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Building competitive advantage in Bangladesh's FMCG sector– the perspective of customers

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STRESZCZENIE

BUDOWANIE PRZEWAGI KONKURENCYJNEJ SEKTORZE FMCG W BANGLADESZU – PERSPEKTYWA KLIENTÓW

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Bangladesz od jakiegoś czasu wykazuje dynamiczny rozwój gospodarczy, co sprawia, że staje się atrakcyjnym celem ekspansji dla międzynarodowych firm sektora FMCG. Aby odnieść sukces, zagraniczne podmioty gospodarcze muszą budować swoją przewagę konkurencyjną i wyraźnie odróżnić się od konkurencji.

Celem niniejszej dysertacji jest określenie aspektów wpływających na budowanie przewagi konkurencyjnej w branży FMCG. Nacisk kładziony jest na oddziaływanie wartości kultury narodowej, etnocentryzmu, marki oraz innych instrumentów, jak również strategii istotnych dla budowania przewagi konkurencyjnej przedsiębiorstw aktywnych w tym sektorze.

Zastosowaną metodą badawczą jest badanie ilościowe (wywiady bezpośrednie) na próbie $n = 100$ konsumentów w wieku 18-55 lat. Badanie zostało przeprowadzone w Dhace, stolicy Bangladeszu, we wrześniu 2019 r. Kwestionariusz zawierał pytania dotyczące przewagi konkurencyjnej, etnocentryzmu, wartości kulturowych, wymagań wobec marki oraz instrumentów konkurowania.

Rezultaty: Najważniejszymi wartościami kulturowymi z punktu widzenia konsumentów w Bangladeszu są harmonia, szacunek dla tradycji i sukces. Ponadto wyraźne są zachowania etnocentryczne, ponieważ większość konsumentów ma obecnie tendencję do kupowania produktów krajowych. Ponadto konsumenci w Bangladeszu preferują marki, które wyróżniają się i definiują siebie poprzez jakość. Należy także zwrócić uwagę na istnienie różnic w preferencjach pomiędzy kobietami i mężczyznami.

Wnioski: Przedsiębiorcy, którzy chcą prowadzić działalność gospodarczą w Bangladeszu, powinni kierować się wartościami kulturowymi takimi jak harmonia, sukces i szacunek dla tradycji. Te wartości powinny zostać wykorzystane do budowania przewagi konkurencyjnej. Ponadto, ze względu na istotne znaczenie etnocentryzmu wśród konsumentów Bangladeszu, przewagę konkurencyjną należy budować w oparciu o zasoby lokalne, podkreślając równocześnie wysoką jakość produktów oraz stosując strategię dyferencjacji.

Słowa kluczowe: przewaga konkurencyjna, strategie konkurowania, instrumenty konkurowania, etnocentryzm, kultura narodowa, Bangladesz, FMCG.

ABSTRACT

BUILDING COMPETITIVE ADVANTAGE IN BANGLADESH'S FMCG SECTOR – THE PERSPECTIVE OF CUSTOMERS

Patricia Orelly

Bangladesh has been showing positive economic development for some time, making it more attractive for international companies to expand into the FMCG sector. In order to be successful, it is important for foreign companies to build up a competitive advantage and clearly differentiate themselves from their competitors.

The purpose of this dissertation is to explore and determine the characteristics and aspects that influence the building of a competitive advantage in the FMCG sector. The focus is on the impacts of the national cultural values, ethnocentrism, brand and other competitive instruments as well as competitive strategies.

The research method used is a quantitative study (face-to-face interviews) on the sample of $n = 100$ consumers aged 18-55 years. The study was conducted in Dhaka, the capital of Bangladesh, in September 2019. The questionnaire included questions concerning the competitive advantage, the ethnocentrism, the cultural values, the requirements regarding a brand and the instruments of the competitive advantage.

Results: The most important cultural values from the perspective of consumers in Bangladesh are harmony, respect for tradition and success. In addition, ethnocentrism is pronounced, and most consumers currently tend to buy domestic products. Furthermore, the consumers in Bangladesh prefer brands that position themselves through differentiation and define themselves through quality. It should also be noted that there are differences in the preferences of women and men.

Conclusion: Companies looking to expand into Bangladesh should be guided by the cultural values of harmony, success and respect for tradition and should represent these values for building the competitive advantage. Moreover, due to the importance of ethnocentrism among Bangladeshi consumers, a competitive advantage should be built on local resources, while emphasizing the high quality of products and applying a differentiation strategy.

Keywords: competitive advantage, competitive strategies, competitive instruments, ethnocentrism, national culture, Bangladesh, FMCG

Table of contents

STRESZCZENIE	ii
ABSTRACT	iii
Introduction	1
Raison d'être	1
Subject of the dissertation	4
Objectives of the dissertation	5
Hypotheses of the dissertation	6
Research questions	7
Methodology.....	9
Structure of the dissertation	10
Chapter 1. The concept of competitiveness and competitive advantage	12
1.1 Definition of the general concept of competitiveness	12
1.2 Competitive advantage at the sector and company levels	16
1.3 Enterprise resources and their importance in building the competitive advantage of an economic entity.....	20
1.4 Types of competitive advantage depending on the environment of companies	24
Chapter 2. Influencing the competitive advantage: impact of national culture and instruments	31
2.1 Consumer insights and their impact on competitive advantage	31
2.2 A brand as a key instrument of entities' competitive advantage.....	37
2.3 The instruments of the competitive advantage: product, price, place, promotion	42
2.4 International customer relationship management in the creation of enterprises' competitive advantage.....	49
Chapter 3. Conditions for conducting business activity in Bangladesh with particular emphasis on the FMCG sector	55
3.1 Bangladesh—general presentation of the country	55
3.2 The competitiveness of Bangladesh and its evaluation.....	57
3.3 The cultural values of Bangladesh	62
3.4 Specificity of the FMCG sector as an environment for developing business and the impact on the instruments	63
3.5 The FMCG sector in Bangladesh	67

Chapter 4. Methodology of the dissertation	71
4.1 Introduction to the methods and the research process	71
4.2 Current research and the goal of the dissertation	79
Chapter 5. Data results and relevant determinants of building a competitive advantage in Bangladesh	86
5.1 Sociodemographic facts about the Bangladeshi participants	86
5.2 The cultural values of Bangladeshi consumers	87
5.3 The ethnocentrism of Bangladeshi consumers	100
5.4 The basics of a competitive advantage in Bangladesh	103
5.5 The fundamentals of products in Bangladesh	107
Chapter 6. Analysis of the environment in Bangladesh for building the instruments of competitiveness	112
6.1 The importance of instruments to build competitive advantage in Bangladesh's FMCG sector	112
6.2 The importance of CRM in building competitive advantage in Bangladesh's FMCG sector.....	120
Discussion, recommendations, and conclusion for building a competitive advantage in Bangladesh's FMCG sector	127
Discussion.....	127
Recommendations	129
Conclusion	134
List of Figures	139
List of Tables	141
Reference List	142
Appendix.....	156
Questionnaire.....	156
Analysis Hypotheses Chapter 5	160
Analysis Research Questions Chapter 6.....	164

Introduction

Raison d'être

This dissertation focuses on building a competitive advantage in Bangladesh's fast-moving consumer goods (FMCG) sector from a consumer perspective.

In recent years, Bangladesh has undergone significant economic development and has become one of Asia's most remarkable and unexpected success stories. Demographic, socio-cultural, and geographic effects have influenced the country's economic development. It was once characterized by poverty and famine, and it belonged to the world's poorest countries. Now, however, this economic development puts Bangladesh on the map as an emerging market, at 105 in the Global Competitiveness Report's ranking.

Emerging markets generate high growth rates, making them particularly attractive for international enterprises and their expansion. Positive economic growth and opportunities enable businesses with various global and foreign brands to position themselves in the Bangladeshi FMCG sector, meaning that the sector now comprises a mixture of traditional Bangladeshi products and new foreign products. Indeed, this new mix of brands has brought significant movement within the Bangladeshi FMCG sector (Vibhuti & Pandey, 2019; Ullah & Prince, 2012). Therefore, this dissertation seeks to determine how to create a competitive advantage when entering this sector.

Internationalization is often a goal of a company due to the chances to grow and acquire resources and capabilities (Guillén & García-Canal, 2009). Ruzzier et al. (2006) describe internationalization as a "geographical expansion of economic activities over a sovereign country's border." In 1977, Johanson and Vahlne (1977) already declared internationalization as part of business processes. The origin of the notion of internationalization dates back to the scientist Adam Smith in 1776, as well as David Ricardo (1817) and John Stuart Mill in 1850. However, one of the most formative founders of internationalization was John Dunning (1981), who established the eclectic approach theory. Internationalization theory is strongly associated with building a competitive advantage.

Given this, the research focus of this dissertation is on the FMCG sector in Bangladesh because, in light of its short life cycle and low costs, every competitor in

the sector is affected by the increase in purchasing power and the often-spontaneous resulting buying decisions (Vibhuti & Pandey, 2019; Ullah & Prince, 2012; Hamid et al., 2008). Due to these characteristics, the FMCG sector will experience the most rapid impacts of the growing economy; therefore it is essential to fill the research gap with more information about the specificity of the FMCG sector as an environment for developing the activities of enterprises. The FMCG sector is characterized by a close relationship and involvement with the consumer, and it includes goods that change or rotate quickly on the shelf, such as goods for everyday use: food, personal care products, and cleaning products. Well-known international brands, such as Coca-Cola, Maggi, and Dove, have already entered the Bangladeshi sector and positioned themselves in these different categories (Vibhuti & Pandey, 2019; Ullah & Prince, 2012; Hamid et al., 2008).

The economic development of Bangladesh also has an impact on its inhabitants and their behavior. The society is young, changing, and longing for social advancement. This generally results in a rapidly expanding business community and a rise in purchasing power. The country's economic development grants Bangladeshi consumers "access to information regarding all available products and services" (Adhikari et al., 2018), just as it has an impact on these consumers' requirements and preferences. Specifically, consumers now have access to a wider range of products, meaning that competition is increasing. These trends also influence how business is conducted in the FMCG sector in Bangladesh.

In the FMCG sector, customers require products and brands that fit and fulfill their needs and motivations. Furthermore, the fact that Bangladeshi consumers living in large cities now have increased income and rising purchase power at their disposal has led to heightened requirements regarding a brand's backstory, along with an appetite for higher-quality and indeed higher-priced products. This in turn leads to greater competition in the FMCG sector, especially as customers often perceive products as being similar.

Operating successfully in the Bangladeshi sector thus means building a competitive advantage. Michael E. Porter is the scholar most commonly associated with competitive advantage theory. For Porter (1985), competitive advantage is "at the heart of a firm's performance in competitive markets. (...) Competitive advantage grows fundamentally out of the value a firm is able to create for its buyers."

In essence, competitive advantage means being better than competitors. It describes a participant's advantage over competitors in the sector. This advantage can be created using various instruments, such as price, product, brand, place, and promotion, and furthermore customer relationship management (CRM). These instruments are connected to consumers' needs and emotions, and to the competitive environment.

Porter (1985) characterizes competitive advantage as follows:

“Competitive advantage describes the way a firm can choose and implement a generic strategy to achieve and sustain competitive advantage. It addresses the interplay between the types of competitive advantage – cost and differentiation – and the scope of a firm's activities.”

Ethnocentrism and cultural values strongly influence building of a competitive advantage. For example, Barney (1986) emphasized that “culture can, and does, generate sustained competitive advantage.” Schaffmeister and Haller (2018) added, “Foreign brands, wishing to participate in the gold rush, must be familiar with local consumer preferences and the local cultural environment in which these preferences have developed.” These two aspects—ethnocentrism and cultural values—can be seen as consumer insights. Ethnocentrism has an impact on competitive advantage because locals are more inclined to buy local products (Hanfan et al., 2019; Mornah & MacDermott, 2016) due to a strong sense of loyalty to their home country (Shimp et al., 1987). Hence, understanding the values and behavior of the Bangladeshi society is the key to having a competitive advantage.

In emerging markets, the relevant set of new products and brands is limited (Wang, 2014). Furthermore, consumers are often not familiar with brands, and customer loyalty must be learned. In conclusion, it can be said that building a competitive advantage in Bangladesh's FMCG sector requires a clear understanding of the sector and its respective consumers. Furthermore, this builds the basis for implementing competitiveness instruments. To date no research has considered competitive advantage within the FMCG sector in the country. Researching in Bangladesh is a new topic and therefore the literature of the FMCG sector in Bangladesh is quite rare.

Subject of the dissertation

The title, “Building a competitive advantage in Bangladesh’s FMCG sector—the perspective of customers,” indicates the general focus of this dissertation. In essence, the study aims to explore and determine the characteristics and aspects that influence the building of a competitive advantage in the FMCG sector.

In this dissertation, characteristics or aspects that influence competitive advantage are ethnocentrism and cultural values. Bangladesh has only recently undergone economic change, meaning that ethnocentrism is still pronounced, while cultural values are driven by economic success and aspiration. According to Witowski (2005), the local people often viewed global business activities as negative. These influences affect the resulting measures and actions that, according to Porter (1985), are named instruments, covering marketing. These instruments of competitiveness are key in this dissertation because they play an important role when building a competitive advantage in the FMCG sector.

Therefore, instruments of competitiveness, such as price, product, brand, place, and promotion, are broadly considered in this dissertation and also include CRM. On a general level, these instruments describe activities for creating, communicating, and exchanging offers to or with customers. Hence, they relate to how consumers are informed about the benefits and unique selling proposition (USP) of a brand (Dadzie et al., 2015). The brand is the final goal of the instruments of competitive advantage and describes what the product or company is (Hollensen, 2016). Furthermore, the brand is part of the resources of a competitive advantage (Prunea, 2014). Marketing also operates as an instrument of a competitive advantage, representing price, product, place, and promotion (Van Gelder, 2005). CRM, on the other hand, can be seen as a new way of communicating with customers. In times of increasing internet usage, CRM provides the means through which companies can be constantly in touch with their customers, and it is becoming increasingly important for building a competitive advantage (Buttle et al., 2015). In short, the instruments of competitive advantage are often considered as a means to win customers, while CRM helps to retain them. According to Weinstein (2016), winning and retaining customers is the most decisive challenge. In conclusion, the dissertation focuses on these mentioned competitiveness instruments, along with the opinion of the author.

Furthermore, in this dissertation, according to the opinion of the author, marketing (including price, product, place, and promotion) is seen exclusively as a competitive instrument and transporting the benefits of a product to the consumers. CRM offers the possibility of building a long-term relationship with customers, and it therefore also acts as an instrument of building the competitive advantage. In the author's opinion, a brand, as a resource of the competitive advantage, establishes a goal and interaction between marketing and CRM actions.

This dissertation contributes added value by providing significant knowledge on the specifics of the Bangladeshi FMCG sector and its consumers to help building companies' competitive advantage in the Bangladeshi sector. It develops the basis for relevant approaches and competitive advantage strategies based on the challenges of the FMCG sector in Bangladesh, considering current sector needs, consumer needs, and the competitive situation. Furthermore, it deals marginally with the competitiveness of Bangladesh because this is the basis for building a competitive advantage.

Objectives of the dissertation

The dissertation consists of five objectives, four hypotheses, and 10 research questions.

The general objectives of this dissertation are based on the several mentioned facts, which are driven by the economic change in Bangladesh. The general economic development of Bangladesh offers international companies the opportunity to enter the new sector that has consequently emerged. Therefore, obtaining an overview of the market situation is important for companies entering Bangladesh as a new sector.

The dissertation includes five objectives. Furthermore, in addition to the hypotheses of this dissertation, the objectives were extended to include consideration of the competitiveness of Bangladesh. The hypotheses include the assumptions, which can be evaluated by empirical research, whereas the first objective is evaluated by secondary research.

These mentioned facts resulted in the five objectives of this dissertation:

1. Consider the competitiveness of Bangladesh from the perspective of companies in the FMCG sector.
2. Identify the cultural values that currently represent the culture from the perspective of Bangladeshi consumers and that should be part of the competitive advantage in the FMCG sector.
3. Identify the approach of ethnocentrism from the perspective of Bangladesh consumers.
4. Evaluate the preferences of Bangladeshi inhabitants from their perspective concerning the building of a competitive advantage in the FMCG sector in Bangladesh.
5. Identify the preferences of Bangladeshi consumers from their own perspective concerning the relevant attributes of a brand.

Hypotheses of the dissertation

Bangladesh and its consumers living in large cities are experiencing a general increase. In the past, purchases were much more price-driven; however, due to the increase in purchasing power, the demands for and expectations of a product are changing, indeed toward greater quality. According to Adhikari et al. (2018), “Marketers always look for providing good experience to the customers and focus more on increasing the brand (...) in order to prove best quality product in the market compared to the competitors” (Adhikari et al., 2018).

Furthermore, consumers in Bangladesh now have a different product experience. With better access to the internet, they increasingly seek a sustainable relationship with brands, and customer relationships are consequently expected to be much stronger and provide a corresponding competitive advantage (Wang, 2014).

The aforementioned facts build the basis of this dissertation, and the mentioned assumptions build the basis of the scientific foundation.

The four hypotheses are based on the current cultural values of Bangladeshi consumers, the pronounced ethnocentrism, the path away from price-driven purchasing decisions, and the changing requirements toward the high quality of a product/marketing offer:



Figure 1: The hypotheses of the dissertation (own elaboration)

These four hypotheses build the main part of this dissertation and can be evaluated with the conducted empirical research.

Research questions

The research questions of this dissertation include an additional aspect that the hypotheses and objectives do not capture. The research questions are addressed to inform companies on how to strengthen their competitive advantage, and they include questions on the instruments of competitive advantage and their influence on age and gender and are covered in Research Questions 1-4.

The relevant information for creating the instruments of competitive advantage, and CRM is gathered through Research Questions 5 to 10. While these are not part of the general hypotheses, their input is essential for building the instruments of a competitive advantage in Bangladesh.

The research questions of the dissertation are similar to those of the questionnaire and can be listed as follows:

Ethnocentrism of the Bangladeshi consumer:

1. Would customers currently buy foreign products within the FMCG sector?

Cultural aspects of the Bangladeshi consumer:

2. What cultural attributes should the products represent?

Competitive advantage strategy:

3. How should a company within the FMCG sector build a competitive advantage strategy in Bangladesh?

Brand:

4. What attributes are the most important when buying an FMCG product?

Instruments of competitiveness and CRM:

5. In which price segment should the product be?
6. Where does the consumer usually become aware of a product?
7. Where does the consumer usually buy products for daily use?
8. When does the consumer usually make the purchase decision?
9. Is it important for the consumer to be constantly in touch with the products?
10. What are the differences between age and gender considering the instruments of competitiveness?¹

The assessment of age and gender is based on another study. In 2019, scientists Arabiyat, Abdelbaset and Hasonah (2019) conducted a study in Jordan and researched, among other things, the impact of a competitive advantage of commercial banks on gender and age. They found no effect of gender and age on competitive advantage. Despite this result, the author of this dissertation would now also like to examine the effects and relevant instruments of competitive advantage in Bangladesh. The author will therefore evaluate all research questions by age and gender in addition to an overall view.

¹ The analysis of the gender and age impacts can be found in the appendix. Only significant results will be mentioned in the text. However, due to a low number of cases the differences, only a few results will be significant.

Figure 2 illustrates the structure of the research questions of this dissertation. Cultural aspects and ethnocentrism have an impact on the building of a competitive advantage within the FMCG sector. This knowledge influences both the strategy and the instruments, such as product, packaging, brand, price, and CRM, that should be used for building the competitive advantage.



Figure 2: The construction of the research questions in this dissertation (own elaboration)

Methodology

This dissertation adopts Nieuwenhuizen and Rossouw's (2008) six-step research process. The steps are illustrated in Figure 3.

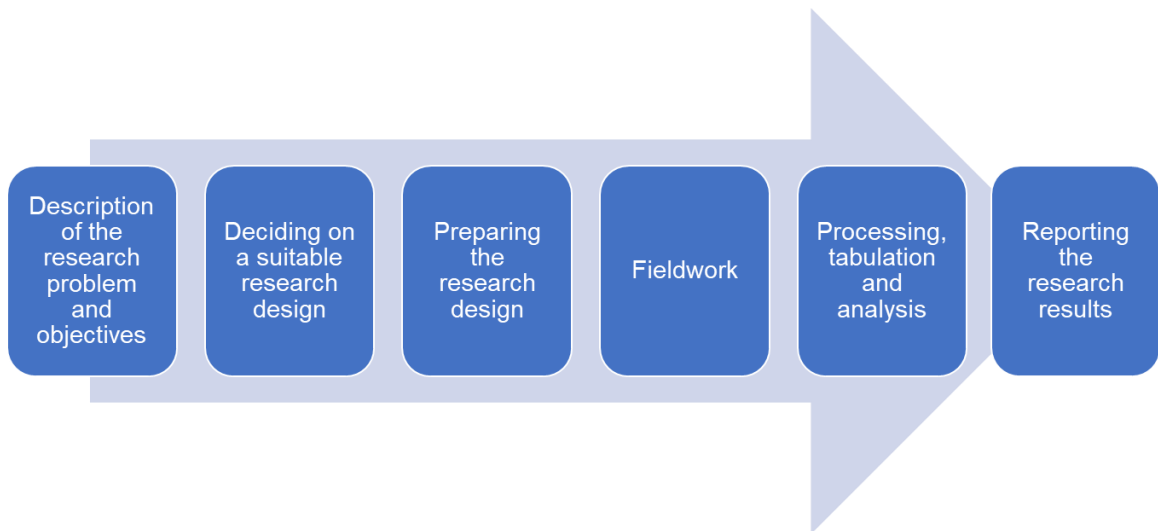


Figure 3: The research process (Nieuwenhuizen & Rossouw, 2008)

In the first step, the current literature as well as relevant theories and publications were analyzed. This helped to identify the research problem, objectives, and hypotheses. The next steps involved developing and preparing the research design, which required finding the best data sources, research approaches, research instruments, sampling plan, and contact methods. Primary data were used in this dissertation, and they were processed, tabulated, and analyzed before the research results could be reported.

The research method in the dissertation was a quantitative survey using a sample of 100 consumers aged 18–55. The sample, which was based on the 2011 census, was drawn randomly from the population and represents an equal distribution according to age and gender as a percentage of the population. The research was conducted in September 2019 in Bangladesh's capital, Dhaka. The results themselves were interpreted according to age and gender, while Bangladesh's competitiveness was evaluated using the Global Competitiveness Index (CGI). As the number of cases in this research is low, the results cannot represent the whole population of Bangladesh; however, they provide a relevant and interesting overview of the urban inhabitants of Dhaka.

Structure of the dissertation

To covering the various themes and problems, this thesis consists of six parts. After introducing the topic and background, the literature review follows in Chapter 1.

This chapter explains what competitiveness is, including a general definition of this concept and focusing on the essence of the competitiveness of nations, sectors, and companies. The chapter then provides a definition of competitive advantage, followed by its status in the literature.

The influence of consumer behavior on building a competitive advantage is explained in chapter 2. This chapter discusses the essence of the competitive advantage of companies and sectors as well as the phenomenon and the impact of ethnocentrism and cultural values, including the instruments for building a competitive advantage.

Chapter 3 presents a general overview of the economic development in Bangladesh together with the main, decisive, economic key performance indicators (KPIs) as well as the competitiveness of the country, including its business and market situation. Furthermore, it describes the specificities of the FMCG sector as an environment for developing the business operations of companies. The FMCG sector represents products that are usually sold quickly because of their short lifetimes and low purchase barriers. Every consumer needs FMCG products, and due to the high number of inhabitants and increasing purchasing power in Bangladesh, the FMCG sector in the country has grown in recent years. The characteristics of this sector require specific measures, which are discussed in this chapter.

Chapter 4 describes the methodology. Appropriate for the objectives of this dissertation, the methodology takes the form of a face-to-face survey. It consists of an evaluation of Bangladeshi consumers' insights and behavior regarding FMCG products.

Chapters 5 and 6 provide analysis and present the results of the investigation that have an impact on the environment of companies that wish to build a competitive advantage in Bangladesh. This includes some relevant analyses concerning competitive advantage, before the dissertation closes with discussions, recommendations, and the conclusion.

Chapter 1. The concept of competitiveness and competitive advantage

1.1 Definition of the general concept of competitiveness

Competitiveness is one of the most used terms in economics (Feurer & Chaharbaghi, 1994). However, the concept is difficult to define because there is no single definition accepted in the literature. The various definitions focus either on different business performance factors, such as efficiency and effectiveness (Buckley et al., 1988), or on the level of countries, regions, sectors, branches, and companies (Feurer & Chaharbaghi, 1994).

The opinion of the author of this dissertation is that building a competitive advantage is strongly connected to competitiveness, as it assumes the existence of competition within a sector. Therefore, the notion competitiveness is key to this dissertation and is presented in this chapter.

Despite the difficult definition situation, this literature review includes a small selection of relevant definitions. Starting with a general view of competitiveness, Porter, for example, as one of the main creators of the notion of competitiveness, focuses on productivity (Ketels, 2006). Porter defines competitiveness as a possibility for companies to foster productivity (Porter, 1990; Ketels, 2006).

However, other definitions exist that focus on further economic performance. For example, Walczak (2010), as cited in Janczewska (2014), defines the general concept as follows: “Competitiveness is a feature and mechanism regulating the behavior of business operators functioning on free market, which is a prerequisite for the competition existence.” Furthermore, Bobba et al. (1971) argue that “Competitiveness is the ability of nations, regions and companies to generate wealth being the precondition for high wages.”

The sheer complexity involved in being competitive in different environments is one of the main reasons that settling on a clear definition is problematic. What is clear, however, is that competitiveness can occur at different levels²:

- The national level (macro competitiveness), which evaluates the general situation of a country or a nation generating long-term effective, sustainable, and positive development. This concept can be evaluated using measures such as the amount and structure of resources, the efficiency of resources, the economic system, and its institutions.
- The industry or regional level (mezzo competitiveness), which includes networks, sectors, or a market, including KPI's such as gross domestic product (GDP), purchasing power parity (PPP), and market stability, among other things.
- The company level (micro competitiveness), which includes a company and an evaluation of business performance (Hitt et al., 2016; Dunning, 1996; Porter, 1990).

Regarding the competitiveness of nations, this generally refers to a country's potential to compete and to improve the situation of its inhabitants. The International Institute for Management Development points out that “the competitiveness of nations is a field of economic knowledge, which analyzes the facts and policies that shape the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people” (IMD, 2010; Cho et al., 2016). This assumes the possibility of analyzing opportunities, focusing on strengths, assessing threats, and reducing weaknesses. Furthermore, the World Economic Forum (WEF, n. d.) highlights the importance of a country's productivity when being competitive: it “... is a set of institutions, policies, and factors that determine the level of productivity of a country.” The opinion of the author of this dissertation is similar to the statements of the WEF and underlines that the stable competitiveness of countries is a prerequisite for international expansion.

² The world level represents the mega competitiveness, however, a point which is not relevant to this dissertation.

The definition of competitiveness at the mezzo level focuses on the prices and quality of goods and products within a sector. Here, Flejterski (1984), cited in Siudek and Zawojnska (2014), argues, “Competitiveness is the capacity of the market, industry or branch to design and sell its goods at prices, quality and other features that are more attractive than the parallel characteristics of the goods offered by the competitors.”

Competitiveness at the mezzo level concerns the following question in particular: “how do companies develop strategies to cope with competitors in the sectors through the choice of pricing policy, the positioning of products and mobility (market entry, maintenance and exit)?” (Uzunidis, 2016). This is strongly linked to the question of which decisions are the most effective as concerns industrial policy, competition policy, and sectoral regulations in terms of economic growth, allocation, or distribution of resources (Uzunidis, 2016). In this context, industrial organization, as an important field of the economic mechanism, is becoming relevant because it describes the organization of sectors and firms and their strategy, considering the market structure (number of sellers, degree of product differentiation, cost structure, degree of vertical integration) and the conduct or strategies (price, quality, R&D, investment, advertising) of the firms (Uzunidis, 2016). Bain established a model, the so-called structure-conduct-performance (S-C-P) model, assuming the causal theoretical explanation that industrial organization influences the performance of firms within a sector through economic conduct in incomplete sectors (Bain, 1956).

The letter “S” in the S-C-P model represents the structure of the sector, including the number of economic agents. The letter “C” refers to the conduct of the sector (i.e., the behavior of the companies within a sector, including the adaptation of prices and commercial strategies), while the letter “P” relates to performance as an economic result, including efficiency and well-being.

According to this S-C-P paradigm, the sector environment has a direct, short-term impact on a firm’s economic conduct (Bain, 1951; Bain, 1956). Carlton and Perloff (2015) underline the interconnection between industrial organization and the strategic behavior of economic actors correlating with different sector structures, such as intense competition, monopoly, oligopoly, or monopsony. According to Uzunidis (2016), “the industrial organization is therefore interested in analyzing firms’ strategy in terms of price and quantities, but also quality, discrimination, spending on research and development, advertising and innovation.”

Bourlès et al. (2013) extended the abovementioned attributes by emphasizing market regulation and the internal organization of firms. The state itself can interfere or react by monitoring the market structures; following mergers and acquisitions; monitoring the conduct of firms; covering agreements and network activities, alliances, and agreements; and at the very least, monitoring the practices of companies in a dominant position, such as prices and contractual clauses with suppliers (Uzunidis, 2016).

Uzunidis (2016) summarizes that “the measure of the most used sector structure is the degree of concentration of supply and demand in the sector, conduct is represented by the strategy of the firm and performance is assimilated into profitability.” Furthermore, this model has become an important tool for the industrial economist. In this case, the degree of concentration of buyers, product differentiation, and the conditions of entry to the sector are relevant (Uzunidis, 2016).

On the micro level, competitiveness focuses on companies being better than their competitors. According to Chao-Hung and Li-Chang (2010), cited in Siudek and Zawojka (2014), “A firm’s competitiveness is its economic strength against its rivals in the global marketplace where products, services, people and innovations move freely despite the geographical boundaries.” Competitiveness thus relates to a company’s potential, resources, skills, and abilities (Walczak, 2010).

Gorynia (2004) established a three-dimensional model of competitiveness:

- Competitive position of an enterprise,
- Competitive potential of an enterprise,
- Competitive strategy of an enterprise.

Stankiewicz (2000, cited in Jablonska-Porzuczek & Smoluk-Sikorska 2016), agrees with the three dimensions of Gorynia (2004) but includes one more dimension and considers the competitiveness of a company based on four relevant elements:

- Competitiveness potential,
- Competitive advantage,
- Competitive instruments,
- Competitive position (Stankiewicz, 2000, cited in Jablonska-Porzuczek & Smoluk-Sikorska 2016).

Competitiveness potential can be described as a system of tangible and intangible resources for building a competitive advantage and demonstrates the general possibility of being efficient (Stankiewicz, 2000, cited in Jablonska-Porzuczek & Smoluk-Sikorska, 2016).

Competitive instruments are actions and tools to convince customers. According to Stankiewicz (2000, cited in Jablonska-Porzuczek & Smoluk-Sikorska, 2016), “Competitive instruments are tools and ways to obtain customers and suppliers on terms acceptable to the company, as well as to support the achievement of designated objectives.” Competitive instruments can include the quality and price of products, a product range, advertisements, and all overall marketing actions (Gorynia, 2004).

Finally, competitive position describes a company's position within the sector and is considered to be the result of competing. It can be set equal to market share, financial situation, customer loyalty, and profitability (Stankiewicz, 2000, cited in Jablonska-Porzuczek & Smoluk-Sikorska, 2016; Gorynia, 2004; Jablonska-Porzuczek & Smoluk-Sikorska, 2016).

In summary, competitive advantage is the consolidation of the three abovementioned parts, and it builds the largest and most distinctive component within competitiveness. This advantage essentially means being better than competitors and enables an attractive and effective sector offer. There exist different dependencies on the mentioned elements of competitiveness. Competitive potential has an impact on competitive advantage, whereas competitive advantage influences the choice of using the competition instruments (Walczak, 2010; Jablonska-Porzuczek & Smoluk-Sikorska, 2016).

1.2 Competitive advantage at the sector and company levels

Competitive advantage belongs to the main decisive systems of competitiveness. The concept of competitive advantage has been strongly embedded in economic and business discussions in recent years, and the current literature contains different definitions. Porter can be seen as the first to truly address competitive advantage in the early 1980s. He published a number of articles about

competitive advantage, summarized in his book “Competitive Strategy, techniques for analyzing industries and competitors” (1980).

In this book, Porter focuses on the different factors and forces that influence a competition-based environment. His analyses are essential for positioning a company within a sector and for protecting against rivalry, with the goal of operating successfully within a sector over a long term and assuring a prime market position. According to Porter (1990), generating a competitive advantage underlines the importance of being unique to the customer. It means “implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy.”

Various scientists have written about competitive advantage and have set different priorities. However, the general agreement is that a competitive advantage is the key to success, while focusing on different business aspects.

Shih (2018), for example, emphasizes the uniqueness of a company. He added to the general meaning, that competitive advantage separates the company in a sector from the rest of its competitors. It is what keeps the business alive and growing. Finally, it is the reason customers buy the products (Shih, 2018).

Other authors, such as Peteraf and Barney (2003), focus on price performance. Furthermore, they assert that one goal of competitive advantage is to create brand value for the customer. For example, according to Peteraf and Barney (2003), a company can establish a competitive advantage by offering the best price performance ratio in comparison to competitors. This can be achieved by creating more economic value—even more than the competitors and their break-even: “when a firm earns a higher rate of economic profit than the average rate of economic profit of other firms competing within the same market, the firm has a competitive advantage” (Besanko et al., 2000). Creating more economic value includes, inter alia, improving the efficiency of a company or some processes, improving the reliability of the products or services, and decreasing cost by simplifying work processes.

Shih (2018) agrees with this unique selling proposition (USP) of a company and further stresses the importance of a customer. An important factor in a competitive advantage is the customer him- or herself. Every company has the challenge of being unique to the customer, and “to remain competitive, a company has to become more

conscious about why it is in business in the first place and what are you delivering that makes you unique” (Smith & Flanagan, 2006). The general attitude of the scientist Shih (2018) reflects the opinion of the author of this dissertation, who evaluates competitive advantage through the eyes of the consumer. The main focus when fostering a competitive advantage is on fulfilling the needs of the customers, which builds the basis of being successful in a new sector.

EI-Hwaity (2013) further highlights a competitive advantage as being relevant both in international business and to the success of a company. A competitive advantage is generally created by and defines the value of companies; it is the decisive impact of the company in comparison to competitors. Every company operates within a competitive environment, and positioning itself in comparison to its competitors is important to guarantee market share and to present and ultimately sustain its competitive advantage.

In companies, the phrase “competitive advantage” is often described using other terms, such as USP, distinguishing features, or competitive edge, even though competitive advantage in fact means much more than these terms. However, CEOs often find it challenging to define or even name their own company’s competitive advantage. This indicates that even today, competitive advantage is often neglected. However, it is so essential that it should actually be the foundation for all the strategic and operational decisions of a company (Hill et al., 2014). A number of important questions must be answered when looking for a competitive advantage:

- What is the company’s most critical competitive advantage?
- What do the employees think is the company’s competitive advantage?
- What is the competitors’ competitive advantage?
- How does the company respond to customers when they ask, “Why should I buy from you?” (Smith & Flanagan, 2006).

A competitive advantage is an interaction of many different aspects, and it affects many or almost all areas of a company. The strategies and decisions that companies utilize to build their competitive advantage can be different in every country because they are usually influenced by national values, cultures, economic structures, and institutions. Furthermore, this advantage is influenced by the general competitiveness of the country and, for example, economic factors. These can include

labor costs, interest rates, exchange rates, and economies of scale, all of which have a decisive impact on the competitiveness of every country (Porter, 1990).

According to Arnold and Quelch (1998), the most important difference between developed and developing or emerging markets is the amount of generated revenue. In addition, Narayanan and Fahey (2005) hold that a number of conceptual differences exist between these types of sectors, namely, transaction costs, capital flow, and laws governing rivalry. Furthermore, Veluru (2018) states that Porter's general concept of competitive advantage should also be adapted to emerging sectors and companies.

