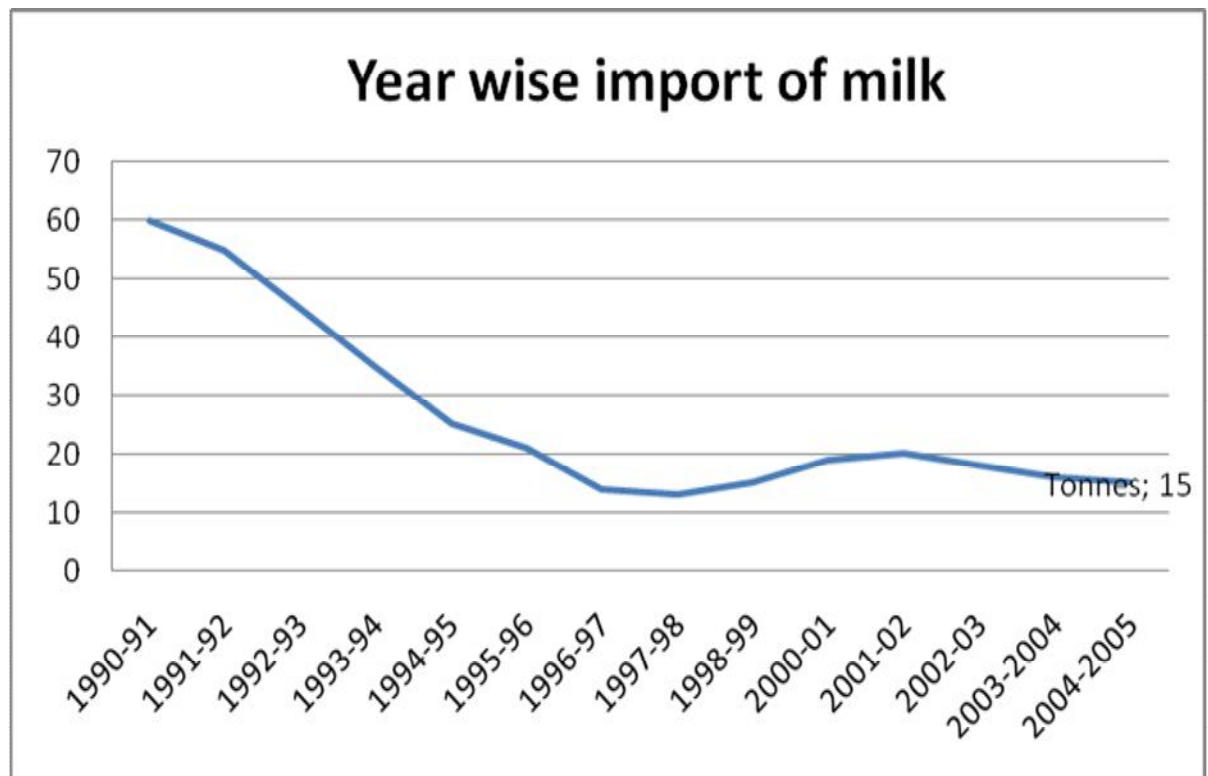


Figure 7: Year wise milk import

Only 24 Kilocalories is the amount that Bangladeshi people get through milk consumptions per capita daily while neighboring countries like Pakistan and India's daily intakes are 265 Kilocalories and 104 Kilocalories respectively. So the per capita daily consumption of milk is very low in the country. In order to increase the amount of consumption either import need to be increased or local production has to be increased. It shows that this is very good time to invest in Bangladesh dairy market. (Porimol 2008)

3.2.1 Analysis of dairy market and supply

Two different kinds of milk market structures are present in Bangladesh; first one is informal and second one is formal. In informal structure the milk is collected straight from the farmers through the agents to the consumer. According to recent research in this way most of the milk about 90% is sold. This quantity of milk is used to make sweetmeat and household consuming purposes. Just about 10% of the total production is used by the formal sectors who acquire milk from farmers with contract for processing and selling them as packet pasteurized milk. The economic progress and awareness among some group of people is opening possibility for growth to the milk processing companies. The chart bellow shows the portion of milk consumption by different group in Bangladesh:

