

# Determinants of Purchasing Non Local Fast Moving Consumer Goods in Bangladesh: Evidence from Khulna City

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## Abstract

This study has put a great stride to identify the factors that derive the Khulna city customers to purchase some selective FMCGs (Fast Moving Consumer Goods) of Multinational companies (MNCs). Data were collected from 200 FMCG consumers of Khulna city using structured questionnaire developed based on the previous studies. Factor analysis was applied and the analysis showed that the 25 variables loaded on eight factors titled as Perceived quality, reliability celebrity endorsement, product development variety, price, good image, country of origin effects (COO), availability security and Advertisement. Kaiser-Meyer- Olkin (KMO) measure of sampling adequacy of this study is 0.665 and the cumulative percentage of variance explained is 61.295. Later regression technique was used. In the regression Perceived Quality, Good Image, Availability Security are found statistically significant indicating that 46.6

**Index terms**— FMCGS, MNCS, perceived quality, good image, availability and khulna city.

## 1 Introduction

Fast Moving Consumer Goods (FMCG), one of the largest sectors in the economy of Bangladesh has experienced a dramatic growth in the last few years (Ullah & Prince, 2006). In Bangladesh the sector is characterized by the presence of a number of domestic and multinational companies (MNCs), because the impact of globalization has put the business cross national and international with a fast pace. (Khatatka & Shah, 2011). Foreign companies and brands competing with that of local is a customary event of this age (Uddin, et al., 2008). Some of the best known examples of multinational FMCG companies in Bangladesh include Reckitt Benckiser, Nestle, Unilever, Procter & Gamble, Johnson & Johnson, GlaxoSmithKline, Coca-Cola, Kraft, PepsiCo, Marico etc while Some national FMCG companies are Square, PRAN and ACI etc. (Ullah & Prince, 2006).

The multinational FMCG companies are dominating the market throughout the country with a number of successful brands. The sales turnover of MNCs is much more than that of domestic companies.

## 2 For instance US giants like Proctor & Gamble and Johnson & Johnson have already recorded encouraging

Author: Khulna University. e-mail: kajol.bad@gmail.com surge in sales of their products in Bangladesh. The FMCG market watchers say good performance of Unilever, having around \$500 million dollar annual turnover in Bangladesh, might have opened the eyes of \$80 billion plus P&G and \$60 billion plus Johnson & Johnson on Bangladesh's fast growing market of middleclass consumers (Positive Bangladesh, 2011). Most of The consumers here purchase the FMCG of foreign/ multinational companies on a regular basis. They rarely think about the local producers brands.

So it is strongly recommended to find out some valid and reliable factors behind their products' success. This study focuses around identifying the factors significantly influencing the consumers' preferences for MNCs brands

in the field of FMCG products during actual purchase from the retail outlets. But the study has used only the Khulna city consumers. As FMCGs are frequently purchased and low involvement items the Purchase decisions of these products can be based on company preferences, brand equity, brand image and associations, unavailability of local substitutes, perceived quality, security feelings, emotions, sales promotions, celebrity based advertising, family & friends, social status etc (Uddin, et al., 2008).

### 3 II. Objectives and Scopes of the Study

The objectives of the study that are:

? To find out the factors those drive the consumers to purchase the FMCG of multinational companies. ? To arrange the factors according to their influence in the purchase decision.

As the FMCG covers different kinds of consumer products, this study considers only the cosmetics products (soap, shampoo, cream, face/hand wash, perfume), shaving products, detergents, toothpaste, and soft drinks. And the study has been conducted within the Khulna city.

