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PERFORMANCE EVALUATION STUDY OF MERCHANDISING OF FGS KNITWEAR LIMITED: A READY MADE GARMENTS

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by

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An Internship Report Presented in Partial Fulfillment of the Requirements for the degree Bachelor of Business Administration

INDEPENDENT UNIVERSITY, BANGLADESH
May 2012

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has been approved
May 2012

Shamil Al- Islam
Lecturer
School of Business
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Letter of Transmittal

10th May, 2012
Shamil Al- Islam
Academic Supervisor
School of Business
Independent University, Bangladesh

Subject: Submission of internship report on - Performance Evaluation Study of Merchandising of “FGS Knitwear Limited”- A Ready Made Garments.

Dear Sir,
With due respect, as a student of Independent University, Bangladesh, I have prepared my internship report on “Performance Evaluation Study of Merchandising of FGS Knitwear Limited- a Ready Made Garments”
I have tried my level best to follow your guidelines in every aspect of planning of this report. I have also collected what I believe to be the most important information to make this report specific and accurate as possible. I am honestly thankful for your guidance during the preparation of this draft of the report. I hope you will appreciate my effort. I have done the study in a complete form and I have tried my level best to conduct this in a professional manner. It is true that, it could have been done in a better way if there were no limitations. I hope you will assess my report considering the limitations of the study.

Yours sincerely,

Naveed Ahmad
ID: 0831059

Acknowledgement

First of all I would like to thank Almighty Allah who blessed me and made it possible for me to complete this internship report. I am also very grateful to may parents who supported me during the hard times I faced. I wish to express profound gratitude to my teacher Sir Shamil Al- Islam for his persistent guidance, keen interest and continuous encouragement.

I am also thankful to all my teachers of Independent University, Bangladesh (IUB) who taught me and helped to apply the bookish knowledge into practical life. I am also extremely thankful to all the employees of FGS Knitwear Limited who made this project possible for me.

Executive Summary

Merchandising department is the star of the department among all the working departments in the Export concern, because it is the only department having maximum control over the departments and total responsible for profit and loss of the company. After LPG (Liberalization, Privatization & Globalization) the business gets more important and now merchandising is on its hot seats. So, it is necessary to understand the day to day happenings of the star department. In the field of marketing and services, Merchandiser is at a position of utmost importance, He is the person who co-ordinates with various departments for a uniform business. It denotes all the planned activities to execute and dispatch the merchandise on time, taking into consideration of the 4 Rs to replenish the customer. Right Quantity, Right Quality, Right Cost and Right Time is what they have to deal with.
FGS Knitwear Limited is engaged in processing raw fabric to finished products and exports these products to different countries. Its factory is situated in Savar, Dhaka and head office is in Uttara Model Town. I worked in the factory and paid occasional visits to the head office in order to cope up with the production process. I worked with almost all the departments; especially in Accounts and Finance Department, Marketing Department, Import and Export Department and Merchandising Department
The research was structured on a number of objectives. Research starts with an overview of the merchandising department of FGS Knitwear Limited. After the global financial crisis, customer's perception has become as a most important and sensitive issue of companies. It is of course not just important for garments. It is something that needs to be addressed in relation to all companies.
This report is done because there was no research found on merchandising on individual garment specifically FGS Knitwear Limited. This paper will aim to find out that whether the perception of customer differ towards price of a product and advertising and promotion and whether any variability in salary affects the merchandising performance. The significance of this study is that now a particular research gap will be filled up and it will indicate if any further related research is needed or not. I have tried my best to complete this research but there are some limitations. I expect that those unintentional mistakes should be overlooked.

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Chapter One- Introduction

Origin of the report

As a student of Business Administration, I had to complete a 90 days internship program with any organization. My attachment was with FGS Knitwear Limited and I worked as an intern from 2nd February, 2012 to 30th April, 2012. And that period, I collected information regarding preparing a report on "Performance Evaluation Study of Merchandising of FGS Knitwear Limited"- a Ready Made Garments.