First, the following elements in emerging sectors differ from those in developed sectors: the institutional environment and the way in which to deal with the increasing munificence of the environment, the availability of resources, access to international sectors, infrastructure, institutional support, and diminishing regulatory interferences (Khanna & Palepu, 1997). According to Sobel (2008), underdeveloped and therefore inefficient sectors can result in non-productive or wealth-destroying methods.

The second factor, according to Ray (2003), is that environmental turbulence can relate to “a number of economy-wide policy and administrative reforms, cutting across sectors such as trade, banking and commerce, capital and labor sector.” Third, regulatory deficiency often tends to be weak in emerging sectors or is implemented ineffectively due to legal and administrative factors.

Fourth, other factors that can influence Porter's five forces within emerging sectors are transactional costs, relational contracts, and social networks. These costs are usually high in emerging sectors due to the deficient market institution (Khanna & Palepu, 1997, 2000a, 2000b). The fifth aspect covers resource deficiency and the supply-constrained environment. This aspect relates to the general fact that the growth of emerging sectors can be more rapid than in developed sectors as a result of “high aspirations due to exposure the consumption pattern and life style of developed economy, newly learnt consumerism and supported by increasing purchasing power” (Adhikari et al., 2018).

1.3 Enterprise resources and their importance in building the competitive advantage of an economic entity

Enterprises can achieve a competitive advantage while managing resources and competitive instruments covering the value chain. In general, the value chain is a framework for developing a competitive advantage and describing all of the connections and activities of a company to create a product or a service. The challenge for each company is to implement the right measures and actions based on knowledge of its strengths and weaknesses, as well as the opportunities and threats with which it is faced. According to the opinion of the author of the dissertation, to build a competitive advantage, companies must consider their internal and external strengths and weaknesses.

As illustrated in Figure 4, an internal analysis involves assessing the strengths and weaknesses, whereas an external analysis is an evaluation of the opportunities and threats (Prunea, 2014; Grant, 2010; Barney, 1991).

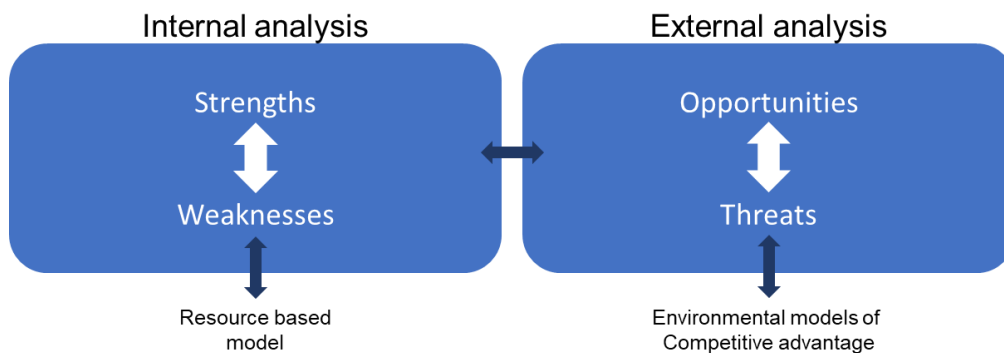


Figure 4: Internal and external analysis by Barney (1991)

According to Cater and Cater (2009), internal resources tend to have a greater impact than external resources on the competitive advantage strategy.

Internal resources cover an organization's internal sources, such as assets, and capabilities, which have a decisive impact on performance and efficiency (Prunea, 2014, Grant, 2010, Barney, 1991).



Figure 5: Structure of an organization's internal resources (Grant, 2010)

Grant (2010) divided a company's internal resources into tangible and intangible resources as well as human resources. These different groups have their own characteristics. First, as indicated in Figure 5, tangible resources cover physical and financial resources. Moreover, they are measurable in a monetary way. For example, physical resources can be real estate assets, equipment, geographical location, and the company's access to raw materials. These resources have a decisive impact on a company's strategy and competitive advantage due to the high importance of purchasing, managing, and divesting of real estate assets (Grant, 2010).

Second, intangible resources cover technology, reputation, and cultural items (Grant, 2010). According to Bochenek and Pomaskow (2014), the brand, image, customer loyalty, organizational culture, and human capital are intangible resources. These resources refer to the assets of an organization and have an important impact on brand value. Finally, companies must operate constantly in the sector and build strong relationships with their customers (Bochenek & Pomaskow, 2014). The author of this dissertation considers the brand of a company as one of the decisive factors within a competitive advantage and focuses on intangible assets. Although intangible resources are more difficult to quantify, they do enable companies to compete within a sector. A special focus of this dissertation is therefore on the brand and customer loyalty.

Third, human resources consist of competence, communication and collaboration, and motivation. These include, for example, management's competence, education, training, work, experience, decision-making, know-how, attitudes, mutual relations, and other attributes.

According to Grant (2010), the utilization of these competencies has an important effect on the business strategy and enables expansion into foreign sectors.

Especially when entering a new and foreign sector, the market position of a company gaining market share are important. The basic prerequisites are therefore first an internal analysis and then an external one. This allows for measures and necessary instruments to be derived. Porter's value chain can be a decisive instrument in this process, according to the opinion of the author of this dissertation.

Porter's value chain defines the instrument for creating competitive advantage and is strongly connected to the tangible and intangible resources of a company within a sector. The value chain covers all the internal resources and activities in which a company engages to produce goods and services. In relation to business, this value chain is generally a concept for managing a company, and it encompasses the different activities that a company can undertake to create value for its customers and consume resources, and which are interconnected in processes. This added value creation leads to both higher value for customers and a competitive advantage (Porter, 1998).

Porter's (1998) value chain focuses on the customer and positions all of a company's systems and activities around that individual. This concept consists of support activities, including the firm's infrastructure, human resource management, technology management, and procurement.

The possible activities of a company within a sector include inbound logistics, operations, outbound logistics, marketing and sales, and service (Figure 6). Inbound and outbound logistics relate to processes such as the receipt, storage, and internal distribution of raw materials, packaging, and other items needed for production. This set of activities is mostly influenced by the relationship with suppliers. Furthermore, operation consists of all activities concerning the production. In this case, the operational systems can create value for the customer (William, 2013).



Figure 6: Porter's generic value chain (Porter, 1998)

The general goals of Porter's value chain are as follows (Porter, 1998):

- Identifying the general value for the customer and deriving different activities, especially within marketing, sales, and CRM;
- Identifying opportunities for optimizing and creating customer value.

According to the opinion of the author of this dissertation, identifying the competitive advantage of a company within a sector is often challenging; it is ever-changing, and a company must change its strategy to adapt to the current sector conditions and movements. Among the possible activities of a company, this dissertation focus is on the instruments of competitive advantage, price, promotion, place, and product summarized in marketing, CRM, and brand. Marketing is a tool for acquiring and gaining new customers, and CRM is a tool for building long-term relationships with them. While a brand itself is not seen as an activity of a company, it is one of Porter's mentioned business resources and is therefore generally seen as the goal of marketing and CRM actions.

The first challenge to be competitive is to know one's own strengths and weaknesses and to derive the resources and possibilities from them. Based on this, every company must decide which strategy is feasible. The next chapter explains the types of competitive advantage according to Porter.

1.4 Types of competitive advantage depending on the environment of companies

The general purpose of a competitive advantage for entities is based on business approaches as well as actions for attracting customers and potential customers. Through this advantage, companies aim to fulfill the expectations of customers and build a long-term relationship with them that ultimately results in customer loyalty.

Different competitors usually exist, and the sector in general exhibits steady movements. In addition, the strategy a company needs to employ is influenced by numerous circumstances. With regard to government regulation, the most influential factors are the sector, the competitors, the financial situation, and the customers (Kumar & Reinartz, 2012). According to the opinion of the author of this dissertation, possible examples can be a competitor's new pricing model; newly established USPs, such as a focus on service building; or a new innovative product in the sector.

Gaining additional market share is accompanied by an increase in competitive advantage, and a sustainable competitive advantage is the fundamental basis of long-term success. A competitive advantage assumes a benefit in comparison to competitors; this can be either a better service or better innovation. Moreover, companies must often decide between lower pricing or better quality (Rugman & D'Cruz, 2000).

Porter (1985) summarizes the possibilities that a company can apply, stating that "Competitive advantage grows fundamentally out of a value a firm is able to create for its buyers that exceeds the firm's cost of creating it." Furthermore, he adds that, in general, two types of competitive advantage exist: cost leadership, meaning low cost, and differentiation. The decision regarding which type of competitive advantage is relevant for an enterprise results from the industry structure.

The following three generic strategies follow completely different directions to reach their goal of building a competitive advantage and cannot be combined with one another: strategy 1: cost leadership strategy 2: differentiation strategy 3: focus strategy. The two strategies of cost leadership and differentiation appeal to a broader target group, whereas the focus strategies concern only a narrow target group. Each

enterprise must decide which strategy fits best and then align itself accordingly. For Porter (1985), “Each generic strategy implies different skills and requirements for success, which commonly translate into differences in organizational structure and culture.” He mentions, for example, that the cost leadership strategy requires a tight control system and the minimization of overheads.

The three generic strategies are depicted in Figure 7:

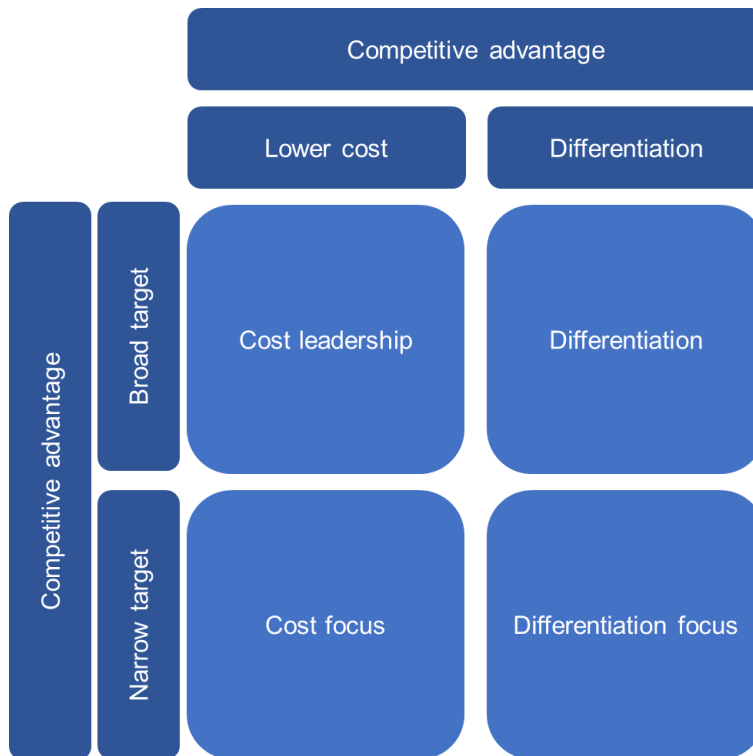


Figure 7: Porter's competitive advantage (Rugman & Verbeke, 2008)

The cost leadership strategy is the clearest of these strategies and is characterized by having the lowest total cost within the industry. According to Porter (1985), “Low-cost producers typically sell a standard, or no-frills, product and place considerable emphasis on reaping scale or absolute cost advantages from all sources.” The cost leadership strategy describes low-cost producers within a special sector with a certain grade of quality and enables a company to compete with better prices (Porter, 2014; Groucutt et al., 2004). Offering the products at a lower price or even at the sector average enables them to gain either sector share or benefits with a higher profitability. This often requires a significant investment in production assets and a large source of high-quality but cheaper materials.

The following goals of enterprises adopting this strategy are then cost leadership or cost reduction, which affects not only the cost of manufacturing but also costs such as marketing, service, infrastructure, and many other dimensions of the enterprises (Porter, 1985). Some firms thus tend to change their production toward a mass production of products using certain economies of scale. As with economies of scope, the goal here is to reduce costs to the company. Economies of scope focus on variety not volume, and aim to minimize the costs as much as possible. Overall, all actions concerning cost savings impact the value chain, since each value activity has its own cost structure, and cost savings can affect all value activities. The cost leadership strategy influences a complete sector, suppliers, channels, and competitors. Furthermore, positioning with the cost leadership strategy also demands efficient distribution channels. General risks when implementing cost leadership can be the imitation of competitors, a changing technology, or other bases for cost leadership to erode (Porter, 1985).

Porter mentions the following aspects as the steps in strategic cost analysis (Porter, 1985):

1. Identify the appropriate value chain, and assign costs and assets to it.
2. Diagnose the cost drivers of each value activity and how they interact.
3. Identify competitor value chains and determine the relative cost of competitors and the sources of cost differences.
4. Develop a strategy to lower the relative cost position by controlling cost drivers or reconfiguring the value chain and/or downstream value.
5. Ensure that cost reduction efforts do not erode differentiation, or make a conscious choice to do so.
6. Test the cost reduction strategy for sustainability.

The differentiation strategy is the second basic type of competitive advantage, according to Porter. This strategy requires a special product USP or a special service feature, which enables a company to differentiate itself from its competitors. According to Porter (1985), “A firm differentiates itself from its competitors if it can be unique at something that is valuable to buyers.”

This added value enables a company to remain in a higher pricing segment. However, when positioning with the differentiation strategy, the company must

guarantee a high level of scientific research as well as creativity and innovation (Hill & Jones, 2007). According to Porter (1985), “in a differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers.” Differentiation also grows out of an enterprise’s value chain. There are many possibilities for how an enterprise can be unique for a consumer; these can concern several actions or attributes within an enterprise, such as the following (Smith & Flanagan, 2006):

- optimal customer service;
- quality;
- reputation;
- good results;
- employees;
- knowledgeable staff;
- consistent management;
- responsiveness;
- innovativeness;
- trust.

Being perceived as different by the customer is often associated with higher costs. Furthermore, being successful with the differentiation strategy requires performing value activities better than competitors (Porter, 1985). According to Porter (1985), “Uniqueness does not lead to differentiation unless it is valuable to the buyer.”

Porter (1985) also mentions the various steps of the enterprise for the differentiation strategy:

1. “Determine who the real buyer is.”
2. “Identify the buyer’s value chain and the firm’s impact on it.”
3. “Determine ranked buyer purchasing criteria.”
4. “Assess the existing and potential sources of uniqueness in a firm’s value chain.”
5. “Identify the cost of existing and potential sources of differentiation.”
6. “Choose the configuration of value activities that creates the most valuable differentiation for the buyer relative to the cost of differentiating.”
7. “Test the chosen differentiation strategy for sustainability.”

8. “Reduce cost in activities that do not affect the chosen forms of differentiation.”

The type of differentiation varies across sectors and industries (Porter & Derry, 2012). For example, marketing can be an important part of a differentiation strategy covering a unique presentation of a product or a brand. Furthermore, the product itself can distinguish itself from its competitors in a special way. According to a study by Ismail and Alam (2019), gaining a competitive advantage by implementing the differentiation strategy is often connected to innovation. Kotabe and Kothari (2016) have extended this assumption and claim that not only innovativeness, but also the connection between high quality and product are decisive.

A company that benefits from the differentiation positioning will be an above-average performer because its exceptional position will lead to high willingness among customers to pay higher prices. The challenge in using this strategy is to reduce costs in all areas except for those that have a direct impact on the differentiation. A further challenge is to be unique. However, in comparison to the cost leadership strategy, more than one company can use the differentiation strategy within a sector (Porter, 1985).

Key questions related to the differentiation strategy are, for example, what makes the brand unique and desired, and are the product characteristics significantly different from those of currently available products?

In addition, the risks associated with the differentiation strategy can be the imitation of competitors and the changing importance of the bases for differentiation (Porter, 1985).

The third generic strategy is the focus strategy, which aim is aimed at a specific target group, where a particular product serves the needs of this special group. Within this segment, a company can position itself using either the cost leadership strategy or the differentiation strategy (Porter, 2014). Risks for the focus strategy can be that the structure erodes and demand disappears (Porter, 1985).

A company must be certain about a special potential target group within the new sector, otherwise an expansion can be expensive and risky (Stutz & Wharf, 2012). This strategy differs from the other two because “it rests on the choice of a narrow competitive scope within an industry. The focus selects a segment or group of

segments in the industry and tailors its strategy to serving them to the exclusion of others” (Porter, 1985).

When deciding on one of the mentioned strategies, a company can only operate successfully when the strategy does not fail. The general challenge of all three mentioned strategies is not to get caught in the middle, for example by not positioning with a competitive advantage or by having a strategy that fails. A company that is stuck in the middle will be at a disadvantage when competing with the cost leader, differentiators, or those that pursue a focus strategy. A company can, however, generate profit if all other competitors are also stuck in the middle or if the structure of the industry is favorable, but strictly speaking, being stuck in the middle occurs when a company does not make enough or the right choices. Furthermore, there is always movement within a sector and an industry. For example, a company using the differentiation strategy can be attacked by a competitor that has discovered a large gap (Hill & Jones, 2007).

The three generic strategies can be consolidated into two basic strategies: cost leadership and differentiation (Brenes et al., 2013). Views differ regarding whether a company can only select one strategy at a time. Authors such as Acquah and Yasai-Ardekani (2008) and Pertusa-Ortega et al. (2009) assume that a company can only choose one strategy, whereas Chew (2000) assumes that a company can choose two strategies at the same time.

The opinion of the author of this dissertation is in line with the latter assumption of Chew (2000). Each company can choose two strategies at the same time; however, it must focus at least on one main strategy. For example, a company decides to position itself using differentiation and considers this as its main direction. This usually means that the company's products are in the higher price segment. At this point, the company may, on the one hand, consider offering its products at high prices and positioning itself as a type of premium brand. On the other hand, the company can also present itself as a cheaper brand within the high price segment, thus offering products at comparatively lower prices. In this case, the company uses two strategies at the same time.

The mentioned strategies are considered as a possibility to position oneself differently. These three directions then have an effect in all areas of a company.

Especially within a foreign sector, a consistent implementation is both relevant and the basic requirement to be successful. However, competitiveness is influenced not only by the movements within a sector and the developments of competitors, but also by the basic attitudes and values of the locals. This is discussed in the next chapter.

Chapter 2. Influencing the competitive advantage: impact of national culture and instruments

2.1 Consumer insights and their impact on competitive advantage

Consumer insights have an impact on building a competitive advantage. Knowledge about consumer insights is essential for building and sustaining a competitive advantage and should be evaluated from the perspective of the customers. In developing countries, for example, a decisive consumer insight is high solidarity toward domestic products. This also has an impact on competitive advantage and reflects the buying attitude from the consumer's point of view.

Consumer insights are characterized by the acquisition, processing, analysis, and interpretation of information about customers and their consumer behavior, wishes, needs, motivations, and views. The general goals of generating insights are 1) to gain deep insights from the consumer's perspective and hence develop competitive advantage strategies through the correct interpretation of the data and 2) to take measures to fulfill consumers' requirements and in conclusion generate new customers or retain existing customers (Riekhof, 2010).

According to Kotler (2009), "consumer behavior is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants." Furthermore, according to the opinion of the author of this dissertation, consumer behavior is the origin of every consumer purchase decision. National culture and subculture play a decisive role in consumer behavior and shape the requirements for building a competitive advantage and the expectations regarding products. According to Kotler and Armstrong (2009), "Culture is the fundamental determinant of a person's wants and behavior. The growing child acquires a set of values, perceptions, preferences, and behaviors through his or her family and other key institutes." However, Skulski (2020) emphasizes that it is difficult to analyze the cultural factors and the business activity.

Adhikari et al. (2018) stresses that different socio-demographic characteristics have an influence on national insights and states that consumer behavior deals with

the study of individuals, organizations, or groups, and “the processes they use to select, use, and bestow the products, services, or experiences to satisfy their requirements.” Consumer behavior and buying decisions are influenced by demographics, lifestyle, personality, and behavioral variables, covering, for example, the rate of usage, the occasion of usage, and brand loyalty (Adhikari et al., 2018).

Adhikari et al. defines several aspects—cultural, social, personal, psychological, and economic factors—that shape consumer behavior, as illustrated in Figure 8.

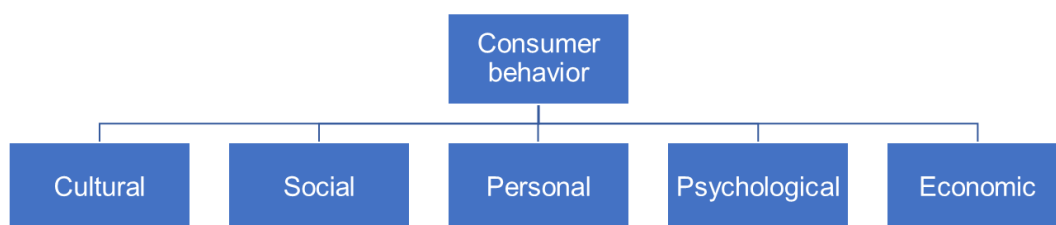


Figure 8: The influencers of consumer behavior (Adhikari et al., 2018)

The national cultural aspect depends on national culture, subculture, and social class, while the social aspect depends on family, references, and roles, and personal factors are influenced by age, income, occupation, and lifestyle. Moreover, motivation and perception have a certain impact on psychological issues, and finally, the economic items cover general income and liquid assets (Adhikari et al., 2018). National culture sometimes even can be compared with an onion, covering the layers from the outer layer, middle layer and the core (Simpson, 2012).

Furthermore, according to Adhikari et al. (2018), the abovementioned aspects are influenced by the following factors and have an impact on the competitive advantage. These aspects demonstrate general changes in national consumers' buying behavior and in their dealings with products and/or services (Adhikari et al., 2018):

- Quality of products and/or services:

Consumers tend to purchase products that are reliable and long lasting. However, the perception of quality is usually subjective. The consumer tends to “... rely on heuristics to judge the product quality across all competitive products in the sector prior to purchase.”

- Innovation in the value proposition of the products/services:

“Customers feel motivated to purchase any product when they see up gradation and added features in an innovative way for any product/service.”
- Technology’s influence on the purchase:

“Customers are becoming technology friendly more nowadays and that is the demand of the hour nowadays.”
- Cross-culture influence:

“Culture among the buyers influences the pattern of consumptions and pattern of decision-making of purchase behavior considerably.”
- Economic factors:

“There is a growth in affluent global young adults and teenagers with good disposable income.”

Companies/manufacturers that wish to position their brands in a foreign country must be familiar with the local preferences. As mentioned above, national cultural aspects have an important impact on the competitive advantage. Especially in underdeveloped countries, consumers are more aware of marketing communication that is connected to their national cultural values and characteristics and that fulfills their requirements. Successful competitive instruments therefore require an understanding of the social and national cultural environment from a consumer perspective (Schaffmeister, 2015).

Another challenge to achieve a competitive advantage is the ethnocentrism of local consumers. It is not directly part of the competitive advantage, but according to Gelbrich and Müller (2011), ethnocentrism can generate a competitive advantage over domestic brands. Due to different consumer behaviors, it has a decisive impact. Mornah and MacDermott (2016) and Akram et al. (2011) in particular emphasize that locals are more inclined to buy local products. The general outcome of their research represents the opinion of the author of this dissertation: cohesion in developing countries is currently even greater, and products from one’s own country are therefore

consciously supported more often. On the one hand, local products are more familiar, and on the other hand, locals support their fellow countrymen.

When companies enter a foreign market, they are often confronted with ethnocentrism. Products are perceived differently depending on their original country. Products from developed countries are often associated with attributes such as having a higher price, being luxurious goods, being fashionable, and possessing a unique appearance. In comparison, products originating in developing countries are perceived more negatively, especially as concerns durability and quality (Adhikari et al., 2018).

National cultural aspects influence and provide the basis for a competitive advantage. There are currently two key researchers of cultural aspects: Hofstede and the sociologist Shalom Schwartz (2006).

Hofstede is one of the most decisive researchers in the field of culture and international management. While many definitions of culture exist, he prefers to define culture as “the collective programming of the mind which distinguishes the patterns of thinking that parents transfer to their children, teachers to their students, friends to their friends, leaders to their followers, and their followers to their leaders” (Hofstede, 1980).

The author has established the following six cultural dimensions (Hofstede et al., 2010):

1. The power distance index (PDI). This describes the acceptance of inequality that exists between people with and without power. A high PDI indicates that a society respects an unequal, hierarchical distribution of power and is regarded as legitimate. A low PDI demonstrates the wish for inequality.
2. Individualism versus collectivism (IDV). This is a measure of how strong the connection is between people within a community. A high value for IDV can indicate freedom and privacy, in comparison to a low value, which represents harmony.
3. Masculinity versus femininity. This is characterized by the value of men and women. A feminine society is more anchored in cooperation, solicitousness, or equality than a masculine society. Societies that are more masculine are more focused on dominance, power, and appreciation.

4. The uncertainty avoidance index. This is a measure for dealing with anxiety. A high IDV value can point to a rigid structure; in comparison, a low value represents openness to change.
5. Pragmatic versus normative. This dimension is also known as long-term orientation and was added recently. A high IDV value can imply modesty; in comparison, a low value represents strong convictions.
6. Indulgence versus restraint. This dimension describes achieving happiness. A high IDV value can indicate optimism; in comparison, a low value represents being pessimistic (Hofstede et al., 2010).

Shalom Schwartz (2006) extended the cultural dimensions and implemented seven important cultural value dimensions, which can be seen in Figure 9:

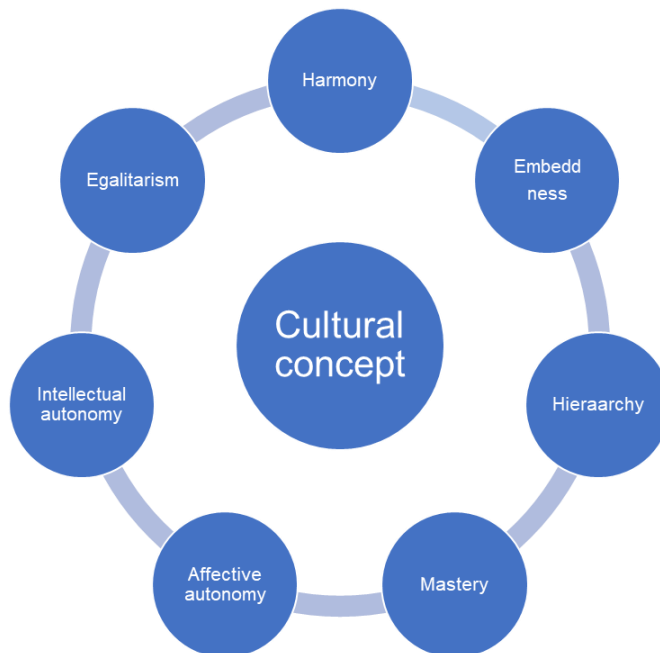


Figure 9: The cultural concept (Schwartz, 2006)

Another difference, as illustrated in Figure 9, is that within the segment of personal intellectual orientation and egalitarianism, western countries are more pronounced than underdeveloped countries. Schwartz's depiction of the cultural dimension demonstrates the basis for international competitive strategies. The communicated values of a company must be similar to the values and dimensions of the group (Schaffmeister, 2015).

According to Sandler and Churkina (2011), a company should consider these differences in their competitive strategy. The closer the strategy is to the values of the

consumer, the more successful the company will be in the foreign sector (Sandler & Churkina, 2011).

A company can position itself in a foreign country in different ways. According to Esch (2010), product positioning is described as the “high art of marketing.” A market positioning is possible in different ways, covering the global, hybrid, or local brand, and the choice is based on four items. These three possibilities influence the respective acceptance of a brand in a country and the general solidarity of customers. Different approaches exist concerning the solidarity of customers. According to Schaffmeister & Haller (2018), products such as food, drugs, or clothes are anchored strictly in the local culture. In this case, customers tend to buy local products, and local brands have a competitive advantage (Schaffmeister & Haller, 2018).

Summarizing the impact of foreign brands, it is clear that a significant difference exists between western culture and developing countries. The needs and considerations in the latter group, especially in Asia, are often more shaped by traditions, habits, and traditional values. The summary of this mentioned knowledge represents the opinion of the author of this dissertation. Asian products in particular are often less developed than their foreign counterparts. This characteristic is driven by different factors, for example, “the stage of economic development of societies, less focus on innovation, broad diversification of businesses, the Asian business structure, and the implications of intellectual property (IP) protection” (Roll, 2006).

This opens up possibilities for products from abroad. Especially in Asia, the brand is the driver of a successful competitive advantage strategy. As mentioned in the previous section, building a brand is essential for being successful, and customers consider this to be a signal of quality, which creates trust.

The long-term success of a competitive advantage strategy requires a planned and well-managed effort from companies. Roll (2006) states that “they need to know how the drivers interoperate, how to achieve and leverage all elements of the brand equity, and how to evaluate the performance of the brand portfolio.” Furthermore, competitive advantage can become a relevant and trusted strategic discipline only if a brand is “characterized by a unique brand promise (the customer focus) and an outstanding brand delivery (the organizational system and performance behind the promise).”

According to Roll (2006), strong brands have various basic forms of competitive advantage:

1. Brand promise and brand delivery are equally balanced and leveraged;
2. Uniqueness and differentiation are key drivers;
3. Consistency exists across products, sectors, organization, and cultures;
4. Strong brand management systems and processes are in place;
5. Board and corporate management are deeply engaged and committed.

Roll (2016) also points out certain characteristics pertaining to the transformation of the Asian culture:

1. A homogeneous region to a mosaic of cultures;
2. Exotic Asia to modern urban Asia;
3. Separate countries to connected countries;
4. Invasion of American images to prominence of Asian images and music;
5. Collectivist cultures to different types of in-group affiliations;
6. Conformist cultures to being different but in the same way.

Customer behavior differs significantly within groups with different socio-demographic backgrounds. Gender and age in particular play decisive roles here. Furthermore, cultural aspects play a relevant role, and especially a foreign company must adapt to the cultural values to be close to the consumer. The next chapter discusses the instruments a company can apply to benefit from cultural values.

2.2 A brand as a key instrument of entities' competitive advantage

The instruments used by entities to build a competitive advantage depend on the strategic goals of an enterprise. The aim of these competitive instruments is to improve an entity's competitive advantage and competitive position. The usage of each instrument in an appropriate way should enable the company to create a higher value for consumers. The tools span from product range and advertisements to the price of

products, and many more (2000, cited in Jablonska-Porzuczek & Smoluk-Sikorska 2016; Gorynia, 2004).

This dissertation focuses on the competitive instruments (product, price, place, promotion, CRM, and brand), and they are hence explained in detail in the following section. Marketing is an instrument for building a competitive advantage to acquire and gain customers, and CRM is an instrument for building a long-term relationship. A brand is not counted as a measure in this dissertation, but as a goal to build a simple product in a market. Marketing and CRM serve as measures to achieve this goal.

A brand is considered to be a crucial instrument to create a competitive advantage. It belongs to the goals of marketing and CRM actions.

Kotler and Keller (2015) define a brand as “a name, term, sign, symbol, or design, or a combination of them, intended to identify goods or services of one seller or group of sellers and to differentiate them from those of competitors.” A brand is an added value to a product. This added value is a way to position oneself better relative to a competitor. Success in acquiring new sectors is based on developing a strong brand strategy.

Various brand definitions exist. According to Stephen King (WPP Group, 2004), “a product is something made in the factory; a brand is something the customer buys. A product can be copied or imitated by a competitor; a brand is unique. A product can be outdated; a successful brand is timeless.” Moreover, Hollensen (2016) states that a “Brand is associated with added costs in the form of marketing, labeling, packaging and promotion. Commodities are ‘unbranded’ or undifferentiated products.”

According to Bochenek and Pomaskow (2014), the concept of a brand has become one of the most important instruments of competition; “as the modern buyer pays attention to branded products, the building and strengthening of global brands has become a primary objective of the companies that are in this respect almost forced to change their management style, striving for success in the international area.” The concept of a brand is strongly connected to competitive advantage, especially differentiation. Kapferer (1992) argued that “brands are a direct consequence of the strategy of market segmentation and product differentiation.”

Global success is often based on brand strategies, and a brand enables the achievement of a competitive advantage. Furthermore, a brand helps a company to win loyal customers. According to Xie and Boggs (2006), a “Branding strategy in the international context is a crucial issue for firms from developed countries aspiring to succeed in emerging markets.”

The main topic of brand positioning is convincing consumers of a brand, independent of competitor brands. Brand positioning involves creating brand superiority in the minds of the consumer (Keller, 2007). In the past, the most popular sectors for international business were advanced-economy countries in North America, Europe, Australia, New Zealand, and Japan, whereas nowadays, even more potential exists in emerging sectors such as Bangladesh (Cavusgil et al., 2015).

To evaluate the characteristics of and the success criteria for successful brand strategies, Kevin Lane Keller established the general customer-based brand-equity (CBBE) model. Although established in 1993, it remains the most common and relevant model for brand strategies.

This model states that building an international brand requires brand-building blocks. This development is based on four steps: the right brand identity, brand meaning, brand responses, and brand relationship.

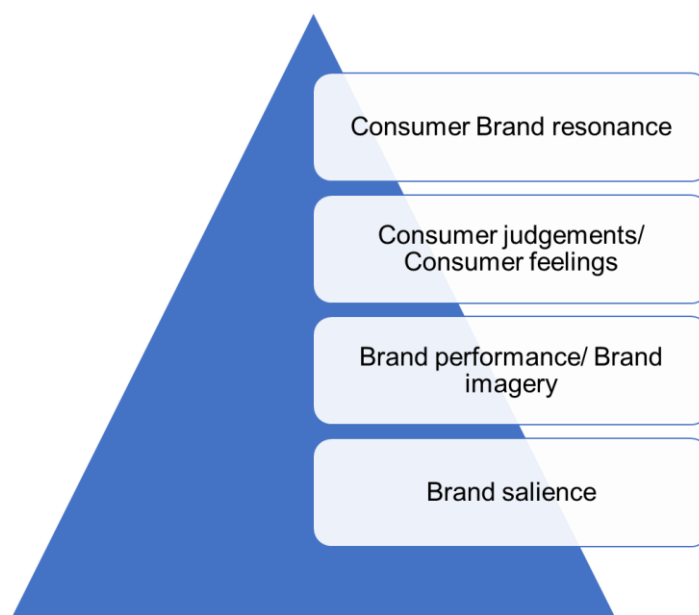


Figure 10: The CBBE model—four steps of brand-building (Keller, 2007)

Figure 10 illustrates the four steps of brand-building. The basis of a brand is brand salience, which is characterized by customer awareness. Brand awareness is usually more than just knowing the brand—it is about having a clear depiction of the brand, for example the brand name, logo, or symbol. To create brand equity, a customer must first understand the brand (Keller, 2007).

Establishing brand meaning is the second step in building brand equity and is based on brand salience. Success here requires that customers understand the product and that the brand image is clear. This is addressed by the brand meaning and the clear positioning of what the brand stands for. The second step is divided into brand performance and brand imagery. These two components are characterized in terms of intrinsic and extrinsic views, respectively. Brand performance, which relates to the intrinsic brand view, refers to how well the brand rates in terms of objective assessments of quality. Brand imagery deals with the extrinsic view of how people think about a brand abstractly (Keller, 2007).

The third step involves brand response—how the customer responds to a brand. The fourth step presents the relationship between the customer and the brand. This covers the identification, behavioral loyalty, attitudinal attachment, sense of community, and active engagement.

The CBBE model can act as a ladder for building a brand strategy. All four steps have in common that each brand should stand for specific characteristics. The different steps of the model require different instruments. For example, to increase awareness of a product, marketing is needed. The highest goals are to identify the brand, the company, or the service and to position it among the competition.

To achieve this, a company must choose different parameters that build the basis of the brand strategy. This can either be a focus on excellent customer service or on high quality. Bradley (2005), for example, emphasizes that to be successful and generate a competitive advantage, a company must build its strategy through quality. This can be achieved by establishing brand equity by meeting customer needs in a way that is different from competitors, being innovative for a long and sustained period, implementing effective marketing communication over cross-cultural channels, and focusing on a balanced and qualitative product portfolio.