### 4 III.

### 5 Conceptual Framework

Definition of FMCG: Fast Moving Consumer Goods (FMCG) are the products that are sold quickly at relatively low prices. It is also known as consumer packaged goods (Singh. P, 2013)

### 6 Review of Earlier Studies

Many researchers of many countries have conducted study to find out the factors that actually influence the customers to prefer the foreign companies' brands. In a study Ismail, et al., (2012) found that the most important factors that influence a consumer's final decision are the price, quality, social status, family & friends. They found that consumers in developing countries value foreign companies brand especially for their assumed high quality and prestigious image. To the Internationally well-established brand name can act as a "halo" constructs to the customers. So quality is commonly recognized as an elementary and dominating force of purchase intention. And few consumers are ready to pay higher price but no compromise on the quality. However Zeithaml ??1982, ??988) suggests that in most purchasing decision customer's objective is to "Get the best for the money". Therefore price is also one of the most important extrinsic cues that consumers use when evaluating the product/brand (Hansen, 2005) ??oth and Romeo (1992) have also conducted studies focusing country of origin (COO) effects on brand choice. They believe that country of origin is a significant factor in influencing international marketing and buyers use country of origin as an indicator of a product's quality (Rezvani et al., 2012). So not only brand name but also COO shapes the quality expectation of customers. In addition according to many researchers brand availability serves as a key brand performance driver (Tolba, 2011). Consumer generally switches to another brand if their preferred brand is not available at the time of purchase (Ullah & Prince, 2006). So when there is no local substitute available for consumers, they have no option other than to go for foreign companies' products (Khattak & Shah, 2011) Chi et al., 2009). Consumers prefer brands that are easy to recognize and brands whose Information is easy to understand. So a product with a high level of brand awareness will receive higher consumer preferences because it has higher market share and quality evaluation (Chi et al., 2009). According to Rio et al., (2001) good Brand image and association have a positive influence on the consumer's willingness to recommend the brand, pay a price premium for it and accept brand extensions. Consumers generally evaluate brand extensions more favorably in case of leading brands and companies that enjoy a good reputation and are purchased by many people for a long day (Aaker, 1991). Promotional mix like sales promotion, advertising, direct selling, personal selling and public relation also Advertising shapes the attitudes of the society and the individual, make aware of the product attributes and inevitably influences customer behavior. And to get the brand noticed amidst the clutter advertisers often select celebrities as a promotional strategy to communicate the attributes of their product or brand. Today, this advertising approach appeared to be on the increase across all media types (Sherman, 1985 and Levin, 1988 cited in Balakrishnan & Kumar, 2011). Celebrity usage helps in accelerating the brand image and acts as a credible means of spending money. Celebrity (actor, sports figure, entertainer, etc) is an individual who is known to the public. Sulekha & Mor (2013) conducted a study with 22 variables. After applying the factors they found 6 influential factors that affect the customers to select FMCG such as product, promotion, value, attitude, interest and demographic. Singh (2013) conducted a study on the success factors of FMCG and he found that promotion, product knowledge, ecommerce facility, environment facility, marketing mix facility and positive distribution are the factors that affect the success of FMCG.

V.

### 7 Methodology a) Type of the Study

A descriptive study has been conducted to get a clear understanding about the factors that influence the Bangladeshi customers to purchase foreign company's consumer products and to know the importance of those factors in consumer's decision making process. Sampling: A total of 200 FMCG consumers above 15 were selected from Khulna city. Quota sampling technique was used. 50% were male and 50% were female. And

they were chosen from a variety of professions including students, service holders, businessman, housewives and others. Data collection: Primary data were collected by distributing a self administered questionnaire among 200 FMCG consumers of Khulna city. In the questionnaire there were 25 statements/ independent variables related with price, product quality, social status, advertising, sales promotion, country of origin, product availability etc. There was a dependent variable the purchase of the FMCG of MNCs. 5 point Likert scale was used to measure the relative importance of each statement. And secondary data have been collected from a review of literature of related studies. Data Processing Tools: 189 questionnaires were found complete and thus used for data analysis applying two major statistical techniques including factor analysis and regression analysis. Factor analysis was used to purify and validate those variables. Before that the internal consistency of the items was also examined by applying the reliability statistics (cronbach alpha).Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy has also been applied. Varimax rotation, a principal component of the factor analysis was used to identify the factors. The rotated component matrix shows that eight factors affect the purchase of FMCG of foreign companies. After that regression analysis was done to find out the statistically significant factors. In the regression analysis the dependent variable was the "Purchase of the FMCG of MNCs or foreign companies" and the independent variables were eight factors. Statistical package SPSS 20 was used for data analysis.

