Thesis Report

on

Market Overview of Food and Beverage Industry in Bangladesh

Submitted by:

Name: Md. Rajib Ali Bhuya

ID: EMBA2003021026

Program: Executive Master of Business Administration

EMBA (Major in Marketing)

Semester: Fall-2021

Submitted to:

Sharmila Sikder

Lecturer

Department of Business Administration

Submitted for the partial fulfillment of the degree of

Executive Master of Business Administration

Sonargaon University (SU)

Dhaka- 1215

Date of Submission: 08.01.2022

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Letter of Transmittal

January 08, 2022

To
Sharmila Sikder
Lecturer
Department of Business Administration
Sonargaon University (SU)

Subject: **Submission of Thesis Report on: Market Overview of Food and Beverage Industry in Bangladesh.**

Dear Madam,

It is my pleasure to inform you that researcher going to submit by master paper on **"Market Overview of Food and Beverage Industry in Bangladesh"** as required for EMBA program. Researcher has worked hard for preparing your master paper more faithfully. In doing so, researcher have collected information from different websites, company's profile, interview with company's officials after designing questionnaire and so on. But main emphasis was on research assessment of the subject matter and interpretation of actual scenario to make this master paper as more informative and understandable as possible.

Since this is a different sort of research paper based on a well known the Food and Beverage Industry in Bangladesh. So researcher wishes your kind consideration as well as heartily cooperation to clarify the matters of technical difficulties and professional.

Sincerely Yours,

.....
Md. Rajib Ali Bhuya
ID: EMBA2003021026
Program: EMBA
Major: Marketing
Semester: Fall-2021

Certificate of Supervisor

This is to certify that the thesis paper **"Market Overview of Food and Beverage Industry in Bangladesh"** has been prepared as a part of completion of the EMBA program from Department of Business Administration, Sonargaon University (SU), carried out by Md. Rajib Ali Bhuya, bearing ID: EMBA2003021026 under my supervision. The report or the information will not be used for any other purposes.

……

Sharmila Sikder

Lecturer

Department of Business Administration
Sonargaon University (SU)

Student Declaration

I am Md. Rajib Ali Bhuya, a student of Executive Master of Business Administration, bearing ID No. EMBA2003021026 from Sonargaon University would like to solemnly declare here that this report on **"Market Overview of Food and Beverage Industry in Bangladesh"** has been authentically prepared by me. While preparing this report, I didn't breach any copyright act internationally. I am further declaring that, I did not submit this report anywhere for awarding any degree, diploma or certificate.

Sincerely Yours

Md. Rajib Ali Bhuya
ID: EMBA2003021026
Program: EMBA
Major: Marketing
Semester: Fall-2021

Letter of Authorization

This is to certify that this project report titled “Market Overview of Food and Beverage Industry in Bangladesh” is the bonafide work of Student’s Md. Rajib Ali Bhuya, who carried out the research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

……

Sharmila Sikder
Lecturer
Department of Business Administration
Sonargaon University (SU)

Acknowledgement

At first, researcher would like to express my deep gratitude to Almighty Allah the supreme authority of the universe.

Researcher wish to express my thankfulness gratitude to my supervisor **Sharmila Sikder**, Lecturer, Department of Business Administration, Sonargaon University (SU), for her direction, constant and spontaneous support, efficient supervision and constructive suggestions. Researcher has very grateful to supervisor, for guiding me to complete by master paper. Researcher also highly indebted to her for the scholarly and constructive suggestion, which was of much assistance to prepare the thesis report on **"Market Overview of Food and Beverage Industry in Bangladesh"**

Finally, Researcher wants to give thanks to my parents who gave special attention to me from the very beginning and during master paper and preparation of the report.

Abstract

Food and beverage industry is one of the fastest growing industries around the world as food is humans' most basic necessity. Though this industry is growing on a moderate level in US, it is the largest industry in Europe. There is high competition in this industry. Though most companies in this sector are SMEs, a few large companies are contributing by doing merger and acquisition, vertical integration and expending into overseas market to increase their sustainability and efficiency. The large companies in this sector are- Nestlé, Kraft Foods, Unilever and Cargill. Alongside US and EU, emerging economy for food and beverage industry is China and India. They mainly provide the raw materials for this industry. Any Economic downfall may highly affect all other industry but food and beverage as it provides necessity product which people need to use even in heavy economic downfall. Being one of the fastest growing industries, this sector faces some issues such as technological development. Due to increasing completion the R&D of this industry should be well maintained which can be challenging to bring out new technologies to make the products sustainable and efficient. Manufacturers are expanding their market to developing countries such as China and Indian because of relaxed rules, large population, higher living standard and higher growth potentials. Food and beverage industry in Bangladesh is a potential sector and growing rapidly since 2000. This industry alone makes up 22% of the total manufacturing production in the country and around 2.45% of the country's total labor force. Bangladesh being an agricultural country with large population can contribute largely in the food and beverage industry. Bangladesh is also impacting global market by exporting food and beverage to 90 different countries in the world. But many issues in Bangladesh are holding back this industry, such as unstable political situation, high barrier to entry, corruption in the controlling quality and lack of technological development. In the context of Bangladesh, food and beverage industry is one booming industry to invest in. With the emergence of super shops concept and new technologies now many large companies are investing in this sector and exploring its potential. Thus this economic crisis immune industry has become one of the stable and sustainable industries in Bangladesh.

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CHAPTER-1

INTRODUCTION

1.1Background of the Study

Food and beverage industry includes harvesting, packaging, distributing, processing of consumer products over different regions. The industry is growing at a moderate level in United States because of which the companies are restructuring and realigning their activities to reduce cost, increase volume and improve profits. Furthermore, large companies are merging different companies varying in size to gain higher market share and widen the product line they hold. On the other hand the non-soft drink companies are seeing growth whereas the soft drink industry is not seeing as much. Due to the high competition companies are expanding into overseas market to grab more market share therefore increasing competition in different regions of the world (TB Woods Incorporated Headquarters, n.d.). In the EU food and beverage industry is the largest industry there, with an estimated production value of 720 billion euros, this industry accounts for 13% of the total value of manufacturing. The industry employs more than 4.4 million people and transforms 70% of the agricultural raw materials produced in EU. In EU the industry is highly fragmented with 99.1% of the total industry run by SMEs employing 2.7 million people. The industry is made up of many subsectors and uses different production process and packaging techniques. Since it is dependent on various different techniques it is highly dependent on the R&D sector since it helps improve the product and process to make the companies more efficient. Although the industry is highly concentrated with SMEs , there are a few large multinational producer who have a significant impact on the international market. These companies also participate in vertical integration to help increase the range of products they can supply and increase their market. The large companies concentrate on the global market and the SMEs focus on meeting the local demands and specialize in different subsectors (European Commission, 2005). In terms of Bangladeshi market the industry is growing at a fast rate with many small companies fighting for a position in the food and beverage sector however, the market is mostly controlled by large corporation who enjoy economies of scales and supply a wide variety of products to the consumers. The top contenders in the industry are Transcom Beverage ltd, Akij Food and Beverage and Partex Beverage ltd (Businesshabit.com, 2014).

1.2 Origin of the Study

I have prepared this report on basis of ***Market Overview Food and Beverage Industry in Bangladesh***. I have done this report for the course requirement. I did the report with my work. My course supervisor ***Sharmila Sikder,*** Lecturer has assigned this report. I choose **The**

Food and Beverage Industry for my survey. I collected information about ***Market Overview Food and Beverage Industry in Bangladesh.*** I have successfully done this report visit with https://bangladeshbusinessdir.com/food-beverage-comp.

1.3 Rationale of the Study

The overarching theme dominating the food and beverage industry is exploding global demand and rapidly rising food prices. The breakneck economic growth of countries such as China, India, Brazil and Vietnam gives billions of people the ability indulge in ways previously enjoyed only by those in developed nations. A massive influx of consumers onto the global food market has resulted in a rapid and sustained increase in food prices, stoking global inflation. Although some members of the food and beverage industry (primarily farmers and agribusinesses) benefit from higher prices, most corporations in the industry have seen their cost of doing business increase, biting into profit margins.

Bangladesh‘s food and beverage industry is facing huge changes while going through growth phase. The food and beverages industry is all companies involved in processing raw food materials, packaging, and distributing them. This includes fresh, prepared foods as well as packaged foods, and alcoholic and nonalcoholic beverages. Any product meant for human consumption, aside from pharmaceuticals, passes through this industry. The Food and Beverage industry is fragmented. The production in this industry is divided among a few different companies, however, no single firm has large enough share of the market to be able to influence the industry's direction or price levels.

1.4 Objectives of the Study

The aim of our study was to know the Food and Beverage Industry in Bangladesh of any organization as a partial requirement of the course Money and Banking. Therefore, to obtain this aim I set the following objectives of studies.

1.4.1 Board Objective:

The board objective of the study is to prepare report on **“Market Overview Food and Beverage Industry in Bangladesh.**

1.4.2 Specific Objective:

- To describe the Food and Beverage Industry in Bangladesh.
- To identify the present scenario of Food and Beverage Industry in Bangladesh
- To identify the challenges of Food and Beverage Industry in Bangladesh

1.5 Limitations of the Study

This report is organized based on the feedback and opinions of marketing department and with the help of other staffs of the organization. It was a challenge for me to gather information as some were seemed unwilling to provide the information and give effective feedback. It happened because they were busy in their work. Also there was some information thought to be confidential, so some people were found to hesitant to share and show those. Time was limited because within this short time it was impossible to gather a large portion of information about the overview in Food and Beverage.