Nowadays, a brand is important not only for producers but also for consumers. According to Bochenek and Pomaskow, “it indicates the level of prices, and guarantees high quality, which in turn builds confidence in the product and provides satisfaction in possessing it” (Bochenek & Pomaskow, 2014).

Global sectors and industries are currently driven by high saturation and high anonymity. Brand-building is thus the general method for being special to the consumer; it consists of creating a positive image, shaping brand loyalty, and conducting effective promotional activities. The most important factor within a global strategy is adapting a product to local needs; the general, most important formula is “think globally, act locally.” Operating globally requires products with a high quality and an attractive price. Other prerequisites are also important, such as durability, reliability, and safety of use (Bochenek & Pomaskow, 2014).

For building and sustaining a brand as a competitive advantage, some measures and actions belong to portfolio of companies. To illustrate this, it is necessary to examine the customer life cycle.

The customer life cycle is a model used to demonstrate the general course of a business relation between a customer and a company. It presents the different steps, from considering and buying to using and remaining loyal (Baines et al., 2017).



Figure 11: Customer life cycle stages (Baines et al., 2017)

The first two steps (Figure 11)—customer acquisition and customer development—are associated with marketing actions. Furthermore, the step of creating customer retention is part of CRM. According to Weinstein (2016), winning and retaining customers is a major challenge.

For FMCG brands, and hence for the purposes of this dissertation, marketing and CRM actions are relevant and will be considered.

This chapter demonstrates the importance of a brand as a resource of a competitive advantage and competitiveness instrument. When entering a foreign sector, building a brand is thus essential.

2.3 The instruments of the competitive advantage: product, price, place, promotion

Product, price, place, and promotion are the main activities and instruments a company can use to build and sustain a competitive advantage. These four instruments can be strongly connected to communication regarding the identity of a brand. Indeed, according to the opinion of the author, these four instruments are important for building a competitive advantage; they enable communication between the product and the consumers.

International marketing is an essential instrument for companies to build a strong and distinctive competitive advantage in a sector. According to Kotler et al. (2007), a consumer buys a product when he or she thinks it is worthwhile. Each product thus has individual value for a customer (Mittelstaedt, 2019).

From the perspective of consumers, the relevant tools are product, price, place, and promotion (Dadzie et al., 2015). These four instruments offer the chance to translate a competitive advantage into actual products or services with a specific price; to be sold at specific outlets; to be promoted through specific communication, activities, and channels; and to be supported by a specific service (Van Gelder, 2005). In the author's opinion, these four instruments should fulfill the requirements of the consumers. The product covers the brand, services, and packaging; price covers discounts, offer prices, and credit policies; promotion covers advertising, publicity, and sales promotion; and finally place covers the market, channels, and distribution (Figure 12).

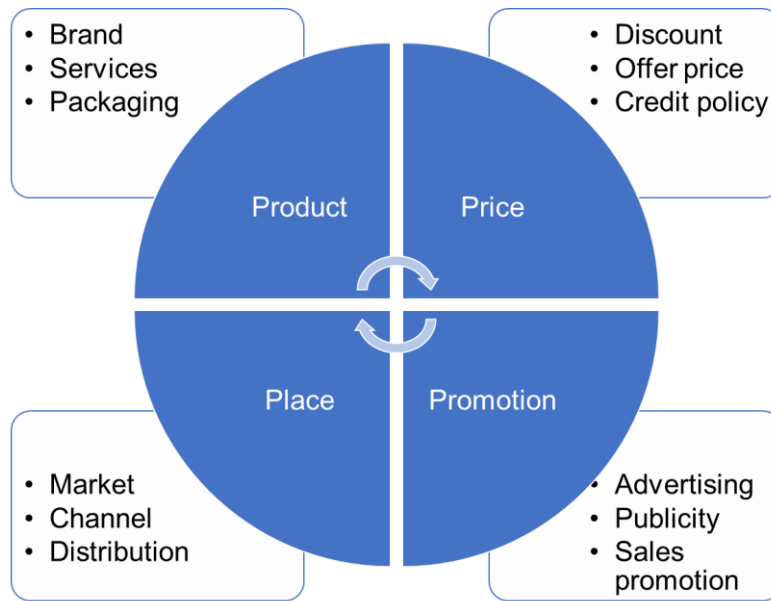


Figure 12: The instruments of a competitive advantage: price, promotion, place, and product (Van Gelder, 2005)

The first element is the product. The challenge is making the right product for the right people to fulfill their requirements. To do this, the consumer's view must be clear, for example how the customer will use the product and how the product is different from competitors' products. According to Kotler and Keller (2015), "a product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a need or want."

As previously mentioned, one of the first decisions a marketer must make relates to the product. A product can be described on three levels: support service, product attributes, and core product benefits. Support service pertains to delivery, installation, guarantees, after-sales service, and after-sales repair. Product attributes include the name, quality, packaging, design, size and color variants, and price. The core product benefits consist of functional features, performance, perceived value, and image (Keller, 2007).

In foreign markets in particular, the interaction of product and promotion is decisive, and the actions can be either standardized or adapted for foreign markets. In general, the two types of action demonstrate a way of selling products in foreign sectors: an adapted concept demonstrates an adaptation of the product to the respective needs and requirements of the consumers, whereas the standardized concept does not make any adjustments to the product (Hollensen, 2016). Before introducing a product into a sector, the product communication mix must be

determined. In 1995, Keegan established the key aspects of marketing as an instrument of building a competitive advantage and offered five alternative and more specific approaches, which are represented in Figure 13 (Hollensen, 2016).

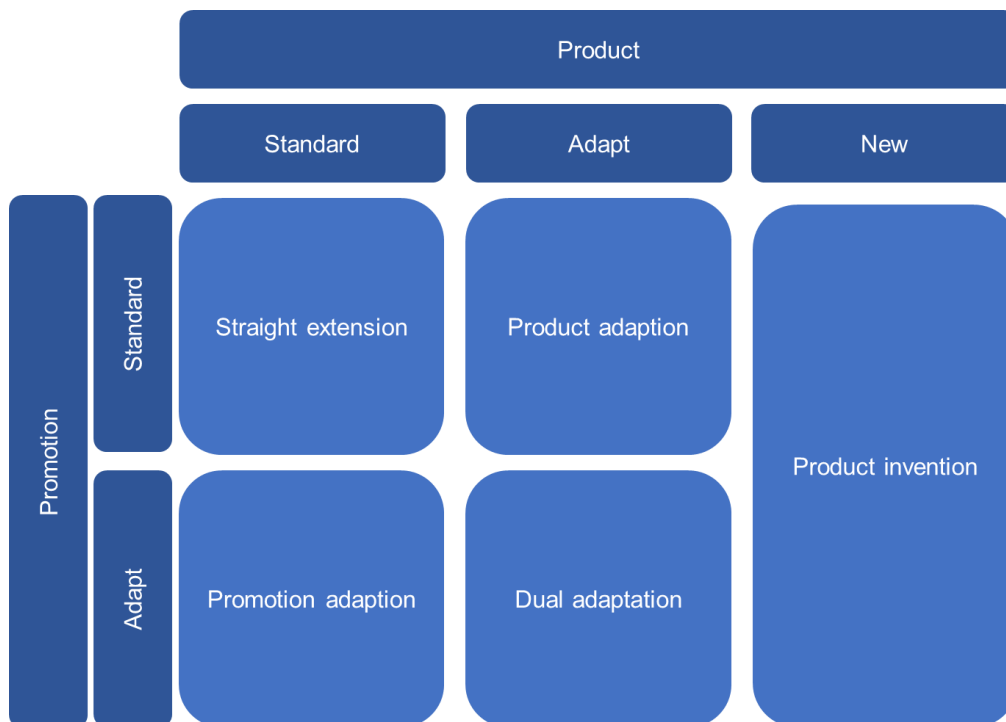


Figure 13: Global product planning—expansion (Keegan, 1995)

For example, a straight extension means promoting a standardized product throughout the world. In this case, the R&D costs will be low. In comparison, a dual adaptation often occurs after a previous failure in a sector. In this case, the product and promotion are adapted. This type of promotion is always associated with high costs and resources but is often necessary. Product invention is the last possibility and is often used in underdeveloped countries. These countries are often less familiar with products, which must therefore be adapted (Hollensen, 2016).

The general question of global product planning when dealing with an expansion is whether the sector requires a global brand or company that represents the global presence, or whether the sector requires a local brand that fits the needs of consumers. Alternatively, a mixture of these may be necessary. The decision a company makes will depend not only on the product itself and the relevance of status, but also on the ethnocentrism of the target group and the preferences of consumers in the particular sector. In short, the more pronounced ethnocentrism is, the more consumers will

demand a local brand that positions itself locally in the country (Schaffmeister & Haller, 2018). Paul (2019) found that for positioning within an emerging market, building a strong relationship with locals can be seen as the first step of marketing. Akhmetschin et al. (2018) conducted research in developing countries such as China, Russia, India, Argentina, Brazil, and Taiwan and made a clear statement that especially in these countries, a balanced ratio between price and quality can play an important role.

The positioning of the product is one of the key elements of building a competitive advantage. So far, a product is rarely unknown to the consumer, so the positioning-related challenge is to describe the most important and unique attribute. This is the basis for a competitive advantage. According to Hollensen (2016), “Positioning a product for international sectors begins with describing specific products as comprising different attributes that are capable of generating a flow of benefits to buyers and users.” Packaging, for example, is an important part of product. Consideration is currently being made regarding whether packaging could be an additional P in the marketing mix. However, for the purposes of this dissertation, it falls under product. According to Ashaduzzman and Mahbub (2016), “packaging acts as the salient salesman for tangible products. The verbal and nonverbal elements of packaging perform as the tool of sales promotion because of changing self-service and changing consumer’s lifestyle.” Rundh (2005) added and emphasized the importance of packaging as part of building a competitive advantage. The role of packaging has been increasing due to the change in consumers’ lifestyles. Furthermore, packaging can also be a tool for differentiation (Underwood et al., 2001; Silayoi & Speece, 2004).

Price can be another instrument. It represents the value a customer is willing to pay for a product. Therefore, price is relevant when building a competitive advantage. Here, policy can also influence the pricing instrument, and in international markets, price is also influenced by various external factors, such as fluctuations in exchange rates, inflation, and the use of alternative payment methods (Hollensen, 2016). Furthermore, various internal and external elements can affect the pricing instrument. The internal elements are firm-level factors, for example corporate and marketing objectives; competitive strategy; firm positioning; product development; and product factors such as place in the product line, important product features such as quality and service, and product positioning—the USP (Hollensen, 2016). The external factors

are, as mentioned above, environmental factors, including inflation, currency fluctuations, and business cycle stage, and market factors such as customers' perceptions (needs, tastes), their ability to pay, and the nature of competition. Furthermore, pricing includes the general fixing of price, discounts, payment terms, take-back conditions, and credit conditions. In emerging sectors, consumers tend to look for products that are high quality, but which carry local prices. Products or brands moving between high-level global pricing and low-high local pricing often exhibit positive results (Khanna & Palepu, 2010).

The third pillar is place, which covers an overlooked aspect of the marketing and brand competitive advantage instruments. Placement is essential, and the correct access to potential buyers requires an understanding of one's target market. Distribution, which is the "place" component of these mentioned instruments, describes the channels between the producers and the final consumers. The structure of the distribution depends on the market coverage and consumers' requirements, and at least three different approaches are possible in this regard:

1. Intensive coverage—the product is positioned through the largest number of different types of intermediaries. This means that the product offerings are extended to as many channels as possible. Especially within the FMCG sector, this enables a product to be present with customers. An intensive selection will increase one's target group reach.
2. Selective coverage—only a certain number of intermediaries are penetrated. This method lies between intensive and exclusive coverage. It represents being available in selected retailers and retail locations.
3. Exclusive coverage—only one intermediary in the sector is chosen. This represents the opposite of intensive coverage. Due to only being available in exclusive retailers, customers perceive the product as being of high value (Hollensen, 2016).

Recent years have seen an increase in the development of retailers in emerging markets. According to Bajpai and Adhikari (2018), "Consumer spending in these countries or economies is speculated to be higher than in the developed world, and modern retailing will continue expanding in order to meet the demand for branded, value added and the segment of luxury goods and elite services."

General retailers in emerging markets usually consist of traditional supermarkets, convenience stores, discounters, grocery retailers, online shopping platforms, and hypermarkets. However, the retailer structure in emerging markets has changed in recent years. The economy was small, and local shops were unorganized and had only the essential items for life. According to Adhikari et al. (2018), “the market was not segmented in an appropriate manner, and the target segments were not well defined.” This means that consumers often had to go to several shops to buy everything they needed. Nowadays, stores have changed, and customers have more options than before; shops keep a wide range of products, and customers can make decisions as they wish (Adhikari et al., 2018).

Furthermore, the general in-store phase of the purchase decision is much longer in emerging markets than in developed markets. Thus, in the emerging countries, products can have a greater effect on consumers' purchase decisions directly at the point of sale through well-thought marketing actions, such as point-of-sale actions or interesting packaging (Atsmon et al., 2012).

Promotion is another instrument and is also important for building a competitive advantage because it relates to the possibility of communicating with consumers and has an impact on their buying decisions. At the very least, the goal of a communication instrument is to persuade a consumer to purchase a product. This can occur in different ways, for example advertising, personal selling, exhibitions, and sales promotions. Factors such as language differences, economic differences, sociocultural differences, legal differences, and competitive differences have an impact on promotion (Hollensen, 2016).

Marketing is a set of instruments of a competitive advantage, and according to the author's view, its goal should be to build a brand. The author further asserts that brand management adopts the four mentioned instruments based on the assumption that optimal marketing enables a successful and strong competitive advantage, resulting in a strong brand.

Marketing is required for effective planning and to satisfy customers' needs. According to Ferrell and Pride (2016), “competing in today's economy means finding ways to break out of commodity status to meet customers' needs better than competing firms.” Marketing as a competitiveness instrument should leverage the strengths and

capitalize on opportunities. However, implementing different marketing strategies is accompanied by some challenges in today's economy (Ferrell & Pride, 2016).

First, there is the power shift to customers. Due to technology, the shopping landscape is quite transparent and allows every customer to compare prices and product information. Therefore, marketers have a low chance to demonstrate the unique and high value of their product. The second current challenge is the substantial increase in product selection. The amount of goods and the assortment thereof are increasing and enable every customer to fulfill their needs more easily and more comfortably than ever before. This also has an impact on communication, reading the news, and entertaining ourselves (Ferrell & Pride, 2016).

According to Baker (2013), marketing is an enigma; it can simultaneously be simple and complex, straightforward and intricate. Therefore, marketing can ultimately be everything or nothing. Hence, for the author,

“The economic problem is to maximize the satisfaction arising from the consumption of scarce resources. Accordingly, (the authors) are concerned with consumer satisfaction, and the best judge of satisfaction is the individual consumer” (Baker, 2013).

However, it is ultimately not the product that satisfies the customers, but rather the experience the customers are having. In his 1955 book, “Quality and Competition,” Abbott states that

“What is considered satisfying is a matter for individual decision: it varies according to one's tastes, standards, beliefs and objectives – and these vary greatly depending on individual personality and cultural environment.” (Abbott, 1955, cited in Baker, 2016).

Global marketing is connected to different cultures. According to Usunier and Lee (2009), “international marketing gives a prominent place to culture, but not everything is culturally driven.” Furthermore, Usunier and Lee (2009) state that “international marketers often resort to using country or nation-states as primary segmentation bases, because borders are definable. But few nations hold homogenous ethnic, linguistic and religious groups.”

Marketing faces the general challenge of representing the cultural value and cultural aspects of the consumer. Marketing actions should visually represent the values of a culture (Visconti et al., 2013).

Marketing managers must also decide on the features and design of a new product, the offering prices, and the spending of the media budget. According to Kotler (2003), “marketing is about identifying and meeting human and social needs.” He adds, “one of the shortest good definitions of marketing is ‘meeting needs profitably’” (Kotler, 2003).

To fulfill all functions, understanding the general core concept is essential. This consists of needs, wants, and demands. Needs are basic human requirements, including food, air, and water. The stronger form of these needs are wants, which relate to objects that satisfy needs. Furthermore, demands are wants for specific products backed by an ability to pay (Kotler & Armstrong, 2009).

2.4 International customer relationship management in the creation of enterprises' competitive advantage

Given the ever-expanding access to the internet, CRM has increased in its importance as the past trend of mass consumer marketing moves toward an increasingly segmented, targeted, and personalized global sector.

According to Nunna (2018), the general importance of CRM is increasing:

“Customer relationship management is going to play a significant role in marketing any product looking at current trends in any business...This consumer behavior also increased the expectation of the firms on how they interact with their customers, but also to be in constant touch with them.”

In addition, Bruhn (2015) suggests that there is no clear definition of the term CRM. Today, already approximately 60% of firms in emerging sectors use CRM. The goals are often connected with gaining the trust of customers and can act as a long-term competitive advantage:

“Building trust with the customers is a major milestone in CRM; once attained, [companies] will create emotional connection with them. Gaining commitment to a certain product or brand is a big milestone” (Nunna, 2018).

Due to globalization, CRM offers companies an opportunity to acquire and stay in contact with their customers:

According to Haddad (2016), “Globalization, consolidation, and emergence of small private brands have considerably transformed the relationship-building landscape. At the same time, this has given greater opportunity for marketers to create a strong brand presence and build their customer base.”

The challenge of CRM is retaining loyal customers and therefore generating a company’s competitive advantage. Furthermore, according to Leahy (2008), “brand loyalty is a measure of the attachment that a customer has to a brand,” while Aaker (2008), as mentioned above, states that brand loyalty demonstrates a customer’s willingness to switch to another brand. Aaker (2008) and Fournier and Yao (1997) also describe loyalty as a biased behavioral response that involves selecting one brand out of the total set of alternative brands (Leahy 2008). According to Delgado-Ballester et al. (2003), the importance of brand loyalty stems from the following aspects:

- a substantial entry barrier to competitors;
- an increase in a firm’s ability to respond to competitive threats;
- greater sales and revenue;
- a customer base less sensitive to the marketing efforts of competitors.

Rowley (2005) added the following aspects:

- lower customer price sensitivity;
- reduced expenditure to attract new customers;
- improved organizational profitability.

According to Pepper and Rogers (2005), “The only value your company will ever create is the value that comes from customers – the ones you have now and the ones you will have in future. Businesses succeed by getting, keeping, and growing customers.”

According to the different strategies for being successful abroad, a company must guarantee a certain level of quality and satisfaction for its customers as well as a competitive advantage. In the subscription business landscape, customer relationships offer the opportunity to create a competitive advantage.

The classical and best-known customer relationship and customer loyalty programs consist mainly of confirmation and rewards for the customer. The general goals of these programs are to bond with customers and to avoid them purchasing a competitor's product (Bruhn, 2015).

In underdeveloped countries, customers are often not as loyal as those in already developed countries. The general principles and goals of CRM are described next.

CRM has gained much attention since its development around 1980, with the idea of building a relationship with customers to keep them coming back (Drummond et al., 2008). Thus, CRM can be seen as an approach to manage a company's interactions with current and future customers. It involves analyzing data about the customer's history with the company to improve business relationships with him or her, and it especially focuses on retaining customers (Drummond et al., 2008).

CRM is a core business strategy that aims to create and deliver value to targeted customers at a profit. This clearly denotes that CRM is not just about IT; rather, it integrates internal processes and functions. By targeting customers, CRM is used as a strategic tool to enhance one's competitive advantage and to maintain global sector share (Buttle & Maklan, 2015).

Companies or customers can be resistant to building a relationship for various reasons. On the company side, one of the most important reasons pertains to the costs associated with retaining a customer. Even so, not all customers remain, and customer lifetime is often limited. Building a relationship simultaneously requires people, time, and money—and the opportunity costs must also be considered (Buttle & Maklan, 2015). On the customer side, only satisfied customers may want to foster a relationship with a company. Therefore, customer satisfaction plays an important role in CRM. It can be determined based on an evaluation of the product quality after purchase (Kotler & Armstrong, 2009). This can then be used as a competitive advantage.

With CRM, customer satisfaction should be intensified and form the basis of customer loyalty. This satisfaction can be influenced by the following factors:

1. Product complexity—this relates to whether the product is complex.
2. Product strategic significance—this asks whether the product is strategically important.
3. Service requirements—this indicates whether there are downstream service requirements.
4. Purchasing cost—this pertains to whether the purchase is particularly costly.
5. Reciprocity—a financial audit practice may require a close relationship with a management consultancy (Anderson & Sullivan, 1993).

As mentioned above, Porter (1998) believes that companies can ensure a competitive advantage by creating either high-quality or low-cost products. As a result of integrated CRM activities, a company can position itself in relation to both aspects (Raab & Lorbacher, 2002). The increasing requirements and expectations from customers concerning price, quality, and service endorse the integration of CRM (Bruhn, 2015).

Raab et al. (2008) adopt a global approach to the factors of CRM in their work, "Customer relationship management: a global perspective." The authors identify three decisive competitive advantages:

1. Global efficiency—expanding internationally means lowering costs and improving bottom-line performance via location advantages.
2. Multi-sector efficiency—fully understanding the differences and specifics within the sectors will lead to a competitive advantage.
3. Worldwide learning—understanding the customer demands in various sectors is essential (Raab et al., 2008).

Furthermore, Xu et al. (2002) claim that a close relationship to customers has become the central aspect in achieving business goals and a competitive advantage. Due to globalization, the world has become a smaller marketplace, and relationships create an important selling aspect by increasing loyalty and satisfaction (Xu & Walton, 2005). Xu also asserts that successful companies will use the customer information system to build relationships based on what customers want, and by organizing the

information about each customer, a singular view of each client can be generated throughout a company regardless of how many customers it has (Xu et al., 2002). Moreover, by collecting and storing customer information in data warehouse systems, forecasts can be made concerning customer future trends as well as individual behavior (Xu et al., 2002).

Summarizing the definition above underlines the importance of placing the customer at the center of a company's corporate operations and building a strategy that is deeply rooted in all departments. A key goal of CRM (Figure 14) is to improve business performance by increasing customer satisfaction and consequently increasing customer loyalty, thereby creating a competitive advantage (Anderson & Mittal, 2000).

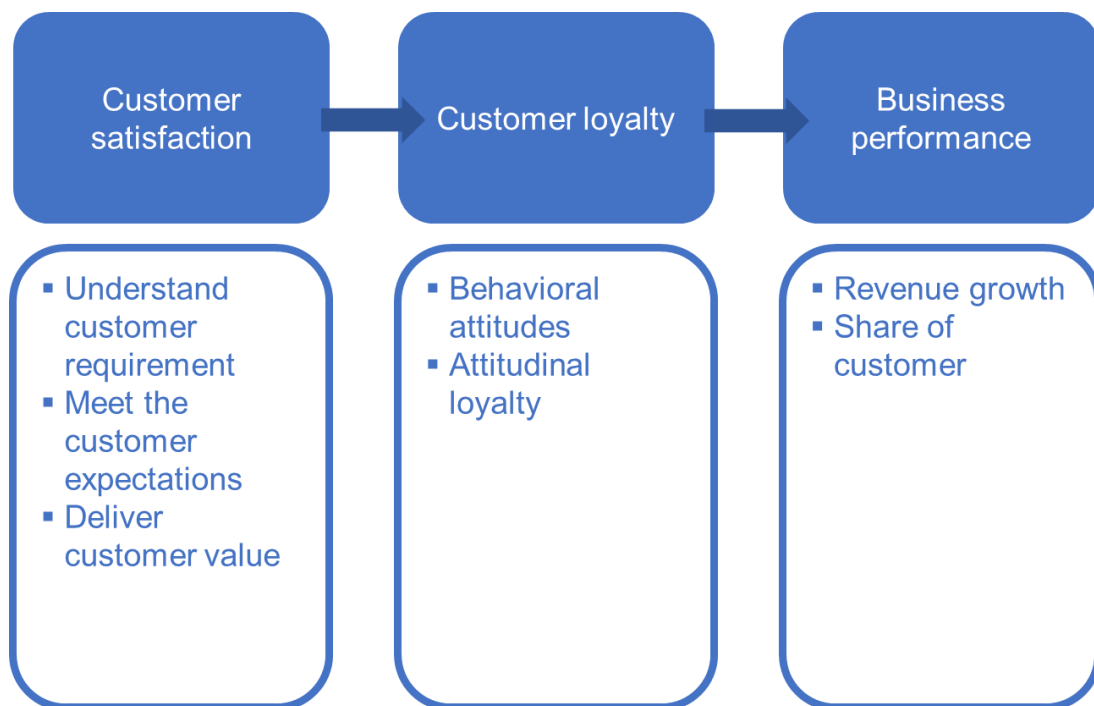


Figure 14: Impact of customer relationship management (Bruhn, 2015)

Buttle and Maklan (2015) claim that “Companies create better results when they manage their customer base in order to identify, acquire, satisfy and retain profitable customers. These are key objectives of many CRM strategies.” Furthermore, according to Raab and Lorbacher (2002), the basis for building a brand and being competitive is to be clear about the requirements and the demands. These can differ depending on the country.

Seven core CRM factors exist (Buttle & Maklan, 2015):

1. Protect the relationship. This is important in the case of strategically significant and attractive customers.
2. Re-engineer the relationship. This strategy is necessary when a customer is currently unprofitable, and the company is offering him or her reduced prices or special offers.
3. Grow the relationship. This is similar to the strategy above, which involves moving the customer up the value ladder.
4. Harvest the relationship. This describes optimizing the cash flow and creating new relationships from that cash.
5. End the relationship. If a customer makes no significant contribution, a company needs to end the relationship with him or her.
6. Win back the customer. A company must create and implement win-back strategies.
7. Start a relationship. The company should develop an acquisition plan to recruit a customer onto the value ladder.

According to the author's opinion, CRM builds a new instrument of the competitive advantage. Due to the increasing importance of this instrument, it is an essential part of building and sustaining a competitive advantage. Every company that wants to position itself in a new foreign sector should use this instrument to establish a strong, long-term relationship with the customer.

Chapter 3. Conditions for conducting business activity in Bangladesh with particular emphasis on the FMCG sector

3.1 Bangladesh—general presentation of the country

Bangladesh is an Asian country located on the fertile Bangladeshi delta in South Asia; its direct neighbors are India and Burma. With more than 166 million people, Bangladesh currently has the world's eighth-largest population. It is also one of the most densely populated countries. The capital of Bangladesh is called Dhaka and is the twentieth-largest metropolitan city in the world (Statista, 2019; Market research report, 2017).

The country's society is nearly 98% Bangladeshi, with only 2% of its inhabitants from other ethnicities. Approximately 89% of the Bangladeshi society is Muslim, 10% is Hindu, and the rest comprises people with other religious affiliations (Statista, 2019; Market Research Report, 2017).

Urbanization is an important aspect in Bangladesh: about 19.6 million people currently reside in Dhaka. The next largest city is Chittagong with, by contrast, only 4.8 million inhabitants, followed by Khulna and Rajshahi with around 1 million inhabitants (Statista, 2019). One third of the total population of Bangladesh lives in cities, while the other two thirds live in rural areas (Etzold, 2015).

Despite an already high number of inhabitants, Bangladesh's population continues to increase. In 2022, it is estimated that the country will have around 171.817 million people. The reasons for this growth are a high birth rate and a declining death rate, combined with increasing life expectancy. The current life expectancy is 72.3 years, which is higher than the regional average, and the fertility rate, which is approximately 2.2, is lower than the regional average (Statista, 2017).

Furthermore, 75.9% of the Bangladeshi society has access to electricity. Only 22% of the population in Bangladesh uses the internet, and there are 87.7 mobile cellular subscriptions per 100 people. The political situation in Bangladesh is driven by a semi-democracy, and the control of corruption in the country is estimated to be rather weak (Statista, 2019).

From an economic perspective, Bangladesh is characterized by a mixed economy. This means that certain sectors of the economy still fall under private ownership and the free sector mechanism. Moreover, even though Bangladesh is a developing country, the poverty rate is still around 25% (Statista, 2017). “According to the Human Development Report (HDI), Bangladesh is one of the countries that made the greatest progress in recent decades” (Interactions Eldis, n. d.).

The general GDP per capita has been increasing in recent years up to USD 1,905.000 in 2019. A continued increase is expected, with an estimated GDP per capita of USD 2,846.76 in 2024 (Figure 15).

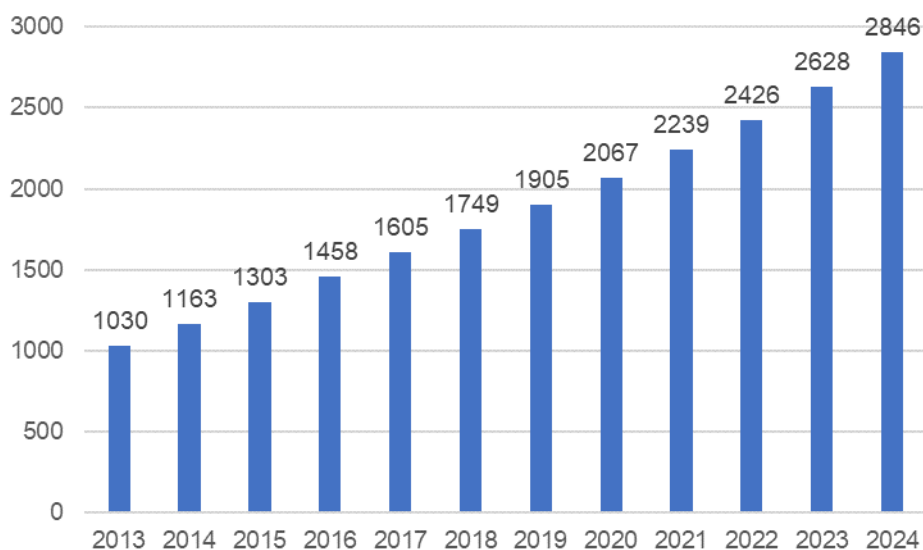


Figure 15: GDP per capita in Bangladesh in 2013–2024 in USD (Plecher, 2021)

Another KPI and measure of economic standards is the PPP based on the per capita GDP. This value in Bangladesh was USD 3,628.65 in 2015, and it is expected to grow at a CAGR of 8.01% and reach USD 6,221.80 by 2022 (Statista, 2017).

According to the World Bank, the economy of Bangladesh demonstrates robust growth and macroeconomic stability. The country’s GDP development has benefited from a recovery in exports and robust domestic demand. The export of garments has resurged, but the agricultural sector has suffered due to normal floods. Moreover, industrial and services growth continues to impress (World Bank, 2018a).

According to Muzzini and Aparicio (2013), “Bangladesh needs to build a competitive urban space that is innovative, connected, and livable to reach middle-

income status by 2021. Bangladesh cannot reach middle-income status without a competitive Dhaka, the engine of its growth.” The goal of companies in Bangladesh, especially garment firms, is to invest in the urban competitiveness-reveal of Dhaka. The capital is characterized by a high population density but a low economic density. Garment production currently belongs to the most important branches in Bangladesh; however, it is currently characterized by extremely poor infrastructure and services (Muzzini & Aparicio, 2013).

3.2 The competitiveness of Bangladesh and its evaluation

Before entering a new country, it is essential for companies to know how interesting this country is, at least considering different key performance indicators. Therefore, this chapter addresses the question of how interesting Bangladesh is for foreign companies entering into it. To evaluate this question, the general competitiveness of Bangladesh plays an important role. The competitiveness of nations describes the ability of a nation to grow and to increase the quality of life for its citizens.

Competitive success depends on the differences concerning national values, culture, economic structures, institutions, and histories. The competitiveness of each nation depends on the industry and can vary within different sectors. The most important determinants for being competitive as a nation are labor costs, interest rates, exchange rates, and economies of scale (Porter, 1990).

The Global Competitiveness Report, established by Klaus Schwab in 1979 and compiled by the WEF, analyzes the 144 national economies of the world and is based on the GCI. According to Önsel et al. (2008), the GCI is a combination of hard data and data from the WEF's Executive Opinion Survey (Schwab, 2018b)

The general goal of the GCI is to rank and evaluate countries according to their macroeconomic determinants. The 2018 report is called the GCI 4.0 and introduces new concepts and extensive new data gathering efforts. Finally, it consists of additional, more nuanced insights into new factors such as human capital, innovation, resilience, and agility. According to Schwab (2018a), “The index integrates well-established aspects with new and emerging levers that drive productivity and growth. It emphasizes the human capital, innovation, resilience, and agility, as not only drivers

but also defining features.” The evaluation consists of four main topics: the enabling environment, human capital, business dynamism, and innovation capability (Schwab, 2018b).

The rapid, positive, and promising economic development of Bangladesh offers further competitors entering the Bangladeshi sector (Prunea, 2014). Being successful in this new sector requires a competitive strategy for dealing with the increasing and upcoming sector competition (Grant, 2010; Barney, 1991). According to the general Doing Business report of 2019, “Bangladesh has identified its top priorities for trade facilitation as capacity building activities at ports and customs offices as well as communicating with relevant actors to ensure the proper adoption of regulations.” The general ease of conducting business in Bangladesh is ranked 176 out of 190, and the ease of starting a business in Bangladesh is ranked 138 out of 190 (World Bank, 2018b).

The calculation of the GCI was improved in the last report in 2018, so the GCI 4.0 introduces a new progress score ranging from 0 to 100. A score of 100 is the highest value and represents the goal of each indicator. According to Schwab (2018b), “each country should aim to maximize its score on each indicator, and the score indicates its current progress against the frontier as well as its remaining distance.

The total performance of Bangladesh is illustrated as follows (Figure 16):

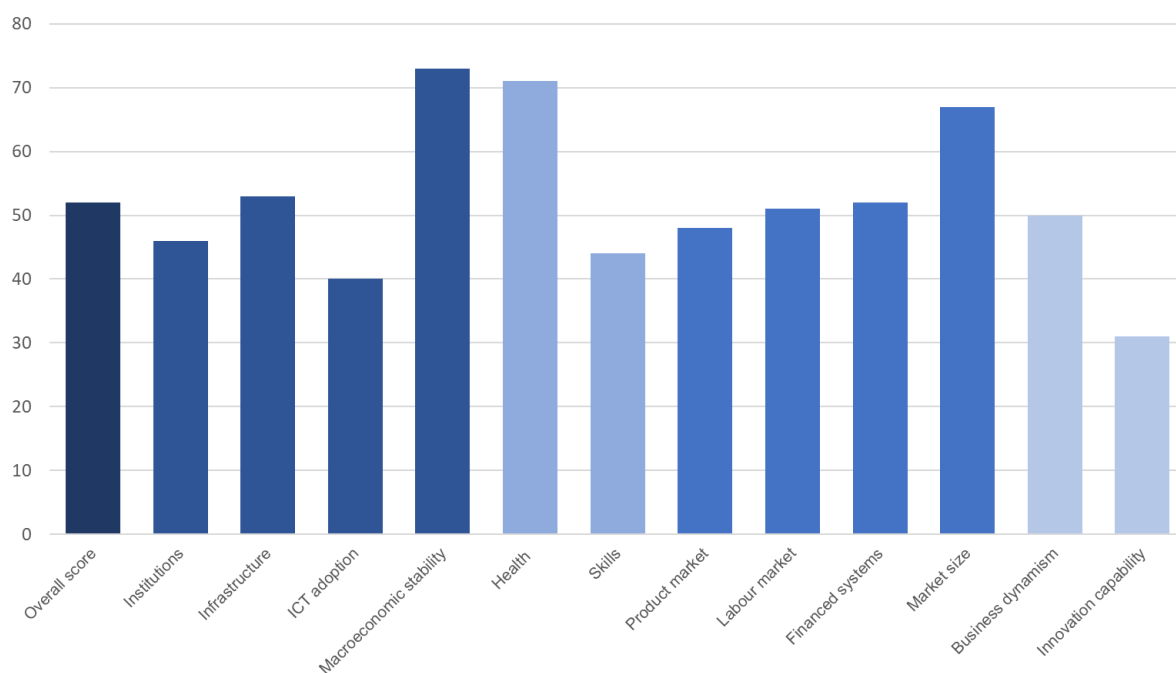


Figure 16: Global Competitiveness Index of Bangladesh (Schwab, 2018a)

In the General Competitiveness Report, Bangladesh was able to reach a ranking of 103 in 2018, which is an intermediate-level ranking. The highest scores that the country could generate for the pillars of macroeconomic stability and health were 73 and 71, respectively.