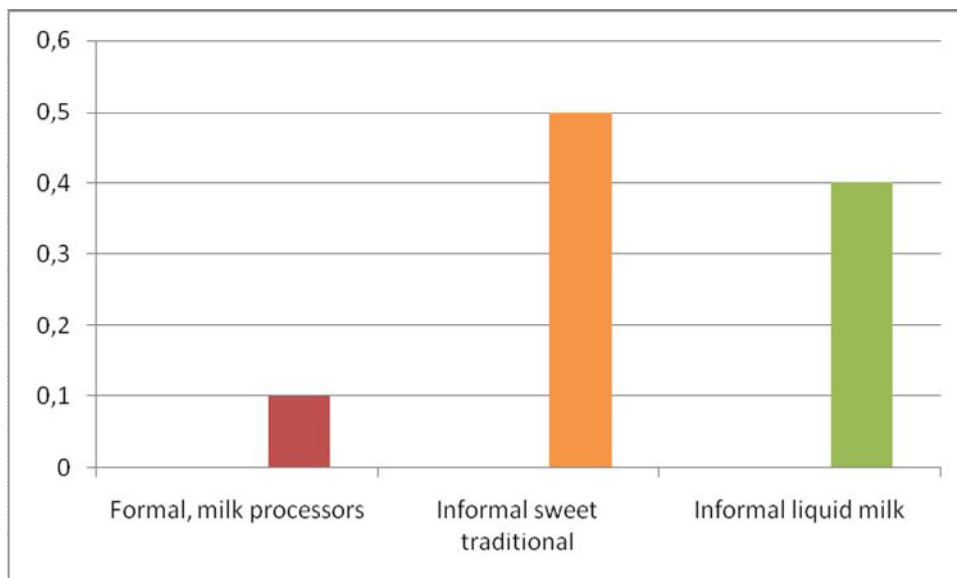


Figure 8: Different consumer groups and their share

(Rao and Odermatt 2006)

Landless farmers and small farmers are the main producers of the milk in Bangladesh. The size of the farm is very small in comparing international aspect. The chart bellow shows the size of farms in different group:

Farms	Number of cows
Landless farm	2
Small farm	2.9
Medium farm	3.7
Large farm	4.4
Average number of cows	3.5

Figure 9: Producer groups and their farm size

(Rao and odermatt 2006)

The figure above shows that the farmers are not developing their production volume though there is scope to do it. It could either for their ignorance or lack of knowledge.

3.2.2 Competitors' analysis

In actual case the competition is so small that it can be overlooked. As the business's main client is milk processing company and they have a shortage of 60 thousands liters of milk daily, so truly right now there is no concern about the competition. Milk processing companies cannot utilize their full production capability because of the milk shortage.

3.2.3 Porter's five forces analysis for dairy industry in Bangladesh

Degree of Rivalry

The central force of the Porter's model is the degree of rivalry in the industry. Degree of rivalry can measure the intensity of competition. Indicators of industry concentration determine rivalry. For example: In Bangladesh dairy market concentration ratio is very high. A high ratio means that the industry is concentrated and there are only few firms having a large market share; only three-four big companies holding 90 percent market share. Therefore rivalry in Bangladesh dairy industry is very low. (Cambell, Stonehouse, & Houston 2002, 140.) & (Interviews)

Threat of new entrants

Barriers for new entrants is minimum in Bangladesh dairy industry. For example opening costs and fixed costs are low. Bangladeshi customers as a whole are not brand loyal; they would like to try a new product with good price. Existing companies have moderate control over distribution channels and access to raw materials. There is no switching cost for customer. Government legislations for new companies in dairy industry are not strict. (Brumfitt et al. 2001, 18-19) & (Interviews)

Threat of substitute products or services

If there is alternative product or service having same performance or parameters with lower cost, there is a threat of substitutes. In Bangladesh there is no established alter-

native for dairy product. In future if there is any alternative, Bangladesh customer may switch to it if price is reasonable as they are not brand loyal and there is no switching cost. (Hellriegel, Slocum, & Jackson 2004, 82) & (Interviews)