CHAPTER-2

Literature Review

2.1 Review of Literature

Bangladesh possesses a very large and rapidly growing food and beverages industry which stands as a major potential sector of the economy in terms of employment, and value addition. In fact, the food and beverages industry of Bangladesh makes up about 22% of the total manufacturing production in the country, and employs around 20% of the industrial manufacturing labor force, and around 2.45% of the country's total labor force. It is a 4.5 billion dollar industry which has around approximately 700 food manufacturing and processing businesses. The major sub-sectors in the food industry consist of rice, wheat, fruits and vegetables, tea, sugar, dairy, and edible oils. Being a country with one of the largest populations in the world, and with the population base growing ever more rapidly, the demand for food and beverages is always rising. Moreover, due to factors such as the growth in the economy and rising incomes, demand is being shifted away from traditional foods and more towards high value foods**.** (Kundu, 2015). The food and beverages industry was initially very small and limited to a few domestic and family businesses which emphasized on basic agricultural commodities. The industry did not gain significance in terms of operation until the 1980s. Since the early 2000s the food processing industry of Bangladesh grew at a rate of 7.7% annually and the range of variety of food products in Bangladesh increased drastically since the last decade due to the entrance of a number of both domestic and international food companies into the industry. (Md. KhairulAkter, 2015)

Moreover, the geographical agrarian setting Bangladesh is situated on, and its strategic location, is very beneficial to the agricultural production. (Md. KhairulAkter, 2015)Agriculture contributes greatly to the food industry of Bangladesh. As of the 2012 – 2015 Bangladesh's export policy, the agro sector remains one of the top most priorities. Out of the total Gross Domestic Product, 32% of it is made up by the agro foods and beverages industry. (Md. KhairulAkter, 2015)

However, even with all this crop produced, constraints such as population pressures continue to make it hard for farmers to meet demand and therefore lead to food deficits and losses. For instance, the Bangladesh Sugar and Food Industries Corporation BSFIC has recently incurred a loss of TK 5.3billion last year alone. These food deficit gaps are met and matched by commercial imports from other countries.

The Bangladeshi food and beverages industry plays an important role in both the domestic and the global market. The impact globally can be noticed through the increased exports of agro foods from Bangladesh to countries around the world. Although the agricultural sector of the food industry is falling, the country has great prospect if and when viewed as an

industry which exports food. Moreover, when it comes to labor intensive agricultural manufacturing and processing and production of horticultural goods, Bangladesh has a comparative advantage over other countries. The Bangladesh Agro-Processors Association has been focusing on manufacturing, processing, and exporting approximately 90 different products to around 70 different countries. Moreover, the country is aiming to increase its GDP through the food and beverages industry by exporting certain agro foods. For instance, the fertility of Bangladesh is suitable for growing maize and corn which is in turn is exported to maize/corn consuming countries such as Egypt and Nigeria(Agro-processed industry in Bangladesh, n.d.).

The figure below shows the market share of various industries in Bangladesh in 2001-2002. Since the Bangladesh food and beverage industry is growing fast it can be assumed that the market has expanded however, the overall structure to some extent has remained same.

CHAPTER-3

Methodology of the Study

3.1 Research Design

The report "***Market overview of the Food and Beverage Industry in Bangladesh"*** is based on both secondary research and primary research. The information was collected from various online resources in different journals and articles. The primary data was collected through an interview session with an employee from Partex Star Group. He helped us give more insight about the local market and help give us suggestion. The referencing format for the whole document was Harvard referencing style.

3.2 Types of Study

The research is an descriptive research.

3.3 Area of the Study

Extent: Listed food and beverage industry in Bangladesh

3.4 Data Sources

The data collection was done through both primary and secondary sources.

3.4.1 Primary Sources

- The primary data was collected through in-depth interview questionnaire surveys
- Face to face conversation with other reputed poultry Farms in the industry

3.4.2 Secondary Sources

The secondary data collection was made from the available archives of books, formal articles, newspapers, websites, basic *documents etc.*

CHAPTER-4

Food and Beverage Industry in Bangladesh

4.1 Food Industry of Bangladesh

The food processing industry in Bangladesh represents one of the major potential sectors within the industrial segments in terms of contribution to value addition and employment. The sector accounts for over 22% of all manufacturing production and employs about 20% of labor forces. All food processing enterprises account for 2% of the national GDP. The food processing sector includes processing of cereals, pulses & oilseeds, bakery and confectionary, fruits and vegetables, dairy, carbonated beverages and non-carbonated fruit juices, drinks, other beverage and various other food items.

4.1.1 Status of Exports of Food and Snacks Products

Bangladesh Food and Snacks has now 370 members who are engaged in manufacturing, processing and exporting the products of this emerging sector. The export trend is shown in Table 01 of attached documents. Now about 90 items of agro-processed products are being exported to 70 countries throughout the world. Major export markets of agro-processed products are Asia, Middle East and Africa. Major exported items are pickle, drinks, juice, spices, rice, tea, party snacks (chanachur), nuts, mustard oil, chips, biscuits, rose water, candy, puffed rice, potato flakes etc.

4.1.2 GDP impact

There is a huge opportunity to expand our national GDP through export diversification of different agro-processed products like:

i. Export maize/corn to Egypt and Nigeria as the soil of our country is suitable for large number of quality and tasty maize production.

ii. Export of fresh horticultural food stuff in Iran, Indonesia, Turkey

The food processing sub-sectors such as vacuum fried fruit chips, real potato chips, spices powder, bakery products, soft drink bottling, confectionary manufacture, frozen vegetables, processed fish, grain products, meat, poultry and milk processing, tomato paste, canned jackfruit and pineapple, fast food, ready to eat breakfast cereals, food additives, flavors etc have huge potential in the domestic and export markets.

4.1.3 Forecasting about export earnings

The food processing industry is growing rapidly and opening up new opportunities in terms of investment, technology and export.

Proposed export target for FY 2016-17

Commodities	Value in million US$	Growth consider for export target on FY2013-14
Frozen food	629.77	28.68
Frozen fish	63.55	5.00
Tea	2.62	5.00
Vegetables	128.83	20.00
Cut flower and foliage	44.52	5.00
Fruits	93.56	20.00
Spices	25.12	20.00
Dry food	48.64	12.00
Others agro-commodities	238.83	30.00

Food can fulfill one of the most important physiological needs of human being. Human beings cannot live without air for a single minute, but without food, they also cannot survive. Food provides us with the necessary nutrition for our body. Its importance is indispensable. Due to the differences in human cultures, geographic locations, environment, climate etc. food items tend to change. Some might change in terms of ingredients (soybean oil in Asia/Palm oil in other continents), some might change in terms of presentation (food spread over banana leaves in India/on ceramic plates in other places), whereas some food items may change in terms of cooking (ovens in the west, gas/wood stove in the east) and

Fast food

Fast food (also known as Quick Service Restaurant or QSR within the industry itself) is the term given to food that can be prepared and served very quickly. While any meal with low

preparation time can be considered to be fast food, typically the term refers to food sold in a restaurant or store with preheated or precooked ingredients, and served to the customer in a packaged form for take-out/take-away. Outlets may be stands or kiosks, which may provide no shelter or seating or fast food restaurants (also known as quick service restaurants). Franchise operations which are part of restaurant chains have standardized foodstuffs shipped to each restaurant from central locations.

The capital requirements involved in opening up a non-franchised fast food restaurant are relatively low. Restaurants with much higher sit-in ratios, where customers tend to sit and have their orders brought to them in a seemingly more upscale atmosphere may be known in some areas as fast casual restaurants. The fast food culture started in Bangladesh in the nineties and became very popular. Fast food affects a community in many aspects. It is mainly geared towards the younger end of the market and the employees of the fast paced corporate world. The preparation and service times are relatively quick in case of fast food. Fast food can be clearly distinguished from snack/confectionery items by its perishable nature.

Being a part of the developing countries, Bangladesh has her fair share of this fast food action. Starting around 90‘s, the fast food culture has taken the country by storm. The first fast food shops started their businesses in the Bailly (a name of a road) road, beside the guide house auditorium. After that, the number of fast food shops started to grow exponentially. Local entrepreneurs were leaders in pioneering the fast food industry of Bangladesh.

New brands i.e. Swiss, Helvetia etc. were to name some Bangladeshi fast food shops. In early 2000, Bangladesh saw the entry of the first international brand of fast food franchise come into the country. Pizza Hut and later KFC came into the Bangladeshi market having franchise with Transcom Foods Limited. Transcom Foods Limited (TFL) started its journey in 2003 as a franchisee of Pizza Hut, the first International Chain Restaurant in Bangladesh, and went on to sign the contract to become the franchisee of Kentucky Fried Chicken (KFC) in the year 2006.

Bangladesh has a rapidly growing consumer market and due to a large population base, the demand for food products is always on the rise. The market and the product range have evolved significantly over the last decade and many companies have entered the food business which was otherwise not into this level of diversification in the past.