## 8 VI.

## 9 Data Analysis and Findings

Data collected form the respondents were used for factor analysis. Before that Cronbach's ? score was calculated to find out the internal consistency of the data. In the factor analysis 25 variables loaded on eight factors (Table 3).Kaiser-Meyer-Olkin (KMO) (Table 1) measure of sampling adequacy of this study is 0.665. This indicates that the data support the factors analysis. Bartlett's test of sphericity with significance (.000) means the relationship among the variables was strong. The cumulative percentage of variance is 61.295 (Table ??2).

## 10 Factors Discussion and Implications

There were 25 variables and the variables loaded on eight factors (Table 3). The first factor is referred as perceived quality. This factor explains 10.626 percent of variance (Table 2).There are five variables under the factor. The factor indicates that most of the consumers of Khulna city perceive the foreign FMCGs as of good quality and better performance than domestic products. They value foreign companies brand especially for their assumed high quality and prestigious image. The second factor is titled as Reliability & Celebrity Endorsement. The study shows thatKhulna city consumers can rely on the foreign companies' FMCG. And their reliability on the brands increases when they see that their favorite celebrity is endorsing the product. They believe what the spokespersons say about the products. For that reason most of successful brands are endorsed by the famous celebrity who is popular among the Bangladeshi consumers. This factor explains 9.564 percent of variance. The third factor is titled as the country of origin (COO) effects. We have said earlier that People from the developing countries like Bangladesh have a general perception that the products from the foreign countries are of good quality. The study also found that Khulna city consumers are not out of that perception. When they hear the name of a foreign company or country they become interested to purchase that product. They become less interested and hesitate to purchase if it is made in ??angladesh the same time there are some countries and some companies which are famous for some specific products. This factor accounts for8.687 percent of total variation (Table 2).The fourth factor is termed as product development and variety. To retain the market share and to keep up with the changes of customers' needs and demands the marketers bring the changes in their product quality and design. Sometimes they segment the market in terms of customers' needs and purchasing power. And the foreign FMCG companies operating in Bangladesh perform this job more consciously than the domestic ones. So product size, variety and continuous development are significant factors that derive the Khulna city customers to purchase the FMCG of MNCs. This factor explains 7.828 percent of variance (Table 2).Another factor that the consumers consider while purchasing is price. In Khulna most of the customers' assumption regarding the FMCG of foreign companies is that they are not loosing money by purchasing those though the price is not cheaper than the domestic companies' products. But as some people are price sensitive the MNCs launch mini sized product at a cheap price. This factor explains 6.529 percent of variance (Table 2). The sixth factor is good image of the brands and company. In the field of FMCG foreign companies have a number of products those have good image and association throughout the world. This good image and association positively influence the consumers in Khulna to purchase the products, recommend the brand, pay a premium price for it and accept the brand extension. This factor explains 6.367 percent of variance (Table 2).

Product availability and security serve as a key driver among the Khulna city consumers. The consumers generally switch to the other brands if their preferred brands are not available at the time of purchase. But the MNCs in Bangladesh make the products available in a divisional city like Khulna. To make the products available the foreign companies have broad distribution channel in Khulna that sometimes convince the retailers to keep only their products by rewarding some commission. So when there is no local substitute available for consumers, they have no option other than to go for foreign companies' products. Even after purchasing they feel secured about the product quality. The factor explains 6.022 percent of variance (Table 2). Advertisement makes the

Khulna city customers aware of the products and its features. Sometimes repeated exposure to the advertisement influences them to purchase the products. And this factor explains 5.671 percent of variance (Table 2).

