INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

IJRCM

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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

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   REFERENCES

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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STRATEGIC GAINS OF BY-PRODUCT MARKETING: A STUDY ON SELECTED COMPANIES OF BANGLADESH

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ABSTRACT

Products that are produced during the production process of some other product are commonly known as by-products. In most manufacturing companies one or more by-products are produced along with the primary product. Some companies use these by-products efficiently while others do not. Companies that market by-products appropriately can leverage this ability to acquire competitive advantages. This study attempted to understand the scenario of by-product marketing in Bangladesh through the analysis of a number of RMG companies, i.e., Ananya Fashion Ltd, Barnali Fashion, Florescent Apparels Ltd, Outright Fashion Ltd., Babylon Garments Ltd, Square Fashion Limited and S. Islam Fashions Limited. The study found that culture within most firms is devoid of the initiative that is required to capitalize the opportunity to market by-products. Only one company among the cases observed has pursued by-product marketing with fervor. Two other firms have taken some initiative in this regard but are not realizing the full potential of the by-products. Scenario of two companies' is average; use of by-products in the rest of firms studied is negligible.

KEYWORDS

Strategic Gain, By-Product, Marketing.

INTRODUCTION

By-product is something that is not intended or has not been planned but happens as a result of another situation or something that you do (macmillandictionary.com/dictionary/british/by-product). So, product(s) produced on the way of production of targeted product, is (are) called by-product. By-products are the 'extra' results from an action preformed. For example, if a log is cut into two pieces using a chainsaw so that it fits into the furnace, sawdust is created as by-product (http://wiki.answers.com/Q/What_is_meant_by_a_byproduct).

Marketing is the anticipation, management, and satisfaction of demand through an exchange process (Evans and Berman, 1994). Marketing deals with identifying and meeting human and social needs. One of the shortest definitions of marketing is "meeting needs profitably". According to American Marketing Association "Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders" (Kotler and Keller, 2005). Marketing of by-products is called by-product marketing. By-product marketing is gaining traction in several industries within South Asia. Following is a brief highlight of different industries where by-product marketing is being explored.

India ranks topmost in the world in livestock holding and has the potential to utilize slaughterhouse by-products to partly meet the growing requirement of animal feeds. The total availability of offal/bones in the country generated from large slaughterhouses is estimated to be more than 21-lakh tones/annum. Besides other uses, it can also be used for the preparation of animal feeds. The total requirement of animal feed has been estimated at 37 million tones. This includes 24 million tones of cattle feed (which as per the directive of the Department of Animal Husbandry, Govt. of India cannot have slaughter house waste material). Slaughterhouse waste material has the potential to partly replace 13 million tones of animal feed material. Slaughterhouse wastes can be used as inputs to feeds for the poultry, fish and pets like dogs and cats. Presently in India, live stock feed production is more of cereal based and less of animal by-product based. This results in livestock, especially poultry, pig and fish competing with humans for grains and cereals which can easily be replaced with slaughterhouse waste. Slaughterhouse waste is first converted into intermediate products like Meat Bone Meal (MBM), Di0calciumphosphate (DCP) & bicalphos (BCP) which are essentially feed supplements. They are then mixed with various crop ingredients to make a complete feed for animals. Meat Bone Meal is a protein and phosphorous supplements for animal feed manufacturers. It is used upto 5% of total feed. DCP and BCP are essentially phosphorous supplements for animal feed manufacturers and are used to the extent of 1% of total feed. Currently total production of MBM in India is around 55200 tonnes/annum and total estimated demand is 77500 tonnes/annum. So the gap between production and supply of MBM is around 22300 tonnes/annum. Leading manufacturers of MBM in India are Standard Agro Vet (P) Ltd., Allanasons Ltd., Hind Agro Ltd., Al Kabeer, Hyderabad. Similarly the total production of DCP in India is a around 27600 tonnes/annum and total demand is 34800 tonnes/annum. Therefore the gap between production and demand of DCP is approximately 7200 tonnes/annum. Leading manufacturers of DCP in India are Hind Nihon Ind. Ltd., Muradnagar, Punjab Bone Meal, Jullundar, Kerala Chemical & Proteins Ltd., Cochin & Shaw Wallance Ltd, Jabalpur (tifac.org.in/index.php?option=com_content&view=article&id=713&Itemid=205).