Golden Harvest sees a lot of potential in the growth of the food market. The rational consumer is inclined toward having a good product at the right price. As the price is

4.2 Beverage Industry in Bangladesh

The beverage industry of Bangladesh is an old, steady yet neglected industry. For many years, the only product of the industry was Carbonated Beverage or Carbonated Soft Drink (CSD) and the number of players was limited to only a handful. Today, the industry has flourished considerably with a bunch of new enterprises and through the introduction of newer and more diverse products. The Company has strong logistic fleet and manpower to ensure the distribution of its beverage product to each corner of the market place. Even the unit has its own Cargo Vessels to service the Southern part of the country where waterways is holding a major part of the land. The satellite warehouses established at different logistic locations help to facilitate keeping the sufficient stocks in the remote areas.

The beverage unit works under two different managements. The production and quality control of the beverage is maintained and strictly monitored by the international Coca Cola authority headquartered at Atlanta, USA, whereas the local operations are maintained under the supervision of Beverage Unit Management Board.

4.2.1 International Management

At the lowest level of the International Coca Cola management team is the local authorized bottler, is accountable to the Country Manager of Coca Cola Far East Limited office located in Bangladesh. The hierarchy then goes up to the Vice President of South West Asia Regional Office to the President of Coca Cola India to President of Coca Cola EURESIA Group which is directly responsible to the highest authority for the operation of Coca Cola all over the work, the President of Board of Director of Coca Cola at Atlanta, USA.

4.2.2 Local Management for Beverage Operation

The strategies and operations of the beverage units are maintained under the control of the General Managers of corresponding divisions. The General Managers are supervised by the Chief Operating Officer of the Coca Cola Operations, who is accountable to the Board of Directors composed of The Managing Director and Deputy Managing Directors. The operation and performance of the Coca Cola operations are closely monitored by the International Coca Cola Authority through its regional stations. its beverage products, i.e. Coca Cola, Sprite, Fanta Orange and Fanta Lemon are well known for providing best value to its clients for the cost they pay for it. Only have four products in its beverage line, so clearly they are not going for Broad Differentiation. Though the competition in the industry is tense than ever, still the price set by it is in the top region, so they are not eyeing to be the Low Cost Provider either. They produce no products for any niche group or for any special price

facilitated groups, thus, strategically can be classified as he Best Cost Provider From the very beginning of its beverage operation, has been the market leader by a great distance. They never felt any necessity to make collaboration with any rivals. However, since is authorized for distributing its products only in half of the regions of the country, they made a strategic alliance with the enterprise, Tabani Beverage, that distributes on the other half of the country. According to this alliance, will provide and supply Tabani Beverage with all the products they need and Tabani Beverage is only authorized to distribute those to its own territory. Due to this alliance, though lost the authority for the distributorship all over the country, they made sure to utilize their total capacity of production by producing beverage products for the whole nation.

After independence the food habit of Bangladeshi people has been changed a lot. Besides our traditional food consumer of Bangladesh like to take western food alsoafter 1980s. As a result of global marketing this was not too hard for the consumers. Different foreign food companies were established in Bangladesh. Beverage industry is one of them. But more interestingly we don‘t know beverage is also our cultural food because beverage doesn‘t mean only carbonated drinks. Yoghurt, soup and lacchi are also beverage of our own tradition which consumed for the last 100 years in Bangladesh. But carbonated beverage is new in Bangladesh and today our research is on carbonated beverage market in Bangladesh and consumer reaction to it. Carbonated beverage entered into our market in the later part of 1980. At that time there were only few companies in Bangladesh. But by the change of time and western culture influences it‘s become very popular in Bangladesh. By year 2000 more than 12 Beverage Company operating business in Bangladesh and most of them are foreign companies. (Bangladesh Beverage: 2006).

4.2.3 Types of Beverage:

Water

Despite the fact that most beverages, including juice, soft drinks, and carbonated drinks, have some form of water in them; water itself is often not classified as a beverage, and the word beverage has been recurrently defined as not referring to water. Essential to the survival of all organisms, water has historically been an important and life-sustaining drink to humans. Excluding fat, water composes approximately 70% of the human body by mass. It is a crucial component of metabolic processes and serves as a solvent for many bodily solutes. Health authorities have historically suggested at least eight glasses, eight fluid ounces each,

of water per day (64 fluid ounces, or 1.89liters), and the British Dietetic Association recommends 1.8 litters. The United States Environmental Protection Agency has determined that the average adult actually ingests 2.0 liters per day.

Alcoholic Beverages

An alcoholic beverage is a drink containing ethanol, commonly known as alcohol, although in chemistry the definition of an alcohol includes many other compounds. Alcoholic beverages, such as wine, beer, and liquor have been part of human culture and development for 8,000 years.

Non-alcoholic Beverages

Non-alcoholic beverages are drinks that would normally contain alcohol, such as beer and wine but are made with less than .5 percent alcohol by volume. The category includes drinks that have undergone an alcohol removal process such as non-alcoholic beers and de-alcoholized wines.

Soft Drinks

The name "soft drink" specifies a lack of alcohol by way of contrast to the term "hard drink" and the term "drink", the latter of which is nominally neutral but often carries connotations of alcoholic content. Beverages like colas, sparkling water, iced tea, lemonade, squash, and fruit punch are among the most common types of soft drinks, while hot chocolate, hot tea, coffee, milk, tap water, alcohol, and milkshakes do not fall into this classification. Many carbonated soft drinks are optionally available inversions sweetened with sugars or with non-caloric sweeteners.

Soft Drinks Industry like other developing and developed countries is getting much popularity in Bangladesh. The number of firms operating in this industry is getting increased. The market is also increasing in a greater portion. Today, most of the people in both urban and rural areas are taking soft drinks in a large amount.

Our soft drinks industry follows some innovative, strong and continuous improving production and marketing techniques. Although quality is not the prime concern of our people, they mainly prefer cost effective soft drinks. The local companies are competing with global brands on the basis of lower cost. They are capturing the urban markets by offering some innovative marketing plan and offer. In rural areas they are very strong in distribution strategy and price effectiveness.

Our local brands understand the psychology of our people more than the global brands. That is why they are showing much more effectiveness in this sector. Besides, local brands are using technology based production plant with mass production and order to stock

basis. Skilled and lower paid manpower, and innovative marketing projects are also the factors that are associated with success of these firms acting in this industry.

Soft drinks have a huge market in Bangladesh because of the huge population density derived demand. Most of the soft drinks are of global brand. The production of the soft drinks is franchise or license basis.

4.3 Food and Beverage Companies List in Bangladesh Find list of Food and Beverage importer, manufacturer, whole seller, suppliers and retail companies in Bangladesh.

- **Transcom Beverages Ltd.**
  Products : Carbonated Soft Drinks (Pepsi, Mirinda, 7UP, Pepsi Diet, Mountain Dew, 7UP Light), Non Carbonated Soft Drinks (Slice), Drinking Water, Energy Drink (Sting Energy Drink), Soda (Evervess).
  Address : Kaliakoir, Gazipur, Bangladesh.
- **Square Food & Beverage Limited** (SFBL)
  Food manufacturing and marketing company operating since 2001. A flagship company of SQUARE Group. The company obtained the international quality standard ISO 9001 in 2005. Recently the company has acquired ISO 22000 for its food safety management system. Exports more than 25 countries worldwide.
  Brands : RADHUNI, RUCHI, Chashi and Chopstick.
  Address :
  Square Centre (6th Floor)
  Corporate Head Quarter.
  48, Mohakhali CA, Dhaka-1212, Bangladesh.
  Phone : 88-02-8833047-56 [Ten lines]
  Fax : 88-02-8835394
  Website : squarefoodandbeverage.com

- **Acme Food & Beverage Co.**
- **Coca-Cola Far East Ltd. (Bangladesh Branch).**
- **Perfect Beverage & Food (Bangladesh) Ind. Ltd.**

- **Global Beverage Co. Limited.**
  a sister concern of Alliance Holdings. produces Carbonated Soft Drinks (Zam Zam Cola and Shark).
- **Transcom Beverages Limited.**
- **Akij Food and Beverage Limited**
- **Partex Beverage Ltd.**
- **Globe Soft Drinks & AST Beverage ltd**
  Mangolee – a popular natural juice producer in Bangladesh. Mineral Water (Alma), Energy Drinks (Royal Tiger, Black Horse), Soft Drinks (Uro Cola, Uro Lemon, Uro Orange, Fizz Up, Lychena).
- **Atlas Food & Beverage Ltd**
- **PRAN Foods Ltd.**
  Products are Juice, Drink, Bakery, Carbonated Soft Drink, Snacks, Culinary, Confectionary, Biscuits and Dairy.
  Address :
  PRAN-RFL Center, 105 Middle Badda, Dhaka – 1212, Bangladesh.
  Phone : 880-2-9881792 Ext-345, 880-2-8835546
  Website : www.pranfoods.net
- **ACI Foods Limited.**
- **Abdul Monem Limited**
  - Ice cream Unit
  - Igloo Dairy Limited
  - Beverage Unit-Coca Cola
  - Igloo Foods Ltd
  - Abdul Monem Sugar Refinery Ltd
- **Bengal Group of Industries**
  - Romina Food Beverage Ltd.
- **Aziz Food Products Ltd**
- **IFAD Multi Products Ltd**
- **Fu-Wang Foods Limited**
- **Alin Food Products Limited**
- **Rajmahal Foods & Sweets Ind.**
  Products : Sweet, Dry sweet, Biscuit, Bread, Fast Food, Decoration Cake etc.
  Address : BSCIC Inddustrial Area, Gotatikor, Sylhet, Bangladesh.