Considering the items in Figure 16 in detail, the first pillar describes the institutions with 20 different items. Institutions relate to the protection of property rights, and they can either be public or private institutions. This pillar has an important impact on competitiveness and growth. Furthermore, it affects investment decisions and the organization of production. Bangladesh achieved a value of 46 here, with the lowest scores (under median) assigned to reliability of police services, social capital, judicial independence, efficiency of the legal framework in challenging regulations, burden of government regulation, incidence of corruption, and intellectual property protection. Furthermore, promising results can be achieved for the following items: organized crime, homicide rate, terrorism incidence, budget transparency, freedom of the press, e-participation index, property rights, conflict of interest regulation, and shareholder government.

For the second pillar, infrastructure, Bangladesh achieved a score of 53.4, which was ranked at 109th place. The second pillar plays an important role in the functioning of the economy and can influence economic activity. A well-developed infrastructure is

the basis for reaching different regions. Lower scores were achieved for road connectivity, the quality of roads, railroad density, the efficiency of train services, the efficiency of air transport services, liner shipping connectivity, and the efficiency of seaport services. Moreover, better results are possible for the aspects concerning electricity, such as the electrification rate as well as electric power transmission and distribution losses.

Regarding the third pillar, ICT adoption, Bangladesh was ranked 102nd with a score of 39.8. This pillar represents aspects concerning mobile and internet access. Mobile-cellular telephone subscriptions achieved a higher score (73.4), but the internet KPI is low (8.9). Technological factors in Bangladesh are important and have an impact on economic growth. The country depends on technological progress, and proper planning is required in this regard. The present government has recognized IT as one of the priority sectors in the country and “is providing all support to the private sector to enable them to enter the export sector for software and data processing sector” (Market Research Report, 2017).

The fourth pillar deals with macroeconomic stability. For this KPI, Bangladesh achieved the highest score with a value of 73. Inflation was ranked high at 73.4, whereas debt dynamics scored somewhat low. This is driven by currently low exports. However, Bangladesh’s major strengths are the growing garment sector, the country’s status as the second-largest exporter in the apparel sector, the growing tourist sector, and a suffering but still strong agricultural sector. This enables a further and stable continuing increase and guarantees the general stability of the macroeconomic situation of Bangladesh (Market Research Report, 2017).

The fifth pillar is health. Here, Bangladesh achieved a score of 71.2 (positioned at 96). The sixth pillar deals with skills; this pillar, which relates to the quality of skills and schooling, is ranked low for the country. Low scores were achieved for the aspects of mean years of schooling, the extent of staff training, the quality of vocational training, and the skillset of graduates. Better scores were achieved for school life expectancy and ease of finding skilled employees.

The seventh pillar concerns the product market, where Bangladesh was ranked in 123rd place with a score of 47.8. Better scores were observed for competition in services, the complexity of tariffs, and services trade openness, whereas lower scores

were observed for the extent of market dominance, trade tariffs, and the efficiency of the clearance process.

The eighth pillar is the labor sector. Here, Bangladesh also generated a lower rank of 115 and a score of 50.9. Lower scores were found for redundancy costs, active labor policies, and female participation in the labor force, while higher scores were observed for flexibility of wage determinations. The ninth pillar pertains to financial systems. The strong points here for Bangladesh are non-performing loans, the credit gap, and the bank's regulatory capital ratio, and the weak points are domestic credit to the private sector, the financing of SMEs, and venture capital availability.

The tenth pillar is the sector size. For this KPI, Bangladesh was ranked 36th, indicating a promising sector size. With regard to the 11th pillar, namely, business dynamics, Bangladesh achieved a ranking of 120 and a score of 50.0. The country achieved high scores for the cost of starting a business and time to start a business, but lower scores for its insolvency regulatory framework and companies embracing disruptive ideas.

The twelfth and final pillar represents the items concerning innovation capability. According to Porter (1990), innovation is one of the most decisive aspects for a competitive advantage and competitiveness. Bangladesh achieved a lower rank (102) with a score of 30.6. Lower scores were observed for international co-investors, patent applications, and the quality of research institutions, while higher scores were found for diversity of the workforce, the state of cluster development, scientific publications, and trademark applications.

In summary, Bangladesh can be said to be a country with a stable economy. The society is not yet strongly mixed; so far, it consists only of people from Bangladesh, not from abroad. Moreover, the country is characterized by different typical items of developing countries. Electricity as well as the general use of the internet are still low. Finally, Bangladesh used to be traditional and religious, but the western influence is now coming through.

3.3 The cultural values of Bangladesh

Applying Hofstede's cultural values to Bangladesh, the following conclusions can be drawn regarding the six previously mentioned dimensions. The dimensions are power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence (Figure 17).

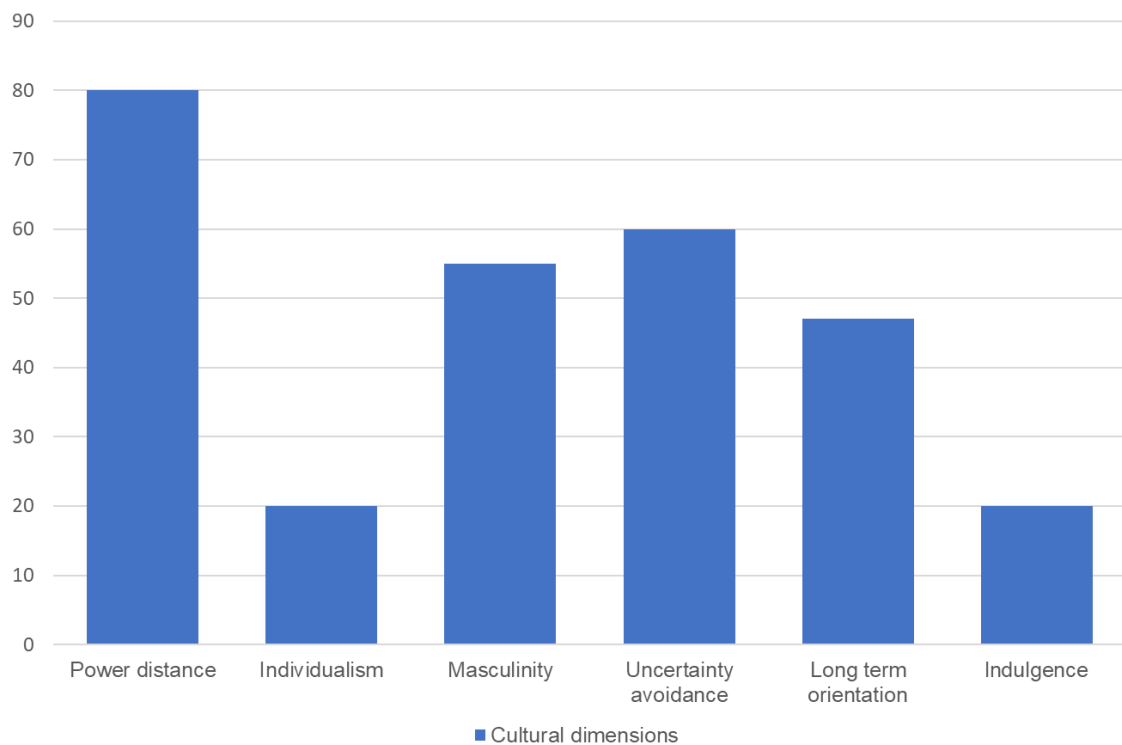


Figure 17: Cultural dimensions, according to Hofstede (Hofstede Insights, n. d.)

The first dimension, power distance, takes a strong shape and scores 80. In detail, it means that people are driven by hierarchy. In this society, everybody has a place and needs no further justification. Hierarchy is considered to be an inherent inequality, and centralization is popular. The second dimension, individualism, describes a collectivistic society and scores 20 in Bangladesh. According to Hofstede Insights (n. d.), this means “a close long-term commitment to the member group, be that a family, extended family, or extended relationships.” The society is characterized by strong relationships, where everyone takes responsibility for strong members of their group.

Third, Bangladesh scores high on masculinity at 55 and therefore has a masculine society. Masculine items are dominant; for example, a live-to-work mindset exists; managers are decisive; and values are driven by equity, competition, and

performance. The fourth dimension, namely, uncertainty avoidance, scores high at 60. This society is driven by a rigid code of beliefs and behavior and is intolerant of unorthodox behavior and ideas. An emotional need for rules can be observed, and people have an inner urge to be busy and work hard.

The fifth dimension, long-term orientation, has a medium score of 47. This means that Bangladesh does not display a strong preference in either direction. The last dimension, indulgence, has a low score for Bangladesh and therefore describes a restrained country. The society is characterized by cynicism and pessimism. Furthermore, people do not place much emphasis on leisure time, and they control the gratification of their desires (Hofstede Insights, n. d.).

3.4 Specificity of the FMCG sector as an environment for developing business and the impact on the instruments

The FMCG sector sells products for everyday use which are characterized by short product life cycles. FMCGs are classified as a subset of consumer goods, which are defined as goods that are used or consumed (Scharf et al., 2012; Ullah & Prince, 2012).

FMCGs represent products that are usually sold rapidly and at relatively low costs. These goods are primarily for households, and nearly every person can afford them. The peculiarity of the FMCG sector is its fast pace, which highlights the importance of an optimal CRM for building a competitive advantage (Koschnik, 1995).

Examples of FMCGs are packaged foods, beverages, toiletries, over-the-counter drugs, and similar consumables, as well as meat, fruits, vegetables, dairy products, and baked goods. The FMCG sector is typically characterized by low margins and high-volume business. Moreover, while the life cycle of a product is short, the continuity is high (Holzmüller, 2005).

The general characteristics of the FMCG sector are as follows (Scharf et al., 2012):

1. The competition, substitutes, and target groups are large, and price plays an important role.

2. Due to the high number of offers, some brands or products can be unrecognized within the sector.
3. The time a product remains on the sector decreases; products have to be repeatedly changed or newly developed.
4. The consumer plays an important role; buying decisions are mostly irrational, and prices, for example, are not compared.
5. Given the mass sector, driven by high demand and highly supply, marketing actions are important.

According to Thain and Bradley (2014), the FMCG sector represents bulk goods with a short-term demand. Due to the typically low prices, customer involvement with such products is expected to be low. Furthermore, given the short product life cycle, purchase decisions are short and less considered (Thain & Bradley, 2014).

Short and easy purchase decisions are also driven by low risk. The consumer often has the same engagement with the product and usually tends to be informed about the sector developments. At a retailer, the consumer is directly confronted with competitors within the sector because they are present and positioned side by side (Ahlström & Gesper, 2007). In conclusion, competition is strong, and products are often interchangeable (Holzmüller, 2005).

Finally, the characteristics of the FMCG sector can be summarized as follows (Figure 18):

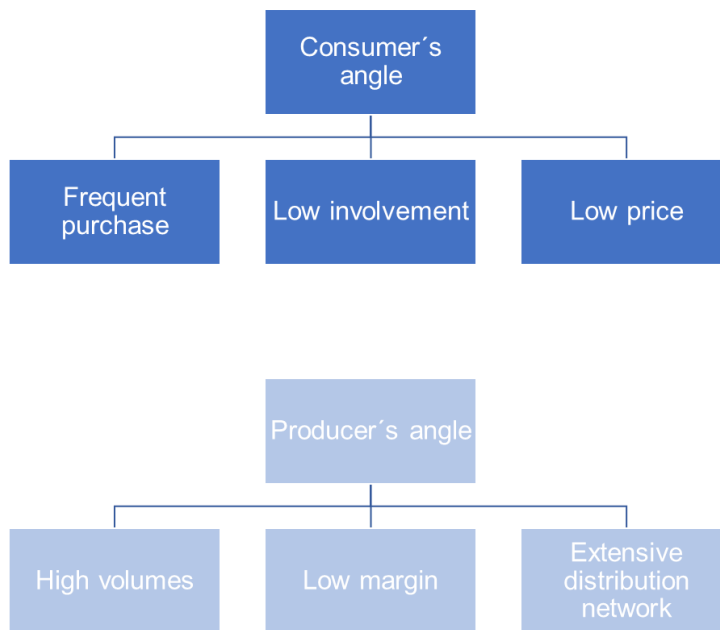


Figure 18: Characteristics of the FMCG sector (Holzmüller, 2005)

From the consumer's perspective, the FMCG sector is associated with frequent purchase, low involvement, and a low price. From the producer's perspective, the FMCG sector represents high volumes, low margins, and an extensive distribution network.

The abovementioned characteristics of the FMCG sector have a decisive impact on building a competitive advantage. The next subchapter explains the mechanisms and measures that a company should focus on in this sector.

The FMCG sector is unique and requires different strategies and plans. The general trend within this sector is strongly influenced by "greater disposable income, more choices and wholly new shopping and spending patterns" (Haddad, 2016). These general purchasing patterns depend mostly on age and gender, and furthermore on geography and social status.

Due to the interchangeability of FMCG products, it is important for a company to position a brand in the customer's mind, not only a product. A brand is a key instrument of competition and competitive advantage. Moreover, a brand represents an added value of a product. Different brand building blocks exist, for example brand salience and consumer judgement. According to Bradley (2005), a brand can be based

on quality; therefore, every brand strategy should address quality. Especially in Bangladesh, due to the economic upswing, Bangladeshi consumers tend to value quality. Moreover, the quality of a product often goes hand in hand with differentiation, as a part of a competitive advantage.

Quality itself cannot represent a brand strategy; however, every stage of the brand building blocks should indicate quality. Brand imagery, for instance, could signal a high-quality product, and consumer judgement could also indicate quality. For example, chocolate could represent quality by valuing a high quality of ingredients. Detergent could do the same through particularly clean laundry, which denotes quality.

Every product faces the challenge of being something special for a consumer. Due to the short life cycle and the small acquisition of brands in the FMCG sector in particular, the companies need to build a competitive advantage through a brand strategy, otherwise the products are all interchangeable.

Furthermore, a considered CRM strategy is a general instrument within the FMCG sector for building a brand. A 2007 study by Booz & Company demonstrates the difference between brand loyalty in western countries and that in China (Figure 19).

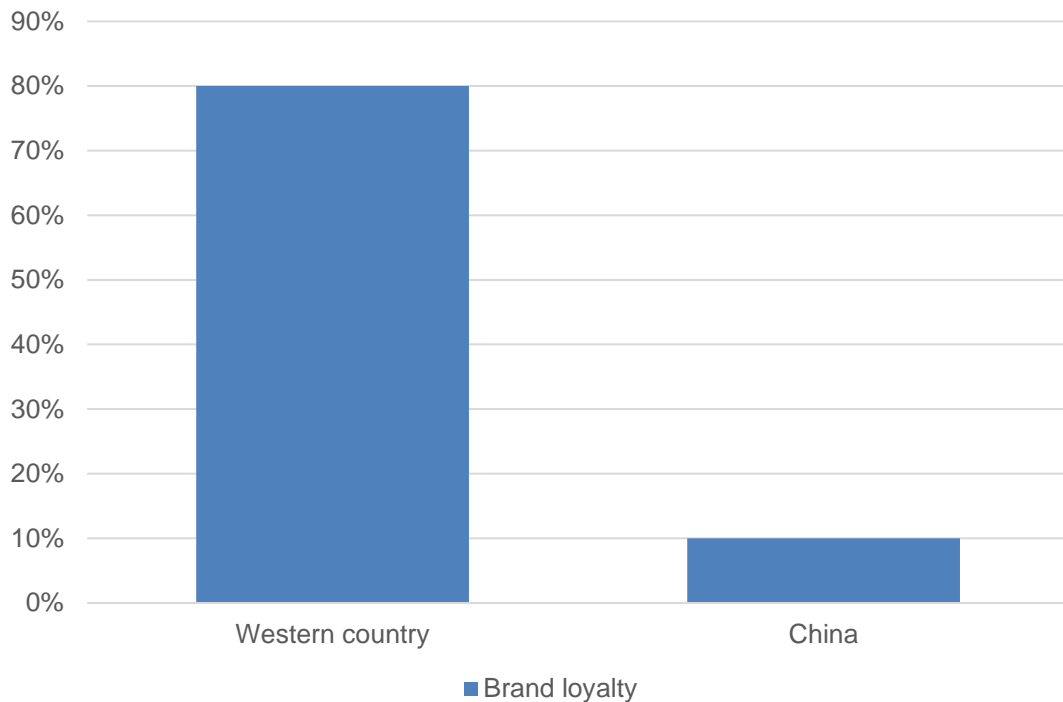


Figure 19: Brand loyalty comparison between western countries and China (Schaffmeister & Haller, 2018)

The general existence of loyal customers is less in developed countries than in developing countries and sectors.

All of the aforementioned strategies depend strongly on gender and age, and the results of the survey are interpreted according to these two factors. Furthermore, two instruments are relevant for the FMCG sector for building a brand: marketing and CRM. These two instruments are relevant within the life cycle of an FMCG brand.

3.5 The FMCG sector in Bangladesh

Due to the strong growth of the population in Bangladesh, the FMCG sector is one of the country's fast-growing sectors. The expanding FMCG sector is driven by the growing population and the influence of an expanding middle class. This sector plays an important role; it hence influences the Asian and especially the Bangladeshi economy and is "an important component of financiers' portfolios" (Shih, 2016). However, there is no available data on the current competitive situation and market shares of the most relevant FMCG brands.

Customers' buying behavior and demand within the FMCG sector is influenced by demographic factors. In comparison to western societies, Asian countries such as

Indonesia, the Philippines, Malaysia, and Vietnam do not have the challenges associated with an aging society, because they have younger populations.

Figure 20 depicts the development of Bangladeshi inhabitants' consumption expenditure based on data provided by the Bangladesh Bureau of Statistics (BBS, 2020). General private expenditure has been increasing in recent years. In 2009, it was USD 76,420.585, whereas in 2019, it increased to USD 210,595.436 (Figure 20).

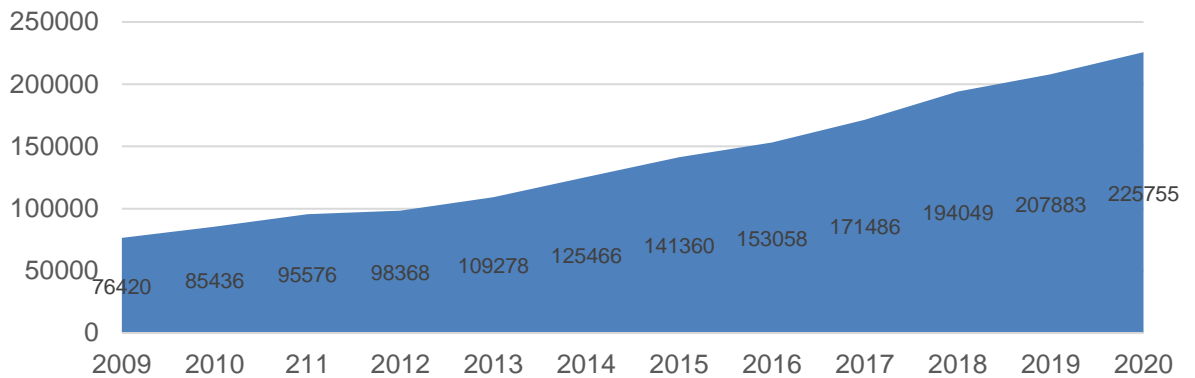


Figure 20: Consumption expenditure in Bangladesh 2009–2020 (Bangladesh Bureau of Statistics, 2020)

Regarding the consumption of food and beverages, consumers spend the most money on food and drink. While expenditure varies according to income, food and drink generally account for a high proportion of spend.

On average, Bangladeshi consumers spend 55% on food and drink and 45% on other aspects such as housing, clothing and footwear, energy, transport, water utilities, education, health, personal care, and financial services, among others.

Certain aspects support the general growth of the FMCG sector in Bangladesh. As mentioned before, the urban population is increasing and has a decisive impact on the FMCG sector. At the end of 2017, 58.75 million people (35.70%) were living in urban parts of the country. In 2022, the population will be approximately 49.82 million (32%).

The next factor that endorses the growth of the FMCG sector is the increasing middle-class income. According to the Bangladesh Institute of Development Studies (BIDS, 2015), 20% of the total population in the country belongs to the middle-class income category.

The Bangladeshi FMCG sector currently has a mix of international brands that are already established in the sector. An investigation by the Bangladeshi Brand Forum identified the best brands in the country in 2015³. The investigation was divided into different categories, for example toilet soap, oral care, shampoo, and snacks, and identified the top three brands from each category in Bangladesh. The key measures of successful brands—meaningfulness, difference, and salience—were defined by the international sector research institution Millward Brown and used in the investigation's framework. According to the Forum, "the essence of this framework is—the more meaningful, different and salient the brand associations, the greater their ability to drive consumer's brand predisposition." (BBF Digital, 2016).

Various foreign multinational companies currently exist in the Bangladeshi sector. For example, Unilever, which is an Anglo-American company, has already established the following brands in Bangladesh: Fair & Lovely, Pepsodent, Closeup, Lux, Lifebuoy, Rexona, Dove, Sunsilk, Pond's, Axe, Vaseline, Wheel, Vim, Surf Excel, Rin Power White, Brooke Bond Taaza, Knorr, and Pureit. Reckitt Benckiser, a leading UK-based multinational company, also has established brands in the Bangladeshi FMCG sector. The company is a general leader of consumer goods in health, hygiene, and home products. It started its business operation in Bangladesh on the 15th of April 1961, under the name "Robinson's Foods (Pakistan) Limited." Its brands are Dettol, Harpic, Mortein, Lizol, Veet, Dispirin, Vanish, and Trix. GlaxoSmithKline, which is US-based, is another multinational company established in Bangladesh. Its products in the Bangladeshi sector are, inter alia, Pantene, Head & Shoulders, Olay, Oral B, Pampers, Whisper, and Gillette. Furthermore, Marico Bangladesh is one of the top FMCG multinational companies in the country. Marico Bangladesh is a subsidiary of Marico Ltd—an Indian multinational consumer goods company based in Mumbai. Its products include, among others, Parachute Advanced Beliphool, Nihar Shanti Badam Amla, Parachute Advanced Extra Care, Parachute Advanced Enriched Hair Oil, Parachute Advanced Cooling Hair Oil, and HairCode (hair dye) (Bangladesh Business Directory, 2020). Local brands that are established in the sector and are successful are Symphony New Experience, Teer, Walton, Cocola, Milk Vita, and Sandalina (Bangladesh Brand Forum, 2015).

³ Newer data not available

The potential of the FMCG sector was explored in this chapter. The developing society shows its direct impact on this sector and endorses the increasing importance thereof. The next chapter describes the methodology of the dissertation.

Chapter 4. Methodology of the dissertation

4.1 Introduction to the methods and the research process

This section describes how the research was conducted. It covers the concepts of epistemology and ontology as well as the general research process and application of the research onion. The research onion offers basic support for any research and should be the basis of each research process. Furthermore, this chapter includes the challenges of researching internationally.

Epistemology and ontology are the philosophies of the practice of research. They are an important part of every research undertaking.

Hirschheim et al. (1995) state that epistemology represents the theory of knowledge, and they define the knowledge that should be developed or created. Epistemology is the basis of the research and the investigation.

Ontology describes the way in which new knowledge is gained. Wand and Weber, for example, define ontology as a branch of philosophy (Wand & Weber, 1993). Furthermore, Kuhn (1996) added a scientific paradigm answering questions in relation to the research subject, and Williams (2015) emphasizes the importance of ontology and epistemology within international studies. Ontology defines the existence of things that are granted, while epistemology defines the existence of knowledge about those things. In international studies, the scale of knowledge is often large and offers endless possibilities. Ontological questions are, for example, how do we prove it is, how do we know it is real, and how can we categorize it? (Williams, 2015).

Questions for epistemology are as follows (Williams, 2015):

- What is the origin of the knowledge?
- How did the empirical research (and other experiences) and reasoned arguments contribute to creating the knowledge?
- How certain (valid and error free) is the knowledge?
- Was the knowledge created critically (skeptically)?
- How has, or might, the knowledge change as other knowledge and understandings change?
- To what degree would the knowledge be seen as generally true (as a theory)?

In this dissertation, the epistemological view is based on creating new knowledge about the Bangladeshi FMCG sector that will be the basis for creating a competitive advantage. This new knowledge is relevant for creating business strategies, especially focusing on a competitive advantage in Bangladesh and supporting the ongoing economic development of this country. The ontological view of this dissertation is based on a study of Bangladeshi consumers.

The research onion was developed by Saunders et al. (2015) and indicates the research philosophies, approaches, strategies, choices, time horizons, and data collection and analysis (techniques and procedures) (Figure 21).

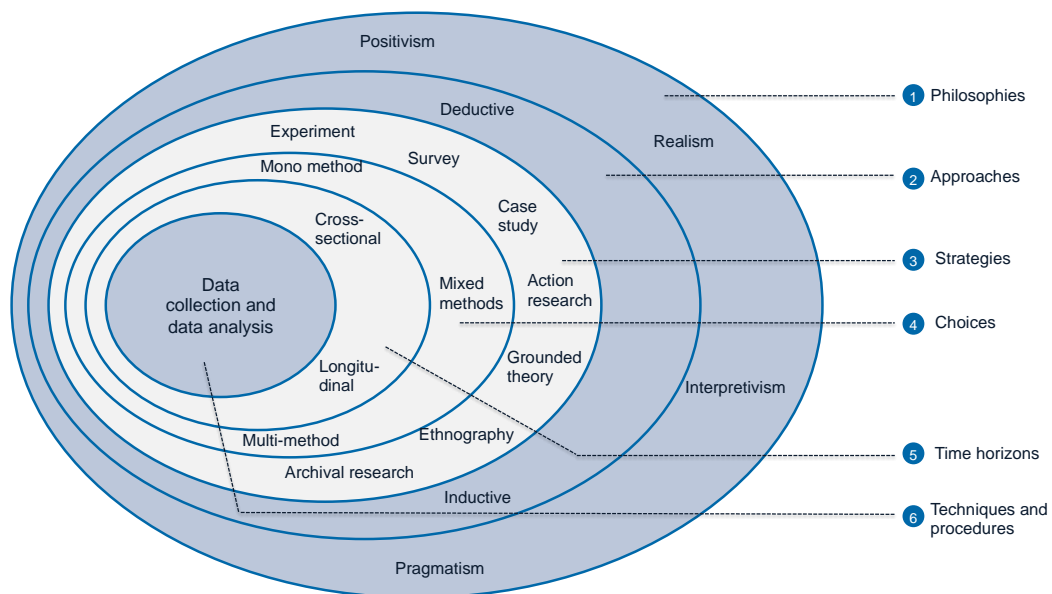


Figure 21: Research onion (Saunders et al., 2015)

Furthermore, it describes the different steps of each research strategy. Starting from the outside and moving in, each layer becomes more detailed (Saunders et al., 2015). All steps are presented in the following subchapters.

Defining the research philosophy

With regard to the outer-most layer of the onion, a research philosophy builds the general fundament toward knowledge generation (Kusterer, 2008). Almost every research study is based on assumptions that influence both the methods the researcher uses and the interpretations of the findings. Furthermore, a research philosophy is a multidimensional set of continua and is defined as “an over-arching term relating to the development of knowledge and the nature of knowledge” (Saunders et al., 2015).

According to Bryman and Bell (2015), “A research philosophy refers to the set of beliefs concerning the nature of the reality being investigated.” It is based on the assumptions regarding the definition of the nature of knowledge. The research philosophy thus provides the justification for the research study (Flick, 2011). Each research philosophy differs depending on the particular research goal (Goddard & Melville, 2004; May, 2011). Therefore, understanding the research philosophy being used can help to explain the assumptions inherent in the research process and how this fits the methodology being used.

As the research onion illustrates, research starts with the research philosophy, which is the most important step in the research process due to its influence on the research approach and the method of collecting, analyzing, and interpreting the empirical data (Wilson, 2014). The research philosophy describes the way in which a researcher gathers his or her information. According to Kusterer (2008), the research philosophy portrays the researcher’s fundamental attitude toward knowledge generation. Moreover, as already mentioned, it is considered to be the first step in designing and organizing the research (Easterby-Smith et al., 2008).

Four different research philosophies exist: positivism, realism, interpretivism, and pragmatism. According to Kusterer (2008), positivism refers to an observation of a specific phenomenon with general common regularities, and it means “working with an observable social reality and (...) the end product of such research can be law-like generalizations similar to those produced by physical and natural scientists” (Remenyi et al., 1998). Such research is usually highly structured and contains large samples, and the measurement can be either quantitative or qualitative (Saunders et al., 2015).

The second type of research philosophy is realism, which is external, objective, and independent of social actors. According to Saunders et al. (2015), “the essence of realism is that what the senses show us as reality is the truth: that objectives have an existence independent of the human mind.” Based on this, the research is value laden. Furthermore, a researcher is biased by worldviews, cultural experiences, and upbringing, all of which will have an impact on the research. In addition, the chosen methods must fit the subject matter and can be either quantitative or qualitative.

The third research philosophy is interpretivism, which, according to Saunders et al. (2015), applies to socially structured research. This philosophy focuses on the details of a situation, the reality behind those details, and the subjective meanings motivating actions. In this case, the researcher is part of what is being researched; he or she cannot be separated and will inevitably be subjective. Moreover, the research is conducted with small samples and often with in-depth investigations.

Finally, pragmatism focuses on the research question, not the method. The focus is more practical, and the research applies different perspectives to help with interpreting the data (Saunders et al., 2015). According to Tashakkori and Teddlie (2003), pragmatism involves the “dictatorship of research questions.” In addition, to obtain the right data, a mixed or multiple method integrating qualitative as well as quantitative data is usually adopted (Saunders et al., 2015; Hesse-Biber & Johnson, 2015).

Defining the research approach

After having defined the research philosophy, the next step within the research onion is to define the research approach.

According to Saunders et al. (2015), “research approach” is a general term for inductive, deductive, or abductive approaches, and the first two are the most important. The main focus of this dissertation is thus on deductive and inductive approaches.

A deductive approach is one “in which you develop a theory and hypothesis (or hypotheses) and design a research strategy to test the hypothesis” (Saunders et al. 2015). This approach is based on the assumption that when the premises are true, the conclusion must also be true. The deductive approach usually starts with building

hypotheses and testing a theory. The approach is strongly connected to the collection of quantitative data. Furthermore, it is driven by the process from cause to effect, rather than from effect to cause, as in deductive reasoning (Gomez & Jones III, 2010). The deductive approach generalizes from the general to the specific, and data collection is used to evaluate propositions or hypotheses related to an existing theory. In this case, there can be either a falsification or a verification (Saunders et al., 2015).

In comparison, the inductive approach is defined as follows: “theories are developed from the analysis of the research data” (Babbie & Maxfield, 2014). Within this approach, known premises are used to generate untested conclusions, and a research question is employed to narrow the scope of the study while exploring new phenomena. According to Saunders et al. (2015), it involves generalizing from the specific to the general, and it forms the basis for generating and building a theory.

Defining the research strategy

The research strategy, which is the third step in the research onion, describes the way in which a researcher collects data and information (Saunders et al., 2015). According to Saunders et al. (2015), a research strategy is defined as “the general plan of how [the researcher] will go about answering your research question(s).” As the authors’ research onion clearly indicates, seven strategies can be employed to conduct research:

- experiment;
- survey;
- case study;
- action research;
- grounded theory;
- ethnography;
- archival research.

A survey is usually linked to the deductive research approach and is one of the most popular research strategies (Saunders et al., 2015). It represents the possibility to combine various data collection methods with a standardized questionnaire (Albers et al., 2007). The research can be conducted via written, telephone, face-to-face, and

online surveys. In this research, the respondents were interviewed face to face (Stender-Mohemius, 2002).

Various closed and open questions were posed to the participants. According to Kuckartz (2014), there is a difference between closed and open questions. Closed questions contain predefined answers and therefore enable a statistical data evaluation. In comparison, open questions do not offer any answers; instead, they allow the respondent the possibility to answer in his or her own words and further allow more possibilities to answer, which could thus generate additional findings.

A questionnaire works best with standardized questions because this leads to a higher chance of all respondents interpreting the questionnaire in the same way (Williams, 2015). Moreover, it is used for descriptive or explanatory research (Saunders et al., 2015).

Completing a face-to-face questionnaire can differ from self-completed or interviewer-completed questionnaires. A self-completed questionnaire can be done via internet- and intranet-mediated questionnaires, postal questionnaires, or delivery and collection questionnaires. An interviewer-completed questionnaire can be done via a telephone questionnaire or a structured interview.

Many factors influence the choice of questionnaire, particularly the following:

- the characteristics of the respondents from whom one wishes to collect data;
- the importance of reaching a particular person as the respondent;
- the importance of respondents' answers not being contaminated or distorted;
- the size of a sample the researcher requires for his or her analysis, taking into account the likely response rate;
- the types of questions the researcher needs to ask to collect the data;
- the number of questions the researcher needs to ask to collect the data (Saunders et al., 2015).

The general challenge when conducting a questionnaire is ensuring validity and reliability. This requires passing through various stages, as indicated by Foddy (1994) (Figure 22):

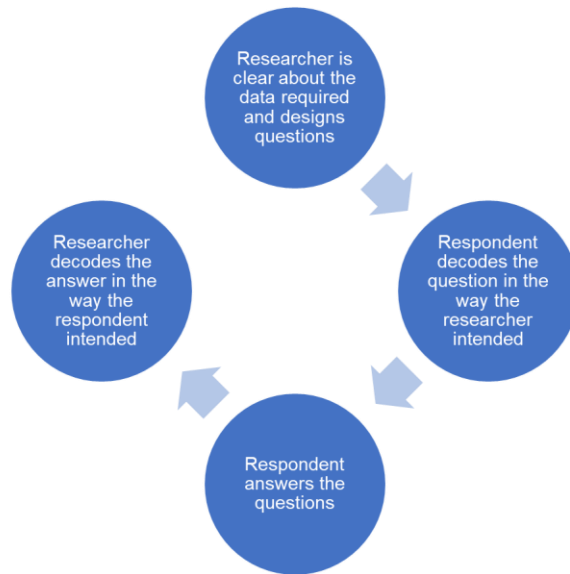


Figure 22: Stages that occur for a questionnaire to be valid and reliable (Foddy, 1994)

According to Foddy, the questions must be understood by the respondent, so that he or she is able to answer in an appropriate and honest way.

Defining the research choices

The research choice is the fourth layer of the research onion. This layer deals with the general question of whether a researcher should use both quantitative and qualitative methodologies, or only one. Three different possibilities exist: the mono method, the mixed method, and the multi-method. According to Saunders et al. (2015), the mono method is suitable when the requirements are focused on receiving one type of information. In this case, this can either be quantitative or qualitative.

Another possibility is using a mixed method, which includes combining quantitative and qualitative. This often leads to a more precise set of data. According to Flick (2011), this can be used when different aspects are queried. The possibility of using a multi-method is quite similar to mixed method (Saunders et al., 2015).

Defining the time horizon

The time horizon plays another important role within a research object. It has a decisive impact on the research process itself because of its design. According to

Saunders et al. (2015), two time horizons can be distinguished: cross-sectional and longitudinal time horizons.

Cross-sectional studies involve research that is usually descriptive and explanatory. These types of studies often represent particular observations and investigations of sample populations that refer to one single point in time (Babbie & Maxfield, 2014). Furthermore, cross-sectional research projects usually have large samples from a particular population (Bajpai, 2011). According to Babin and Zikmund (2007), cross-sectional research is typically used for studies that investigate the relationship between different variables. It often has the advantages of cost efficiency and simplicity regarding its implementation (Monsen & Van Hoorn, 2008). However, the negative aspects of cross-sectional studies often concern the superficial observation and investigation of phenomena. Moreover, due to the single point of investigation, the determination of causal links is not possible (Monsen & Van Hoorn, 2008).