Scope of the study

As a student of BBA, it is very much necessary for me to know about the formal process of Merchandising. I have worked in factory and head office which helped me to get myself familiarized with the official and factory environment in a garments industry for the first time.

Identification of Issues/ Problems

During my internship in FGS Knitwear Limited, I was able to point out the following major problems that the company is facing:

- The global financial crisis affected the buyers negatively to invest cautiously, thus spending less amount of money on the newcomer industries which lead the industry in a struggling position.
- In Bangladesh, as there are a number of established Ready made garments industries, the buyers are offering lower prices to this newcomer insudtry due to its lack of experience. It is causing a big problem for the merchandisers to find buyers & export goods.
- The employees are underpaid and if the employees request their boss to increase their pay mostly get an answer that the industry is in a liquidity crunch.

Objectives of the study

- To find out that whether the perception of customer differ towards price of a product.
- To find out that whether the perception of customer differ towards advertising and promotion.
- To find out any variability in salary affects the merchandising performance.

Methodology of the Study

For my report I have collected information from both primary and secondary data.

Primary Data: I got the data or information through following ways-

- Directly from the employees and the head of the departments
- By observing the environmental behavior, facts, record and present condition of the industry
- Through conversation with the Line Managers and regular employees

Secondary data: I have collected the secondary data from FGS Knitwear's profile, export volume report, audit reports, documents, related books and articles on garments industry, BGMEA, BKMEA etc. Beside, I tried to collect data through browsing internet also.

Variables: For doing the research I have chosen some dependent & independent variables like price, salary, promotion etc.

Statistical Methods: Descriptive statistics method is used for the mathematical representation of variables to prepare this report. And to do the Multivariate analysis, ANOVA method is being used.

Limitations of the study

I tried my level best to enrich and complete this report although there are some limitations which are as follows:

- Unfortunately due to the company's limitations (business secrecy and confidentiality), I was unable to acquire sufficient information.
- Personal barriers like inability to understand some official terms; office decorum etc. created a few problems for me.
- Time was also a limitation. Gathering a huge amount of information during working for only three months was really a difficult job.

Chapter Two - Garments at a Glance

What is garment?

Garment means dress that is use to wear. Garments may be oven, sweater or knitwear. In garments industry it is produced at a large scale.

History of garments in the world

In the 1950s, labors in the Western World became highly organized; forming trade unions. This and other changes provided workers greater rights including higher pay; which resulted in higher cost of production. Retailers started searching for places where the cost of production was cheaper. Developing economies like Hong Kong, Taiwan and South Korea presented themselves as good destinations for relocations because they had open economic policies and had non-unionized and highly disciplined labor force that could produce high quality products at much cheaper costs.

In order to control the level of imported RMG products from developing countries into developed countries, Multi Fiber Agreement (MFA) was made in 1974. The MFA agreement imposed an export rate 6 percent increase every year from a developing country to a developed country. It also allowed developed countries to impose quotas on countries that exported at a higher rate than the bilateral agreements. In the face of such restrictions, producers started searching for countries that were outside the umbrella of quotas and had cheap labor. This is when Bangladesh started receiving investment in the RMG sector. In the early 1980s, some Bangladeshis received free training from Korean Daewoo Company. After these workers came back to Bangladesh, many of them broke ties with the factory they were working for and started their own factories.

Scenario of Ready Made Garments in Bangladesh

The ongoing global economic crisis has been the cause of major concern of export dependent economies. It has been observed major industrial countries is experiencing sharp fall in export demand. Even high exporting countries like China and India recorded sharp decline in export in last few months. Economists and trade analysts suggested efforts to improve productivity, and diversify products and export markets to weather the financial storm.