Phone : +880-840501, 840506

Website : www.rajmahalbd.com

- **Ispahani Foods Limited.**

  Products : Biscuits, Toasts, Chips, Dry Cake, Powder Drink (ISPI Pani) and Lachchha Semai.

  Address :

  The Alliance Building (3rd Floor)

  63/Ka, Progati Sharani, Baridhara, Dhaka-1212, Bangladesh.

  Phone : +88 02 55048375, +88 01755644002

  Website : www.ispahanifoods.com

- **Bombay Sweets & Co. Ltd.**

  Bangladesh's top confectionery company – manufacturer and exporter of various kinds of popular Bangladeshi confectionery food items. Registered with US Food & Drug Administration (USFDA) and exporting countries are Nepal, Bhutan, India, Pakistan, Korea, Middle East, Far East, Spain, Australia and many more.

  Products : Fruit drink (JUCY), Lachchha Sewai, Ethnic snacks – Bombaymix (Chanachur), Dalmoth, DesiMix, BBQ Chanachur, Jhal Muri, Potato Crackers, Potato Sticks, Potato Fries, Ring Chips, Alooz, Mr. Twist, Cheese Balls etc.

  Address :

  Delta Life Tower(8th Floor),

  37, Gulshan North C/A, Road No#90, Gulshan -2,

  Dhaka-1213, Bangladesh.

  Phone : 9893800-1, 9896800, 9897100

  Fax : 880-2-9893077, 8814780

  Website: www.bombaysweetsbd.com

Importers :

- **Shaheen Food Suppliers**

  Well-established international packaged food products importer, distributor and marketing company in Bangladesh.

  Brands – BEST's, Life, Rasaku.

  Address :

  Rupayan Trade Center

114, Kazi Nazrul Islam Avenue

S.R-2C (1st Floor) Bangla Motor, Dhaka-1000, Bangladesh.

Phone : +88 02 9340863, 9340864, Sales : +88 01912220704

Website : shaheenfood.com.bd

- **Sajeeb Group**

  One of the popular and oldest (since 1982) quality food products importer, distributor and marketing company in Bangladesh. Attained “100% Halal certification” from Halal Bangladesh Services (HBS).

  Brands – Shezan, Tang, Kolson, Nocilla, Cadbury Bournvita, Oreo, Sajeeb.

  Address :

  Shezan Point (Level 6), 2 Indira Road, Farmgate,

  Dhaka – 1215, Bangladesh.

  Phone : +88 02 9116944, +88 02 58150237-8

  Website : sajeebgroup.com.bd



Bangladesh Food and Beverage Industry

More food traders and exporters in Bangladesh. A. T. Haque Ltd, ACI Foods Ltd, Agricultural Marketing Co. Ltd, Agro Organica (Pvt) Limited, Akij Ago Processing Factory, Akij Food & Beverage Ltd, Alin Food Products Ltd, Alin Foods Trade, Pranto Traders (Alin Group), AST Beverage Ltd, Ayurvedia Pharmacy (Dacca) Ltd. (AP Foods), Banga Millers

Limited, Bengal Meat Processing Industries Limited, Bombay Sweets & Co. Ltd, Danish Condensed Milk Bangladesh Ltd, Danish Foods Ltd, Deshbandhu Food & Beverage Ltd., Deshbandhu Sugar Mills Ltd, Elson Foods (BD) Ltd, Globe Biscuits & Dairy Milk Ltd, Globe Soft Drinks Ltd, Habiganj Agro Limited. (PRAN group), Hashem Agro Processing Ltd. (Sajeeb group), Hashem Foods Ltd. (Sajeeb group), HIFS Agro Food Industries, IFAD Enterprise Ltd, IFAD Multi Products Ltd, Igloo Foods Limited, Kishwan Snacks Limited, Mymensingh Agro Ltd. (PRAN group), Olympic Industries Ltd (Energy Plus, Tip and Nutty biscuits), Ovijat Food & Beverage Industries Ltd., Pran Beverage Ltd, Pran Dairy Ltd, Prime Pusti Ltd, Prime Pusti Ltd / Sonic Prime Group / Sonic Agro Ltd, Romania Food & Beverage Ltd, Star Line Food Products Limited.

4.4 Present Scenario of Food and Beverage Industry in Bangladesh

Bangladesh possesses a very large and rapidly growing food and beverages industry which stands as a major potential sector of the economy in terms of employment, and value addition. In fact, the food and beverages industry of Bangladesh makes up about 22% of the total manufacturing production in the country, and employs around 20% of the industrial manufacturing labor force, and around 2.45% of the country's total labor force. It is a 4.5 billion dollar industry which has around approximately 700 food manufacturing and processing businesses. The major sub-sectors in the food industry consist of rice, wheat, fruits and vegetables, tea, sugar, dairy, and edible oils. Being a country with one of the largest populations in the world, and with the population base growing ever more rapidly, the demand for food and beverages is always rising. Moreover, due to factors such as the growth in the economy and rising incomes, demand is being shifted away from traditional foods and more towards high value foods**.** (Kundu, 2015). The food and beverages industry was initially very small and limited to a few domestic and family businesses which emphasized on basic agricultural commodities. The industry did not gain significance in terms of operation until the 1980s. Since the early 2000s the food processing industry of Bangladesh grew at a rate of 7.7% annually and the range of variety of food products in Bangladesh increased drastically since the last decade due to the entrance of a number of both domestic and international food companies into the industry. (Md. KhairulAkter, 2015)

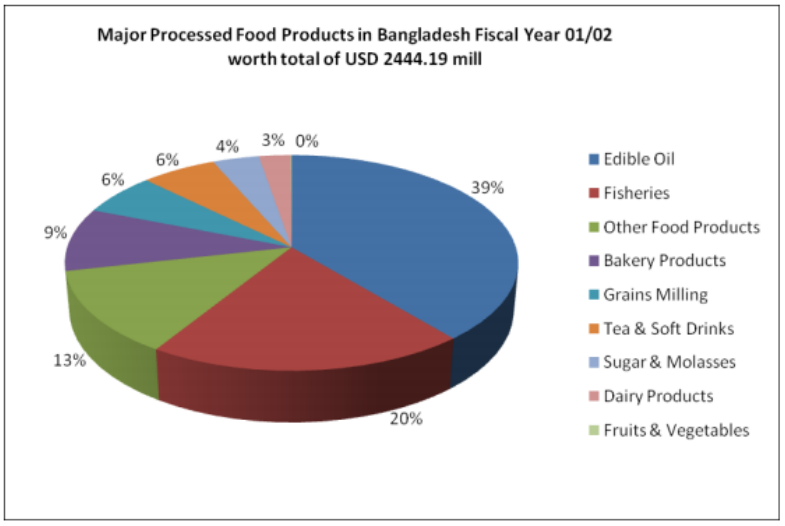
Moreover, the geographical agrarian setting Bangladesh is situated on, and its strategic location, is very beneficial to the agricultural production. (Md. Khairul Akter, 2015)Agriculture contributes greatly to the food industry of Bangladesh. As of the 2012 – 2015 Bangladesh's export policy, the agro sector remains one of the top most priorities. Out

of the total Gross Domestic Product, 32% of it is made up by the agro foods and beverages industry. (Md. Khairul Akter, 2015)

However, even with all this crop produced, constraints such as population pressures continue to make it hard for farmers to meet demand and therefore lead to food deficits and losses. For instance, the Bangladesh Sugar and Food Industries Corporation BSFIC has recently incurred a loss of TK 5.3 billion last year alone. These food deficit gaps are met and matched by commercial imports from other countries.

The Bangladeshi food and beverages industry plays an important role in both the domestic and the global market. The impact globally can be noticed through the increased exports of agro foods from Bangladesh to countries around the world. Although the agricultural sector of the food industry is falling, the country has great prospect if and when viewed as an industry which exports food. Moreover, when it comes to labor intensive agricultural manufacturing and processing and production of horticultural goods, Bangladesh has a comparative advantage over other countries. The Bangladesh Agro-Processors Association has been focusing on manufacturing, processing, and exporting approximately 90 different products to around 70 different countries. Moreover, the country is aiming to increase its GDP through the food and beverages industry by exporting certain agro foods. For instance, the fertility of Bangladesh is suitable for growing maize and corn which is in turn is exported to maize/corn consuming countries such as Egypt and Nigeria (Agro-processed industry in Bangladesh, n.d.).

The figure below shows the market share of various industries in Bangladesh in 2001-2002. Since the Bangladesh food and beverage industry is growing fast it can be assumed that the market has expanded however, the overall structure to some extent has remained same.