## VIII.

## Conclusion

This study has successfully dealt with a number of relevant factors associated with the purchase intention of foreign companies' consumer products. After the factor analysis the study has identified eight essential factors that ultimately influence the Khulna city customers of Bangladesh to purchase the FMCG of foreign companies or MNCs. The factors are perceived quality, reliability & celebrity endorsement, product development & variety, price, good image, country of origin, availability & security and advertisement. Among these Perceived Quality, Good image, Availability & Security are found statistically significant. Similar findings were also identified in other studies. The study might have failed to find out many other factors like reference group, ethnocentrism and sales promotion that also affect the customers to purchase the FMCG of foreign companies'. But what identified is obviously not less important. The study was conducted based on the opinions of Khulna city customers. The result may not be generalized reflection of all the customers of the country. And the findings of this study have clear implications for the domestic companies of Bangladesh.

Multinational Corporation (MNC): A multinational corporation (MNC) or multinational enterprise (MNE) is a corporation that is registered in more than one country or that has operations in more than one country. It is a large corporation which both produces and sells goods or services in various countries. Some of the best known examples of multinational FMCG companies in Bangladesh include Reckitt Benckiser, Nestle, Unilever, Procter & Gamble, GlaxoSmithKline, Marico, Colgate-Palmolive, Coca-Cola, Kraft, PepsiCo etc. Some national FMCG companies are Square, PRAN and ACI etc.

Some successful FMCG brands: In Bangladesh some of the successful as well as dominating brands offered by the multinational FMCG companies in the product category of detergents, toiletries, cosmetics, oral hygiene products, shaving products and soft drinks are Lux, Dove, Lifebuoy, Sunsilk, clear, Head & shoulder, Panteen, Pepsodent, Close up, sensodine, Meswak, Wheel, Surf excel, Rin, Vim, Matador, Mr. clean, oral B brush, Coca Cola, pepsi, mountain dew, sprite, Gillette, Dettol, Nivea, Rexona, Fair & Lovely, ponds, Boro plus, Betnovate, Parasut, Vaseline, Addidas, Denim, Johnson, Loreal, Bic, Treet, Venus, Garnier etc.

IV.

& Garibol Johnson,

Figure 1:

Figure 2:

Brand awareness also plays an important role on purchase intention because consumers tend to buy a familiar and well known product (Macdonald & Sharp, 2000 cited in

Figure 3:

1

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.665
	Approx.	Chi-	1255.297
	Square		
Bartlett's Test of Sphericity	df		300
	Sig.		.000

Figure 4: Table 1 :

2

Component	Total	Initial Eigenvalues	% of Variance	%	Cumulative	Relative	Sums of Squared Loadings	Total	% of Variance
1	3.938	15.753	15.753		3.938		15.753	15.753	
2	2.536	10.142	25.896		2.536		10.142	25.896	
3	1.991	7.966	33.861		1.991		7.966	33.861	
4	1.561	6.244	40.105		1.561		6.244	40.105	
5	1.490	5.961	46.066		1.490		5.961	46.066	
6	1.362	5.450	51.516		1.362		5.450	51.516	
7	1.305	5.218	56.734		1.305		5.218	56.734	
8	1.140	4.561	61.295		1.140		4.561	61.295	

Figure 5: Table 2 :

3

Factors	Variables	Loading value
1. Perceived Quality	Superior quality products	.720
	Higher price means higher quality	.686
	Better Performance	.599
	prestigious brands	.569
	exclusivity	.451
2. Reliability & Celebrity Endorsement	Reliability on the brands	.857
	Celebrity based advertising	.806
	Good packaging and style	.770
3. Country of origin effects (COO)	purchasing if it foreign company's name	.780
	Not to purchase if it domestic company's name	.740
	Asking company name before purchasing	.599
	Seeing the COO while purchasing	.563
4. Product Development & variety	Adding new ingredients	.777
	Discount or lucrative prizes with the products	.688
	Different sizes and variety	.656
5. Price	Cheaper than Bangladesh	.791
	Loosing money by purchasing	.608
	Highly cost concern	.599
6. Good image	Good reputation of the brands	.739
	Good quality is first to you	.676
7. Availability & security	Security feelings after purchase	.765
	Availability in the nearby store	.645
8. Advertise-ment	Television advertisements	.772
	Satisfaction of the product performance	.554
	Repeated exposure to advertisements while watching TV	.467

Figure 6: Table 3 :

4

Figure 7: Table 4 :

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