Currently, the country's highest employment generating RMG sector is hit hard by labour unrest, skilled labour shortage by more than 25 percent, weak infrastructure, higher bank interest rates and erratic gas supply. In fiscal 2007-08, only woven and knitwear, the two sub-sectors of RMG, fetched $10.699 billion out of the total export earnings of $14.110 billion, according to the Export Promotion Bureau (EPB). The total exports grew by 15.87 percent during this fiscal. In fiscal year 2006-07 the overall exports of the country were estimated at $12.177 billion. EPB data also showed the knitwear sub-sector fetched $5.532 billion of the total RMG export earnings in the immediate past fiscal year, up 21.50 percent over fiscal year 2006-07. In fiscal 2007-08, woven garments earned $5.167 billion, registering a growth of 10.94 percent over the same period of 2006-07.

Requirements to build a Ready Made Garments factory

The minimum requirements needed to build a new Garments factory are given below:

- Trade License
- Bank Account
- Company registration by Joint Stock Company
- Project and working capital loan sanction from bank
- TIN & VAT certificate
- Project permission letter from board of investment govt. of Bangladesh
- Factory floor installation

- Fire license
- General insurance
- Factory layout plan
- Environment certificate
- BKMEA/ BGMEA membership certificate
- Labor certificate
- Pass book for EPZ and Chittagong customs
- Chamber of Commerce certificate
- Electricity, gas WASA, boiler connection in the factory building

Formalities needed to be a member of BKMEA

First, collect the registration form from BKMEA after depositing Tk.200 to BKMEA account related bank. Then the form has to be submitted to the following documents with completed registration form.

Required documents are as follows:

- Trade license
- Board of Investment certificate “BOI” (Registration Copy)
- Machineries Invoice
- Bill of lading (B/L) entry
- Import L/C (ILC) copy
- Photo draft of all directors
- Article of Memorandum
- Bank solvency Certificate
- Fire Certificate
- Factory Layout

Chapter Three- FGS Knitwear limited:

An Overview

Introduction

FGS Knitwear Limited was established in 2006 in Savar, Dhaka for meeting the demand of good quality fabrics worldwide. The unit started operations in 2006 and its production capacity fulfilled the expectations of the management and proved as a successful venture.

The management of the group is vested with a team of professionals under direct supervision of the Director, General Managers, Factory and Production Managers, Departmental Heads for each section, marketing, Administrative and a Production team of 675 skilled and semi skilled workers.

History and Background of the Industry

FGS Knitwear Limited is a newcomer industry in Bangladesh that manufactures and exports Fabrics and Garments. It is a partnership firm came into existence in 2006. This industry is involved in dyeing and printing on different kinds of fabric targeting mainly export markets but also keeping a small presence in the local industry.

A continuous balancing, modernization and replacement have been taking place in the organization trying to make it one of the leading exporters of its size. With the dynamic leadership of its Director, Mr. Asaduzzaman Talukder and a dedicated team of professionals in the finance, marketing, Merchandising and technical departments, FGS Knitwear Limited has been able to make quality products and has increased its exports sales in the last 3 years.

Short Profile of FGS Knitwear Limited

Name	FGS Knitwear Limited
Year of Establishment	2006
Location	Dhaka
Number of Product Lines	10
Preferred Bank for Trading	Shahjalal Islami Bank Limited
Status	Private Limited Company
Corporate Office	House # 5, Road # 10, Sector # 1, Uttara, Dhaka-1230, Bangladesh
Factory	Beltola, Mirzanagar, Savar, Dhaka
Business Line	Manufacturing and Exporting Ladies and Gents T- Shirt and polo shirt
Export Outlets	Germany, France, UK, USA
Number of Partners	03 (three)
Stock Exchange Listing	No

Organizational Organogram

Department wise

Director-operations

Merchandising Dept.	Administration Dept.	Production Dept.	Accounts & Finance Dept.
Sample section	Compliance	Knitting & Dyeing	
Marketing & Sales	Human Resource	Quality Control	
Purchase section	Store	Printing	
	Security	Finishing	
		Cutting	
		Sewing	