Source: (MINISTRY OF FOREIGN AFFAIRS OF DENMARK, 2016)

Below the key player in the Bangladesh food and beverage industry is discussed

Company	Products
Transcom Beverage Limited	Pepsi range of beverages-Pepsi, 7up, Mirinda Orange, Mirinda Lemon, Slice and Soda.
Global Beverage Co.	Shark Energy Drinks, ZamZam Cola, Appy Fizz
Globe Soft Drink Ltd. & AST Beverage Ltd.	Royal Tiger, Uro Cola, Uro Orange, Uro Lemon, Fizz Up
Pran Beverage	Maxx Cola, Cloudy Lemon, Clear Lime. Power Drink
Partex Beverage	RC Cola, RC Orange, Upper 10, RC Lemon, MUM Mineral Water, Danish Condensed Milk
Akij food and beverage	Mojo, Lemu, Clemon, Speed, Frutik

Source: (Bangladeshtrades.com, n.d.)

4.5 Strategic issues in Bangladesh

Bangladesh frequently faces political crisis which hinders the daily business activities thus affecting the industries adversely. The food and beverage industry faces problems in delivering the products on time thus lose sales. Furthermore since all these products have strict expire date many products are not sold before date due to the low sales during political crisis. This overall creates a disadvantage for the food and beverage company in Bangladesh

The barriers to entry while entering this industry is relatively high due to the large initial investment required. Most of the companies have fully automated production system therefore making it difficult for new entrants to produce at the same scale as the major competitors and sustain in the market. Furthermore, the major competitors have already gained large market share and brand loyalty which makes it harder for new companies to enter the market and sell their products.

Although this factor has helped the food and beverage industry however, it has also affected the industry adversely. The regulatory body for controlling the quality of the product sold in the food and beverage industry is not as efficient therefore hampering the controlling activities for the corporation. On the other hand the officers in the regulatory body are rather corrupt thus making it easier for many companies to bribe them and get unsafe products into

the market. This means more products are in the market however, the consumers lose confidence in the products since they believe that the quality is not maintained. Due to the heavy level of corruption many companies face difficulty in getting safe products out into the market without having to bribe the officers, thus creating an issue for the industry.

4.6 Global Industry Issues

The food and beverage industry is overall growing due to the growth in population however there are some global industry issues that all the companies are facing, below are some of the issues:

4.6.1 Technological Development

Majority of the players in the industry believe that although there is big movements in the industry towards sustainability and resource efficiency however, most companies still focus on improving the quality and creating new products. Due to the type of focus most manufacturers do not prioritize health and wellness issues therefore not focusing on the development on such technologies. The trend shows that the core of the development in technology still is profit focused and companies want to mainly improve efficiency rather than focus on sustainability. According to the same survey the companies are more focused on product innovation rather than greener technologies, although that is the case however many companies are actually moving towards that direction. The food and beverage industry is highly dependent on the technological advancement due to the need to mass production therefore more development is made to help produce at a large scale at a lower cost (Leatherheadfood.com, 2012).

4.6.2 Government and Regulatory Issues

Food safety regulations apply to each stage of food and beverage production, from processing and manufacture to distribution. The laws mostly focus on the safety of the products that are being produced and quality of distribution around the industry. The industry is also subject to laws which bound the companies to properly label the products and maintain minimum food safety standards. Laws such as the Nutrition Labeling and Education Act of 1990 (NLEA) and the Food Safety Modernization Act of 2010 (FSMA) work towards making the industry more safe for the consumers. In USA there are many agencies that control the quality of production for the food and beverage industry for example Food and Drug Administration (FDA) Federal Trade Commission (FTC) are some of the agencies that work for the

government to help maintain the basic regulation in the industry. Alongside these agencies there are many other local agencies which help in the regulation of SMEs thus helping the government regulate the industry properly (Hg.org, 2015). Similar to the FDA Bangladesh has a regulatory body called BSTI which oversees and regulates all the food and beverage industry's products thus keeping the products safe for the consumers.

4.7 Strategic reaction to competitive pressure

The food and beverage industry is constantly under pressure due to the increased competition from both local and international competitors, in order to survive the constant pressure the companies could follow the following strategies:

- Deliver products with more nutritional value and fewer allergens: Since more consumers are being interested in eating healthy the added factor will help bring competitive advantage. Many companies have already started acting on this by producing whole grain products to attract the consumers (Infor, 2012).
- Continually drive down costs: As discussed before the only way food and beverage companies can survive properly is through cost cutting and increasing efficiency. This can be done by utilizing various technologies that are currently available. Many companies utilize these technologies and make the production system completely automated to help reduce labor costs greatly thus gain competitive advantage against the competitors (Infor, 2012).
- Minimize environmental impact: large companies are currently focusing on this because they have figured that by reducing the impact on the environment not only do they gain competitive advantage in the eyes of the consumers they can also reduce costs by reducing the waste. (Infor, 2012)

4.8 New Market

As discussed before the food and beverage market is growing however, the competition is also growing thus forcing many companies to go into new markets to sustain. Due to the large economic growth in the emerging economies many food and beverage companies are targeting these countries. Furthermore, the rules and regulations in these countries are also a lot more relaxed compared to the countries these companies originate from. Due to the relaxed rules the companies can be more flexible hence attracting them to those countries. Global food manufacturer respondents consider China, India and Brazil to offer the largest

growth potential among emerging markets in 2013-2014. According to a survey US, Singapore, Taiwan and Hong Kong and South Korea offer the highest growth potential among developed countries in 2013-2014. The companies are under constant pressure due to decreasing margins and consumer price sensitivity, these problems can be overcome through going into economies such as China, India and Russia. Furthermore countries such as China and India have world's largest population thus making them very lucrative markets to enter. There are many consumers who are now able to purchase the products due to increased standard of living hence many manufacturer are targeting such companies(Prnewswire.com, 2013).

Chapter-Five

Analysis and Findings

5.1 Porter's 5 Forces Model – Food Industry

The Porter's Five Forces tool is a simple but powerful tool for understanding where power lies in a business situation. This is useful, because it can help a new entrant to understand both the strength of the current competitive position, and the strength of a position a new entrant is considering to move into. Five Forces Analysis assumes that there are five important forces that determine competitive power in a business situation. These are:

- **a.** Bargaining Power of Supplier
- **b.** Bargaining Power of Buyer
- **c.** Competitive Rivalry
- **d.** Threat of Substitute
- **e.** Threat of New Entrant

Food industry is one of the most important and dynamic industry of a nation. It is also very competitive. The structure of food industry is continually changing and evolving as food suppliers, manufacturers, and retailers adjust to meet the needs of consumers, who are increasingly demanding a wider variety of higher quality products.Having firsthand knowledge of consumer preferences and purchase habits, food retailers are positioned to transmit this information upstream to other segments of the supply chain. In the quest to meet consumer demands for variety, affordability, safety, and quality, the food retail sector is constantly evolving and generating innovative sale formats.

Porter‘s Five Forces analysis gives us an overview of the industry and tells us the current situation of the industry. it gives us a comprehensive idea of what makes the industry attractive and also of its current situation. In an industry that is constantly changing and evolving it is essential to be well aware of the changes and o be able to anticipate of the changes and take measures accordingly.

Bargaining Power of Supplier

Suppliers of raw materials, components, labor, and services (such as expertise) to the firm can be a source of power over the firm when there are few substitutes. Powerful buyers can have significant impact on prices of goods sold in the market. The presence of powerful suppliers reduces the profit potential in an industry. Suppliers increase competition within an industry by threatening to raise prices or reduce the quality of goods and services. As a result, they reduce profitability in an industry where companies cannot recover cost increases in their own prices.

The bargaining power of Suppliers in Bangladesh‘s food industry there are several factors that can be taken under consideration. All these factors play an important role in either increasing or decreasing the bargaining power of suppliers.

- **Number of Supplier**: Logistics support is still not adequately developed in Bangladesh as a result of this, number of supplier is less compared to the growing demand of the buyers. Hence suppliers gain a bargaining power over the buyers and producers. In food industry the suppliers act as the middle man who takes the raw materials from the producers and sells it to restaurants, local kitchen markets or supermarkets, and also to food processing companies. Since there is limited number of middle man this gives them a greater power over their buyers. Apart from that they do not have to worry about substitute system that can harm their business.

- **Importance of Supplier:** the supplier plays a vital role in this industry. Their role cannot be easily replaced or substituted by any other system or organization. This makes them irreplaceable and gives them greater power over their buyers.

- **Threat of forward integration:** The suppliers can also pose a threat of forward integration. The suppliers can choose to not sell their products through a middle man, rather sell it by themselves. For examples, with the growth of cities and towns farmers from nearby village can sell their product directly at the local markets. Again the middleman can opt to open their own outlet and sell directly to customers rather than to local vendors.
- Taking all these factors in consideration, we can say that suppliers‘ bargaining power is high in this industry. Firms willing to invest in this industry must consider this and take measures accordingly.

Bargaining Power of Buyer

The bargaining power of buyers is the ability of customers to put the firm under pressure, which also affects the customer's sensitivity to price changes. Firms can take measures to reduce buyer power, such as implementing a loyalty program. The presence of powerful buyers reduces the profit potential in an industry. Buyers increase competition within an industry by forcing down prices, bargaining for improved quality or more services, and playing competitors against each other. The result is diminished industry profitability. Food

industry of Bangladesh is extremely competitive with many competitors offering varieties of services. Since the competition is high hence the number of buyers is also high. Bargaining power of buyers of Bangladesh‘s Food industry will vary on different factors.