Bargaining power of suppliers

When there are many buyers and relatively less dominant suppliers, then there is high bargaining power of supplier in the industry. In this situation suppliers can easily find suitable new customers for themselves. In Bangladesh there are few suppliers and relatively more buyers; so bargaining power of suppliers exist. (Bengtsson 1998, 30) & (Interviews)

Bargaining power of customers

The ability of customer to influence on the price of the product or service or to the features of the products is called the bargaining power of customers. When there are a small number of buyers and volume of product offered is large as a result, their bargaining power is greater. Bangladesh is a country with huge population having only few companies producing dairy products. Furthermore there is no alternative to dairy product present. So, obviously bargaining power of customers is very low. (Campbell, Stonehouse & Houston 2004, 138-139.) & (Interviews)

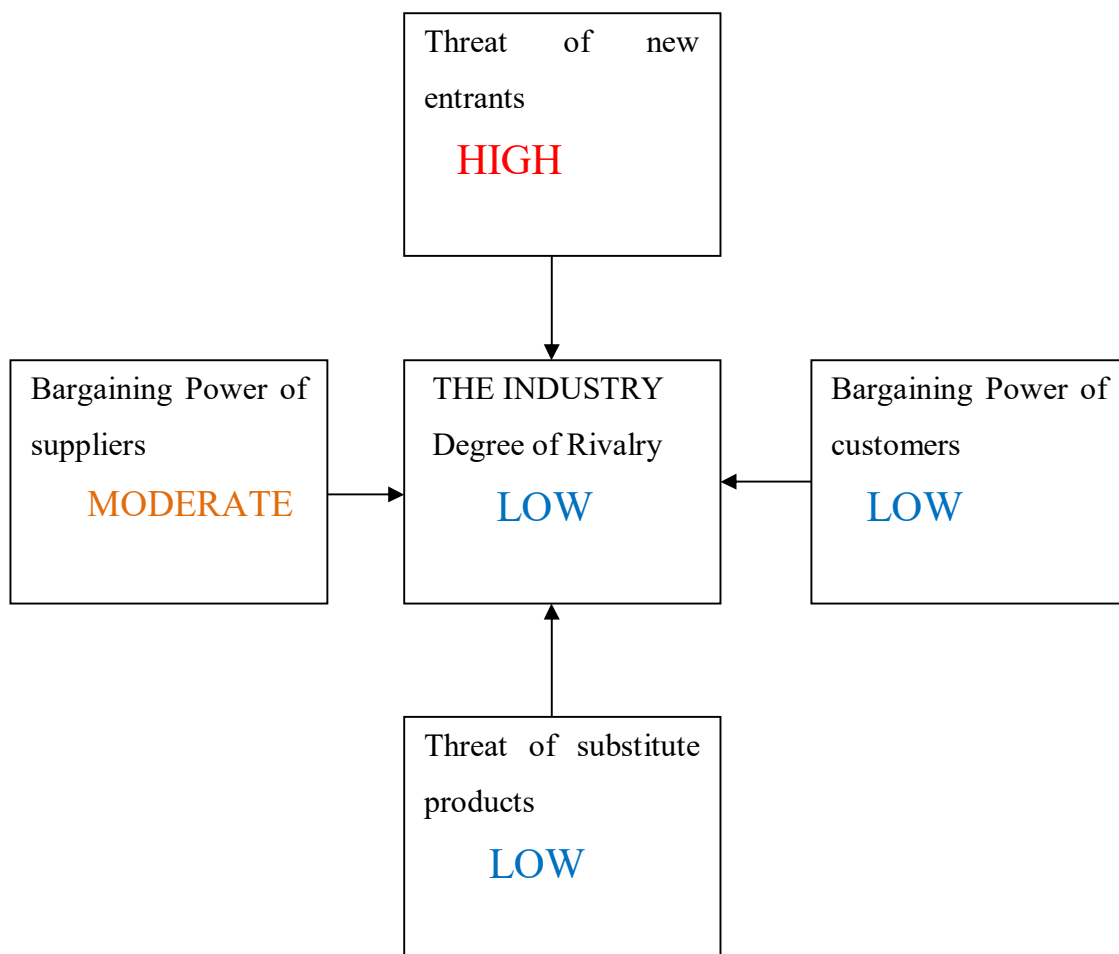


Figure 10: Porter's five forces for Dairy industry in Bangladesh

3.3 PEST analysis for dairy industry in Bangladesh

Political

Bangladesh is a third world developing country where there are issues like political instability every now and then. Political issues like countrywide strike are common in Bangladesh but it's not a big deal as business is carried on smoothly no fighting is going on. Taxation in Bangladesh is tolerable as it is under 5% at the wholesale and retail stage. There are issues that can worry businessmen like copyright and property law enforcement, social policy, and environmental policy. (Morrison 2006, 28-35 & interview