Designation wise

Director/CEO

Fabric Production GM
↓
Knitting & Dyeing Manager
↓
1.Asst. Knitting Manager
2. Asst. Dyeing Manager

Merchandising Manager
↓
Merchandisers
↓
Asst. Merchandisers

Admin. Manager
↓
Security in charge
Compliance Officer
HR Officer
Store in charge
↓
Store Officer

Garment Production GM
↓
Prod. Manager
QC Manager
↓
QC in charge
QC Supervisors
QC Controller

Accounts Manager
↓
Asst. Manager
↓
Accountants

List of Work-In-Process in FGS Knitwear Limited

Currently the following activities are in progress at the factory of FGS Knitwear Limited-

- Cutting
- Printing
- Sewing
- Garment Wash
- Iron
- Quality control
- Finishing
- Hang Tag
- Poly
- Cartons/Packing
- Inspections
- Shipment

Chapter Four – Present Scenario of the Merchandising System of FGS Knitwear Limited

Merchandising: An Overview

The term "Merchandising" may be defined as person who merchandises the goods, specifically for export purposes. Garments merchandising means buying raw materials & accessories, producing garments, maintaining required quality level and exporting the garments within scheduled time.

The main processes of Merchandising

One of the key things that I learned during my internship is procedures of Merchandising. It follows a series of activities which are as follows:

- **Step 1-Understanding Sample Order:**

  Merchandiser has to understand the buyer's requirements carefully after receiving specification in the sample order.
- **Step 2-Managing production timetable:**

  The Merchandiser has to manage every single production schedule and order route card that helps to follow-up the execution in a planned way.
- **Step 3- Submitting pre-production samples:**

  The pre-production samples should be provided on time to the concerned buyers. Quality of the sample must be verified.

- **Step 4-Solving shortage problem:**

From the beginning actions should be taken immediately to arrange required materials, after discovering the shortage if occurred. Then the Merchandiser has to inform to his superior about the shortage as soon as possible.

- **Step 5-Communicating with associated people and buyer:**

It is essential to communicate with the buyers regarding the order. The Merchandiser has to provide order status to the buyers frequently.

- **Step-6-Concluder remark on merchandising:**

Merchandiser has to assign subordinates to help him in the order to execute and direct the procedures. He has to revise his knowledge from time-to-time to know current market trends.

Processes of Sampling

Another core activity of Merchandising is preparing the correct sample so that it can satisfy the buyer. During my internship I learned about the processes of sampling which follows a sequence given below:

1. 1st Pattern:

1st pattern refers to the first physical version of any garment as per the artwork is done by designer or developer. In other words,

Human Mind > Sketch > Paper Sample > Sample

Purpose: See the Design work & test the Fitting

Status: Nothing specific

Material: Available

Price: Not conformed

Quantity: 1 (for buyer) + 1 (for Merchandiser)

Delivery: As per Urgency

2. 2nd Pattern:

Usually designer/ developer always ask for some changes to the first pattern. Second pattern is made as per comments.

3. Counter Sample:

Where the first pattern is made on designer's artwork, Counter sample should not be made on designer's artwork. It has to follow another sample given by the merchandiser.

Purpose: To see the workmanship & test the factory skill

Status: Nothing specific

Material: Available

Price: Not conformed

Quantity: 1 (for buyer) + 1 (for self keeping)

Delivery: As per request

4. Sales Man Sample:

Sales Man Sample is made when price is confirmed and orders are on speculation, usually in L size in all color combinations of expected order. Buyer arranges a meeting with its customer and records their response on order quantity per color, size etc. and finally place order to their vendor.

Purpose: Sales Meeting by Retailers, Market Appraisal, Demand / Order forecast

Status: Final stage of the order confirmation

Material: Actual

Price: Confirmed

Quantity: There is minimum quantity per color combination

Delivery: Very important to meet the delivery date.

5. Photo sample:

In this point of Sampling, Samples are made with actual color and material to be worn by the models on the event of shooting for catalog.