The main by-products of rice milling are rice hulls or husk, rice bran, and brewer's rice. Rice hulls are generated during the first stage of rice milling, when rough rice or paddy rice is husked. Rice bran is generated when brown rice moves through the whiteners and polishers. When paddy is hand-pounded or milled in a one-pass Engleberg steel huller, rice bran is not produced separately but mixed with rice hulls. Brewer's rice is separated and produced when milled rice is sifted. 100 kg of paddy rice will generate approx 20 kg of husk. The bulk density is 100 to 150 kg/m3. Rice husk contains 16 to 22% ash, which is high in silica. The ash composition and structure give rice hulls an abrasive character. Metal surfaces in frequent contact with rice hulls will wear out and eventually puncture. Common use of rice husks are as bedding materials, and as source of energy. In the modern rice milling industry, rice husks are increasingly being used as a fuel source for grain drying and parboiling, and for electricity generation. In Bangladesh, rice hulls are the preferred fuel for parboiling, and rice hulls are widely used for grain drying in the larger rice mills in Northern India. Rice hulls, once ground, are also used as ingredient in animal feeds. Using rice husk in gasifyers or furnaces that are used in small and medium size plants Asia produces black ash, which still contains around 20% carbon. This so called carbonated rice husk is often used as soil conditioner for poor soils, as an ingredient for bio fertilizers. Also current research is elaborating its potential for carbon sequestration in soils to reduce greenhouse gas emissions (knowledgebank.irri.org/rkb/index.php/rice-milling/byproducts-and-their-utilization).

100 kg of paddy rice will generate approx 5 to 10 kg of bran. Rice bran is a mixture of substances, including protein, fat, ash, and crude fiber. In many cases, bran contains tiny fractions of rice hull, which increases the ash content of bran. Bran composition is largely dependent on the milling process. In modern rice mills, several different kinds of bran are produced: coarse bran (from the first whitening step), fine bran (from second whitening step) and polish (from the polishing step). Polish consists of part of the endosperm and is often referred to as meal. Rice bran has a high nutritive value. Besides proteins, rice bran is an excellent source of vitamins B and E. Bran also contains small amounts of anti-oxydants, which are considered to low cholesterol in humans. Rice bran contains

10-23% bran oil. The oily nature makes bran an excellent binder for animal feeds. Bran oil, once stabilized and extracted, is a high quality vegetable oil for cooking or eating. The conventional use of rice bran is as ingredient for animal feeds, in particular ruminants and poultry. In recent years however, advances in stabilization techniques have been made which has led to new uses for bran and its derivatives, most notably bran oil for cooking and waxes for cosmetic products. In the developing countries, rice bran is underutilized due to a lack of suitable stabilization techniques (knowledgebank.irri.org/rkb/index.php/rice-milling/byproducts-and-their-utilization).

The recycling of coal combustion by-products, or coal utilization by-products (CUB) which includes the solid residue from coal and gasification, is a practice that can play a significant role in maintaining both the cost advantage and environmental acceptability of coal-fired power plants. Coal burning electric utilities produce over 100 million tons of CUB materials annually in the United States, but only about one-third are recycled for productive purposes. The remainder is disposed of in landfills or ponds, representing both a significant cost to electric utilities and the waste of raw materials that could potentially be of greater value if they were utilized. In many cases, the use of CUBs provides the end-user with a product that is superior to the one that would have been obtained by using conventional materials. CUBs are defined as "fly ash, bottom ash, boiler slag, fluidized-bed combustion (FBC) ash, or flue gas desulphurization (FGD) material produced primarily from the combustion of coal or the cleaning of stack gases (netl.doe.gov/technologies/coalpower/ewr/coal_utilization_byproducts/pdf/coal_util.pdf).