Economic

Bangladesh is a country with big market for dairy products. For last decade Bangladesh has been demonstrating good economic growth. For example: for last decade GDP growth rate never been lower than 6. According to latest records GDP growth rate is 6.01. GDP (Purchasing Power Parity) per capita of Bangladesh is 3373\$ which puts Bangladesh in the same ground with other third world country. Just a decade before GDP (Purchasing Power Parity) per capita of Bangladesh was three times less than now. Bangladesh bank's interest rate is quite high it's above 7%. Inflation rate in April 2015 is 6.32% which also quite high. These economic factors put Bangladesh in disadvantage. (Morrison 2006, 28-35 & interviews)

Social

Bangladesh is an overpopulated country, having over 158 millions in a small territory. Population fertility rate in Bangladesh is 2.2% according to 2015 statistics which is really healthy rate compare to other countries in the world. Bangladesh dairy market is increasing day by day along with population. Over 90% people of Bangladesh are Muslim. Prophet Muhammad liked to drink milk, so do Bangladeshi Muslims. During holy month of Ramadan consumption of milk doubles in the country. (Morrison 2006, 28-35 & interviews)

Technological

As I mention earlier Bangladesh is a third world developing country, technologically it underdeveloped. For example: just only 15% population of Bangladesh has access to internet. Mainly in the urban area people have access to the internet. Monthly internet subscription is quite expensive. (Morrison 2006, 28-35 & interviews)

3.4 Risk analysis

Cross-Cultural risk

In the beginning all countries are subject to cross-cultural risk. Bengali is the only mother tongue for over 158 million people. English is also widely used among educated people. So by knowing English it is not difficult to do business in Bangladesh.

Other cross-cultural aspects like diversity in lifestyles, traditions, language, mindsets, and religions have minor impact on Bangladesh dairy industry business.

(Cavusgil 2009, 3-13 & Interviews)

Commercial risk

There are no foreign competitors and only few local competitors in Bangladesh dairy market but these local companies having big market share. These local companies cannot fulfill current demand of the people. There is no major market entry barrier for this market in Bangladesh. Pricing is the only issue that may cause commercial risk in Bangladesh dairy industry as Bangladeshi people are price sensitive according the one of the interviewees. (Cavusgil 2009, 3-13 and Interviews)

Financial risk

Financial risks like currency exchange rate, level of taxation, and value added taxes have impact on dairy business in Bangladesh. Now Bangladeshi currency Taka is very strong against Euro and Dollar. Taka gained about 20% against Euro from last year. Strong national currency is good for business if they import from abroad. Bangladeshi Taka rate is not predictable, so it is difficult to do business relying on it. So there is a risk. (Cavusgil 2009, 3-13 and Interviews)

Country/Political risk

Third world country like Bangladesh is subject to political risks. In Bangladesh opposition political leaders can call for countrywide strike if they cannot come to an agreement with government in any issue. So there is a risk. Good news is that now a days these strikes are less than before. For last six months there were no strike in Bangladesh. This is a good sign for business. Bangladesh is a bureaucratic country, where bureaucratic procedures can last months to solve a small issue. This may harm the normal business harmony. (Cavusgil 2009, 3-13 and Interviews)

4 IMPLEMENTATION OF THE RESEARCH

4.1 Research methods

Based on the research objectives method of research is selected. Some objectives put higher importance on qualitative research, some on quantitative research and some require both methods. Research material can be gathered by using different ways. For example: by questionnaires, interviews, or by using secondary data from earlier publications. Usually both primary and secondary data is required for conducting a research. (Kumar 2005, 17)

In quantitative research a group of respondents provide data which are statistically analyzed. By analyzing the material gathered, the researcher tries to understand a societal phenomenon and then do a summary. In quantitative research, the research problems are designed precisely beforehand. (Black 1999, 23.)