In contrast to a cross-sectional study, a longitudinal study is adopted for monitoring and investigating research objects over a long period of time, sometimes even years (Babbie & Maxfield, 2014). According by Babin and Zikmund (2007), “respondents are questioned [at] multiple points in time,” and this shows a clear continuity of the results of the research. Furthermore, longitudinal studies enable the analysis of correlations between variables. They ensure that “the respondents are questioned at multiple points of time” (Babin & Zikmund, 2007).

Defining the research techniques and procedures

The observation unit was selected randomly (Preißner, 2008). Sampling generally means selecting a specific group or sample to represent the whole population.

Various sampling techniques are available. They can be divided into two types:

- probability or representative sampling;
- non-probability sampling.

In the first type, each member of the population is known and has an equal probability of being part of the sample, whereas in the second type, there is no specific probability of the individual being part of the sample. Furthermore, probability sampling can range from simple, to systematic, to stratified, to clustered, while non-probability sampling can range from quota, to purposive, to volunteer, to haphazard (Saunders et al., 2015).

4.2 Current research and the goal of the dissertation

The current research is presented on the basis of the previously presented research onion. The research philosophy is considered first.

As the focus of this dissertation is on analyzing the general consumer insights of consumers in Bangladesh, the author decided to use the position of positivism. The assumption is that the results of the investigation will be expected (Saunders et al., 2015). The goal of the survey in this dissertation is to obtain relevant facts about consumers in Bangladesh, since being successful in the Bangladeshi sector as a foreign company requires clear facts as a basis for building a competitive advantage.

Considering the research approach of this dissertation, a deductive research was chosen to clarify the hypotheses, and a planned quantitative survey was carried out. The survey measured the decisive impacts of Bangladeshi consumers on competitive advantage strategies and the instruments of a competitive advantage. It was assumed that the development and the characteristics of these consumers are related to the requirements and instruments of a competitive advantage.

This dissertation represents a quantitative study, as the strategy to research the FMCG sector in Bangladesh considers an understanding of Bangladeshi consumer insights and their impact on competitive advantage strategies and aims to answer the research questions. According to Bryman and Bell (2015), “research questions are extremely important in the research process.”

Quantitative research is an important tool within business research. It is a more logical and data-led approach that provides a measure of what people think from a statistical and numerical point of view. It is defined “as entailing the collection of numerical data and as exhibiting a view of the relationship between theory and

research as deductive” (Bryman & Bell, 2015). According to Berger (2015), the main objectives of quantitative research include the description and explanations of facts.

The present investigation can be considered as primary research—also known as “field research.” This means that original data is collected for an individual, specific investigation purpose (Kuß, 2012). It can also be seen as an addition to incomplete or impossible-to-collect data (Berndt et al., 2010).

In this dissertation, explanatory research was used. This enables the examination and explanation of relationships between variables.

The research choices constitute the next layer of the research onion. In this dissertation, the mono method was employed. To date, the Bangladeshi society is not familiar with conducting research and surveys. Implementing a face-to-face questionnaire was thus the most sensible way to obtain data.

The next layer considers the time horizon. This dissertation is a cross-sectional study; it is conducted only once and represents the current perspective of the Bangladeshi sector. While it could also be a long-term study, the general goal of this dissertation is to provide an overview of the current perspective of the Bangladeshi sector.

Considering the research techniques and procedures of the research onion, the present investigation consists of a partial census that builds up a representative view of the already existing Bangladeshi customer; $n = 100$ interviews were conducted.

A quantitative survey on a statistically representative sample was conducted in September 2019 in the capital, Dhaka. This city was chosen for the empirical study because it is the main urban area with the highest level of internet use in the entire country. The research was conducted in English and Bangladeshi, and translations had to be controlled to ensure that the same aspects were depicted. The native language of inhabitants is Bangladeshi; however, English is also common, although this is not the official language.

Respondents were between 18 and 55 years old. The sample reflected the age and gender statistics of the capital, Dhaka, according to the nationwide population marginal distribution of the Bangladesh Bureau of Statistics. The sample was drawn randomly from the population and represents an equal distribution across age and

gender. The sample was based on the census 2011, and a face-to-face interview method was applied with the support of the company Kantar. The interviewees were usually interviewed at home.

In this thesis, probability or representative sampling was utilized. This is defined as mentioned, with the same probability for each individual. The sample was selected through an independent market research agency, which had both a pool of different addresses and the opportunity to choose a representative sample at random. As mentioned in the earlier analysis of Bangladesh, the development of this country is underway in urban areas but has not yet penetrated rural areas. In conclusion, the sample focuses on the urban areas of Bangladesh, in this case Dhaka.

Defining the sample is the next challenge in conducting research. When collecting primary data, the researcher typically needs to perform statistical analyses. Larger samples are usually more likely to be representative of a population than smaller samples, and the statistical significance level is usually $\alpha = 0.05$ (Saunders et al., 2015).

The investigation in this dissertation is divided into five different component: the research theory, the identified problem, the survey, the adaption, and the solution of the problem. Each part is detailed below.

1. The research theory: competitive advantage, competitive advantage instruments (marketing, CRM, brand), FMCG sector, consumer insights, and Bangladeshi consumers.
2. The identified problem: the characteristics of consumer behavior in Bangladesh are largely unknown.
3. Survey: analyzing relevant data considering consumer habits, requirements, and needs.
4. Adaption: adapting a competitive advantage strategy with a focus on brand and competitiveness instruments, FMCG theory, and consumer insights into Bangladeshi consumers.
5. Problem solving: a competitive advantage strategy mainly focused on the instruments for building a competitive advantage for FMCGs related to Bangladeshi consumers.

The goal of this research is to identify relevant information to determine appropriate derivations for competitive advantage strategies including a brand and the competitiveness instruments of marketing and CRM. Furthermore, the goal is evaluating the hypotheses, replying the research questions and identifying the objectives.

This section provides an overview of the collection of primary data. The questionnaire consisted of 24 questions, and the mentioned competitive advantage includes three main determining instruments for building a competitive advantage: price, product, place, promotion, CRM, and brand. The questions are similar to the general research questions of this dissertation.

First, the general sociodemographic factors of the participants were explored. This was followed by querying the general part of building a competitive advantage. An initial question evaluated the ethnocentrism of Bangladeshi consumers when buying a product in the FMCG sector in Bangladesh. The question was whether they can imagine buying a foreign product. A further question then considered which cultural values a product should represent. These two questions covered the influences on building a competitive advantage.

To analyze the most important part of this strategy, a question was asked regarding which of the following three strategy types are the most important when buying an FMCG product for daily usage: price, differentiation, or specification. The question required a simple answer.

The next block of the questionnaire dealt with brands as part of the tools for creating and sustaining a competitive advantage strategy. Based on the pyramid of the different relevant steps of branding, the question was, which attributes are the most decisive when purchasing an FMCG product for daily usage? The answer possibilities were good customer service, quality, reputation, good results, employees, knowledgeable staff, consistent management, responsiveness, innovativeness, and trust. These mentioned parts, along with ethnocentrism, cultural aspects, competitive advantage, and brand, form the basis of the hypotheses.

The following part related to marketing tools, including relevant and decisive questions concerning the following instruments of a competitive advantage: price, product, place, and promotion. These instruments have the power to create a brand

and can act as the basis of a competitive advantage strategy, and they are treated as such in this dissertation. They are generally not part of the hypotheses but are relevant for creating a competitive advantage strategy.

The subsequent section of the questionnaire concerned CRM. In this case, the relevant question was, how important is it for consumers to be in a constant touch with their daily-use product? Furthermore, to create a customer relationship strategy for guaranteeing a competitive advantage, the following question was posed: What requirements do customers have for guaranteeing a long-term relationship?

The challenge of this topic is to provide relevant information about the Bangladeshi society to companies and their brands within the FMCG sector to improve their competitive advantage strategies and ensure successful operation. The Bangladeshi society is essential for the economic development of Bangladesh; therefore, it is important to point out the relevant consumer insights and their impact on building a competitive advantage focusing on the instruments of marketing, customer relationship strategies, and brand.

International research differs from research in a domestic sector. Usunier and Lee (2009: 167) cite the following reasons:

1. Domestic research is more difficult, and the stakes in an international sector are much lower than those in a domestic sector.
2. The information often needs to be translated more directly into action; therefore, a “hands-on” approach is recommended.

According to Usunier and Lee (2009), researching internationally demands clear prescriptions as follows:

1. Market research must be representative; therefore, a representative sample should be used.
2. Market research must be scientifically objective. A questionnaire (that is, a systematic but not necessarily open-ended information retrieval instrument) should be administered by non-participating researchers; they should not be personally involved in the consequences of the responses given by interviewees.

3. Research must study the potential market, not the actual sector (that is, real buyers and real users).
4. As far as possible, the people who undertake sector research should not be the same people who ultimately decide on the marketing strategy to be adopted.

Williams (2015) added the importance of reflexivity when researching internationally. Being reflexive and researching reflexively is anchored in avoiding different forms of bias covering ethnocentricity, nationalism or worldviews, human psychological traits, or simplistic conclusions from complex data. Furthermore, Williams (2015) emphasizes that the aims of researching internationally should be kept in mind:

1. An examination of the research design, data, and analysis from different perspectives—self, others, mirrors, eyes, lenses;
2. Contributions to international understanding;
3. Researchers and readers who think without borders.

Figure 23 summarizes the general stages of the current research:

Research stage	Methods
Research philosophy	Positivism
Research approach	Deductive
Research strategy	Quantitative face-to-face interview: In Dhaka
Research choices	Mono method: quantitative
Time horizon	Cross-sectional study: September 2019
Research techniques and procedures	Statistically representative random cluster sample of n= 100 consumers in the capital of Bangladesh Dhaka

Figure 23: Summary of the current research (based on Saunders et al., 2015)

In conclusion, positivism is the research philosophy employed, and the research approach is deductive. Moreover, the research strategy is a quantitative, face-to-face interview in the capital, Dhaka; the research choice is to utilize a mono method; and the time horizon is described with a cross-sectional study, which was conducted in September 2019. Finally, the research techniques and procedures involve a statistically representative random cluster of $n = 100$ consumers.

Chapter 5. Data results and relevant determinants of building a competitive advantage in Bangladesh

5.1 Sociodemographic facts about the Bangladeshi participants

The respondents in the current sample represent the social structure of the inhabitants of Dhaka. The gender distribution was 50% male and 50% female.

Moreover, the age distribution is illustrated in Figure 24:

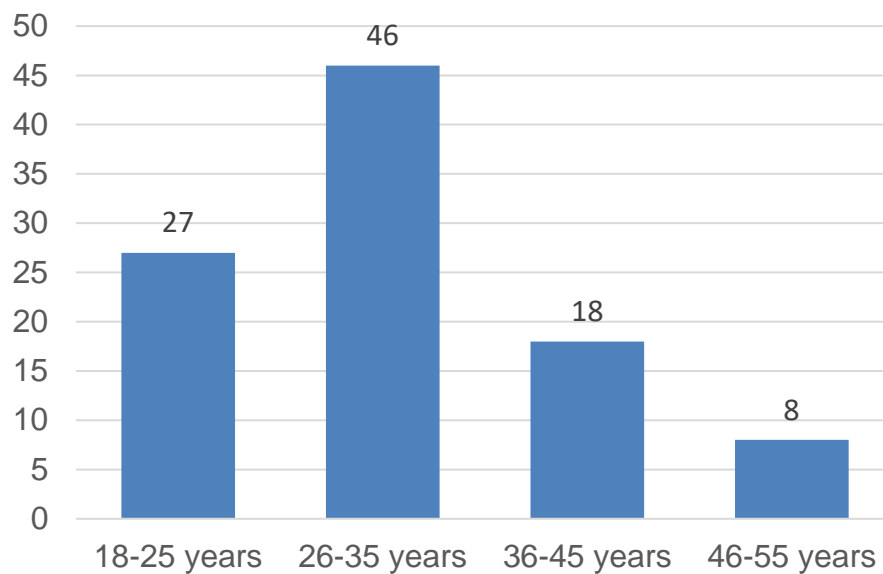


Figure 24: Participants' age distribution (own elaboration based on the empirical research)

The largest group consisted of 26–35-year-old inhabitants (46%), followed by 18–25-year-olds (27%) and 36–45-year-olds (18%). The smallest group comprised inhabitants who are 46–55 years old (8%).

The currency in Bangladesh is the taka (tk); 100 tk is around USD 1.18. The current distribution of participants' family income is as follows (Figure 25):

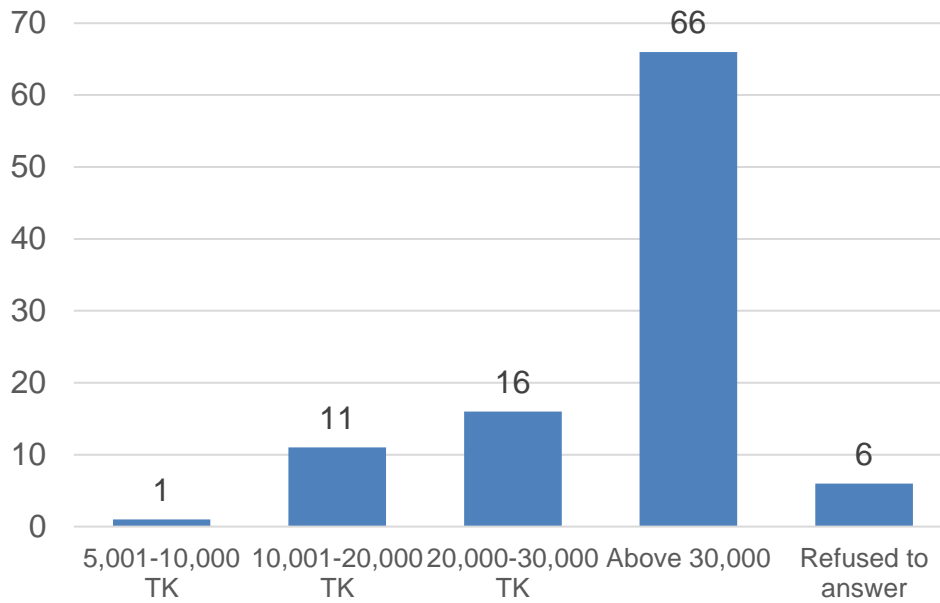


Figure 25: Participants' income distribution (own elaboration based on the empirical research)

The majority of the respondents (66%) have a disposable income of above 30,000 tk per month. The second-largest group has an income between 20,000 and 30,000 tk. Finally, 12% of the respondents have an income lower than 20,000 tk, and 6% refused to answer.

Furthermore, 77% of the respondents are married, and 23% are single.

Another important characteristic for this investigation is previous experience with foreign countries. In this case, 18% of the respondents have been abroad before, and 82% have not. This previous experience abroad depends on age: the older the participants are, the higher the proportion of people who have been abroad.

A competitive advantage and the instruments thereof can be designed differently depending on the product's target group. In conclusion, to present the answers for the relevant target group, each question is shown by age and gender. The analyses can be found in the appendix, and only significant results are mentioned in the text.

5.2 The cultural values of Bangladeshi consumers

The hypothesis was that consumers in Bangladesh favor brands that represent respect for tradition and consider different cultural values for competitive advantage

strategies. The research question aligns with the question in the questionnaire: “which cultural attributes should the products of an FMCG brand represent?” This was a closed question with the following response options: harmony, respect for tradition, authority, success, open-mindedness, joy of life, equality, dependency, indulgence, and anxiety.

As mentioned in chapter 2.1, these attributes belong to the different models developed by the cultural researchers Hofstede and Schwartz. The response options are a mixture of the different items, which are placed in the authors' respective concepts of the cultural dimensions. Harmony, respect for tradition, authority, success, open-mindedness, joy of life, and equality are attributes of Schwartz's concept, and dependency, indulgence, and anxiety belong to Hofstede's concept. According to the opinion of the author of this dissertation, the general concept of Hofstede seems to be more difficult for consumers to judge; therefore, only a few of its attributes were included in the questionnaire. In contrast, Schwartz's items can be better evaluated by consumers. Furthermore, the profile of Hofstede is one that describes culture, even though this has more outdated characteristics. However, consumers tend to consider their own culture slightly differently or perhaps tend to judge the development of the characteristics somewhat differently. In this case, the concept of Schwartz is easier for consumers to evaluate (Hofstede et al. 2010, Schwartz, 2006).

According to Hofstede and Schwartz, cultural attributes are mostly driven by the current status of a culture and should be represented in a competitive advantage strategy. The assumption of this dissertation was that respect for tradition should be a dominant answer. The question can be analyzed in two different ways: first according to the importance of the items and then according to the Top2Box (Values 1 and 2 on the scale). The hypothesis was evaluated with a significant test of the means of the answers.

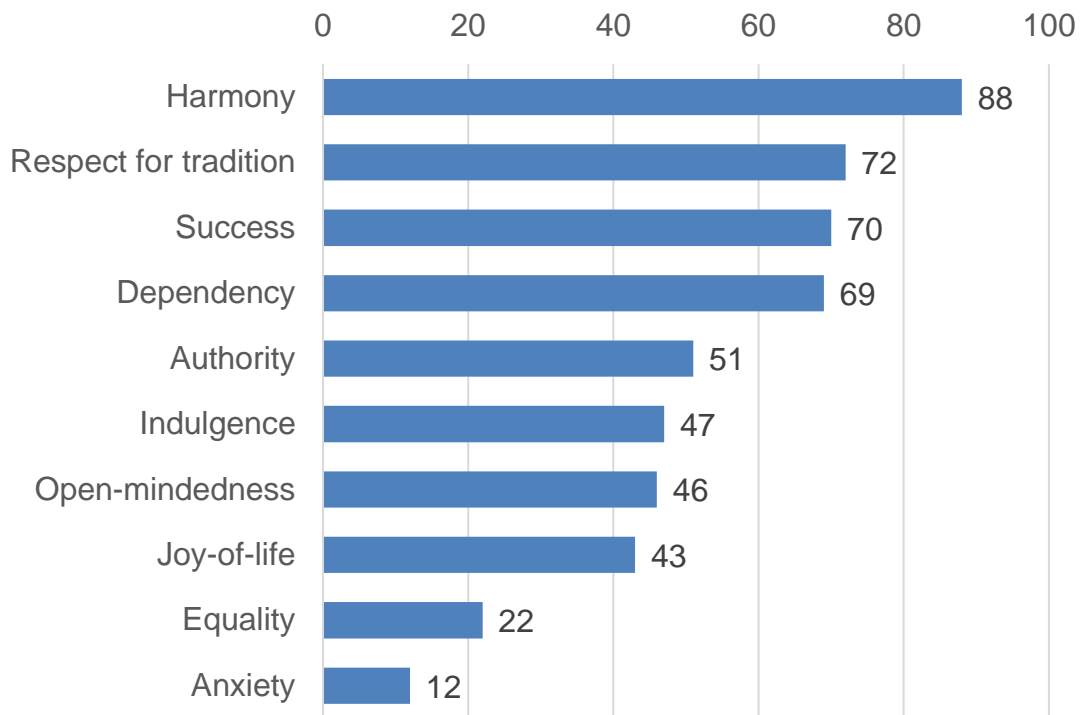


Figure 26: The importance of the cultural values of Bangladeshi consumers (own elaboration based on the empirical research)

The question was first posed as a multiple-answer question; thereafter, the respondents were asked to assess the importance of each attribute. The most frequently mentioned response option was harmony (88%). With a large gap, another block of three options followed: respect for tradition, success, and dependency. The lowest values were generated for equality (22%) and anxiety (12%).

Figure 27 illustrates the Top2Box of the cultural values.

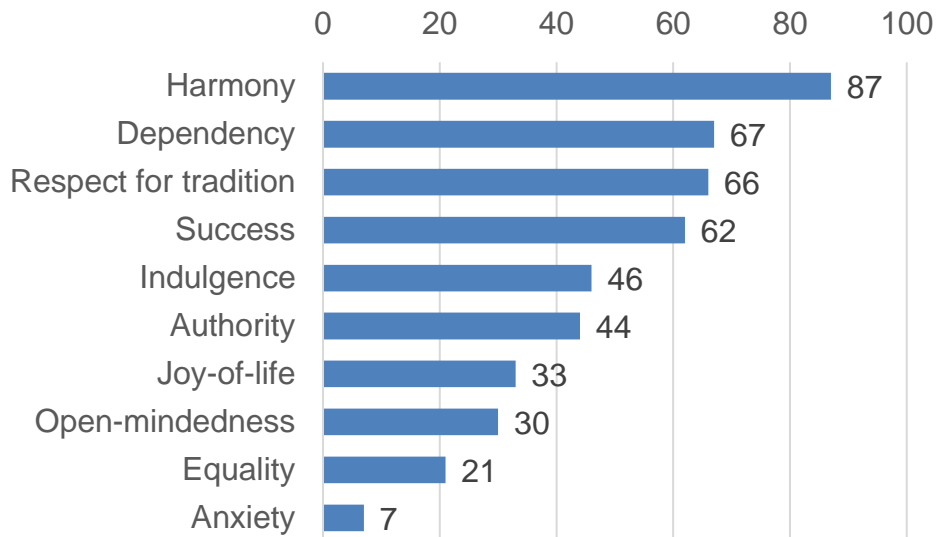


Figure 27: The importance of the cultural values of Bangladeshi consumers—Top2Box (own elaboration based on the empirical research)

The responses to this question demonstrate a clear image profile of the Bangladeshi society. Due to strong family ties, Schwartz's items of harmony, dependency, and respect for tradition build the first block of the responses with the highest priority and the general wish for family, tradition, and backing. Dependency is still not negatively perceived in Bangladesh.

Considering the Top2Box scores more deeply, harmony is the highest priority from Bangladeshi consumers (87%). This emphasizes their wish for unity with nature and world peace. The second-highest priority was assigned to dependency. This item belongs to Hofstede's model, is covered by the item individualism, and demonstrates whether Bangladeshi consumers are closely connected to one another. Thereafter, respect for tradition was ranked third in the Top2Box (66%). This suggests that family and respect for tradition are still of high importance to Bangladeshis.

Success was ranked fourth, with 62% agreement. This emphasizes the strong wish of this society to be successful and benefit from economic development. Finally, the items indulgence, authority, joy of life, open-mindedness, equality, and anxiety received less than 50% priority.

Cultural Attributes	Mean	N	Standard Deviation
Harmony	4.76	88	.455
Respect for tradition	4.58	72	.645
Authority	4.37	51	.720
Success	4.31	70	.713
Open-mindedness	4.07	46	.929
Joy of life	4.12	43	.879
Equality	4.41	22	.590
Dependency	4.81	69	.463
Indulgence	4.68	47	.515
Anxiety	3.75	12	.754

Table 1: The importance of the cultural values of Bangladeshi consumers—comparison of means (own elaboration based on the empirical research)

The means of the different cultural attributes do not differ greatly. Therefore, in conclusion, there is no clear significance among the different response options. Although not significant, the results can still be used as the basis of a competitive advantage (Table 1).

The next step was to conduct a factor analysis to analyze which of the mentioned variables can be combined and to analyze the relationships between the different variables.

The factor analysis is summarized in Table 2:

Total Variance Explained						
Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	1,749	17,489	17,489	1,407	14,072	14,072
	1,355	13,547	31,035	1,372	13,718	27,791
	1,210	12,097	43,133	1,276	12,758	40,549
	1,153	11,534	54,667	1,236	12,364	52,913
	1,017	10,170	64,837	1,192	11,925	64,837
	0,958	9,577	74,414			
	0,818	8,178	82,592			
	0,662	6,622	89,214			
	0,606	6,058	95,272			
0	0,473	4,728	100,000			
Extraction Method: Principal Component Analysis.						

Table 2: The cultural values of Bangladeshi consumers—factor analysis (own elaboration based on the empirical research)

There are five eigenvalues above 1; that means an extraction of five factors. The first variance describes a variance of 17.5%, and the second factor, 13.5%, which makes 31% of the total variance cumulative. The fifth and last factor explains a variance of 10%; considering the cumulative value, approximately 65% of the variance can be explained by the extracted factors.

In conclusion, the rotated component matrix is presented in Table 3:

Rotated Component Matrix ^a					
	Component				
	1	2	3	4	5
Harmony	0.672	-0.354	0.031	0.064	0.101
Respect for tradition	0.097	0.857	0.127	-0.144	0.116
Authority	-0.369	0.234	-0.484	0.165	0.278
Success	0.002	-0.071	-0.312	0.683	-0.104
Open-mindedness	0.300	-0.629	0.291	-0.200	0.212
Joy of life	0.726	0.181	0.009	0.149	-0.177
Equality	-0.045	0.054	0.845	-0.009	0.060
Indulgence	0.376	0.127	-0.311	-0.276	0.520
Anxiety	-0.170	-0.059	0.089	0.113	0.844
Extraction Method: Principal Component Analysis.					
Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 11 iterations.					

Table 3: The importance of the cultural values of Bangladeshi consumers—rotated component matrix (own elaboration based on the empirical research)

Considering the factors in each row with the highest factor loading, this leads to the matrix in Table 4. The bold font in each row denotes the factor with the highest factor loading.

Rotated Component Matrix ^a					
	Component				
	1	2	3	4	5
Joy of life	0.726	0.181	0.009	0.149	-0.177
Harmony	0.672	-0.354	0.031	0.064	0.101
Open-mindedness	0.300	-0.629	0.291	-0.200	0.212
Respect for tradition	0.097	0.857	0.127	-0.144	0.116
Equality	-0.045	0.054	0.845	-0.009	0.060
Dependency	0.143	0.033	0.156	0.753	0.131
Success	0.002	-0.071	-0.312	0.683	-0.104
Anxiety	-0.170	-0.059	0.089	0.113	0.844
Authority	-0.369	0.234	-0.484	0.165	0.278
Indulgence	0.376	0.127	-0.311	-0.276	0.520

Table 4: The importance of the cultural values of Bangladeshi consumers - Rotated component matrix sorted (own elaboration based on the empirical research)

On the first factor, the attributes joy of life (0.726), harmony (0.672), and open-mindedness (0.300) show the highest factor loadings. According to Schwartz and Hofstede, these items represent peace, freedom, curiosity, and openness. Therefore, according to the opinion of the author of this dissertation, the first three items can be summarized with the factors “positive well-being and openness.” These two factors cover two important and desirable items of living and well-being. The third factor “open mindedness” only achieved a low factor change; however, it can also be part of the notion of “positive well-being and curiosity.” On the second factor, there is only one attribute with the highest factor loading: “respect for tradition,” with a loading of 0.857. In this case, the factor can be named the same as the item itself. On the third factor, there is also only one item with a high factor loading. The attribute “equality” achieved a factor loading of 0.845 and can also be summarized with equality. On the fourth factor, dependency (0.753) and success (0.683) exhibited the highest factor loadings, and according to the opinion of the author of this dissertation, they can be summarized with the notion “stability and skills.” On the fifth and last factor, anxiety (0.844), authority (0.278), and indulgence (0.520) had the highest factor loadings and can be represented with the notion “fear of authority.”

The current factor analysis was used to summarize the cultural attributes that correlate strongly with one another. The actual importance of the attributes is not affected by this. The order of the important values for Bangladeshi consumers is thus preserved. Harmony was mentioned most frequently here. The factor analysis also

revealed that this attribute is closely linked to joy of life and open-mindedness. This insight extends the competitive advantage to other cultural values that are to be conveyed by the product or brand. The second most frequently mentioned attribute, respect for tradition, does not correlate with any other attributes. Success was in third place; the factor analysis revealed a close connection between this value and dependency. Again, this is clear evidence that these cultural values should be considered in the building of a competitive advantage. As mentioned above, in a next step, the Bangladeshi participants had to evaluate the importance of the different attributes.

The comparison of the mentioned result with the original two concepts led to a similar trend. Analogous to the cultural concept of Hofstede, the values of power distance and uncertainty avoidance generated the highest values. In the survey, the Bangladeshi consumers indicated that harmony, dependency, and respect for tradition are of highest value. Hofstede's item power distance can be seen proportional to the mentioned dependency and respect for tradition.

However, the two mentioned concepts of Hofstede and Schwartz were collected in different ways. On the one hand, Hofstede analyzed data from an employee score of IBM and then set the scores. On the other hand, Schwartz improved this concept and conducted research in 45 countries, questioning schoolteachers and college students. However, Schwartz has no data about Bangladesh; in this case, only the concept itself had an impact on the survey of this dissertation. Despite the different approaches of Hofstede and the survey in this dissertation, the results are similar.

Though, as mentioned above, examining the sociodemographic aspects is essential to obtain recommendations from different target groups for building a competitive advantage.

The cultural aspects within a competitive advantage strategy also differ across the gender groups as follows (Figure 28):

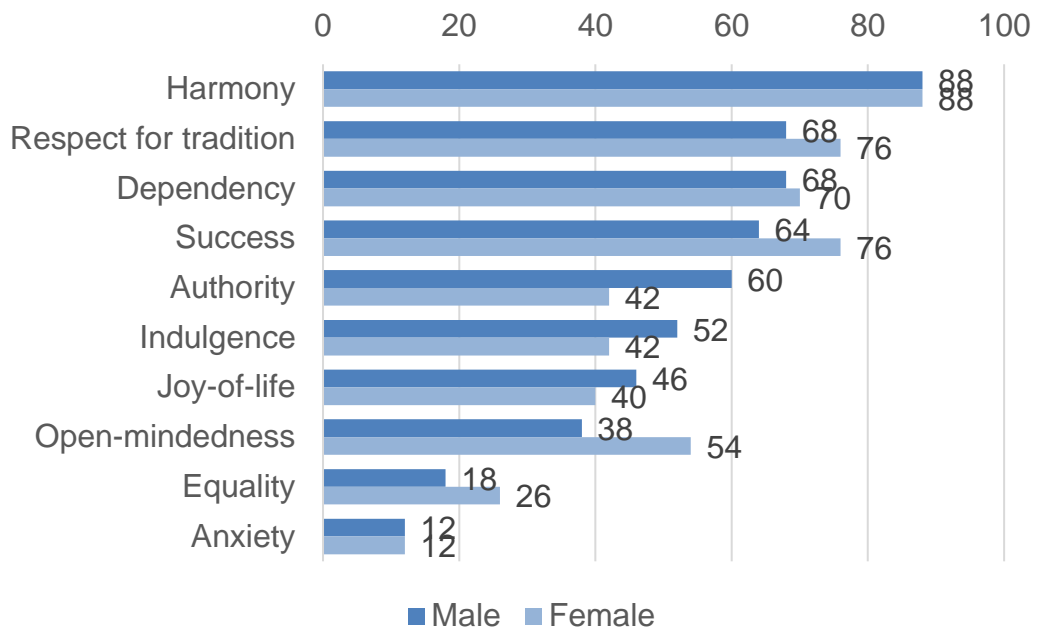


Figure 28: The importance of the cultural values of Bangladeshi consumers—gender distribution (own elaboration based on the empirical research)

The two groups, separated according to their gender, generated the highest agreement on harmony (88%). In general, females deem respect for tradition, success, and dependency to be more important than males. The item open-mindedness in particular is more important for females than for males.

An evaluation of the means of different response options between males and females revealed the distribution as listed in Table 5:

RQ3. Gender		N	Mean	Std. Deviation	Std. Error Mean
Harmony	Male	44	4.75	0.488	0.074
	Female	44	4.77	0.424	0.064
Respect for tradition	Male	34	4.74	0.511	0.088
	Female	38	4.45	0.724	0.117
Authority	Male	30	4.37	0.718	0.131
	Female	21	4.38	0.740	0.161
Success	Male	32	4.28	0.772	0.136
	Female	38	4.34	0.669	0.109
Open-mindedness	Male	19	3.95	0.911	0.209
	Female	27	4.15	0.949	0.183
Joy of life	Male	23	4.04	1.022	0.213
	Female	20	4.20	0.696	0.156
Equality	Male	9	4.56	0.527	0.176
	Female	13	4.31	0.630	0.175
Dependency	Male	34	4.79	0.538	0.092
	Female	35	4.83	0.382	0.065
Indulgence	Male	26	4.65	0.485	0.095
	Female	21	4.71	0.561	0.122
Anxiety	Male	6	4.17	0.753	0.307
	Female	6	3.33	0.516	0.211

Table 5: The importance of the cultural values of Bangladeshi consumers—gender distribution T-test (own elaboration based on the empirical research)

Table 6 provides some basic information about the comparison of males and females regarding the relevant cultural aspects. The respondents had the choice to evaluate the different items, and in conclusion, the number of respondents is decreasing.

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Respect for tradition	Equal variances assumed	10,086	0,002	1,928	70	0,058	0,288	0,149	-0,010	0,586
	Equal variances not assumed			1,965	66,543	0,054	0,288	0,147	-0,005	0,580

Table 6: The importance of the cultural values of Bangladeshi consumers—gender distribution independent sample test (own elaboration based on the empirical research)

The second section of the independent sample test indicates the test for equality of variances and the t-test for equality of means.

Due to the significance level of 0.05, the only significant difference between males and females can be observed for the item “respect for tradition.” All other items showed no significant difference between genders. In conclusion, respect for tradition is more important to males than females. This should be taken into account when positioning an FMCG product and brand.

Then, assessing the different age groups, some interesting differences were observed (Table 7).

Base: All Respondents	Total	RQ4. Age of Respondent (%)			
	Total	18–25 years	26–35 years	36–45 years	46–55 years
Total	100	27	46	19	8
Harmony	88	70	93	100	88
Respect for tradition	72	89	67	63	63
Authority	51	44	39	89	50
Success	70	78	76	42	75
Open-mindedness	46	30	50	63	38
Joy of life	43	44	46	42	25
Equality	22	19	28	21	0
Dependency	69	78	67	63	63
Indulgence	47	63	46	37	25
Anxiety	12	22	13	0	0

Table 7: The importance of the cultural values of Bangladeshi consumers—age distribution (own elaboration based on the empirical research)

Respect for tradition received the highest agreement among the youngest target group of 18–25-year-olds. For the other three, older age groups, harmony is the most important item, with its general importance decreasing with age. For the 36–45 age group, authority is important and generated a value of 89%, whereas other groups did not rank this item as important.

Summarizing the findings of this chapter, the hypothesis is verified; however, not only the cultural value of respect for tradition, but also the items harmony, success, and dependency are relevant. For men, respect for tradition is even more crucial.

5.3 The ethnocentrism of Bangladeshi consumers

An important characteristic of Bangladeshi consumers is their general openness to external products. Schaffmeister & Haller (2018) and Gelbrich et al. (2011) mentioned solidarity toward local brands in several cultures, often in emerging and developing markets. Ethnocentrism influences the building of a competitive advantage. The second hypothesis of this dissertation is based on this assumption, which is that “local products are preferred by Bangladeshi consumers” and is addressed by the research question, “would customers currently buy foreign brands within the FMCG sector?”