6. Approval Sample:

In any discrete period of time, whenever it required any revision in the sample, a new sample is made as per new specification. It is then sent to buyer for his approval of the conformity that- the revision is done correctly.

7. Pre-Production sample:

When material for bulk production arrives, factory makes a sample with the actual material and sends to the buyer.

8. Production sample:

It is a reference to the buyer that the bulk is being produced as per specification. Buyer wants to be assured that correct material is sourced and line workmanship confirm to the quality.

9. Shipping sample:

A sample is kept from every Pre Shipping inspection to be referred, if required, after the order has been delivered. Usually for any disputes (e.g. Claim) shipping sample is important.

Swatch

Swatch is a presentation of all the materials (Fabric & Accessories) used for any specific style/order. Usually small piece of fabric and each piece of accessories are attached on a board paper in a systematic manner. Swatch is very important for production line to make the correct construction of a garment and the QC department ensures it. Concerned Merchandiser should confirm/approve the swatch before shipment.

Trims

Trims cover all the items used in the garment except the basic fabric. There are hundreds of items used to manufacture the garments, proper selection of trims and its quality are very important for styling, otherwise the garment may be rejected or returned by the customers.

Following is a part of list that covers some names of the trims:

- Zipper/Fastener
- Main Label
- Flag Label
- Button
- Elastic
- Tags
- Sticker
- Hanger
- Poly bag
- Scotch tape
- Gum tape
- Carton Etc.

Methods of purchasing raw materials

Here fabric and some related accessories are the main raw materials. The process includes:

- Lab-Dip
- Approval of the Lab-Dip
- Collect price Quotation
- Negotiation
- P.I. Received
- Back to Back L/C transfer
- Delivery Chalan received

How the accepted order passes on the floor?

When the order is being accepted, Merchandiser searches the scope of knitting machine according to required Gauge, makes production schedule, Trim & Accessories Card is being prepared, makes well finishing according to buyers requirement in case of Labeling, Zippering, Buttoning, Ironing, Packaging, Cartooning etc.

How a Merchandiser track his/her production?

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A Merchandiser tracks the overall production process by the following activities-

1. Following-up yarn supply in the factory
2. Knitting follow-up
3. Linking follow-up
4. Accessories supply
5. Finishing follow-up
6. Ready for export

Work Experience/My Internship Activities in FGS Knitwear Limited

As I worked as an assistant of the Merchandiser in FGS Knitwear Limited so I got the opportunity to learn lots of things. At that time I have done different merchandising related task in the company which are as follows-

Daily activities

- Scanning documents
- Proper filling the documents
- Taking the photos of samples

- Mail communication
- Reporting to concern supervisor

Weekly activities

- Meeting with the fabrics and accessories supplier
- Making accessories list
- Meeting with the buyer

Monthly activities

- Meeting with the production people

Besides observing the entire Merchandising Process, I learned many things and worked in the Finance & Accounts Department during my internship. Following are my internship activities in FGS Knitwear Limited-

1) Preparation of bank payment voucher:

During the time I spent in the Finance department, I used to prepare bank payment vouchers. Bank payment voucher is used when payment is made for different types of expenses and to accounts payables out of the bank account of the organization. Photo copy of the check is attached to the voucher when payment is made through check.

Journal entry for bank payment voucher is:

Expense account Debit

Bank Account Credit

2) Preparation of bank receipt voucher:

Bank receipt voucher is used when payment is received and deposited into the bank account of the organization. Deposit receipt is attached to the bank receipt voucher as supporting document.

3) Preparation of journal voucher:

Journal voucher is used when there is not cash or bank is involved in a transaction. There are so many types of transactions for which journal vouchers are prepared. For example, when goods are sold to the customers on account, the journal transaction is recorded.

Cash receipt vouchers and cash payment vouchers are also used for the receipt and payment of cash.

4) Maintaning admin expenses:

I used maintain records of different kinds of expenses related to office and the daily expenditures' record of the organization.