Qualitative research is a composition of research procedure, used in social sciences and marketing, in which data are gathered from a comparatively small group of respondents. The researcher describes characteristics of people and events without comparing them from the perspective of measurements or amounts. (Eskola & Suoranta 2003. 26)

4.2 Implementation

My thesis consists of both theoretical and empirical parts. The theoretical part is written by using secondary data to build up a basis for the empirical part. The information is collected from publications, books, and internet sources. Empirical part is done through gathering and analyzing secondary data on the top of primary data which is collected from the interviews. The interviews covered issues such as current business situation in Bangladesh milk market, future expectations, bureaucratic issues, corruption, risks of doing business in Bangladesh such as Political risks, financial risk, cross cultural risk, commercial risks. There were also questions about advantages of State owned milk companies over private companies.

The first interview was conducted on 16th April 2015 through phone with the manager of the PRAN milk, Mr. Kamruzzan. The questionnaire was sent to him in advance so that he could prepare himself for the interview. The session lasted just about an hour.

The second interview was conducted on 20th April 2015 through phone with the manager of the RATAN Khati dud (Ratan's Pure milk), Mr. Hanif. The questionnaire was sent to him in advance so that he could prepare himself for the interview. The session lasted about 55 minutes.

The third interview was conducted on 21th April 2015 through phone with a producer of milk, who produces milk and sells locally. His name is Mr. Zafar. The questionnaire was sent to him in advance so that he could prepare himself for the interview. The session lasted just about 50 minutes.

4.3 Validity and Reliability of the Research

Conclusions drawn from the analysis of the results of data should be impersonal. They should be based on the facts of the findings from actual data instead of some one's own emotions. Trustworthiness is demonstrated by proving the research tools reliable and stable, hence, predictable and accurate. Higher the level of stability and consistency is the greater is its reliability. (Kumar 2005, 152.)

Internal validity refers to the entire portrait of the issue at the same time as external environment refers to the overview of results. Utilization refers the usage of the data collected and the benefits of it to particular case. (Creswell 2008, 159-160.)

Another meaning of word validity is truth. Sometimes one doubts the validity of an explanation because the researcher has noticeably made no effort to deal with contrary cases. (Silverman 2000, 175-176)

Data gathered for this thesis by using both primary and secondary data. The primary data was obtained from three interviews. The secondary data used was gathered from books, internet sources and other publications. The study results support the theory and answer the questions regarding this thesis.

5 EVALUATION OF THE PROCESS

In the beginning I was little confused about the thesis topic but after a meeting with my supervisor it became clear. I was also confused about content of the thesis and how to start writing but supervisor's advice helped me to overcome the confusions.

Though in the beginning the thesis writing looked difficult but after writing little by little it became clear and was not that much difficult.

In the empirical part I was searching information about dairy business in Bangladesh in the internet. There was not much information in internet about dairy industry in Bangladesh but it was enough for my thesis. The most difficult part was to get connected with the interviewees as they were too busy to give an interview. I was the writing the thesis while doing my second practical training in my home country in Bangladesh. So I had chance to talk directly to some of the milk producers in Bangladesh.

After almost a year hard work, thesis is done. Now feeling relaxed and free from overloaded schedule.

6 RECOMMENDATION

There are risks like cross-cultural risk, political risk, financial risk, commercial risk while doing business in Bangladesh. According to the conducted research these risks can affect the business but impact is minimum.

There were three questions for the purpose and objectives. After reviewing these questions and facts described in the thesis,

Is there good market for dairy products?

Bangladesh is small country with huge population of 158.2 million people. Consumption of milk increasing fast as purchasing power and awareness of benefit of milk is increasing. According to Bangladesh Bureau of Statistics Bangladesh have shortage of milk to fulfill current and future demand. Total demand of milk in the country is 14.2 million tonnes. Bangladesh currently produces only 2.3 million tonnes milk that is only 15 kg per capita annually, which less than the actual demand of the country by 6 times. So answer is yes there is good market for dairy products in Bangladesh.