- **Concentration of Buyers:** The number of buyers is high compared to sellers. Sellers have very little switching costs a result buyers cannot force the sellers to lower their prices. This gives buyers have very little bargaining power over sellers.

- **Type of product:** The types of product that sellers sell are mostly undifferentiated and standardized reducing buyers‘ switching cost. But however, as there are limited number of buyers, switching is not always a good option. Especially in Bangladesh, forming a good relation with new supplier takes a long time and can be difficult at times. Apart from that most sellers decide on a few benchmark prices below which they will not sell their products. These factors lower the buyer‘s power significantly.

- **Backward Integration:** buyers pose a threat of integration. If the buyers can gain access to the sellers‘ method and knowledge of supply chain system then they can cut the suppliers and invest in producing their own raw material. This can ensure good qualiry product at a much cheaper price. It can also become one of the core competencies of the firm. For example the superstore _Shopno‘ decided to cut off their middle man and get their raw materials directly from the farmers. If more stores decide to follow this method then is will become a threat for the suppliers. Considering all these, we can say that bargaining power of buyer is moderate. But in terms of restaurant business their power is high as people with different choices are willing to pay extra for customized services from restaurants.

Competitive Rivalry

Competitive Rivalry is one of Porter‘s five forces used to determine the intensity of competition in an industry. For most industries, intensity of competitive rivalry is the major determinant of the competitiveness of the industry. Industry rivalry usually takes the form of jockeying for position using various tactics. This rivalry tends to increase in intensity when companies either feel competitive pressure or see an opportunity to improve their position.

- The food industry of Bangladesh is extremely competitive. There are almost over 1000 restaurants and food shop in one single area of Dhaka city that provides different type of foods. Some offer specialized foods and this sets them apart from their customers. Restaurants in different areas also target different customer sets.

There are several factors that play an important role in affecting the industry rivalry Numerous Competitors: The number of competitors is extremely high in this industry. There are several restaurants that serve the same quality of dishes and also provide the same environment. So competition among them is very high to gain maximum market share. Apart from that local kitchen markets also provide the same type of products as that of a super shop. So this gives buyers more options and increases rivalry.

- **Industry Growth:** The growth of Bangladesh‘s food industry has slowed somewhat. Though the population is increasing and people have more buying power than before the number of competitor is also increasing. This creates a lot of pressure on the new entrants to do something different to capture more market share and pressurizes the old firms to improve their service to retain their market share. All these factors increase competition.

- **Low Switching Cost:** Switching cost of buyer is comparatively low in this industry. as there are numerous rivals in the industry. Buyers can easily switch to a different service provider that will fulfill their needs. Food industry is also very sensitive to price. Customers are often looking for good quality product and service at a lesser price. This forces the firms to lower their price and also at the same they must come up ways to differentiate themselves from their competitors.

Taking all these factors in consideration, rivalry is very intense in this industry. Firms wanting to invest must come up with creative ideas to stand out from their rivals. Threat of Substitute The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives. For example, tap water might be considered a substitute for Coke, whereas Pepsi is a competitor's similar product. Increased marketing for drinking tap water might "shrink the pie" for both Coke and Pepsi, whereas increased Pepsi advertising would likely "grow the pie" (increase consumption of all soft drinks), albeit while giving Pepsi a larger slice at Coke's expense.

In case of industries, threat of substitutes occurs when companies within one industry are forced to compete with industries producing substitute products or services.Substitutes limit an industry‘s potential returns by placing a ceiling on the prices that firms within that industry can charge to make a profit. As the price-performance alternative offered by substitutes becomes more attractive, it becomes even more difficult for those firms to make a profit. Demand for substitutes can also reduce the demand for industry products and services.

Substitutes can create intense competition during normal economic times, and reduce potential profit increases during positive economic times.

Identifying substitutes involves searching for other products or services that can perform the same function as the industry‘s product or service. So in case of Bangladesh‘s food industry, it is difficult to come up with another industry that can fully replace food industry. Food is the basic need of human being and therefore is irreplaceable. This makes the food industry also irreplaceable. Hence food industry cannot have any substitute and so currently there is no threat of substitute.

Threat of New Entrant:

Profitable markets that yield high returns will attract new firms. This results in many new entrants, which eventually will decrease profitability for all firms in the industry. Unless the entry of new firms can be blocked by incumbents (which in business refers to the largest company in a certain industry, for instance, in telecommunications, the traditional phone company, typically called the "incumbent operator"), the abnormal profit rate will trend towards zero (perfect competition).

Barriers to entry are factors that prevent a startup from entering a particular market. Barriers to entry act as a deterrent against new competitors. They serve as a defensive mechanism that imposes a cost element to new entrants, which incumbents do not have to bear.

Bangladesh‘s food industry is very dynamic with a lot of competitor. There are very few barriers to entry in this industry. Even then the barriers are not strong enough to prevent companies from entering in the market. Companies willing to enter this market must take into consideration the following factors:

- **Product Differentiation:** Most of the product in food market is standardized and undifferentiated. Only the form and services offered to customers makes them different but only to a limited extent. So product differentiation os not so high in this industry and as a result anyone can follow their competitor‘s strategy and with minimum improvisation can enter the market and do well in the market. The market is also profitable and still growing so more investors are entering in the market.

•**Capital Requirement:** The capital required to enter this market is very less. The return on investment rate is also high. New entrants can enter the market with small capital and can survive in the market. Since less capital is required to enter the market this makes the market

less risky in terms of monetary investment.

Considering all these factors we can assume that threat of new entrants in the market is very high. However when entering this market a new entrant can expect extreme competition from other established firms and also may face a market that has slow growth.

5.2 Porter's 5 Forces Model – Beverage Industry

The Porter's Five Forces tool is a simple but powerful tool for understanding where power lies in a business situation. This is useful, because it can help a new entrant to understand both the strength of the current competitive position, and the strength of a position a new entrant is considering to move into.

Five Force Analysis assumes that there are five important forces that determine competitive power in a business situation. These are:

- Bargaining Power of Supplier
- Bargaining Power of Buyer
- Competitive Rivalry
- Threat of Substitute
- Threat of New Entrant

It is a very useful tool for business strategists. It is based on the observation that profit margins vary between industries, which can be explained by the structure of an industry.

The Five Forces primary purpose is to determine the attractiveness of an industry. However, the analysis also provides a starting point for formulating strategy and understanding the competitive landscape in which a company operates.

At present Bangladesh has a very competitive market of beverage. Bangladesh has arelatively hot weather and people tend to be thirstier. So they prefer to take soft drinksmost of the time. Beverage took the market of Bangladesh in the first half of 1980. Inthat time two or three soft drinks were available in the market. But now lots of beverage found in the market. This shows that the industry is growing and still has more potential to grow. Porter‘s Five Force will give a comprehensive idea about the overall industry, its potential to grow and also the threats that a new entrant might face in the industry. This will also help new investors to form strategies that can help them to compete in the market.

Bargaining Power of Supplier

The presence of powerful suppliers reduces the profit potential in an industry. Suppliers increase competition within an industry by threatening to raise prices or reduce the quality of goods and services. As a result, they reduce profitability in an industry where companies

cannot recover cost increases in their own prices. Suppliers of raw materials, components, labor, and services (such as expertise) to the firm can be a source of power over the firm when there are few substitutes.

Bangladesh is a developing country and so the soft drinks are getting popular in our country. More companies have started to invest in beverage industry and this is increasing the market size and also developing the industry. The suppliers of all the raw materials play a vital role in this industry. Suppliers also affect the pricing of the product to an extent. Hence it is necessary for a new entrant to know what kind of power the suppler has in this industry.

The soft drinks industries in our country outsource most of the ingredients (sugar, color, can) from outside countries. However some other ingredients (carbonated water, pet bottles and labor) are locally sourced. Raw sugar is the main ingredient for beverage. This raw sugar is not produced in Bangladesh and needs to be imported from Brazil. Currently sugar importers are more in number than beverage companies. So this gives the supplier less power over beverage companies. Apart from that, other raw materials such as color, flavoring all these are available in Bangladesh and also has more supplier than buyer. Hence considering these entire factor, we can say that the bargaining power of supplier is more than that of buyer.

Bargaining Power of Buyer

The bargaining power of customers is also described as the market of outputs: the ability of customers to put the firm under pressure, which also affects the customer's sensitivity to price changes. Firms can take measures to reduce buyer power, such as implementing a loyalty program. The buyer power is high if the buyer has many alternatives. The buyer power is low if they act independently e.g. If a large number of customers will act with each other and ask to make prices low the company will have no other choice because of large number of customers pressure. The presence of powerful buyers reduces the profit potential in an industry. Buyers increase competition within an industry by forcing down prices, bargaining for improved quality or more services, and playing competitors against each other. The result is diminished industry profitability.

The beverage industry of Bangladesh is gradually growing. With the growing population the demand for beverage is increasing day by day. Rural and urban areas have equal demand for beverage. This increases the number of buyers significantly. As a new entrant a firm must know the extent of buyer‘s bargaining power. This knowledge can help firm to reduce its cost of production to offer customer more value for money.