5) Maintenance of different files:

Another responsibility of mine was to maintain the files carefully which contained different important documents.

6) Preparation of Payroll Sheet:

Payroll sheet is an important document which is to be prepared in all organizations for the efficient procedures. I learned how to prepare payroll sheet in FGS Knitwear Limited. In conclusion I can say that, FGS knitwear Limited helped me a lot to learn about the Merchandising activities as well as proper documentation in a simple way. From this Garments, I have experienced the practical knowledge about how a merchandiser works, what are his core responsibilities , what process are being followed & the methods to follow-up the activities along with all the formalities needed to make, receive and deliver a contract.

Problems faced during internship

During my working period one of the major problems I faced was that sometimes a few persons who are in-charge in any specific department were not flexible to work with the interns. Another problem was that as FGS Knitwear Limited didn't provide me any formal briefing or any kind of workshop so it's become really difficult for me to understand the work.

In conclusion I can say that, FGS knitwear Limited helped me a lot to learn about the Merchandising activities as well as proper documentation in a simple way. From this Garments, I have experienced the practical knowledge about how a merchandiser works, what are his core responsibilities , what process are being followed & the methods to follow-up the activities along with all the formalities needed to make, receive and deliver a contract.

Chapter Five – Literature Review

Literature Review

Bangladesh had a historical reputation in production of textile products in addition to famous Dhaka muslin. In the early 1980s, there were small-scale independent investments in the readymade garments (RMG) sector. At that time, it was not considered viable and received very little government attention. Within a decade, the RMG industry in Bangladesh had flourished and by the early 1990s it had emerged as a major employer.

In the present paper, the major effect of global financial crisis on Ready made Garments is investigated. It is hypothesized that the global financial meltdown has changed the face of consumer buying behavior along with the pricing & salary structure in various Ready made Garments. The following three literature review attempts to demonstrate & support the hypotheses.

- A research article called **Experiential Retailing: extraordinary store environments and purchase behavior** by **Alana Nicole Garvin (1994)** stated that, Due to the saturation of retail stores in the market, companies have been forced to find a way to differentiate themselves in order to remain in business. According to **Buss,** there are nearly twice as many retail stores than are needed to support the U.S. population. He states, "In this environment, it is no longer enough for a retailer to operate conventionally. Even enticements such as broad merchandise selection, everyday low pricing, extended store Experiential Retailing 2 hours, and liberal merchandise-return policies are often insufficient to attract today's consumers" **(Buss, 1997, p. 14).**

  A research report named **Consumer Perceptions of Price, Quality, and Value:** A **Means-End Model and Synthesis of Evidence** by Valarie A. Zeithaml explains about the consumer insight about the pricing of a particular product. Research has shown that Price is used as a quality cue to a greater degree when brands are unfamiliar than when brands are familiar (Smith and Broome 1966; Stokes 1985). Research also has shown that when perceived risk of making an unsatisfactory choice is high, consumers select higher priced products (Lambert 1972; Peterson and Wilson 1985; Shapiro 1968, 1973).

Studies reveal that consumers do not always know or remember actual prices of products. Instead, they encode prices in ways that are meaningful to them (Dickson and Sawyer 1985; Zeithaml 1982, 1983).

On the basis of these past researches, the following hypothesis can be made-

Hypothesis 1: The perceptions of customers towards price do differ.

- For the second objective, a research report named **The Impact of Advertising & Price Promotion on Brand Equity: with Product Category as a Moderator** by Pi-Chuan Sun, Ting-Shu Tang, Chun-Yi Shih (2003) stated that, advertising has significant positive relationship on brand equity for both search product and experience product. However, price promotion, for search product, has significant negative impact on brand awareness and brand association and, for experience product, has positive effect on perceived quality and brand loyalty. In order to build strong brand equity effectively, managers must invest in the advertising but considering product categories when applying price promotion.