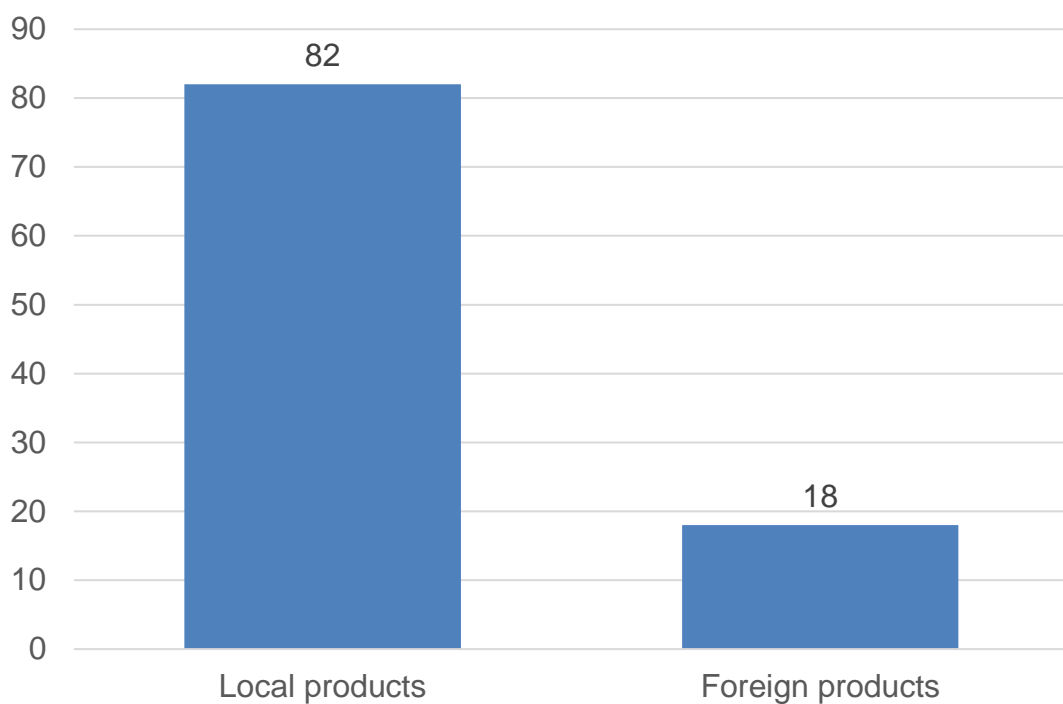


Figure 29: Bangladeshi consumers' preferences for local vs. foreign products (own elaboration based on the empirical research)

The attitude of Bangladeshis is clear: 82% prefer local products, whereas 18% of the participants prefer foreign products. The second hypothesis can therefore be clearly verified.

These results are accompanied by the studies and findings of Mornah (2016) and Akram et al. (2011). In his article, “Culture as a determinant of competitive advantage in trade,” Mornah and MacDermott (2016) conducted research in 59 countries. The results are similar because he found that locals prefer buying local products. Furthermore, Akram et al. (2011) determined the same result and that low ethnocentric consumers favor global products.

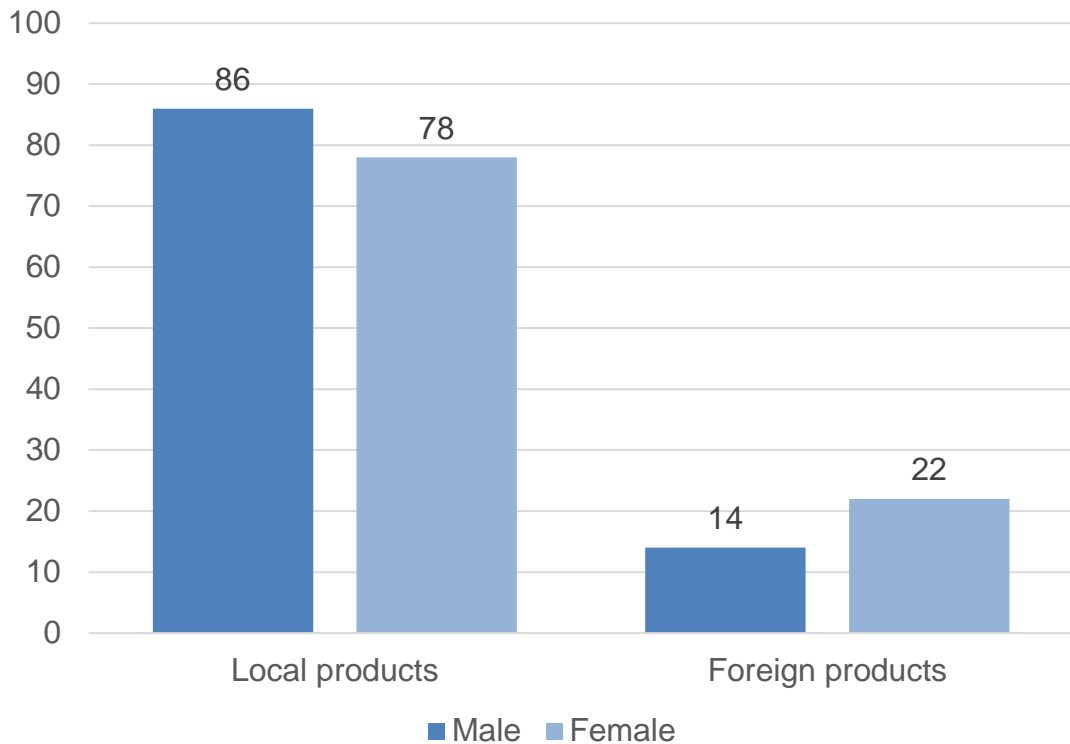


Figure 30: Bangladeshi consumers' preferences for local vs. foreign products—gender (own elaboration based on the empirical research)

Considering the differences between males and females (Figure 30), it can be seen that more surveyed females tend to buy foreign products. Nevertheless, the differences between genders show no clear, significant difference. The chi square test revealed that there is no result below 0.05, and therefore there is no significance.

Comparing the different age groups (Figure 31), the middle age groups (26–35 and 36–45 years old) tend to buy foreign products. The youngest age group is at the lowest level and is at least open to foreign products.

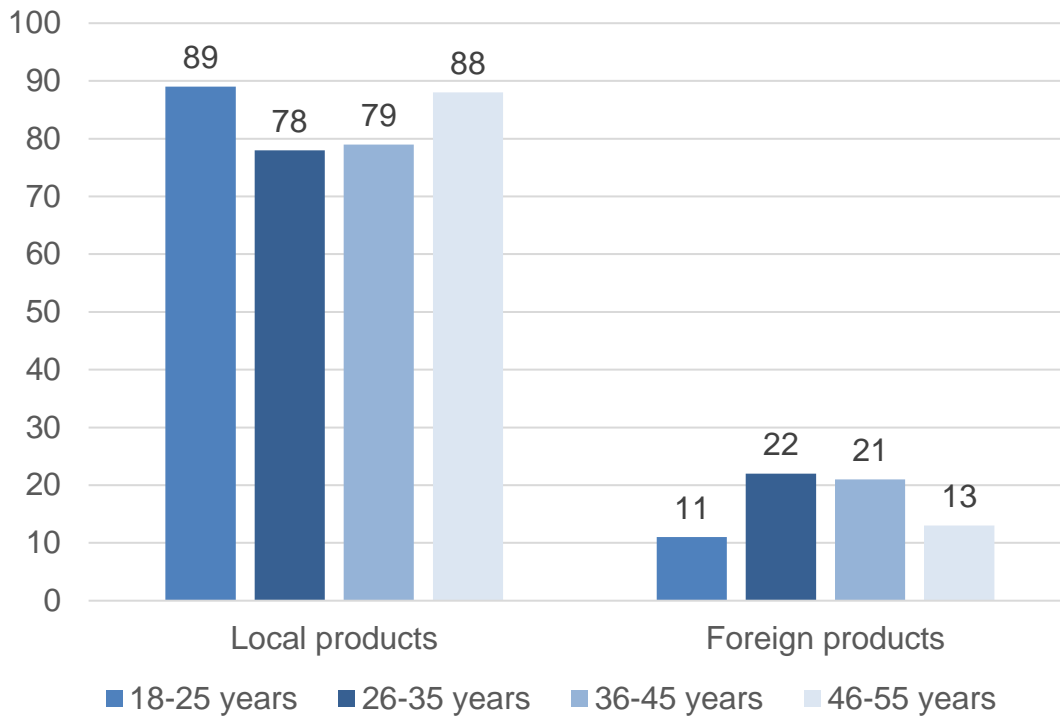


Figure 31: Bangladeshi consumers' preferences for local vs. foreign products—age (own elaboration based on the empirical research)

However, despite the differences in the respondents' answers from different age groups, there is no clear significance between the age groups as the chi square test in the appendix show due to the low numbers of cases. No value is below the 0.05 significance level; however, this can be connected to the small number of cases.

In this survey, the participants had to justify their answers and explain why they prefer local rather than foreign products. Their justifications revealed that the most important reason for preferring local products is their high quality (35%), and a lower or more affordable price is the second most important reason (31%).

Then, with a substantial gap, the next two reasons are that the product is available everywhere (15%) and that domestic products are of a high quality (14%). The fifth reason highlights a sense of solidarity with one's own country and the country's people. The two aspects generated a value of 10%: local currency will remain in the country and the local people use domestic products.

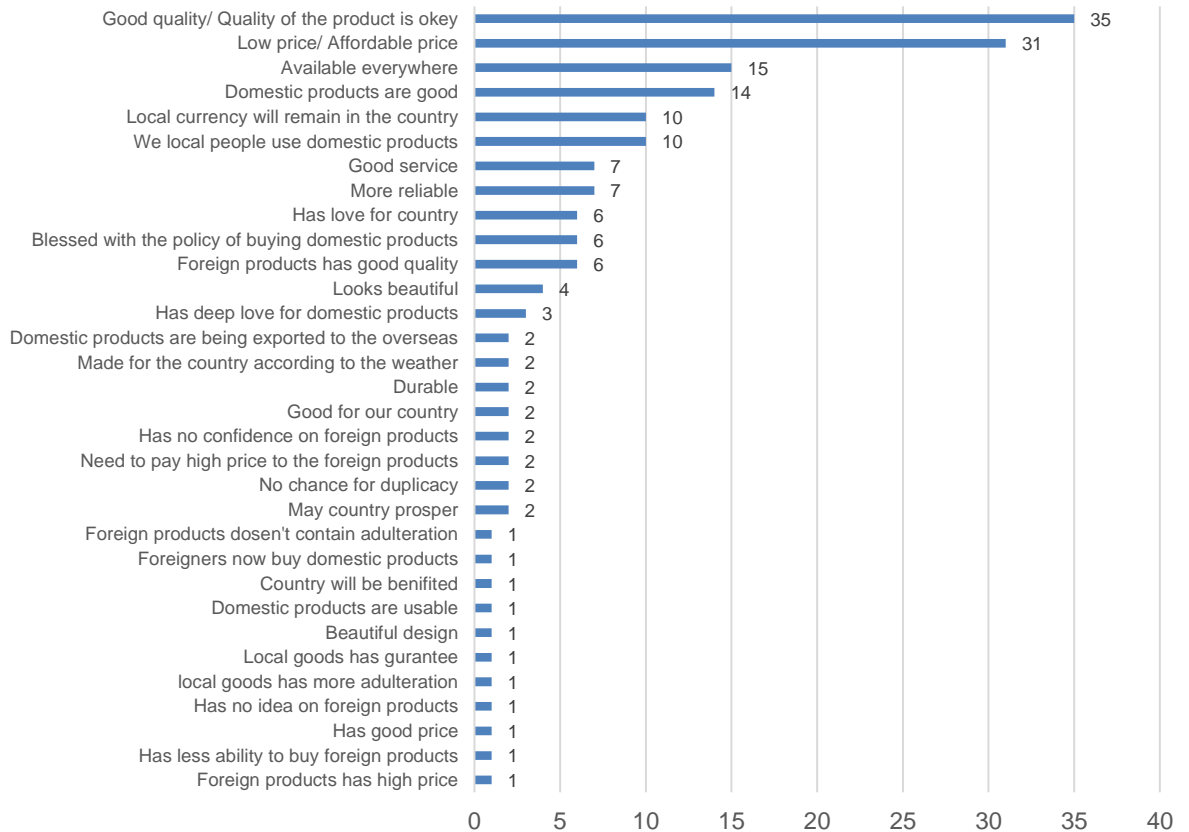


Figure 32: Reasons for Bangladeshi consumers' preference for local vs. foreign products (own elaboration based on the empirical research)

The general trend toward ethnocentrism is illustrated in Figure 32, and the second hypotheses of the dissertation is verified. To build a competitive advantage, it is important to be strongly anchored in this country.

5.4 The basics of a competitive advantage in Bangladesh

Based on the theory of Porter, the third hypothesis of this dissertation is that Bangladeshi consumers prefer brands that position themselves through differentiation. This hypothesis is connected to the research question, “how should a company within the FMCG sector build a competitive advantage in Bangladesh?”

To verify this third hypothesis, the following question was posed to participants: “Please think about brands that you use daily. These can be toiletries, food and beverages, cosmetics, packaged foods, over-the-counter drugs, and other consumables. Which of the following aspects is most important for you?”

1. Price;

2. Differentiation of the product (this can be, for example, something exceptional of a product, brand, quality, or technology);
3. Focus/specification (in detail, this means a special product for special needs and requirements).”

This question was a single-answer question. In response (Figure 33), 37% of the participants mentioned differentiation first, followed by price (36%) and specification (27%).

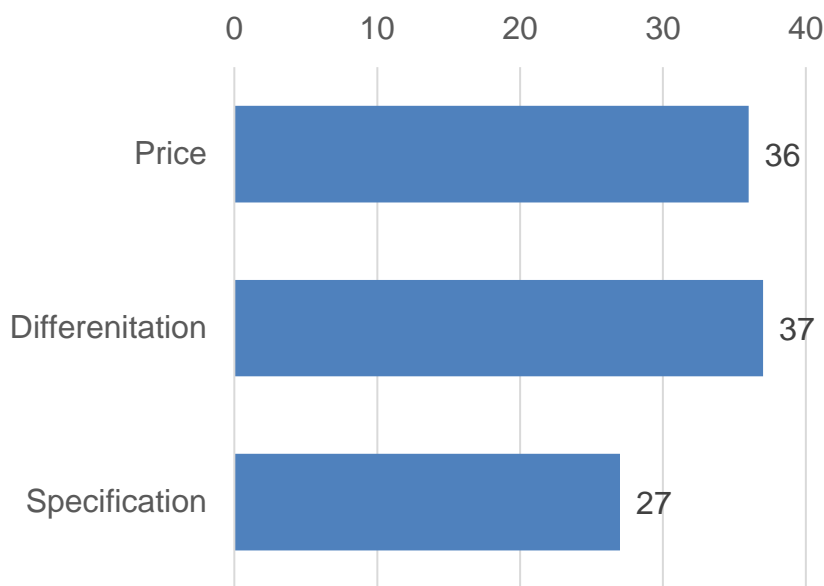


Figure 33: Most important aspects of a competitive advantage strategy—price, differentiation, and specification (own elaboration based on the empirical research)

Of these three possible response options, differentiation and price were close together, whereas the third possibility, specification, received a lower priority from the participants.

However, the differences between all three response options are not significant, as Table 8 shows.

Test Statistics	
	MQ1. Which of the following aspects is the most important for you?
Chi-Square	1.820 ^a
df	2
Asymp. Sig.	0.403
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.3.	

Table 8: Most important aspects of a competitive advantage strategy—price, differentiation, and specification—significance test (own elaboration based on the empirical research)

Finally, a trend is visible regarding the response behavior: the differentiation of a product is decisive in the purchase decision process, but there is no significant difference. The third hypothesis could therefore be verified. However, to make further recommendations on the relevant strategies, it is important to assess further details of the target group.

First, a difference was observed in the response behavior between males and females (Figure 34).

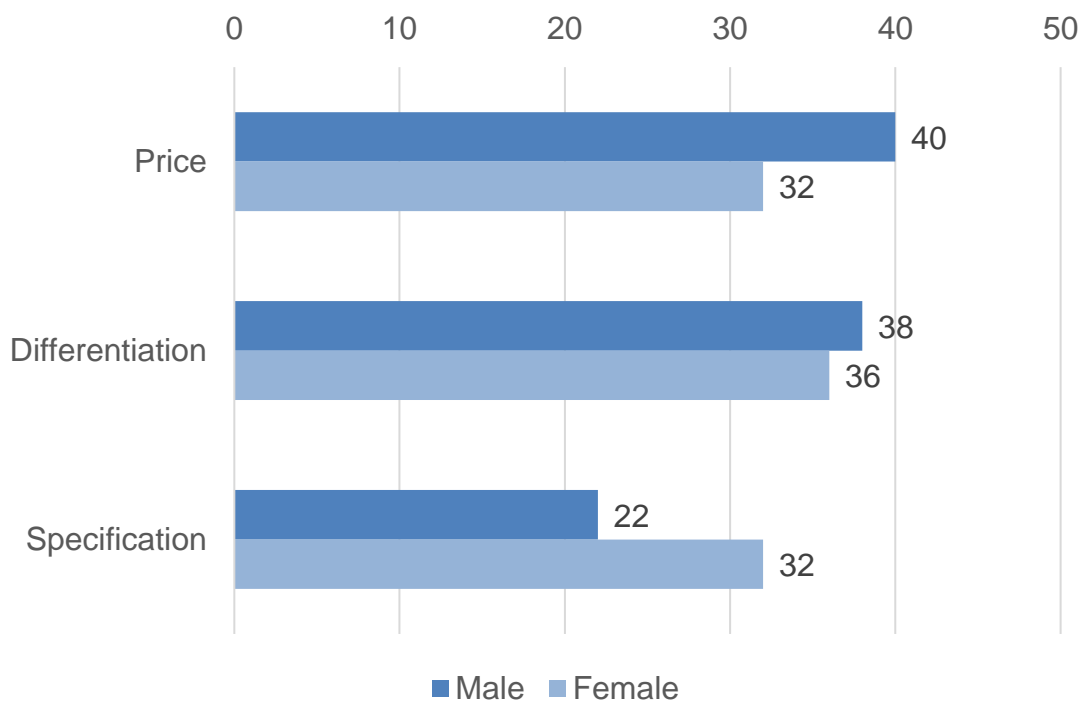


Figure 34: Most important aspects of a competitive advantage strategy—price, differentiation, and specification—according to gender (own elaboration based on the empirical research)

When analyzing the level of significance between the three response options with the chi quadrat test, the following result was found, and hence, none of the possible answers are significant: neither price, nor differentiation, nor specification indicate a significant meaning. However, Figure 34 indicates that differentiation is more important to women than price, even if the results are not significant due to a low number of cases.

Furthermore, as mentioned above, internalization is often easier for younger people. Therefore, analyzing its effects on the different age groups is interesting (Table 9).

Base: All Respondents	Total	RQ4. Age of Respondent (%)			
	Total	18–25 years	26–35 years	36–45 years	46–55 years
Total	100	27	46	19	8
Price	36.0	44.4	26.1	57.9	12.5
Differentiation from other products	37.0	48.1	41.3	10.5	37.5
Specification of the product	27.0	7.4	32.6	31.6	50.0

Table 9: Most important aspects of a competitive advantage strategy—price, differentiation, and specification—according to age (own elaboration based on the empirical research)

In general, price had the highest impact on the 36–45-year-old participants. In contrast, the differentiation of a product is relevant for the younger groups: almost half of the 18–25-year-old participants tend to buy products characterized by differentiation. Finally, specification plays an important role for people aged 46–55 years.

Table 10 lists the significance of the age distribution:

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	16.374 ^a	6	0.012
Likelihood Ratio	19.044	6	0.004
Linear-by-Linear Association	2.827	1	0.093
N of Valid Cases	100		

a. Three cells (25.0%) have an expected count less than 5. The minimum expected count is 2.16.

Table 10: Chi square quadrat results of most important aspects of a competitive advantage strategy—price, differentiation, and specification—according to age (own elaboration based on the empirical research)

Moreover, a clear significance can be seen between the age groups here compared to the analyses of the previous hypotheses. The older participants aged 46–55 years are still focused on the price, whereas the younger target group displays a clear preference for differentiation.

Summarizing the results of this hypothesis, differentiation as the main important factor can be verified; however, it is more important for women, and there are clear and interesting differences between the age groups.

5.5 The fundamentals of products in Bangladesh

The fourth hypothesis is that the “Quality of goods is the most important aspect from the consumer’s perspective for building a competitive advantage.” This hypothesis is connected to the research question, “What attributes are the most important from the consumer’s perspective when buying an FMCG product?” In this regard, the questionnaire asked participants to “Please think again about products/brands that you use daily: How important are the following attributes for you?” The possible responses were good customer service, quality, reputation, good results, employees, knowledgeable staff, consistent management, responsiveness, innovativeness, and trust. These parameters can serve as the basis for building a brand and could be part of every step of Keller’s (2007) CBBE model. The hypothesis was developed based on Smith’s statement that defines the mentioned attributes as a brand’s differentiator. These attributes were evaluated from the consumer’s point of view.

The Bangladeshi participants first had to answer whether they generally think that each attribute is important, and in a second step, they were asked to judge the importance on a Likert scale from 1 to 5. They answered as illustrated in Figure 35 below:

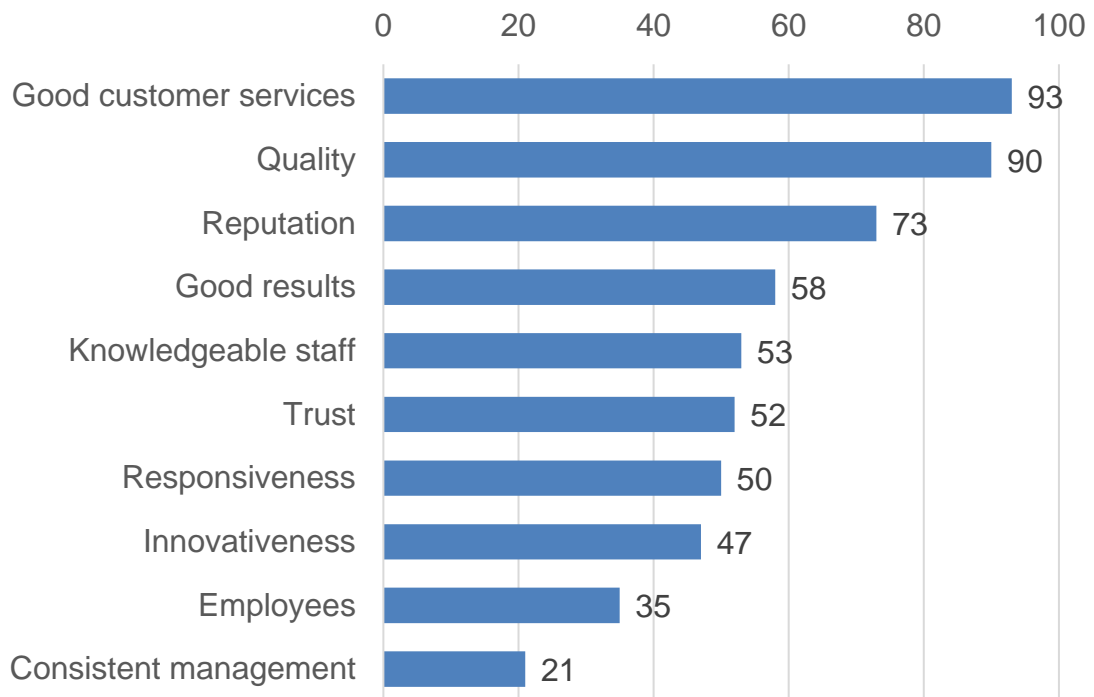


Figure 35: Important attributes of a brand—perspective of Bangladeshi consumers (own elaboration based on the empirical research)

Good customer service was the most important attribute, generating the highest value (93%), and quality was ranked second (90%). In this case, the hypotheses could be verified. Combined with good customer service, these two mentioned items have the largest impact on purchase intention and competitive advantage.

The third aspect is reputation, which lags behind the first two responses. With another gap, good results (58%) and knowledgeable staff (53%) follow. Moreover, consistent management only generated a value of 21%. It is thus not particularly important for Bangladeshi consumers.

Analyzing the Top2Box of the mentioned attributes, the same picture emerges. The most important attributes are good customer service and quality. Furthermore, judging the items on a Likert scale revealed the clear focus of customers. In conclusion, the fourth hypotheses could be verified, because the results are clear but not significant.

Considering the results, three groups can be identified. The first and most important group consists of good customer service and quality and has a decisive impact on purchase intention and the relationship to the customer. These two items demonstrate customers' wish and requirement for a long-term relationship with a brand or product.

The second group consists of reputation, trust, good results, responsiveness, and innovativeness. This group is important but does not have the most significant impact on the purchase decision for some of the respondents.

The third group is composed of knowledgeable staff, employees, and consistent management. These items are not particularly important for consumers (Figure 36).

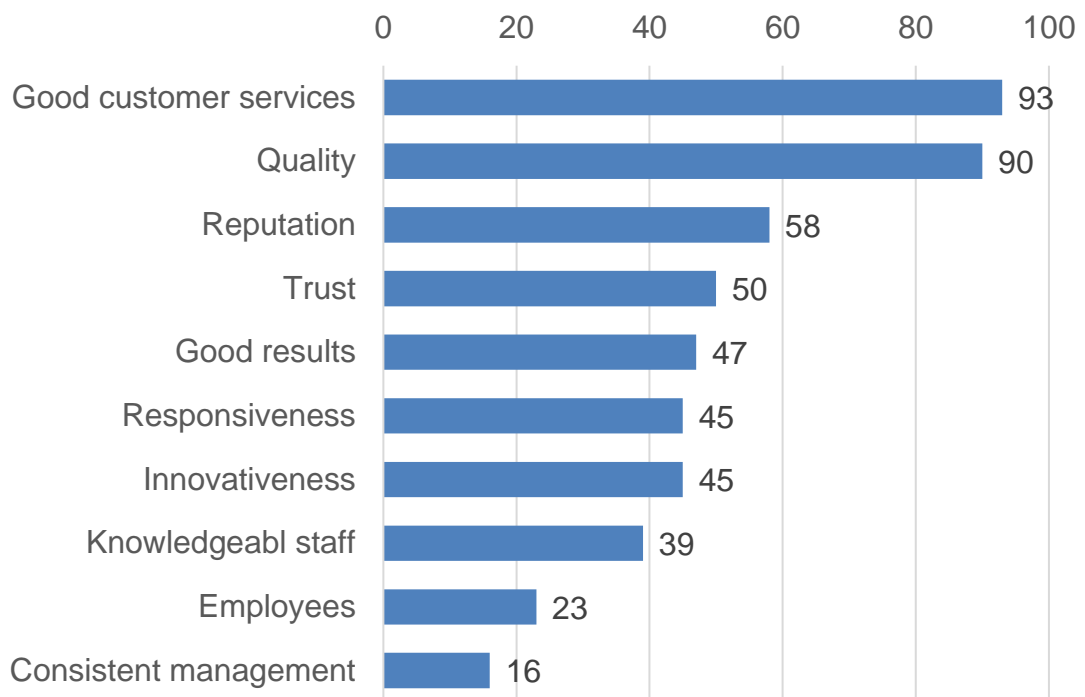


Figure 36: Top2Box results of important brand attributes—perspective of Bangladeshi consumers (own elaboration based on the empirical research)

The results above reflect the results of the study by Nguyen et al. (2011) in combining the importance of customer expectations of quality and the high importance of customer service. Furthermore, the results are in line with those of Akram et al. (2011). They investigated the emerging market in Pakistan and indicated that a product must meet the requirements and expectations of quality to be successfully perceived as a brand.

The comparison of means suggests that there is no significance; however, according to the assumptions of the author of this dissertation and the presentation of the Top2Box, the results are relevant for building a brand as a resource of a competitive advantage.

	Good customer services	Quality	Reputation	Good results	Employees	Knowledgeable staff	Consistent management	Responsiveness	Innovativeness	Trust
Mean	4,73	4,87	4,14	4,33	4,00	4,30	3,81	4,52	4,49	4,67
N	93	90	73	58	35	53	21	50	47	52
Std. Deviation	0,446	0,342	0,962	0,825	1,163	0,868	0,680	0,735	0,748	0,550

Table 11: Comparison of means of important brand attributes—perspective of Bangladeshi consumers (own elaboration based on the empirical research)

Some interesting differences were also found between genders (Figure 37). For females, quality had the highest agreement (92%), followed by good customer service (90%). Moreover, trust and responsiveness are more important for females than for males.

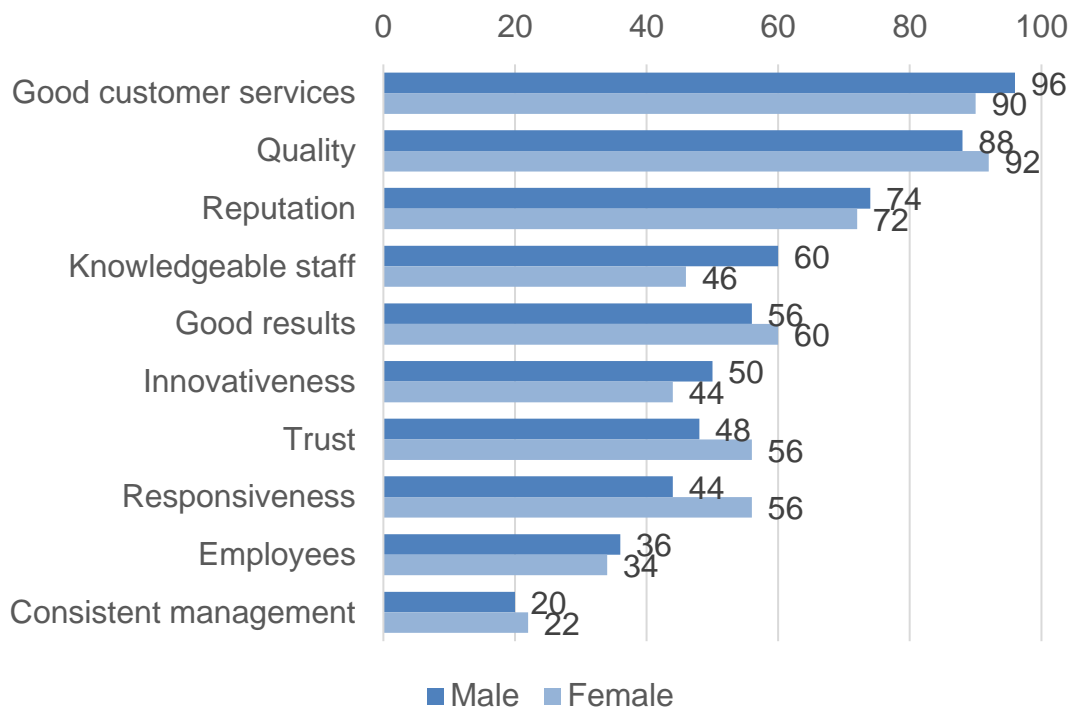


Figure 37: Important attributes of a brand—perspective of Bangladeshi consumers—according to gender (own elaboration based on the empirical research)

The different age groups also revealed a number of relevant differences (Table 12). Good customer service is the most important and decisive item over all age groups. The oldest age group (46–55-year-old participants) demonstrated the lowest agreement in general (88%). However, when combined with quality, these two items

reach the first ranking with 88%. Furthermore, reputation is more important among the group of 36–45-year-old respondents.

Base: All Respondents	Total	RQ4. Age of Respondent (%)			
	Total	18–25 years	26–35 years	36–45 years	46–55 years
Total	100	27	46	19	8
Good customer services	93	93	93	95	88
Quality	90	93	93	79	88
Reputation	73	81	63	84	75
Good results	58	67	61	53	25
Employees	35	48	30	32	25
Knowledgeable staff	53	59	50	47	63
Consistent management	21	15	28	11	25
Responsiveness	50	56	52	42	38
Innovativeness	47	41	52	42	50
Trust	52	63	50	42	50

Table 12: Important attributes of a brand—perspective of Bangladeshi consumers—according to age (own elaboration based on the empirical research)

Summarizing the results of this hypothesis, quality as the main important factor is verified; however, good customer service is also relevant. For women, quality is the most important aspect, whereas good customer service is the most important factor across age groups.

Now that the four hypotheses have been examined, the next chapter provides recommendations on how to use this knowledge to gain a competitive advantage.

Chapter 6. Analysis of the environment in Bangladesh for building the instruments of competitiveness

6.1 The importance of instruments to build competitive advantage in Bangladesh's FMCG sector

This section explores some relevant aspects of the environment of the Bangladeshi FMCG sector and derives the relevant actions of the competitiveness instruments based on this environment. The results of the questionnaire are interpreted according to age and gender.

The question to consumers in relation to price concerned their preferences for a specific price range. The majority of the respondents (82%) stated that a product in the mid-price segment is the most preferred one. Furthermore, 13% prefer products in the upper price segment (Figure 38).

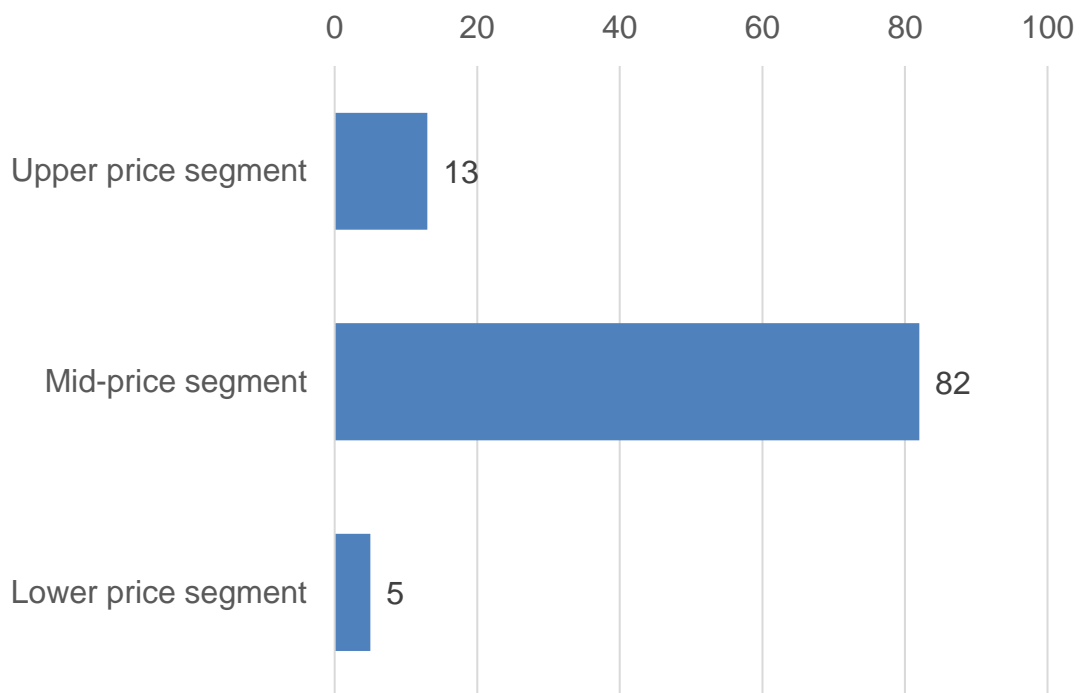


Figure 38: Preferred price segment of products in Bangladesh (own elaboration based on the empirical research)

The preferred level for a price segment differed between the two genders and across age groups (Figure 39).

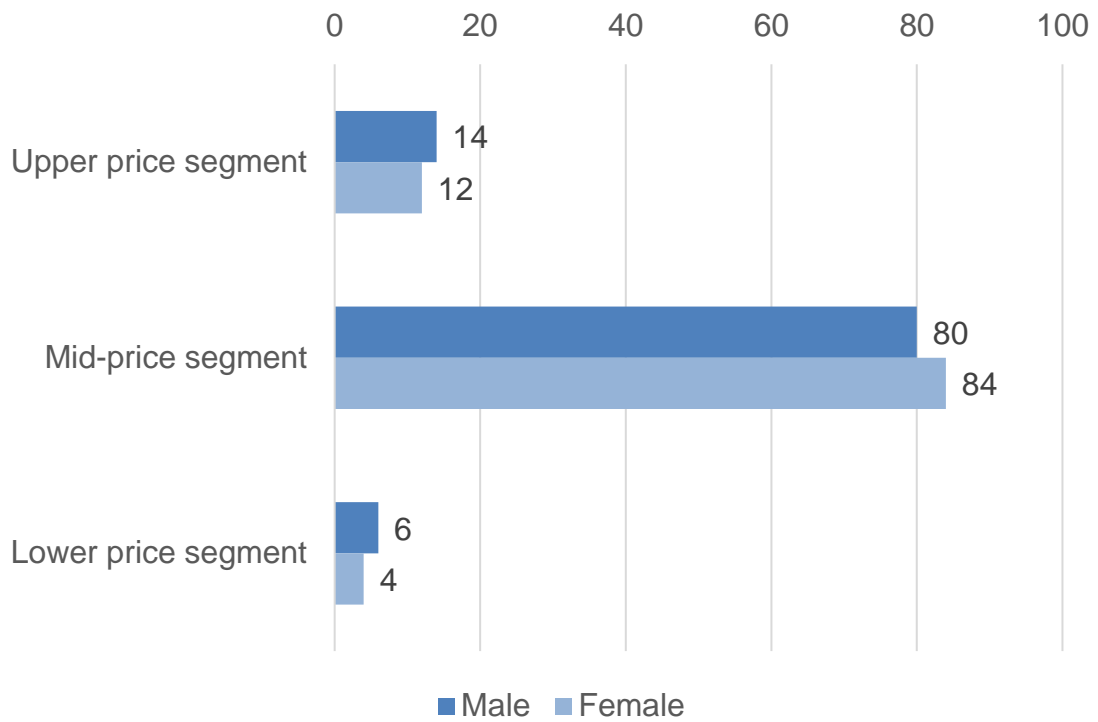


Figure 39: Preferred price segment of products in Bangladesh—gender (own elaboration based on the empirical research)

While the general ranking remained the same, a few specifics can be observed within the gender distribution. Females tend to prefer products in the mid-price segment slightly more than males.