Mass population of Bangladesh consists of middle-income to lower income group. So this makes beverage market of Bangladesh price sensitive. So companies cannot charge too high

from their customers. Again if the quality of product is low then the product will not survive competition. Apart from that, switching cost is also relatively very low. Buyers can easily switch from one brand to another whenever they feel like. This gives buyer a greater power over the firms. New entrant must consider all these factors when entering in beverage industry. Also when manufacturers are buying raw materials from supplier they possess higher bargaining power because the numbers of manufacturer are less than that of raw material suppliers. All in all, buyers have greater bargaining power in beverage industry.

Competitive Rivalry

Industry rivalry usually takes the form of jockeying for position using various tactics (for example, price competition, advertising battles and product introductions). This rivalry tends to increase in intensity when companies either feel competitive pressure or see an opportunity to improve their position. In most industries, one company‘s competitive moves will have a noticeable impact on the competition; other companies in the industry will then retaliate to counter those efforts. Companies are mutually dependent, so the pattern of action and reaction may harm all companies and the industry.

Currently there are only four major beverage companies in the soft drink and juice market. Hence there are very less number of competitor. But even then it can be difficult to do well in this industry. This is because of the presence of giants like Coca-Cola and Pepsi. These two have the majority market share. Apart from that Mojo cola has also gained popularity among the Bangladeshi people. The companies operating in this industry are mostly equally balanced so they attack and retaliate as they strive for market share. Slow growth of market is another reason that leads to competitive rivalry among firms. The only means to stay in a slowly growing market is by gaining as much market share as possible. The fixed cost of starting a new beverage company is also high so companies want so companies fill capacity, thus leading to price cutting when there is excess capacity. High storage costs push companies to decrease prices to ensure sales.Companies in this industry mostly competes mostly on cost, flexibility and quality. The major players in this industry are Coca-Cola and Pepsi.Most companies in this industryfind it difficult to compete with Pepsi and Coca-Cola. As a result cannot survive in the industry for long.

Threat of Substitute

Threat of substitutes occurs when companies within one industry are forced to compete with industries producing substitute products or services. Substitutes limit an industry‘s potential returns by placing a ceiling on the prices that firms within that industry can charge to make a profit. As the price-performance alternative offered by substitutes becomes more attractive, it

becomes even more difficult for those firms to make a profit. Demand for substitutes can also reduce the demand for industry products and services. Substitutes can create intense competition during normal economic times, and reduce potential profit increases during positive economic times. Identifying substitutes involves searching for other products or services that can perform the same function as the industry‘s product or service. Positioning an industry‘s products or services against the substitutes may take place via collective industry actions (for example, sustained advertising by industry participants).

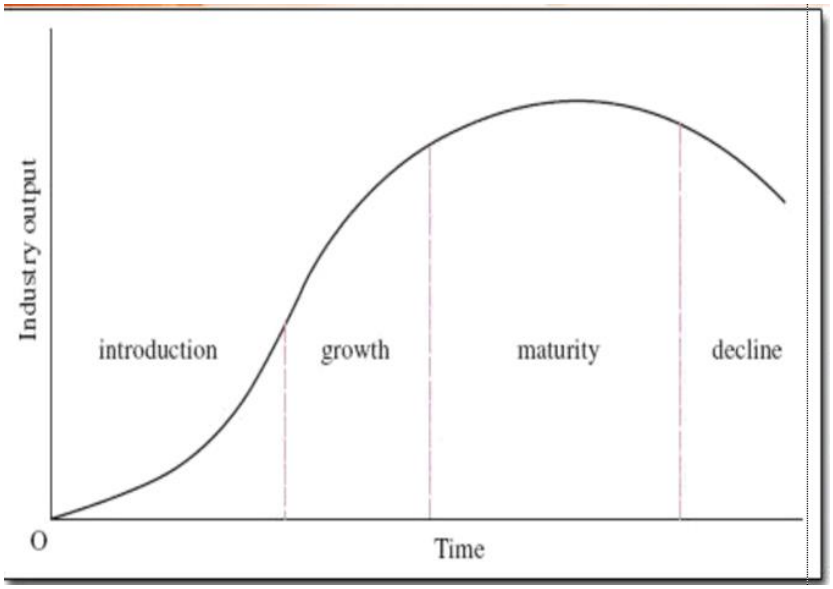
All these factors also apply in the beverage industry of Bangladesh. In summer people want to drink something cold or something that quenches their thirst. This they can do buy purchasing soft drinks and juice. This need can also be fulfilled by water. Hence water is the main substitute product of beverages. Water processing industries pose the threat of substitution to beverage industry. Water and other beverages also operate almost at the same price level and also give people the similar quantity. This can be a threat to the beverage industry and firms operating in this industry. Presence of substitute also reduces the switching cost of buyers. If buyers find beverages are not up to the mark or are not fulfilling their needs efficiently, they can easily switch to other substitutes since they are also operating at similar price level. All these factors must be considered by new entrants when deciding to invest in beverage industry of Bangladesh.

Threat of New Entrant

Power is also affected by the ability of people trying to enter market. If it costs little in time or money to enter the market and compete effectively, if there are few economies of scale in place, or if there is little protection for key technologies, then new competitors can quickly enter your market and weaken your position. If you have strong and durable barriers to entry, then you can preserve a favorable position and take fair advantage of it.Profitable markets that yield high returns will attract new firms. This results in many new entrants, which eventually will decrease profitability for all firms in the industry, unless the entry of new firms can be blocked by incumbents. To block new entrants firms already operating in the industry must come up with some barriers for new entrants. Factors involved as barriers to entry may be either innocent (for example, the dominating company‘s absolute cost advantage) or deliberate (for example, high spending on advertising by incumbents making it very expensive for new firms to enter the market). Barriers to entry act as a deterrent against new competitors. They serve as a defensive mechanism that imposes a cost element to new entrants, which incumbents do not have to bear. Startups need to understand any barriers to entry for their business and market

In order to compete in the beverage industry of Bangladesh, companies must attain economies of scale. Companies like Pepsi and Coca-Cola has already attained economies of scale thereby decreasing their cost of production. Along with that they have also created a very strong distribution network over the years. Companies trying to enter this market must consider these factors. The capital required to enter this market is also high. There are significant cost involving setting up a production plant, acquiring license from government, setting up distribution netork as well as the cost or marketing their product. Creating a brand image in this market is very difficult. Brands which have been operating in the market are very powerful and has good brand image. These factors increase the cost for a new entrant and also make surviving in this market difficult. These act as entry barriers and reduce the threat of new entrant in the market. Hence, considering all factors it can be concluded that the threat of new entrant in this market is comparatively low.

5.3 Life Cycle Analysis – Food Industry



Food industry is a rapidly growing sector in Bangladesh, employing a significant portion of the labor force in the country. Between 2004 and 2010, the food processing industry in Bangladesh grew at an average 7.7 percent per annum.

Bangladesh Bureau of Statistics, in its 25006 Economic Census, reported that there were approximately 246 medium-sized food processing industries employing 19 percent of the industrial manufacturing workforce in Bangladesh or 8 percent of the total manufacturing labor force. The food industry employs 2.45 percent of the country's total labor force and its share in the GDP was 2.01 percent in 2010. There are also numerous small scale factories and domestic units engaged in food processing throughout the country. According to some

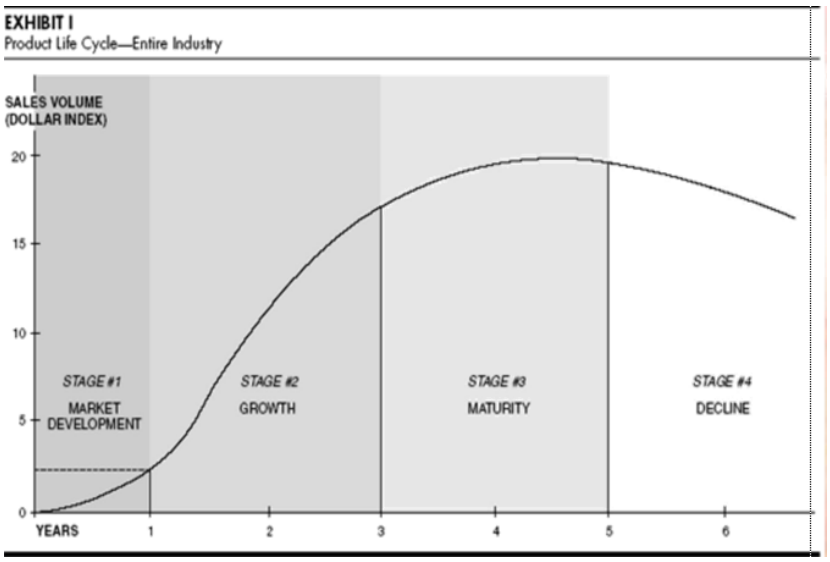
industry analysts, the food processing sector in Bangladesh is a 4.5 billion US Dollar industry. In 2010, Bangladesh exported over $700 million worth of processed food and beverages, over 60 percent of them were shrimp and fish products.

Food processing in Bangladesh has traditionally been small scale, with domestic or family business using common processing knowledge for the conservation and handling of raw agricultural commodities to make them usable as food and feed.

Although commercial scale food-processing, using modern technology, especially for wheat and rice milling, mustard seed crushing and very limited bread and cookie manufacturing appeared during the 1960s, the growth of this sector did not gain momentum in terms of operational scale and quality until the 1980s. Recently, the defining characteristics of the industry have been the processing of increasingly diverse products to meet the changing demands of the Bangladesh population.