Electricity supply for rural areas, so long, has been a far cry in context of Bangladesh. Realizing this, many organizations along with Bangladesh government are trying to bring renewable energy in a competitive package to meet deficiency. But solar energy, mainly for its inefficiency and high cost, is not having much success in a broader aspect. Rice husk by-product based biomass plant can be an alternate energy source to meet the electricity demand of local enterprises, irrigation and rural households. Ash generated from the husk is processed to produce silica and calcium carbonate through silica precipitation method. Silica has a huge demand in industries like rubber, tooth paste and other chemical industries. Calcium carbonate is mainly used in construction industry. It may be used as a building material, limestone aggregate for road building, ingredient of cement etc (Bhuiyan et. al., 2011).

The review of literature thus shows a great deal of interest in by-product marketing in come specific industries in South Asia. But very little research has been conducted with a focus on Bangladesh market or the RMG industry. This is where the objective of the study fits in.

OBJECTIVE OF THE STUDY

The objective of the study is to find out whether Bangladeshi RMG firms are acquiring strategic gains from by-product marketing.

RESEARCH METHODS

RESEARCH DESIGN

The first stage of this research was an exploratory research. The methods of exploratory research included survey of experts and a pilot survey. To conduct the pilot survey a questionnaire was developed. For pilot survey the questionnaire was less structured with more open ended questions. After the completion of the exploratory research, population and sample were defined clearly, and a more structured questionnaire was developed with mostly close-ended questions. The second stage of this research was descriptive under conclusive research; the insights gained from exploratory research were verified to assist the decision maker in determining, evaluating, and selecting the best course of action. In this study the main target population was the RMG producing companies. Sampling frame was the RMG companies of Dhaka city. Sampling technique of the study was convenient sampling under non-probability sampling and results are valid for sample only, not for the universe. "Non-probability sampling relies on the personal judgment of the researcher rather than chance to select sample elements. The researcher can arbitrarily or consciously decide what elements to include in the sample" (Malhotra, 2006). According to this argument sample size of this study was 07.

DATA COLLECTION METHODS

The study was done based on primary as well as secondary data. Primary data were collected from employees of the companies. The methods for collecting primary data were survey, personal interview, conversation and observation. Secondary data were collected through different reports, papers and prospectus, relevant journals, dailies, periodicals, related research works, relevant books and websites.

DATA PRESENTATION AND ANALYSIS

Data analysis and presentation were performed in descriptive statistics by using SPSS 14 Software.

RESULTS AND DISCUSSIONS OF THE STUDY

A **by-product** is a secondary or incidental product derived from a manufacturing process or chemical reaction, and is not the primary product or service being produced. A by-product can be useful and marketable. It can also have severe ecological consequences that unless treated before disposal. The following is a documentation of the findings from research done to find out the strategic gains generated by by-products in different Bangladeshi firms within the RMG industry.

ANANYA FASHION LTD. AND BORNALI FASHION

Ananya Fashion Ltd and Barnali Fashion primarily produce full pants and three-quarter pants. Both these types of pants can be categorized depending in the complexity of the manufacturing process, i.e., critical pant and non-critical pant. Critical pants are those that have multiple pockets and have critical design elements that require more steps in the production process to complete. On the other hand, non-critical pants are simple in design and relatively easy to produce. By-products of these companies are small pieces of wastage fabrics, cartons, pp bags, leftovers and stock lots. Contribution of these by-products to recover cost is shown in the following table.