Figure 40 depicts the distribution of price segment preferences according to age group.

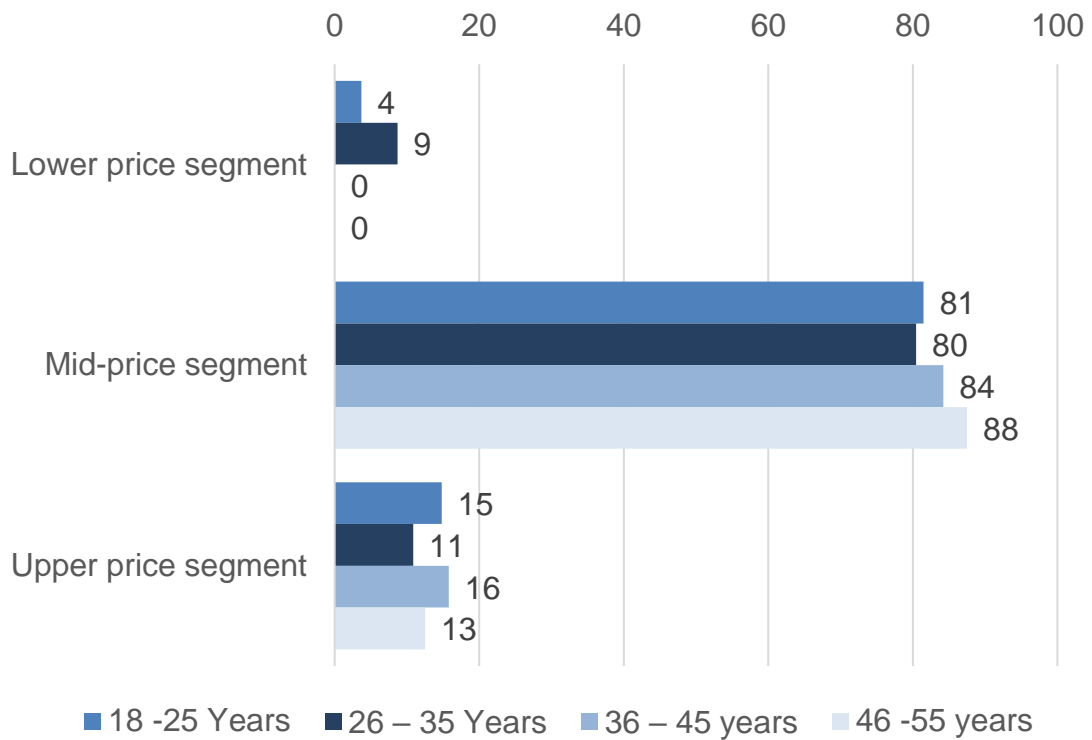


Figure 40: Preferred price segment of products in Bangladesh—age (own elaboration based on the empirical research)

According to the previous analyses, the 26–35-year-olds differ from the other groups. Almost 9% of this group tend to buy products from the lower price segment. In contrast, the 18–25 and 36–45 age groups had the highest value in the upper price segment (15%).

Another aspect of the environment for building a competitive advantage is the channel for receiving information about FMCG brands, including information about where Bangladeshi consumers usually become aware of products for their everyday usage.

Word of mouth is the most important source for becoming aware of FMCG products (Figure 41). This is still a characteristic of emerging sectors, and 85% of the respondents confirmed this. The second important resource consists of trade, wholesale, and place (84%), followed by advertising (82%). Finally, the internet or newsletters and newspapers generated a value of 37%, but compared to the other answers, has less of an impact on the source of awareness about an FMCG product.

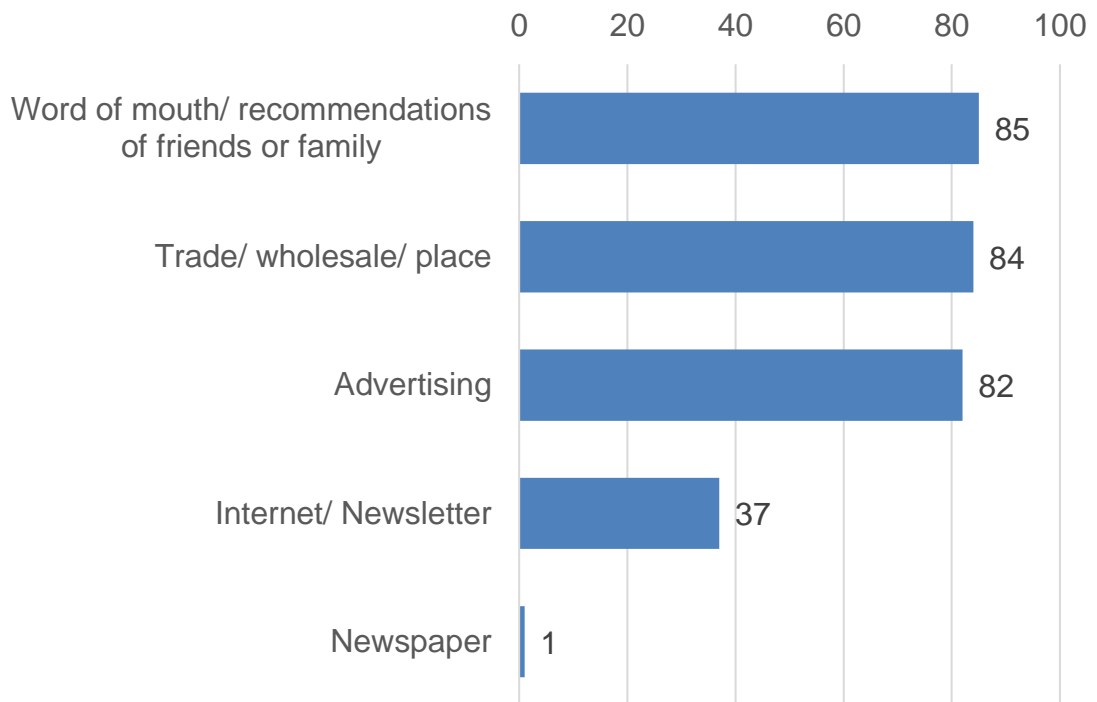


Figure 41: Preferred place of awareness in Bangladesh (own elaboration based on the empirical research)

Males generally tend to be more open to receiving information about products, as the bar chart in Figure 42 indicates.

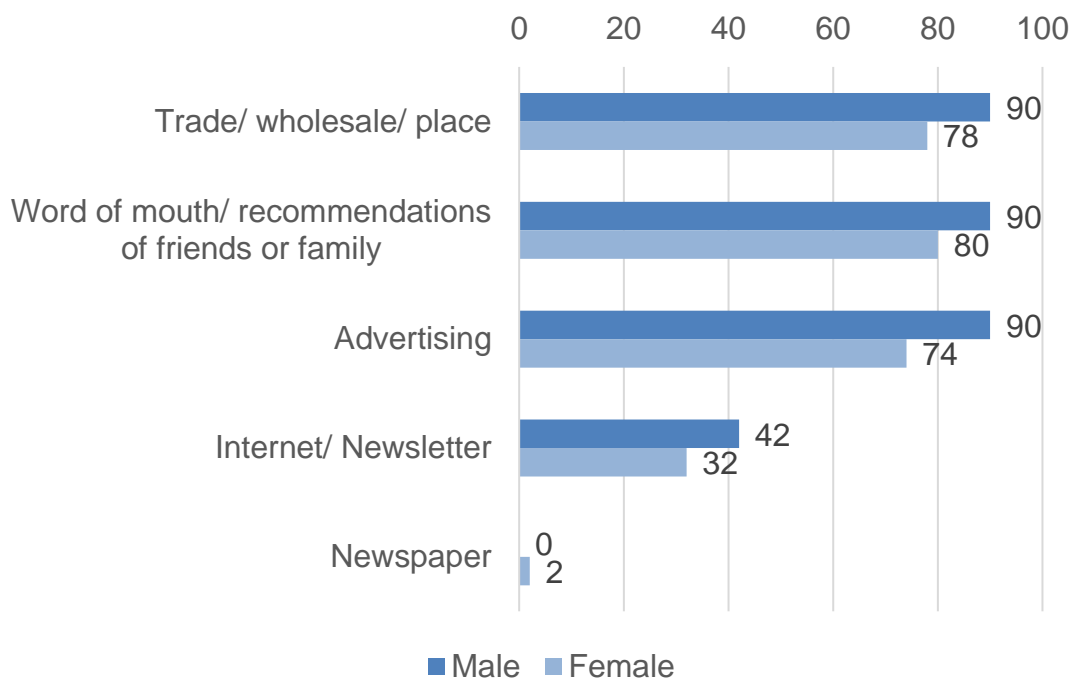


Figure 42: Preferred place of awareness in Bangladesh—gender (own elaboration based on the empirical research)

Trade, word of mouth, and advertising have the same impact on men, and all three options reached 90%, as Figure 42 illustrates. Furthermore, for women, word of mouth is the most important source of awareness about brands and products (80%).

In addition, trade and wholesale reached a value of 78%, and advertising ranked third (74%).

The place of awareness of products usually depends on age and gender. The majority of the youngest target group tends to gain awareness of products via the internet and newsletters. In the other target groups, the internet and newsletters are less important; for them, the most important places for gaining awareness about brands and products are trade and wholesale, followed by word of mouth. Especially within the target group of participants up to 35 years old, word of mouth is important.

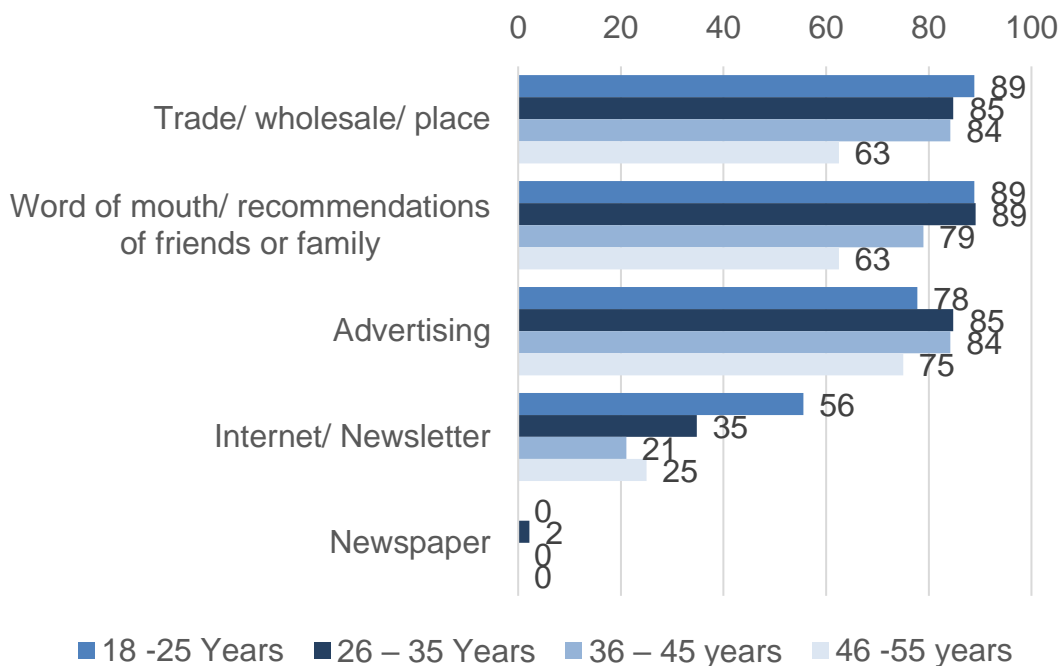


Figure 43: Preferred place of awareness in Bangladesh—age (own elaboration based on the empirical research)

Place is also part of the different possibilities for the environment of a competitive advantage. Figure 44 demonstrates the general importance of convenience stores. The majority of Bangladeshi consumers (87%) tend to buy their daily-use products in a convenience store. This emphasizes the need to be present in these places to ensure that the consumer has the opportunity to buy the products. Furthermore, traditional supermarkets ranked second (69%), and grocery retailers ranked third (64%). Discounters and online shopping are less important for the Bangladeshi consumer and only reached values below 20%.

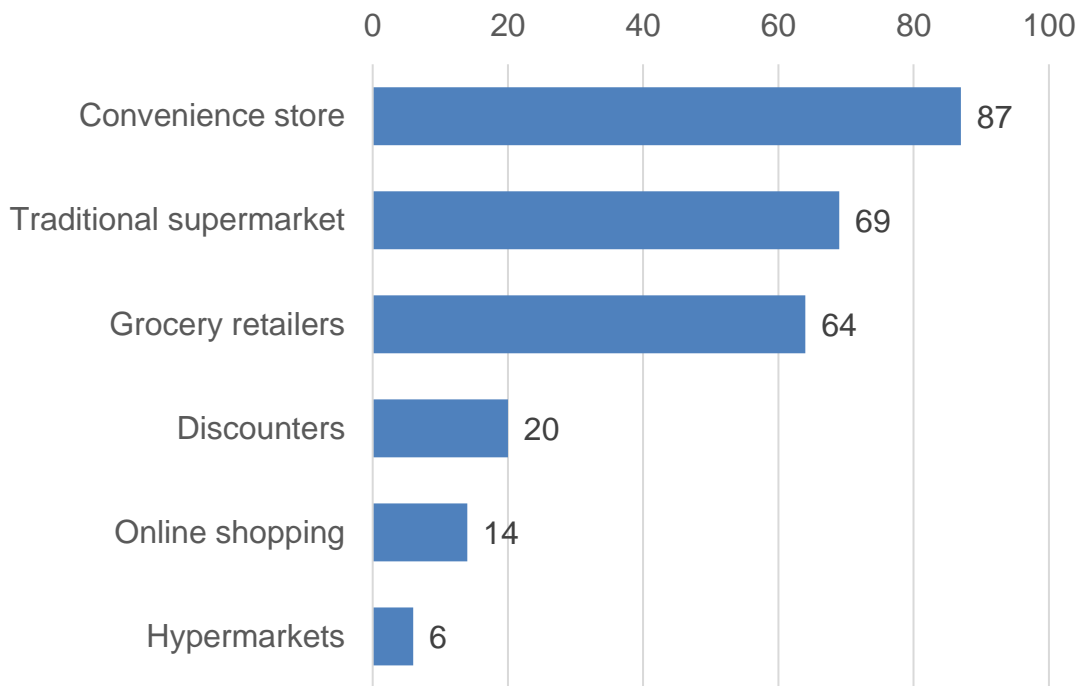


Figure 44: Preferred place of purchase in Bangladesh (own elaboration based on the empirical research)

The place of purchase is divided according to males and females in Figure 45.

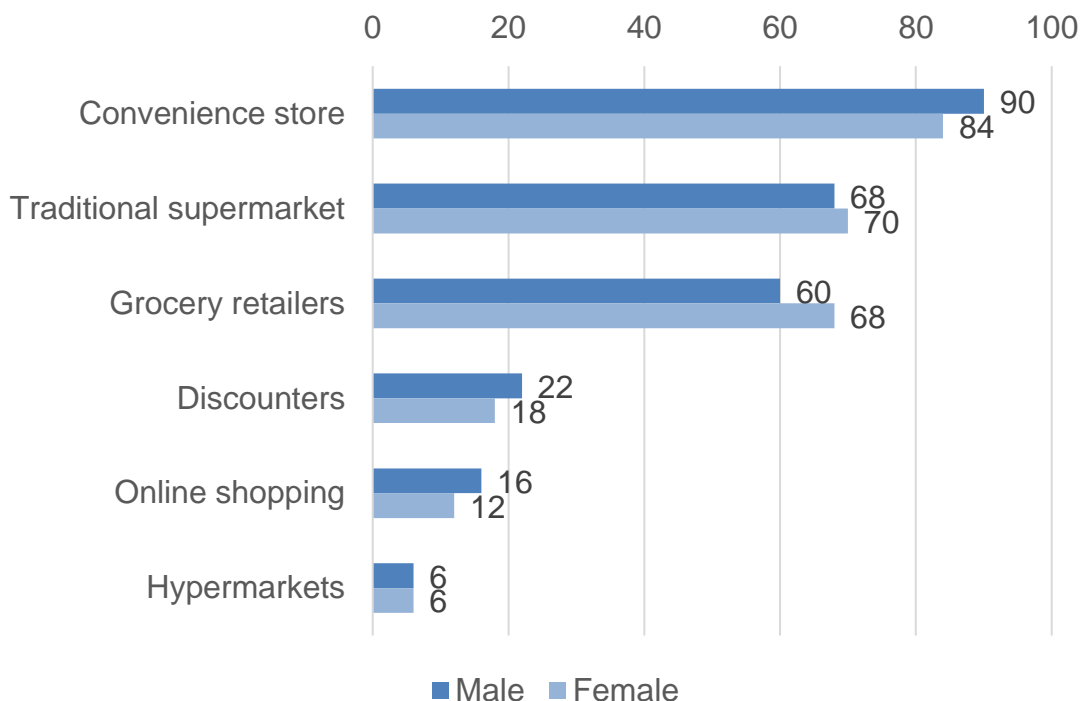


Figure 45: Preferred place of purchase in Bangladesh—gender (own elaboration based on the empirical research)

Males tend to buy their daily-use products mostly (90%) in convenience stores. Their behavior is concentrated clearly on only one purchase place, whereas women’s buying behavior varies. The response rate is more distributed—the highest value was

also generated for convenience stores (84%), followed by traditional supermarkets (70%) and grocery retailers (68%).

Furthermore, differences were observed in the place of purchase between the age groups (Table 13).

	Total	RQ4. Age of Respondent			
	Total	18–25 years	26–35 years	36–45 years	46–55 years
Base : All Respondent					
Total	100	27	46	19	8
Traditional supermarket	69.0	66.7	69.6	78.9	50.0
Convenience store	87.0	92.6	87.0	78.9	87.5
Discounters	20.0	33.3	15.2	15.8	12.5
Grocery retailers	64.0	81.5	63.0	47.4	50.0
Online shopping	14.0	18.5	15.2	5.3	12.5
Hypermarkets	6.0	7.4	6.5	5.3	0.0

Table 13: Preferred place of purchase in Bangladesh—age (own elaboration based on the empirical research)

The 18–25-year-old participants tend to buy more of their products in a convenience store and from grocery retailers than the other age groups. The 36–45-year-olds tend to buy their goods at traditional supermarkets. The results are significant, as Table 14 indicates:

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	7.850 ^a	3	0.049
Likelihood Ratio	8,089	3	0.044
Linear-by-Linear Association	2.508	1	0.113
N of Valid Cases	100		

Table 14: Preferred place of purchase in Bangladesh—age significance test (own elaboration based on the empirical research)

Furthermore, the place-of-purchase decision is decisive and has an impact on marketing actions. A high percentage of decisions that are made directly in trade

highlight a well-thought-out POS strategy. Nearly half of the Bangladeshi consumers make buying decisions directly at the point of trade; the other 50% of respondents usually decide about their purchase even before shopping.

The place of purchase intention depends mostly on gender and age. The majority (56%) of males decide about their purchase directly during trade, whereas the majority of females (56%) make their decision even before shopping (Figure 46).



Figure 46: Preferred place of purchase intention in Bangladesh—gender (own elaboration based on the empirical research)

Furthermore, a difference exists between the age groups.

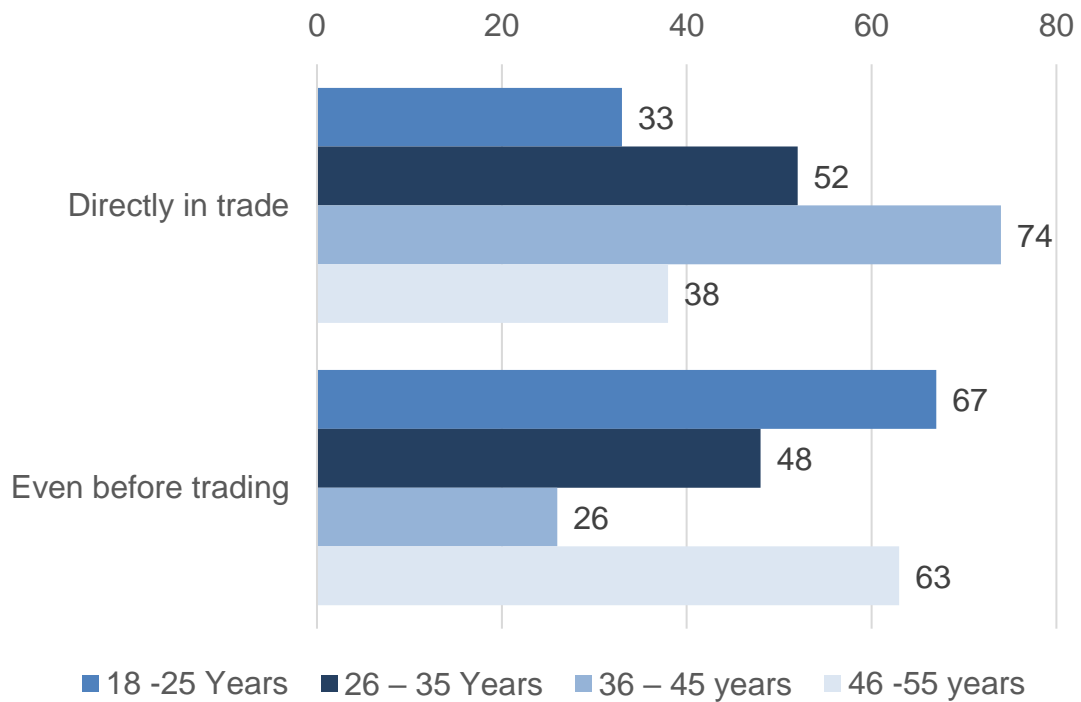


Figure 47: Preferred place of purchase intention in Bangladesh—age (own elaboration based on the empirical research)

The majority of the youngest (18–25 years old) and the oldest (46–55 years old) participants decide on their purchase even before trading, with values of 66.7% and 62.5%, respectively. The 36–45 age group had the lowest value for “even before trading.” (Figure 47).

6.2 The importance of CRM in building competitive advantage in Bangladesh’s FMCG sector

The importance of CRM has increased in recent years. In developed companies, it is already a key part of building a competitive advantage and is part of the instruments of this advantage.

To analyze the importance of CRM, a regular exchange between a brand and consumers is the basis for a long-term relationship. The following question was thus asked: “How important is it for you to be in constant touch with your daily-use products?” The respondents had the possibility to answer on a Likert scale from 5 to 1, where 5 = very important for me and 1 = not important for me at all.

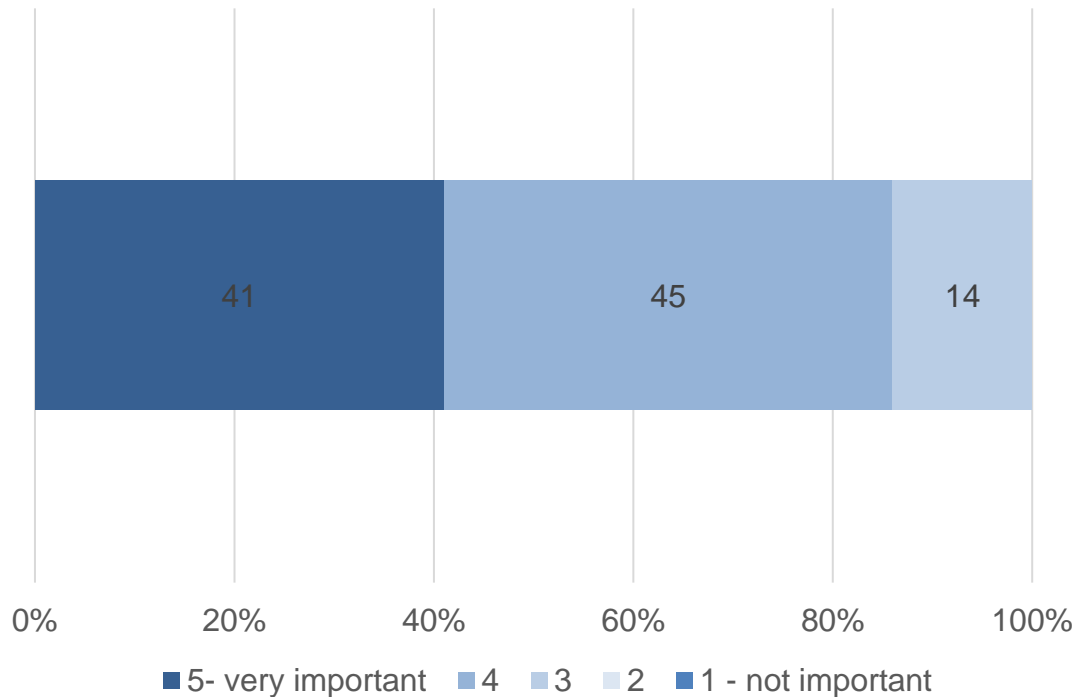


Figure 48: Importance of the relationship to the customer—total (own elaboration based on the empirical research)

According to the responses (Figure 48), 86% of the Bangladeshi consumers stated that a regular relationship between a brand and consumers is relevant. For only 14%, it did not matter whether they have a regular exchange with their daily usage product. However, there is no one for whom a regular relationship is not important.

The results of this question of the dissertation also reflect the results of the study by Berndt et al. (2010). They claimed that customer expectations concerning the interaction between a company and its consumers increase, especially in developing countries.

With regard to the importance of a customer relationship for males and females, a gap of 4% can be observed, but the difference is also not significant at all (Figure 49). For men, however, the relationship to the customer is more important than for women.

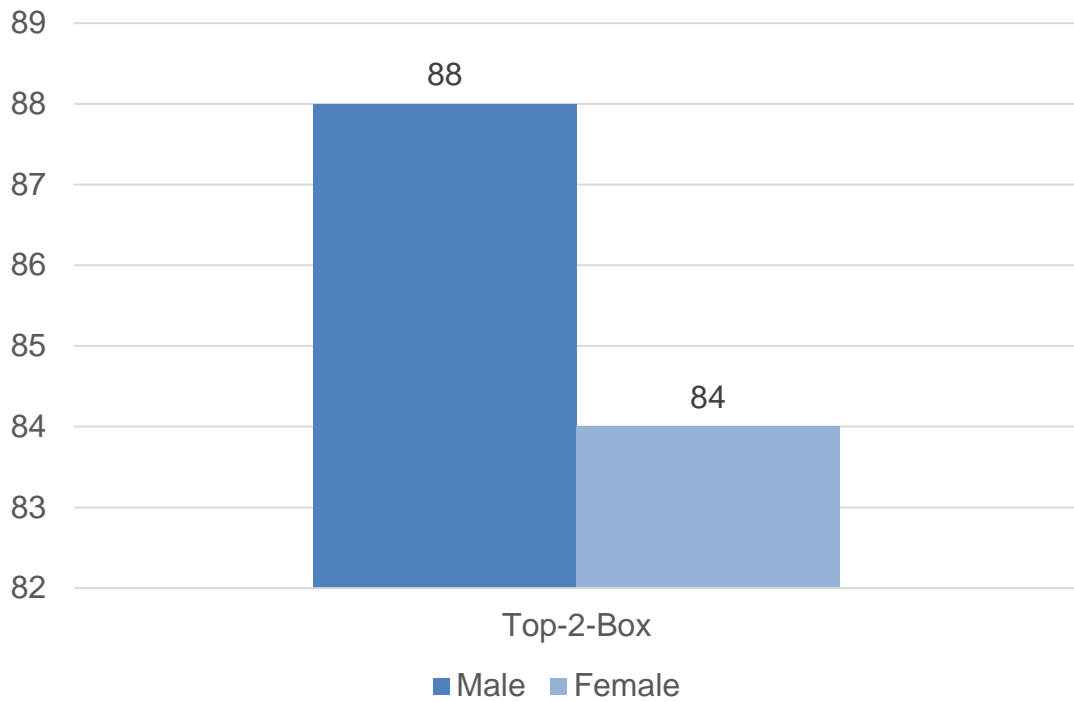


Figure 49: Importance of the relationship to the customer—gender (own elaboration based on the empirical research)

The sub-target groups all indicated a general, high importance of the relationship to the customer, with the 36–45 group demonstrating the highest level (90%), followed by the 18–25-year-olds (89%) and then the 46–55-year-olds (87.5%). Furthermore, the group aged 26–35 had the lowest value (83%). While the differences between the four categories are not significant at all, they reveal a clear profile for creating strategies for different target groups.

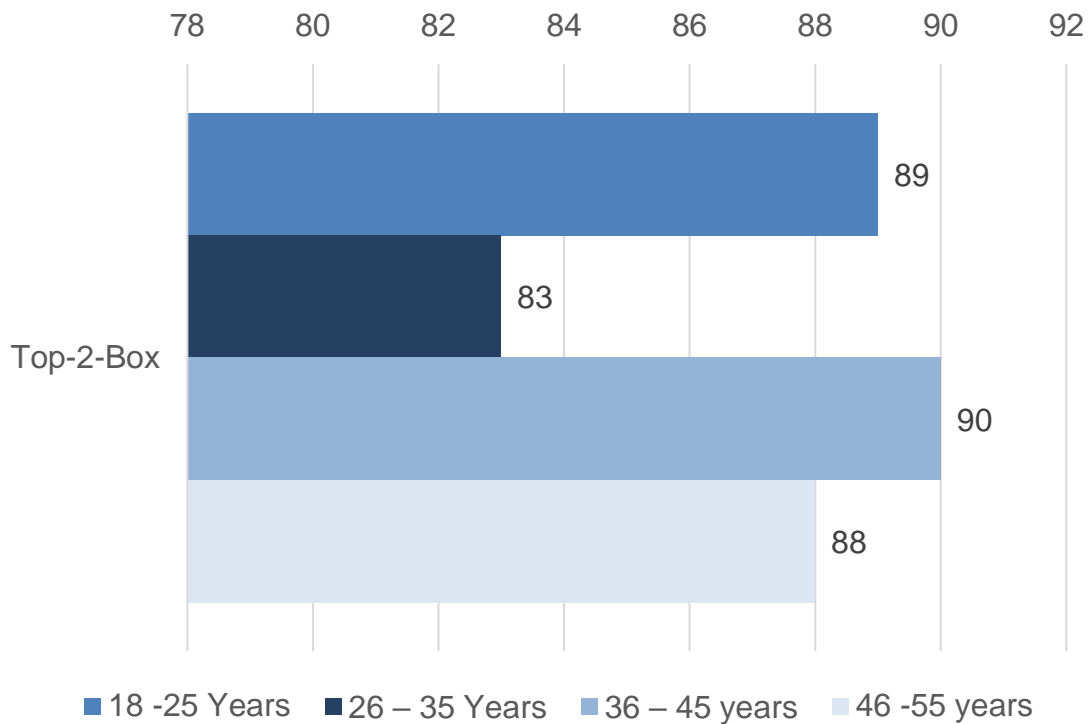


Figure 50: Importance of the relationship depending on the customer's age (own elaboration based on the empirical research)

Furthermore, to guarantee a long-term relationship with an FMCG product or brand, certain items are essential. First, Bangladeshi consumers wish to receive regular information about products.

With a substantial gap, three other consumer requirements follow: regular information about the company (68%), regular information about new innovations or innovative products (67%), and information and urgent tips about the usage of the product (63%). These three items have a combined value of around 65% and generated a medium level of interest.

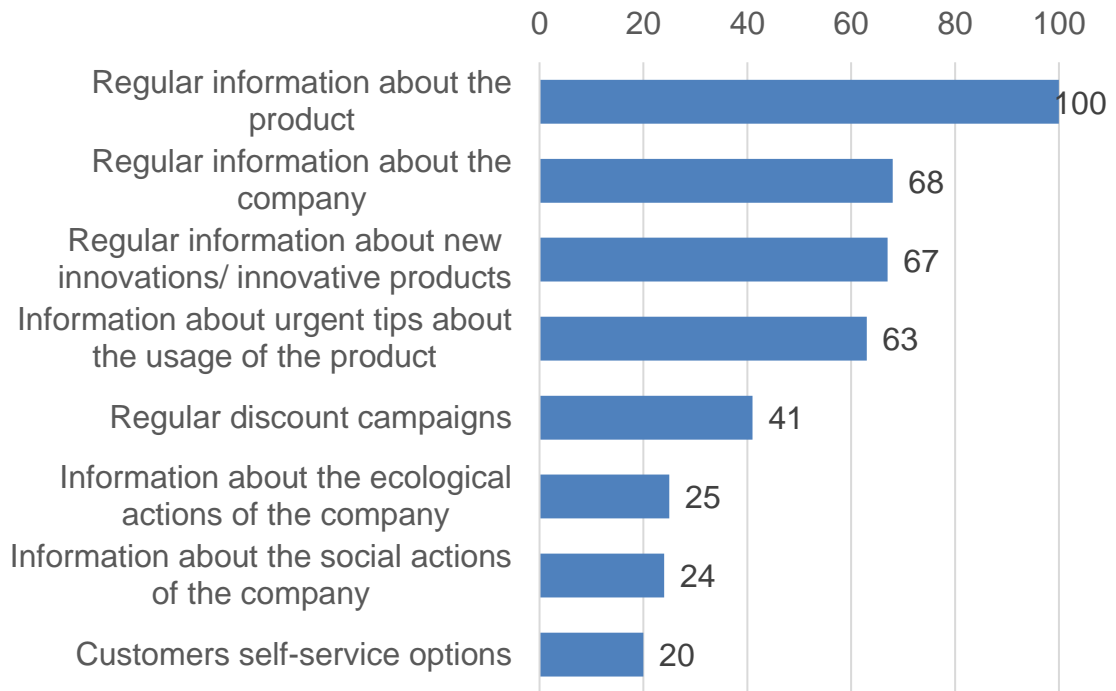


Figure 51: Action for a long-term relationship—total (own elaboration based on the empirical research)

Moreover, receiving regular information about discount campaigns is not as important as information about the product itself. The low importance of price is also demonstrated in this response and emphasizes the assumption that price is not as important as before, due to economic growth. The product and differentiation itself are more important.

The gender groups also demonstrated 100% agreement on the desire for regular information about products.