Research has traditionally posited that sales promotions erode brand equity. Usually, price adapted by the manufacturer as a direct promotion method will increase the purchase willing of buyer. Most of the effect of a price cut is seen in buyers' short-term brand choices. Promotions increase the price sensitivity of non-loyal customers (Mela, Gupta and Lehman, 1997). But it does not hold when long-term effects are considered. In this regard, using price promotions means deterioration in brand equity. Lichtenstein et al. (1993) pointed out that price is regarded as indirect scale standards of product quality by the buyer. It is a concept that price is positive correlation with product quality, i.e. higher the price is, better the quality is.

Another research found out that the use of price promotions has a negative effect on brand equity, since it is considered that the consumer perceives a negative relationship between brand equity and the need to use incentives for sales that affects the established level of prices (Aaker, 1991; Yoo, Donthu and Lee, 2000). Sales promotions in general, and especially price promotions, have been considered to weaken brand equity in spite of the short-term benefit that they provide to the consumer (Yoo, Donthu and Lee, 2000). Overall, the long-term effects of price promotions on sales are negative. Therefore, price Promotions may have negative influence on buyers' perceptions making differential consciousness of buyers on perceived quality, and then influences the brand equity of product and purchase willing of customer. Activities based on lowering prices can place brands in danger by provoking consumer confusion, instability and variability leads to an image of unstable quality (Winer, 1986).

Hence, this researches proposes the following research hypothesis-

Hypothesis 2: The perceptions of customers towards advertising and promotion do differ.

- For the third objective, research report on **Location-based pay differentiation-A Research Report for UNISON from Incomes Data Services (IDS) September (2011)** stated that, In organizations with a national reach, it can be difficult to set a single pay rate for each job that is sufficient to recruit and retain staff for all of the company's locations. And location- based pay systems offer increased flexibility and a systematic approach to addressing recruitment and retention issues at a local level.

According to k. Hull (2010) there are three basic strategies for an organization's salary policy:

- **Lag the market.** In this strategy, update the salary survey data to the beginning of your next compensation year (calendar year, fiscal year, or another appropriate date) and then install the new salary structure. If a change in the labor market of 10% is assumed for the next year, then the only time the organization will be competitive with the market is at the beginning of the year. By the end of the year, any decisions based upon the salary structure will lag the market by 10%.
- **Lead the market.** In this strategy, the organization wishes to pay above the market rate.

  Start the year at 10% above the salary survey data. By the end of the year, the organization will be paying the market rate.
- **Lead-lag.** Here the organization takes account of the 10% estimated change in the market but wishes to meet the market at midyear. You can do this by starting the year at 5% above the market rate. Provided the increase is steady over the year, this strategy will place the organization ahead of the market the first half of the year and behind it the second half.

  So on the basis of these research findings, we can assume the hypothesis-

Hypothesis 3: Variability in salary relates to the merchandising performance.

Chapter Six – Methodology and Data Analysis

Methodology

Every research program should follow some basic form of procedures. I studied various books & articles of different writers regarding the topic. However mainly this report is written on the basis of experience gathered during the period of Internship.

In order to make the report more meaningful and presentable, two sources of data and information have been used widely. Both primary and secondary data have been used to prepare the report.

Data Analysis

The dataset covers the information of FGS Knitwear Limited over the five year period 2007 to 2011. The five year period covered the information on industries pricing, advertising, promotion, salary structure etc. It also includes the performance measure ratios like ROE, ROA, and Assets etc.

Variables and statistics

Three of the industry's performance measures have been used here. First is ROA which is simply the percentage calculated by dividing industry's annual earnings by its total assets. Second one is ROE which is also the percentage calculated by dividing net income by shareholders equity. Third one is Tobin's Q which is the ratio of the market value of a firm's existing shares to the replacement cost of the firm's physical assets. This measure has been used as dependent variables in research to evaluate Merchandising characteristics.

Independent variables include pricing, promotion and salary. In order to understand the behavior of variables on the performance of the garments, the study used the effect of size as control variable. Size is industry size defined as industry's average total assets.