The major food processing sub-sectors in Bangladesh include dairy, edible oil, sugar, rice, wheat, fruit and vegetable, tea, poultry/beef, pulses and spices and fish processing industries. Induced by the vigorous growth of the diverse middle class population of Bangladesh and the growing demands for additional consumption, the food processing sector is set to witness further hefty expansion in the coming years.

5.4 Life Cycle Analysis – Beverage Industry



Bangladesh has a highly dynamic beverage industry on which all the major international players such as Coca Cola, Pepsi Cola, Euro Cola, RC Cola, Pran Cola and

Mojo Cola are present, together with a series of local carbonated soft drink brands. Moreover, the country is also experiencing considerable growth in the flat soft drinks segment that includes, for example, fruit juices and mineral water. But, research has shown that People crave soft drinks because they contain two stimulants—sugar and caffeine. Also, the water in soft drinks hydrates. Soft drinks contain considerable amounts of sugar, which is a form of carbohydrate. Consumption of excess sugar releases a hormone called dopamine, which induces pleasure in the brain. Caffeine, another key ingredient, stimulates the nervous system, and helps you to stay awake or restores alertness. With its slightly bitter taste, caffeine‘s also used to enhance the flavor of carbonated soft drinks.

Carbonated beverage entered into our market in the later part of 1980. At that time there were only few companies in Bangladesh. But by the change of time and western culture influences it‘s become very popular in Bangladesh. By year 2000 more than 12 Beverage Company operating business in Bangladesh and most of them are foreign companies. In Bangladesh, the beverage industry is also at the growth stage of Industry Life Cycle. Bangladesh is a developing country and the population in Bangladesh is congenial for beverage business. In Bangladesh there are more than 16,00,00,000 people here so beverage industry have a bright future. Entrepreneurs have already taken some initiative to develop in this sector. But, this sector has yet to move to maturity stage. Soft drinks industry is one of the rapidly growing industries in Bangladesh. Current market research shows a very positive curve for the growth of Bangladesh‘s beverage industry in past few years.

Chapter Six
Findings

6.1 Findings of the Study

Food and beverage industry is the source of growth for many countries, an example of such a continent would be Europe. The same strategy could be used by Bangladesh to stimulate growth in the economy. Since there is a large industry dedicated to the agricultural sector in Bangladesh, it would be rather easy to move into food and beverage industry for many corporations. The raw materials are available and cheap therefore making it a lucrative industry to enter. There is a large dairy, fruits and vegetable and fisheries industry in Bangladesh and not many companies are there to take the market. As discussed before there is a growing demand for fruits and vegetable products therefore corporation could fixate on that industry. Abroad many companies make profitable business out of producing packaged fruits and vegetable, Bangladesh could go into a similar movement and expand the horizon of food and beverage industry.

The food and beverage industry in Bangladesh is a lucrative market since the competition is not as fierce as it is in the global market due to the lack of competitors. Furthermore, the range of products produced in Bangladesh is also less therefore creating a gap in the industry. There are many small companies producing variety of products however, due to lack of technological development the companies are not being able to be the most efficient. If more research and development could be done to improve the efficiency of producers in Bangladesh the market would become more competitive thus forcing corporations to become even more efficient.

Previously there were not many super shops in Bangladesh therefore most food and beverage items were brought from local vendor, now due to development in the super shop industry many super shops invest in making their own label which attracts the consumers more. The trend of generic food and beverage items has reduced greatly due to the influence of the super shops and is thought to change more in the future years. Furthermore, these super shops also have similar products from different food and beverage companies alongside their products which is allowing the consumers to compare and choose what they like best thus inevitably increasing competition.

In the beginning most food and beverage items were imported from various countries; products such as Ketchup, dairy items, bakery items and fruits and vegetables were not as widely produced in Bangladesh. Due to recent development many local companies such as Pran and BD Food are producing the same standard items in the local market at a much cheaper cost. This is lead to a new movement in the food and beverage industry which is to

bring positive changes in the Bangladesh economy. Furthermore due to recent R&D many new types of fruits and vegetables are being produced in Bangladesh for example strawberry and dragon fruit are now widely available. If similar type of research is done more variety of products can be produced in the country thus reducing the need to import the products.

Chapter-Seven

Conclusions & Recommendations

7.1 Conclusion

In conclusion the food and beverage industry seems to be an a highly profitable and stable industry. Although it is dominated by few multinational there is scope for development by the SMEs. Food is a basic necessity of every human being hence making it an inelastic product for all consumers therefore it is clear that this industry is not bound to become extinct rather grow. Also as discussed earlier the food and beverage industry is immune to the economic crisis thus making it a rather interesting industry to work with. The government and the local authority has been trying to protect the SMEs for a very long time, this is to initiate healthy competition as well as create scope for development. In Europe the SME food and beverage industry is highly protected by the government and often given subsidies to help them sustain. A similar approach could be taken by the Bangladeshi government to stimulate the growth in the food and beverage industry. Overall the industry seems to be booming not only because it is an inelastic product but also because of the growing population therefore more investment should be done in this industry by more corporations in Bangladesh. Since the population is growing the opportunity seems to be the best one to grab in Bangladeshi context.

7.2 Recommendation

- People of Bangladesh are nowadays currently having a drastic change in their food habits. Food industry is one of the most important and dynamic industry of a nation. It is also very competitive. The structure of food industry is continually changing and evolving as food suppliers, manufacturers, and retailers adjust to meet the needs of consumers, who are increasingly demanding a wider variety of higher quality products. Having firsthand knowledge of consumer preferences and purchase habits, food retailers are positioned to transmit this information upstream to other segments of the supply chain. In the quest to meet consumer demands for variety, affordability, safety, and quality, the food retail sector is constantly evolving and generating innovative sale formats.
- Food processing in Bangladesh has traditionally been small scale, with domestic or family business using common processing knowledge for the conservation and handling of raw agricultural commodities to make them usable as food and feed.

- Although commercial scale food-processing, using modern technology, especially for wheat and rice milling, mustard seed crushing and very limited bread and cookie manufacturing appeared during the 1960s, the growth of this sector did not gain momentum in terms of operational scale and quality until the 1980s. Recently, the defining characteristics of the industry have been the processing of increasingly diverse products to meet the changing demands of the Bangladesh population.
- The major food processing sub-sectors in Bangladesh include dairy, edible oil, sugar, rice, wheat, fruit and vegetable, tea, poultry/beef, pulses and spices and fish processing industries. Induced by the vigorous growth of the diverse middle class population of Bangladesh. In its 25006 Economic Census, reported that there were approximately 246 medium-sized food processing industries employing 19 percent of the industrial manufacturing workforce in Bangladesh or 8 percent of the total manufacturing labor force. The food industry employs 2.45 percent of the country's total labor force and its share in the GDP was 2.01 percent in 2010. There are also numerous small scale factories and domestic units engaged in food processing throughout the country. According to some industry analysts, the food processing sector in Bangladesh is a 4.5 billion US Dollar industry. In 2010, Bangladesh exported over $700 million worth of processed food and beverages, over 60 percent of them were shrimp and fish products.
- Food processing in Bangladesh has traditionally been small scale, with domestic or family business using common processing knowledge for the conservation and handling of raw agricultural commodities to make them usable as food and feed. Although commercial scale food-processing using modern technology especially for wheat and rice milling, mustard seed crushing and very limited bread and cookie manufacturing appeared during the 1960s, the growth of this sector did not gain momentum in terms of operational scale and quality until the 1980s. Recently the defining characteristics of the industry have been the processing of increasingly diverse products to meet the changing demands of the Bangladesh population. The major food processing sub-sectors in Bangladesh include dairy, edible oil, sugar, rice, wheat, fruit and vegetable, tea, poultry/beef, pulses and spices and fish processing industries. Induced by the vigorous growth of the diverse middle class population of Bangladesh and the growing demands for additional consumption, the food processing sector is set to witness further hefty expansion in the coming years. The

food processing industry in Bangladesh represents one of the major potential sectors within the industrial segments in terms of contribution to value addition and employment. The food processing Sub - sectors such as vacuum fried fruit chips, real potato chips, spices powder, bakery products, soft drink bottling, confectionary manufacture, frozen vegetables, processed fish, grain products, meat, and milk processing, tomato paste, canned jackfruit and pineapple, fast food, ready to eat breakfast cereals, food additives, flavors etc have huge potential in the domestic export Markets. The industry report Pasta Market in Bangladesh to 2019 - Market Size, Development, and Forecasts offers the most up-to-date market data on the actual market situation, and future outlook for pasta in Bangladesh.

Annex1

Our estimated human resource requirement is given in the table below:

Serial Number	Job Title	Required number of Persons
1	Plant Manager	01
2	Secretary	01
3	Financial Manager	01
4	Accountant-clerk	02
5	Cashier	02
6	Salesman/Purchaser	01
7	Store keeper	02
8	Technical & Production Manager	01
9	Quality Control Officer	02
10	Production Supervisor	01
11	Shift Leader	02
12	Mechanic	02
13	Electrician	02
14	Operator	07
15	Production Worker	15
16	Cleaner	02
17	driver	02
18	Guard	04
Total		50

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