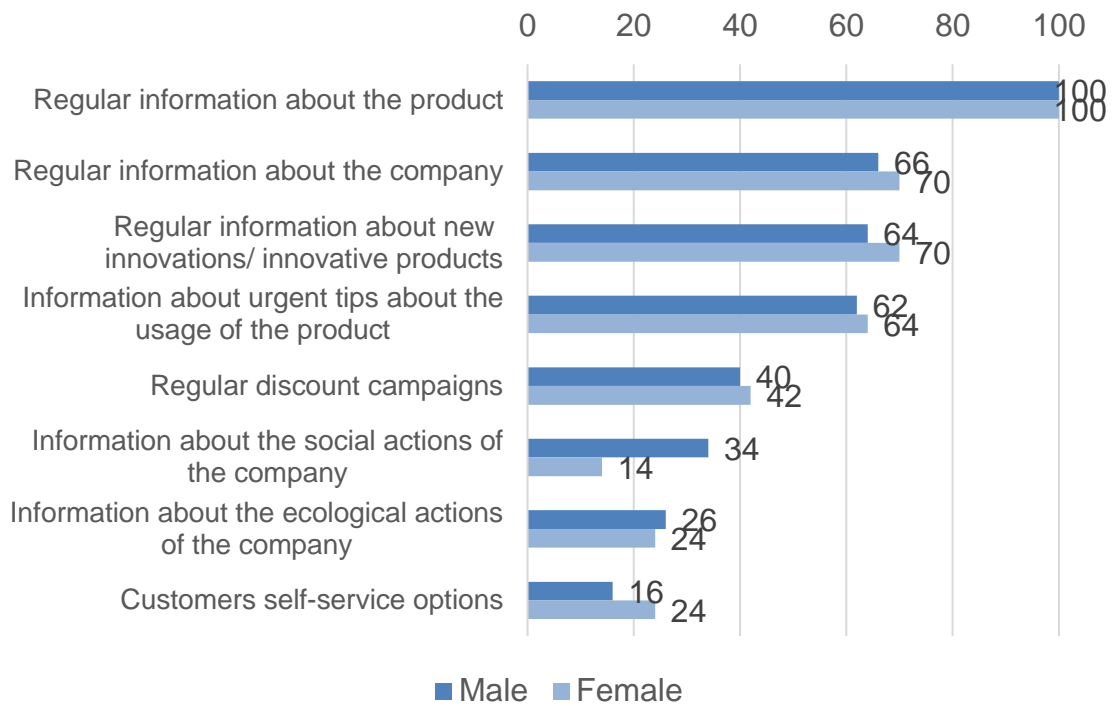


Figure 52: Action for a long-term relationship—gender (own elaboration based on the empirical research)

However, there are clear gender differences. In most of the possible responses, women generated a higher level of agreement. The exceptions are information about the social and ecological actions of a company.

Table 15 illustrates that this insight extends across all age groups.

Base: All Respondents	Total	RQ4. Age of Respondent			
	Total	18–25 years	26–35 years	36–45 years	46–55 years
Total	100	27	46	19	8
Regular information about the product	100	100	100	100	100
Regular information about the company	68	67	74	58	63
Regular information about new innovations / innovative products	67	56	72	74	63
Regular discount campaigns	41	33	50	37	25
Information regarding urgent tips about the usage of the product	63	67	67	63	25
Information about the social actions of the company	24	30	20	32	13
Information about the ecological actions of the company	25	37	26	11	13
Customers' self-service options	20	11	22	26	25

Table 15: Action for a long-term relationship—age (own elaboration based on the empirical research)

All of the age groups confirmed that regular information about a product is the most important item for guaranteeing a long-term relationship. In general, the 26–35-year-old Bangladeshi consumers generated the highest value over all the response options. In contrast, the 46–55-year-olds had the lowest agreement.

Discussion, recommendations, and conclusion for building a competitive advantage in Bangladesh's FMCG sector

Discussion

This section starts by discussing the hypothesis of this dissertation and the research questions. The most important cultural characteristics for Bangladeshi consumers when analyzing the results are harmony, respect for tradition, and success. These three aspects should be represented while building competitive advantage and highlight the current value of the culture.

The attribute of harmony also relates to unity with nature and world peace. The challenge for every manager who is responsible for building the competitive advantage is now to implement these cultural aspects in various actions. Bangladeshi consumers only feel truly involved when their cultural aspects are represented (Ng & Lim, 2019).

The response results of the participants indicate the general value of the culture. According to the present evaluation by Hofstede, the Bangladeshi society is mostly characterized by low individualism, meaning that the collective sense of cohesion is high. Furthermore, the Bangladeshi culture can currently be characterized by a high level of masculinity, meaning that it is dominated by success and competition. This cultural characteristic is shaped by the current economic upswing.

The same characteristics as those in the cultural concept of Hofstede and Schwartz are reflected in the current results of the survey. Harmony, respect for tradition, and success should therefore be the most important aspects for positioning a brand and gaining a competitive advantage. This distribution represents the general dimensions of the Bangladeshi culture. The desire to be a community, live in harmony, and respect tradition is often characteristic of such cultures. According to Schaffmeister and Haller (2018), "In such cultures, the meaning of life derives largely from social relationships and group identities. In cultures like China and India, which value this dimension very much, the respect of tradition, obedience and wisdom is more strongly anchored than a high degree of autonomy, individuality or self-realization."

Further an important question pertained to whether Bangladeshi consumers prefer buying local or foreign products. The answer to this research question is the basis of creating a competitive advantage and demonstrates the general attitude of Bangladeshi consumers. In this study, there is a clear majority: 82% of participants tend to buy only local products. The reasons lie in a general solidarity with their country and their compatriots.

Another significant aspect of building the competitive advantage dealt with brands that position themselves through differentiation. The investigation of this dissertation demonstrates respondents' clear preference for differentiation. According to Porter, every company must choose a strategy, which can differ in each country.

Due to the economic development of Bangladesh, consumers currently prefer products that are characterized by differentiation. The increase in the income of Bangladeshi inhabitants has an impact on purchases and consumer behavior. This behavior is no longer driven solely by price. The study by Kotabe and Kothari (2016) clearly demonstrated that the interaction of service, product, and high quality has the highest effect on being competitive. There are different possibilities for creating a differentiation strategy, for example with special product images, high-quality, features, or excellent customer service. The subsequent important characteristic of a competitive advantage strategy is based on cultural aspects.

A brand as a resource of a competitive advantage is based on the assumption that Bangladeshi consumers appreciate quality as the most decisive driver behind purchase intention. Following Smith and Flanagan (2016), a company can build on its brand and competitive advantage strategy through various items: good customer service, quality, reputation, good results, employees, knowledgeable staff, consistent management, responsiveness, innovativeness, and trust.

According to the results of the questionnaire, for Bangladeshi consumers, quality is an important purchase driver and is relevant for brands as resources of a competitive advantage.

The other results of the questionnaire cover information related to the instruments of a competitive advantage: price, promotion, place, and product. In general, the competitive instruments, summarized as marketing, covers one part of Porter's general value chain. Since marketing deals with the connection between

customers and a product, the needs and requirements of Bangladeshi consumers should be part of the actions of the competitive advantage. In terms of differentiation, the instruments should focus on strengthening customer loyalty and the brand image. Dadzie et al. (2015) arrived at the same result in their study.

Customer relationships are currently an important part of a competitive advantage strategy. The general goal and the most common instrument of building an optimal CRM strategy consists of confirming and rewarding customers. Outstanding CRM has not yet been established in developing countries, and customers are not familiar with the concept. However, as the investigation in Bangladesh demonstrates, consumers require CRM.

The majority of Bangladeshi consumers seek strong interactions and a strong relationship with the company that manufactures their daily-use products. Furthermore, they would like to receive regular information about those products. In conclusion, CRM should be implemented. This requires interaction between the company and the customer.

In the capital of Dhaka, internet usage is quite high. Therefore, in urban areas, this interaction can be strengthened through an online service, for example by developing an app that covers regular information about a product. This online service can be treated as a means of communicating the general level of product quality.

Furthermore, CRM can provide customers with regular information about both the company and its innovations. This should occur voluntarily. As mentioned regarding CRM, the importance of CRM programs is essential within a competitive advantage strategy. The Bangladeshi respondents confirmed that they are ready for and want and appreciate a relationship between themselves and the products.

Recommendations

This section presents the recommendations based on the results and the discussion of the hypotheses.

In this dissertation the required cultural aspects for defining a general strategy within the Bangladeshi FMCG sector were described. Based on this description, part of a competitive advantage strategy can be said to consist of the following cultural values: harmony, respect for tradition, and success. To generate a feeling of familiarity

with a brand and to build a long-term relationship between the consumer and the product, every competitive advantage strategy should represent these three main image items in general.

Furthermore, to create a competitive advantage within the FMCG sector in Bangladesh, it is essential to convince the locals that they can support their country even while buying foreign products: this should be the first step in building a competitive advantage. According to the results of the study by Paul (2019), foreign companies need to build up local knowledge and a strong relationship with locals.

In this case, according to Schaffmeister & Haller (2018) and Keegan et al. (2003), a company should create a local strategy with an adapted product based on the requirements of the Bangladeshi consumers. That is, the company should produce within the country, hire local people, and work together with local suppliers. According to Keegan and Green (2003), “Countless visits and socializing with distributors are necessary to build trust.” This allows for a fostering of the necessary confidence in and openness to foreign companies, and it ultimately aids in creating a competitive advantage.

Moreover, the FMCG sector actually meets a broad target group. The current investigation regarding Bangladeshi consumers demonstrates disparities among the different target groups, especially in terms of gender and age. Older Bangladeshi consumers are attached more to their local brands, and to gain the trust of this target group, it is important to support the country and the population and to treat them fairly. The younger target groups are generally somewhat more open to foreign brands, meaning they can be more easily acquired as customers.

Nevertheless, gaining the trust of the locals starts with identifying with them and involving them in the business strategies. Unilever implemented such a strategy in India. The company created a special advertisement for the product LUX, an organic shampoo, for the Indian market. In this case, the company focused on current film stars from the Indian cinema industry (Schaffmeister & Haller, 2018).

Furthermore, when thinking of a successful global FMCG brand, Coca-Cola is often mentioned. Coca-Cola products are also sold in other emerging markets, such as India and China. Considering the strategy of this soft drink, it is determined that the product itself is nearly the same in all countries, but the remaining details, such as the

design or the corporate colors, differ in every country. In China, for example, the English name is replaced by the mandarin symbols, and advertisements align with Chinese values and contain no Western influences. Coca-Cola thus uses a hybrid strategy in China and India—as global as possible and as local as necessary (Schaffmeister & Haller, 2018).

Differentiation is the most relevant part of the competitive advantage. In response to the question of what is most important to the consumer, the desire for differentiation was expressed. Therefore, the challenge for each product and brand is now to translate the requirements into a clear competitive advantage strategy. In conclusion, differentiation plays an important role within a competitive advantage strategy in Bangladesh.

As mentioned above, the general goal of each competitive advantage strategy should be to ensure that a product or brand is better than that of its competitors. As Bangladesh is a new and interesting country, new competitors will be entering it. This requires brands to be sustainable competitive. According to the expectations of Bangladeshi consumers, to build a competitive advantage, a company should choose the differentiation strategy.

This can be the goal and the opportunity to change the general competition rules within the Bangladeshi FMCG sector. According to the investigation, Bangladeshi consumers want brands to focus on the differentiation of a product. This is according to the statement of El-Hwaity (2013) and key to being successful in the FMCG sector in Bangladesh.

Furthermore, the differentiation strategy allows one to position a product or a brand with innovations. The general threat of existing or newly entering companies is analyzing the strengths and opportunities. The key opportunity revealed in the external analysis is positioning a product according to differentiation. Ismail and Alam (2019) demonstrated the positive impact of innovativeness on competitive advantage. In their study, they assumed that companies who want to be successful in a foreign market should focus on innovativeness for building a competitive advantage (Ismail & Alam, 2019). The result of the study by Kotabe and Kothari (2016) confirms that a competitive advantage is often not possible without being innovative.

As the scientist Eisingerich showed in his study in 2010, the internationalization of global companies often combines high quality with a differentiation strategy (Tsai & Eisingerich, 2010). The study by Brenes et al. (2013) underlines this outcome; however, they further found that innovativeness and marketing as instruments of a competitive advantage have the strongest impact on differentiation. The key elements of innovation capability are stronger investment in innovativeness and a greater likelihood of operating with external organizations. Regarding marketing skills, they mentioned a strong brand and stronger general marketing skills, among other things (Brenes et al., 2013).

For positioning in a different way, the following instruments can be used: marketing, CRM, and branding. According to the general findings of this dissertation, the element of a competitive advantage strategy should be based on differentiation. In general, this means that a product or brand should not be positioned based on having a lower price or being limited to a special sector, but rather on being perceived as special within the sector and different to other competitors and brands. According to the FMCG sector, this appeals to every consumer because everyone needs such products.

However, the challenge with a differentiation strategy is making a product or brand unique to customers. The attribute of being perceived as special often allows brands and companies to charge higher prices, but in Bangladesh, this can be difficult because, as the survey has demonstrated, consumers prefer or tend to buy products from the mid-price segment. In conclusion, the challenge is to be perceived as being different at a normal price level. Brenes et al. (2013) clearly demonstrated the need to differentiate from competitors by improving products through innovation. Their study was conducted in emerging markets in Latin America, and they found that companies can gain a competitive advantage via innovation and product differentiation.

The results of the fourth hypothesis indicate that the most important factor, apart from quality, is excellent customer service. This represents the general desire for good products and the progression toward more affluent consumption. The desire for outstanding customer service goes hand in hand with the wish for regular information about a product (see the CRM section) and is therefore essential for building a brand as a resource of a competitive advantage. In addition, the general purpose of good customer service is to be in contact with the customer and the company. This is

important especially in case of problems. Building a competitive advantage and a brand requires a balance between quality and price. Akhmetschin et al. (2018) researched several developing countries, such as China, India, Russia, Argentina, Brazil and Taiwan, and found that in the case of an expansion, a company cannot downscale its products at dumping price. Quality and price are hence essential for building a competitive advantage.

In conclusion, to be competitive and create a competitive advantage, good customer service and high quality are required.

Next, the competitiveness instruments are discussed. With regard to the first instrument, namely, price, as demonstrated above, purchase behavior is moving away from price toward differentiation and quality. The majority of Bangladeshi consumers tend to buy products in the mid-price segment. Therefore, to be competitive in the FMCG sector in Bangladesh, a product should be on a higher level but still be affordable for consumers.

Furthermore, the question concerning promotion asked where consumers usually became aware of the products that they use on a daily basis. The most important promotion tool, as is common in most emerging sectors, is word of mouth, which is the most relevant aspect of a promotion strategy. Thus, it is important to ensure that customers are satisfied with the product and that, in their interactions with others, they only refer to positive things about the product and the brand.

In addition, place should be concentrated on convenience stores, traditional supermarkets, and grocery retailers. These three types of purchase possibilities should be covered, since most purchase decisions are made directly at the place of purchase. According to the general strategy, in this case, selective coverage, which refers to a penetration of only a small number of intermediaries, should be used for the general placement of FMCG products.

According to Berndt et al. (2005), there are several successive steps for implementing a CRM in developing countries. The first step includes the identification of existing and potential customers. The second step is to implement a service that is different to the service of the competitors. This can strengthen the competitive advantage. The third step in implementing the CRM involves interaction with the customers. This expectation and requirement was clearly demonstrated in the current

dissertation. The fourth and last step is the customization of products, services, and communication (Berndt et al., 2005).

However, dealing with brands is not yet as stable in developing countries as it is in developed sectors. The first challenge when implementing a CRM program is getting in touch with the consumer. This can take place via an app or special free programs.

The next part of the general competitive advantage strategy consists of building a long-term and regular relationship with the consumer and providing him or her with regular information about the product.

Bangladeshi customers currently do not wish to be informed about regular discount campaigns, but they want to receive regular information about products and innovations. In conclusion, fostering a regular relationship is essential.

Social Media could also be a suitable part of the CRM as a competitiveness instrument. According to Bartosik-Purgat and her results of international studies concerning the usage of Social Media, consumers have the desire to interactively share information about products and brands (Bartosik-Purgat 2016, Bartosik-Purgat et al., 2019).

The Covid-19 pandemic has currently shaped the entire global economy. According to various assumptions the effect on the FMCG market is generally seen as rather positive. However, precise data on Bangladesh are not available. The author therefore assumes that the competitive situation within Bangladesh has not fundamentally changed.

Conclusion

In this final part of the dissertation, a summary is provided of whether the research questions could be answered, and whether the hypotheses could be confirmed. From this, it is possible to draw an overall conclusion.

The dissertation dealt with the four decisive hypotheses when building a competitive advantage in Bangladesh:

1. Cultural aspects: Bangladeshi consumers favor brands that represent a respect for tradition.
2. Ethnocentrism: Bangladeshi consumers prefer local products.
3. Competitive advantage: Bangladeshi consumers prefer brands that position themselves through differentiation.
4. Brand: The quality of goods is the most important aspect for building a competitive advantage.

Figure 53 provides an overview of the key findings that serve as the basis for building the competitive advantage in Bangladesh:





Hypothesis	Verified/ Rejected	Conclusions for further strategies
Cultural aspects: Consumers in Bangladesh favor brands that represent respect for tradition		The hypothesis was verified. Furthermore, Bangladeshi consumers' preferences for harmony, respect for tradition, and success were identified.
Ethnocentrism: Local products are preferred by the Bangladeshi consumers		The hypothesis was verified. Bangladeshi consumers prefer local products.
Competitive advantage: Bangladeshi consumers prefer brands that present themselves through differentiation		The hypothesis can be verified. Bangladeshi consumers' preference for differentiation could be identified.
Brand: Quality is the most important aspect for building a competitive advantage		The hypothesis was verified. Furthermore, Bangladeshi consumers' preferences for quality and a good customer service were identified.

Figure 53: Overview of the results of the hypotheses of this dissertation (own elaboration)

Summarizing all research questions of the dissertation for building and sustaining a competitive advantage in the FMCG sector in Bangladesh, Figure 54 displays the relevant information:



Figure 54: Results of the research questions of this dissertation (own elaboration)

Furthermore, this dissertation had several objectives. The first of these was to answer the general questions of whether Bangladesh is suitable as a new sector for FMCG brands, considering the general strengths and weaknesses of this country, and how a company within the FMCG sector can build a competitive advantage strategy when entering Bangladesh. The country is now exhibiting positive economic development and therefore offers a stable basis for expansion, according to current data.

Bangladesh generally displays good macroeconomic stability and, within this pillar, generates the highest score. GDP has also increased in recent years. However, the sixth pillar of the Global competitiveness report (skills and human capital) is

unfortunately very low. This means that a general challenge for Bangladesh is to improve the quality of schooling. Moreover, the seventh pillar of the Global competitiveness report, namely, the product sector, generated low results and should also be optimized, covering general sector dominance, trade tariffs, and the efficiency of the clearance process.

Furthermore, due to the general positive development of the agricultural sector, Bangladesh should foster this sector. The general garment industry also belongs to the most powerful pillars within the general positive economic development and should therefore be optimized as much as possible.

According to Porter, a country's innovativeness is one of the most important factors for its competitiveness. To guarantee a general increase in Bangladesh's competitiveness, it is important to foster all possible innovations so that this competitiveness can be set for the long term. This should in turn have a positive impact on the general attractiveness of the country and on tourism at the very least. Increasing tourism would have a positive effect on the economic situation and stability of the country.

The second objective of this dissertation was to identify the cultural values and understand Bangladeshi consumers' insights and behavior regarding FMCG products based on those cultural values. In this case, the cultural values of Bangladeshis are harmony, respect for tradition, and success. The third objective related to the ethnocentrism of Bangladeshi consumers. To minimize the pronounced ethnocentrism in the country, a local strategy is required.

The fourth objective was a) to identify the preferences of Bangladeshi consumers for building a competitive advantage strategy and b) to understand the general requirements of Bangladeshi consumers concerning a competitive advantage strategy. It was demonstrated that these consumers tend to buy products that are differentiated from other products. In conclusion, a foreign company should build its competitive advantage using a differentiation strategy.

The fifth objective of this dissertation was to determine the impact of these characteristics on a brand as a resource of a competitive advantage. According to the requirements of Bangladeshi consumers, excellent customer service and high quality are essential in building a brand strategy.

In closing the present study, it must be noted that the research approaches were subject to a number of limitations. Since the survey was only carried out in Dhaka, any further research should examine Bangladeshi consumer insights in other major cities of the country. There are several possibilities here, including expanding the number of respondents as well as the various regions. Furthermore, the general research was limited due to little research experience regarding Bangladeshis.

Further research could explore whether the ongoing economic improvement will have a long-term impact on buying habits, which could be also investigated in another scientific thesis.

List of Figures

Figure 1: The hypotheses of the dissertation.....	7
Figure 2: The construction of the research questions in this dissertation	9
Figure 3: The research process.....	10
Figure 4: Internal and external analysis	20
Figure 5: Structure of an organization's internal resources.....	21
Figure 6: Porter's generic value chain	23
Figure 7: Porter's competitive advantage	25
Figure 8: The influencers of consumer behavior.....	32
Figure 9: The cultural concept	35
Figure 10: The CBBE model—four steps of brand-building	39
Figure 11: Customer life cycle stages.....	41
Figure 12: The instruments of a competitive advantage: price, promotion, place, and product.....	43
Figure 13: Global product planning—expansion.....	44
Figure 14: Impact of customer relationship management.....	53
Figure 15: GDP per capita in Bangladesh in 2013–2024 in USD	56
Figure 16: Global Competitiveness Index of Bangladesh	59
Figure 17: Cultural dimensions, according to Hofstede	62
Figure 18: Characteristics of the FMCG sector.....	65
Figure 19: Brand loyalty comparison between western countries and China.....	67
Figure 20: Consumption expenditure in Bangladesh 2009–2020	68
Figure 21: Research onion	72
Figure 22: Stages that occur for a questionnaire to be valid and reliable	77
Figure 23: Summary of the current research	85
Figure 24: Participants' age distribution.....	86
Figure 25: Participants' income distribution	87
Figure 26: The importance of the cultural values of Bangladeshi consumers.....	89
Figure 27: The importance of the cultural values of Bangladeshi consumers—Top2Box	90
Figure 28: The importance of the cultural values of Bangladeshi consumers—gender distribution	96
Figure 29: Bangladeshi consumers' preferences for local vs. foreign products	100
Figure 30: Bangladeshi consumers' preferences for local vs. foreign products—gender	101
Figure 31: Bangladeshi consumers' preferences for local vs. foreign products—age	102
Figure 32: Reasons for Bangladeshi consumers' preference for local vs. foreign products.....	103
Figure 33: Most important aspects of a competitive advantage strategy—price, differentiation, and specification	104
Figure 34: Most important aspects of a competitive advantage strategy—price, differentiation, and specification—according to gender	105

Figure 35: Important attributes of a brand—perspective of Bangladeshi consumers	108
Figure 36: Top2Box results of important brand attributes—perspective of Bangladeshi consumers	109
Figure 37: Important attributes of a brand—perspective of Bangladeshi consumers—according to gender	110
Figure 38: Preferred price segment of products in Bangladesh.....	112
Figure 39: Preferred price segment of products in Bangladesh—gender	113
Figure 40: Preferred price segment of products in Bangladesh—age	114
Figure 41: Preferred place of awareness in Bangladesh	115
Figure 42: Preferred place of awareness in Bangladesh—gender	115
Figure 43: Preferred place of awareness in Bangladesh—age.....	116
Figure 44: Preferred place of purchase in Bangladesh.....	117
Figure 45: Preferred place of purchase in Bangladesh—gender	117
Figure 46: Preferred place of purchase intention in Bangladesh—gender	119
Figure 47: Preferred place of purchase intention in Bangladesh—age.....	120
Figure 48: Importance of the relationship to the customer—total	121
Figure 49: Importance of the relationship to the customer—gender	122
Figure 50: Importance of the relationship depending on the customer's age.....	123
Figure 51: Action for a long-term relationship—total.....	124
Figure 52: Action for a long-term relationship—gender	125
Figure 53: Overview of the results of the hypotheses of this dissertation	135
Figure 54: Results of the research questions of this dissertation	136

List of Tables

Table 1: The importance of the cultural values of Bangladeshi consumers—comparison of means	91
Table 2: The cultural values of Bangladeshi consumers—factor analysis	92
Table 3: The importance of the cultural values of Bangladeshi consumers—rotated component matrix	93
Table 4: The importance of the cultural values of Bangladeshi consumers - Rotated component matrix sorted	94
Table 5: The importance of the cultural values of Bangladeshi consumers—gender distribution T-test	97
Table 6: The importance of the cultural values of Bangladeshi consumers—gender distribution independent sample test	98
Table 7: The importance of the cultural values of Bangladeshi consumers—age distribution	99
Table 8: Most important aspects of a competitive advantage strategy—price, differentiation, and specification—significance test	104
Table 9: Most important aspects of a competitive advantage strategy—price, differentiation, and specification—according to age	106
Table 10: Chi square quadrat results of most important aspects of a competitive advantage strategy—price, differentiation, and specification—according to age....	106
Table 11: Comparison of means of important brand attributes—perspective of Bangladeshi consumers	110
Table 12: Important attributes of a brand—perspective of Bangladeshi consumers—according to age	111
Table 13: Preferred place of purchase in Bangladesh—age	118
Table 14: Preferred place of purchase in Bangladesh—age significance test	118
Table 15: Action for a long-term relationship—age	126

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Appendix

Questionnaire

Question	Answers
Please think about brands of your daily usage. This can either be toiletries products, food and beverages, cosmetics, packaged foods, over-the-counter drugs and other consumables.: which of the following aspect is the most important for you?	a. Price b. Differentiation from the products (this can be for example via specimen of a product, brands, quality, technology, etc.) c. Specification of the product (in detail this means a special product for special needs and requirements)
If you think of an ordinary purchase decision, do you usually buy the same products for your everyday use on a regular basis or do you alternate them frequently?	a. I usually buy the same products all the time b. I usually always buy different products c. Don't know
Where do you usually make your purchase decision?	a. Directly in trade b. Even before trading
Please think again about brands of your daily usage. Please rate the following attributes: How important are the following attributes for you? Please rate from 1-5 (1= Is very important for me, 5= Is not important at all for me)	a. Good customer services b. Quality c. Reputation d. Good results e. Employees f. Knowledgeable staff g. Consistent management h. Responsiveness i. Innovativeness j. Trust
Considering the product itself: which attributes should the package represent? Please rate from 1-5 (1= Absolutely, 5= Not necessarily)	a. Harmony b. Respect for tradition c. Authority d. Success e. Open-mindedness f. Joy-of-life g. Equality h. Dependency i. Indulgence j. Anxiety
Which products from which price segment do you usually choose?	a. Products from the lower price segment b. Products from the mid-price segment

	c. Products from the upper price segment
Which attributes should the advertising represent? Please rate from 1-5 (1= Absolutely, 5= Not necessarily)	a. Harmony b. Respect for tradition c. Authority d. Success e. Open-mindedness f. Joy-of-life g. Equality h. Dependency i. Indulgence j. Anxiety
Where do you usually become aware of the products of your everyday usage?	a. Trade/ wholesale/ place (supermarket, etc.) b. Word of mouth/ recommendations of friends or family c. Advertising (TV, Media, Radio, etc.) d. Internet/ Newsletter e. Others, and: ____
Where do you usually buy your products of your everyday use?	a. Traditional supermarket b. Convenience store c. Discounters d. Grocery retailers e. Online shopping f. Hypermarkets g. Others, and ____
Which image attributes should the products of your daily use have? Please rate from 1-5 (1= Absolutely, 5= Not necessarily)	a. Harmony b. Respect for tradition c. Authority d. Success e. Open-mindedness f. Joy-of-life g. Equality h. Dependency i. Indulgence j. Anxiety

<p>How important are the following attributes when purchasing a product for your daily usage? Please rate from 1-5 (1= Is very important for me, 5= Is not important at all for me)</p>	<ul style="list-style-type: none"> a. Excellent quality b. High reliability c. Long life time d. Very good performance d. Outstanding design e. High reputation f. Innovative g. Exciting h. Close to the needs of local consumers i. Good service j. Good price-performance ratio k. Trustworthy l. Good corporate citizenship m. Environmental and climate protection
<p>Which products do you prefer when buying products of your daily usage? Local products or foreign products? Could you please justify your answer!</p>	<ul style="list-style-type: none"> a. Local products b. Foreign products <p>Please justify your answer: _____</p>
<p>How important is it for you to be in a constant touch with the products of your daily usage? Please rate from 1 - 5 (1= very important to 5= not important at all)</p>	<ul style="list-style-type: none"> a. Very important b. c. d. e. Not important at all
<p>What requirements do you have for guaranteeing a long-term relationship with your product? Please rate from 1-5 (1= Is very important for me to 5= Is not important at all for me)</p>	<ul style="list-style-type: none"> a. Regular information about the product b. Regular information about the company c. Regular information about new innovations/ innovative products d. Regular discount campaigns e. Information about urgent tips about the usage of the product f. Information about the social actions of the company g. Information about the ecological actions of the company h. Customers self-service options
<p>Are you ...?</p>	<ul style="list-style-type: none"> a. Male b. Female

Please click on the age group to which you belong	<ul style="list-style-type: none"> a. Under 18 years b. 19-25 years c. 26-35 years d. 36-45 years e. 46-55 years f. Older than 56 years
What is your current marital status?	<ul style="list-style-type: none"> a. Divorced b. Living with another c. Married d. Separated e. Single f. Widowed
Which of the following best describes the area you live in?	<ul style="list-style-type: none"> a. Urban b. Suburban c. Rural
Please indicate your current household income?	<ul style="list-style-type: none"> a. Under 5.000 TK b. 5.001 - 10.000 TK c. 10.001 - 20.000 TK d. 20.001 - 30.000 TK e. More than 30.000 TK f. No answer
Have you ever been abroad before?	<ul style="list-style-type: none"> a. Yes b. No
Do you work for a local company or an international company	<ul style="list-style-type: none"> a. Local company/ organization b. International company/ organization
Do you have access to internet?	<ul style="list-style-type: none"> a. Yes b. No
You are currently	<ul style="list-style-type: none"> a. Full-time or self-employed b. Part-time or self-employed c. Currently without employment d. Retired (pensioner) e. Housewife/ Househusband f. In training (apprentice, student) g. Pupils h. Not specified
Please indicate the highest level of education completed	<ul style="list-style-type: none"> a. Primary school/ upper secondary school b. Secondary school c. University entrance qualification d. University degree e. Not specified

Analysis Hypotheses Chapter 5

Table 1: The importance of the cultural values of the Bangladeshi consumers – age significance test (own elaboration based on the empirical research)

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi Square	3.044 ^a	6	0,803
Likelihood Ratio	3,199	6	0,784
Linear-by-Linear Association	0,030	1	0,863
N of Valid Cases	72		

Table 2: Preference for local vs. foreign products—gender chi square test (own elaboration based on the empirical research)

Chi-Square Tests					
	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.084 ^a	1	0,298		
Continuity Correction ^b	0,610	1	0,435		
Likelihood Ratio	1,092	1	0,296		
Fisher's Exact Test				0,436	0,218
Linear-by-Linear Association	1,073	1	0,300		
N of Valid Cases	100				
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 9.00.					
b. Computed only for a 2x2 table					

Table 3: Preference for local vs. foreign products—age chi square test (own elaboration based on the empirical research)

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	1.588 ^a	3	0,662
Likelihood Ratio	1,687	3	0,640
Linear-by-Linear Association	0,211	1	0,646
N of Valid Cases	100		
a. 3 cells (37.5%) have expected count less than 5. The minimum expected count is 1.44.			

Table 4: Most important aspects of a competitive advantage strategy—price, differentiation, and specification - gender chi square test (own elaboration based on the empirical research)

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	1.397 ^a	2	0,497
Likelihood Ratio	1,404	2	0,496
Linear-by-Linear Association	1,289	1	0,256
N of Valid Cases	100		
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 13.50.			

Table 5: Independent Sample Test, brand attributes - gender, (own elaboration based on the empirical research)

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Good customer services	Equal variances assumed	0,008	0,929	-0,045	91	0,964	-0,004	0,093	-0,189	0,181
	Equal variances not assumed			-0,045	90,662	0,964	-0,004	0,093	-0,189	0,181
Quality	Equal variances assumed	0,027	0,870	-0,082	88	0,935	-0,006	0,072	-0,150	0,138
	Equal variances not assumed			-0,082	87,638	0,935	-0,006	0,073	-0,150	0,138
Reputation	Equal variances assumed	2,968	0,089	-0,990	71	0,326	-0,223	0,225	-0,672	0,226
	Equal variances not assumed			-0,987	67,721	0,327	-0,223	0,226	-0,674	0,228
Good results	Equal variances assumed	0,450	0,505	-0,689	56	0,494	-0,150	0,218	-0,586	0,286
	Equal variances not assumed			-0,688	55,364	0,494	-0,150	0,218	-0,587	0,287
Employees	Equal variances assumed	5,342	0,027	1,801	33	0,081	0,686	0,381	-0,089	1,461
	Equal variances not assumed			1,782	28,185	0,085	0,686	0,385	-0,102	1,475
Knowledgeable staff	Equal variances assumed	5,422	0,024	-1,988	51	0,052	-0,465	0,234	-0,935	0,005
	Equal variances not assumed			-2,052	50,944	0,045	-0,465	0,227	-0,920	-0,010
Consistent management	Equal variances assumed	1,007	0,328	-1,377	19	0,185	-0,400	0,291	-1,008	0,208
	Equal variances not assumed			-1,370	18,270	0,187	-0,400	0,292	-1,013	0,213
Responsive ness	Equal variances assumed	0,118	0,732	-0,169	48	0,867	-0,036	0,212	-0,461	0,390

	Equal variances not assumed			-0,172	47,679	0,864	-0,036	0,207	-0,453	0,381
Innovativeness	Equal variances assumed	2,859	0,098	1,491	45	0,143	0,322	0,216	-0,113	0,757
	Equal variances not assumed			1,436	30,600	0,161	0,322	0,224	-0,136	0,779
Trust	Equal variances assumed	2,509	0,119	-0,579	50	0,565	-0,089	0,154	-0,399	0,220
	Equal variances not assumed			-0,565	40,741	0,575	-0,089	0,158	-0,409	0,230

Table 6: Chi square test, brand attributes - age, (own elaboration based on the empirical research)

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	0,070 ^a	3	0,995
Likelihood Ratio	0,070	3	0,995
Linear-by-Linear Association	0,001	1	0,975
N of Valid Cases	93		

Analysis Research Questions Chapter 6

Table 1: Price segment – Gender

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	.326 ^a	2	0,850
Likelihood Ratio	0,327	2	0,849
Linear-by-Linear Association	0,000	1	1,000
N of Valid Cases	100		

Table 2: Price segment – Age

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.097 ^a	6	0,797
Likelihood Ratio	4,225	6	0,646
Linear-by-Linear Association	0,136	1	0,712
N of Valid Cases	100		

Table 3: Place of awareness – Gender

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.519 ^a	3	0,137
Likelihood Ratio	7,451	3	0,059
Linear-by-Linear Association	4,575	1	0,032
N of Valid Cases	100		

Table 4: Place of awareness – Age

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	9.393 ^a	9	0,402
Likelihood Ratio	8,796	9	0,456
Linear-by-Linear Association	3,506	1	0,061
N of Valid Cases	100		

Table 5: Place of purchase – Gender

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.054 ^a	3	0,383
Likelihood Ratio	3,874	3	0,275
Linear-by-Linear Association	0,019	1	0,890
N of Valid Cases	100		

Table 6: Place of purchase – Age

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	10.421 ^a	9	0,317
Likelihood Ratio	10,543	9	0,308
Linear-by-Linear Association	0,181	1	0,670
N of Valid Cases	100		

Table 7: Place of purchase decision – Gender

Chi-Square Tests					
	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.440 ^a	1	0,230		
Continuity Correction ^b	1,000	1	0,317		
Likelihood Ratio	1,443	1	0,230		
Fisher's Exact Test				0,317	0,159
Linear-by-Linear Association	1,426	1	0,232		
N of Valid Cases	100				

Table 8: Importance of the relationship to the customer – Gender

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	.510 ^a	2	0,775
Likelihood Ratio	0,511	2	0,774
Linear-by-Linear Association	0,021	1	0,885
N of Valid Cases	100		

Table 9: Importance of the relationship to the customer – Age

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	4.850 ^a	6	0,563
Likelihood Ratio	4,858	6	0,562
Linear-by-Linear Association	1,255	1	0,263
N of Valid Cases	100		

Table 10: Action for long-term relationship – Gender

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	2.143 ^a	2	0,343
Likelihood Ratio	2,916	2	0,233
Linear-by-Linear Association	0,154	1	0,695
N of Valid Cases	100		

Table 11: Action for long-term relationship – Age

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.369 ^a	6	0,497
Likelihood Ratio	7,869	6	0,248
Linear-by-Linear Association	0,326	1	0,568
N of Valid Cases	100		