Is it a good idea to do business in Bangladesh?

From the PEST analysis political situation is more or less stable though sometimes countrywide strikes can be experienced but it's not a big deal as business is carries on smoothly no fighting is going on. Taxation in Bangladesh is favourable for business as it is under 5% at the wholesale and retail stage. Economic situation of Bangladesh is getting better day by day having healthy GDP growth rate of 6.32%. So answer is yes it is good idea to do dairy business in Bangladesh.

What are the risks of doing business in Bangladesh?

While doing business there are elements of risk in Bangladesh. Political risk, commercial risk, cross-cultural risk, and financial risk are present. But considering all pros and cons impact of risks are minimum in Bangladesh dairy industry.

So from the details described above in this thesis it is easy to come to a conclusion that there is good opportunity to do dairy business in Bangladesh.

7 CONCLUSION

The thesis was started to find out the dairy market condition, supply-demand balance and the potentiality to establish a dairy farm in Bangladesh.

From the research conducted in the thesis it is clear that there is a colossal gap between supply and the demand of milk in Bangladesh market. Milk processing companies are not able to use their full capability because of shortage of fresh milk. Over 75% local demand is fulfilled by importing powder milk. Furthermore consumption of milk is increasing rapidly because of increasing purchasing power and increasing awareness of nutrition among the people. This inequality of supply- demand is beneficial for new dairy farmers. Then again Bangladesh government is imposing high import taxes to reduce the import of milk, which is also creating possibility for the domestic milk producers. After considering all disadvantages described in this thesis, there is still good possibility to do business in Bangladesh dairy market.