TABLE 1: CONTRIBUTION OF BY PRODUCTS OF ANANYA FASHION LTD. AND BORNALI FASHION TO RECOVER COST

Year	Total cost of production/Year		Earnings from by products/Year		Cost recovery from by products (%)	
	Ananya	Bornali	Ananya	Bornali	Ananya	Bornali
2010	4,03,32,000	5,36,00,000	72,000	95,000	0.178 %	0.177%
2009	3,97,30,000	4,77,00,000	70,000	82,000	0.166 %	0.172%
2008	3,50,80,000	4,12,00,000	65,000	79,200	0.173 %	0.192%
2007	3,24,60,000	3,96,00,000	61,000	77,400	0.188%	0.195%
2006	3,03,50,000	3,82,00,000	55,000	68,000	0.181%	0.178%

Since the revenue from by-products ranged from 0.166% to 0.195% in these firms, it can be inferred that revenue from by-product marketing in these two firms is not offering any financial gain. The study found that the key people within these firms do not think about by-products as a strategic resource that can be leveraged, rather just a waste that is salvaged at a negligible cost. Another insight gathered from the research is that the management of these international RMG marketers is satisfied with current profitability measures to such extent that the management is not keen on recovering costs from other sources such as by-product marketing.

FLORESCENT APPARELS LTD.

Florescent Apparels Ltd. is a 100% export oriented RMG producing company. It produces knit products, i.e., t-shirts, tank tops, polo shirts, shorts, jackets and sweat shirts etc. By products of the company are small pieces of wastage fabrics, cartons, pp bags, leftovers and stock lots. Contribution of these by-products to recover cost during 2006 to 2010 is shown in the following table.

TABLE 4: CONTRIBUTION OF BY PRODUCTS OF FLORESCENT APPARELS LTD TO RECOVER COST

Year	Total cost of production/Year	Earnings from by products/Year	Cost recovery from by products (%)
2010	33600000	300000	0.89
2009	31200000	276000	0.88
2008	30000000	255000	0.85
2007	29360000	241000	0.82
2006	28050000	236000	0.84

The cost recovery from by-products marketing ranged from 0.82% to 0.89%. It indicates that this company, too, is inefficient in by-product marketing. This study found that top management of this company does not give importance on by-products marketing. The percentage figures are slightly higher than the previous two firms producing pants not because this firm is putting more efforts on by-products marketing, but because the firms is engaged in producing multiple types of upper body garments many of which create greater wastage material. Here, too, the pressures on profitability are not so high; as a result the management does not try to earn competitive advantages from different angles such as by-products marketing.

OUTRIGHT FASHION LTD.

Outright Fashion Ltd. is a 100% export oriented RMG producing company. It produces knit products, i.e., trouser, shorts, jogging suit, heavy jacket, light weight jacket, fleece jacket etc. By products of the company are small pieces of wastage fabrics, cartons, pp bags, leftovers and stock lots. Contribution of these by-products to recover costs from 2006 to 2010 is shown in the following table.

TABLE 5: CONTRIBUTION OF BY PRODUCTS OF OUTRIGHT FASHION LTD TO RECOVER COST

Year	Total cost of production/Year	Earnings from by products/Year	Cost recovery from by products (%)
2010	64800000	504000	0.78
2009	60000000	420000	0.70
2008	56400000	396000	0.71
2007	54700000	365000	0.67
2006	51800000	326000	0.63

The cost recovery from by-products marketing ranged between 0.63% to 0.78%. The figures are typical of firms engaged in variegated products manufacturing that create larger wastage material. Survey shows that the firm looks at by-products marketing as a necessary evil since the disposal and sale of by-products create unnecessary hassle, as local hoodlums are involved in the buying of by-products of RMG.

BABYLON GARMENTS LTD.

Babylon Garments produces woven products (for male and female), i.e., full shirt, half shirt, short shirt etc. By products of the company are small pieces of wastage fabrics, cartons, pp bags, leftovers and stock lots. Contribution of these by-products from 2006 to 2010 to recover cost is shown in the following table.

TABLE 2: CONTRIBUTION OF BY PRODUCTS OF BABYLON GARMENTS LTD. TO RECOVER COST

Year	Total cost of production /Month (App.)	Earnings from by products/Month (App.)	Cost recovery from by products (%)
2010	9300000	799800	8.6%
2009	7500000	727500	9.7%
2008	7060000	500000	7.1%
2007	6750000	483000	7.2%
2006	6400000	455000	7.1%

Revenue from by-products ranged from 7.1% to 9.7% of the total revenue for this firm. The study found that recently the management have identified by-products as a source of significant gains for the firm. One obvious reason behind this realization is that the firm is earning close to 10% of its revenue from by-products marketing. The other reason is that the firm has found some intelligent uses of by-products that are giving the firm a better foothold in the community. Some of the by-products are directly sold in the market, i.e., leftover and stock lots; some of the by-products are used for forward linkage, i.e., small pieces of wastage fabrics and cartoons; and some of the by products are given to the workers at free of cost (social marketing), i.e., pp bags. So, by-product marketing of this company is somewhat established and giving the firm an additional strategic gain of community outreach along with revenue gain.

SQUARE FASHION LTD.

Square Fashion produces knit products (for male and female), i.e., t-shirts, polo shirts, tank tops, pajamas, sport wears, under garments, men and ladies fashion wear, kids-wear etc. By products of the company are similar to the by-products of Babylon Garments. Contribution of these by-products to recover cost is shown in the following table.

TABLE 3: CONTRIBUTION OF BY PRODUCTS OF SQUARE FASHION LIMITED TO RECOVER COST

Year	Total cost of production/ Month (App.)	Earnings from by products/Month (App.)	Cost recovery from by products (%)
2010	10700000	781100	7.3%
2009	11000000	660000	6%
2008	9000000	747000	8.3%
2007	8960000	730000	8.1%
2006	8650000	700000	8.1%

Cost recovery from by-products ranged between 6% to 8.3%. This study found that higher authority of the company considers by-products as an additional source of revenue and understands the importance of by-product marketing. This company also has found uses for by-products that similar to the marketing practices at Babylon Garments. Thus it can be said that by-product marketing is giving the company strategic gains in terms of added revenue.

ISLAM FASHIONS LTD.

S. Islam Fashions Limited is a 100% export oriented RMG producing company. It produces knit products, i.e., t-shirt, polo shirt, sweat shirt, fleece jacket etc. By-products of the company are small pieces of wastage fabrics, cartons, pp bags, leftovers and stock lots. Contribution of these by-products to recover cost is shown in the following table. The data presented here is in terms of dollar value per piece, i.e., ranged between 21% to 25%. This study found that the management of the company thinks seriously about by-products and understands the importance of by-product marketing.

TABLE 6: CONTRIBUTION OF BY PRODUCTS OF ISLAM FASHIONS LIMITED TO RECOVER COST

Year	Total cost of production /Piece	Earnings from By products/Piece	Cost recovery from by products (%)
2010	154	40	26.0%
2009	135	35	25.9%
2008	130	30	23.1%
2007	125	28	22.4%
2006	122	24	19.7%

The higher percentage of cost recovery of this firm is due to the fact that the waste fabrics of the firm is recycled and sold to buyers of bulk fibers who use it in mattress production.

CONCLUDING REMARKS OF THE STUDY

This research focused on the state of by-product marketing in Bangladesh. The study tried to find out whether firms in the RMG sector are gaining any strategic advantage by intelligent uses of by-products. By using by-products companies become more efficient and profitable. But this study finds that most firms are unaware of the potential of by-product marketing. Though some of the firms have taken initiative to leverage this potential asset, the majority of the firms in the industry are still not adapting the practice. Appropriate linkage between different industries should be established so that either of the party can produce and consume by-products in comfortable manner. In this respect government and different related bodies should take proper initiatives to train employees of the companies to use by-products efficiently. It can be said that if above mentioned initiatives and measures are taken, the production of by-products will increase by great extent, as a result the marketing of small pieces of wastage fabrics, cartons, pp bags, leftovers, stock lots etc. will stand on sound footing playing positive role in the overall economic development of the country.

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