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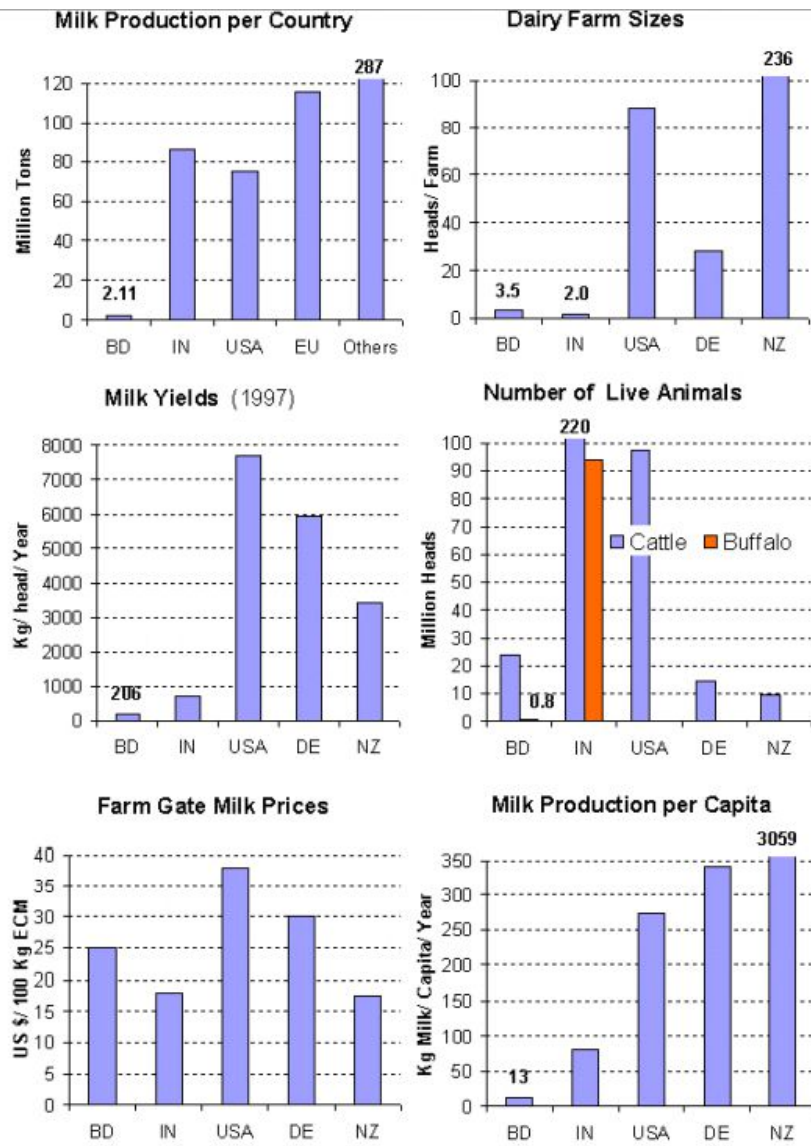
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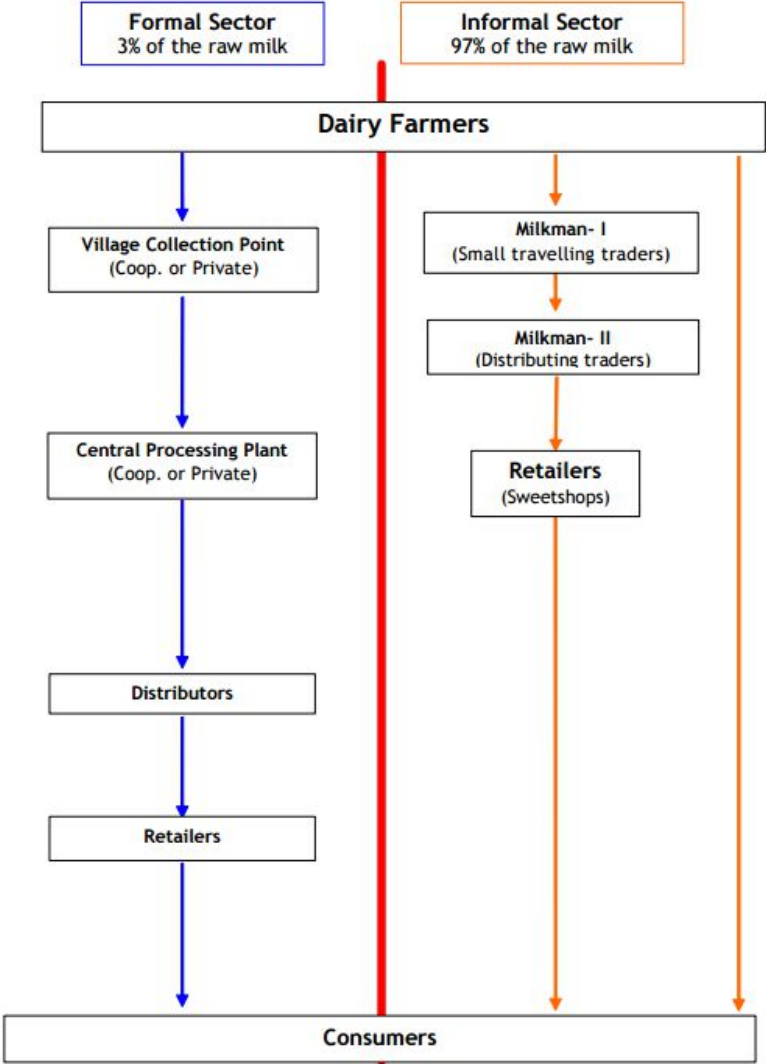
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Interview questions

1. What are the risks while doing business in Bangladesh?
2. What are the effects of bureaucratic issues?
3. How you deal with bureaucratic problems?
4. How problematic is corruption?
5. Have you ever paid bribe?
6. Are there any difficulties to entre Bangladesh dairy market?
7. What is the competitive intensity?
8. How good is buyer's purchasing power? Do they pay on time?
9. What is the effect of inflation in the business?
10. How you deal with political instability in Bangladesh?
11. How harmful is political instability for your business?
12. Does government intervene while doing business in Bangladesh?
desh?
If yes how you deal with this?
13. What are the market access barriers in the dairy market?
14. What is the effect of weak legal system?
How you deal with this?
15. What is the situation in intellectual property rights?
16. How good is infrastructure in Bangladesh?
17. What are the effects of poor infrastructure in Bangladesh?
18. How profitable is the dairy industry in Bangladesh?
19. Are there any difficulties regarding cultural issues for an international company to do business in Bangladesh?

For example:

- i. Cultural differences
- ii. Language differences
- iii. Lifestyle differences
- iv. Differences based on religion