Description of variables

Merchandising characteristics

Price	It is a price of a product at a given year.
AP	It is an expense which is incurred for advertising and promotion expenses at given year.
Salary	It is payroll expense of a merchandising department of a company at given year.

Performance measures

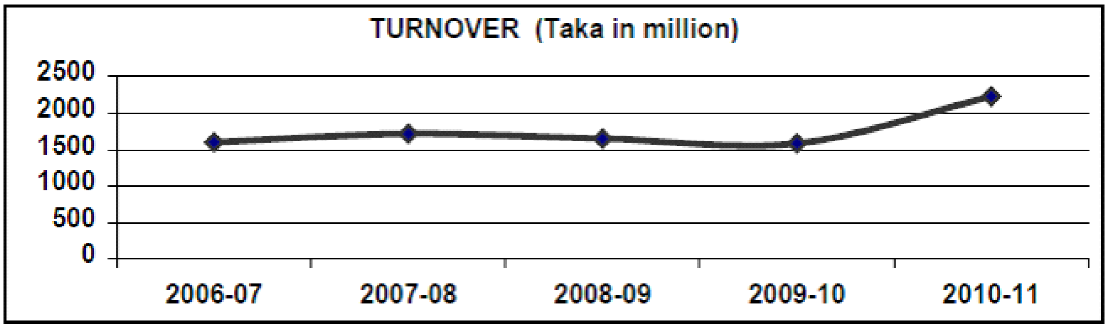
ROE	The percentage calculated by dividing net income by shareholders equity.
IT	It is inventory turnover ratio- a ratio showing how many times a company's inventory is sold and replaced over a period

Control variables

Size	Industry's total assets

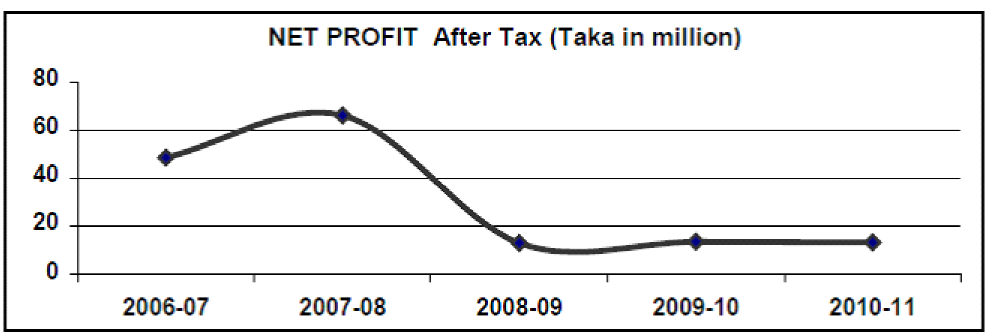
Results and findings

Figure 1



In Figure 1, we can see that in year 2006-07, the sale of the company was around Tk. 1500 million. The next four years, it remained approximately same. But in 2010, it flew above Tk. 2000 million.

Figure 2



In figure 2, we can see that the net profit in 2006-07 was above TK. 40 million. The next year it went above TK. 60 million. But this growth did not continued anymore and the company experienced decrease in net profit in year 2008-09 and reached below Tk. 20 million. The next two years, it remained same.

Univariate analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROE	5	3.31	16.58	8.1360	6.57832
IT	5	75.00	998.00	577.2000	415.89506
Price	5	135.00	160.00	150.0000	9.92472
AP	5	4697265.00	11071290.00	8.3483E6	2.68391E6
Salary	5	18392460.00	31378799.00	2.4386E7	5.26514E6
Assets	5	8.33E8	1.07E9	9.3467E8	9.63451E7
Valid N (listwise)	5				

Table presents some descriptive statistics for the variables used in this study. The mean ROE is 8.14, the minimum is 3.31 and maximum is 16.58. Similarly the mean of IT is 577.2, the minimum is 75 and maximum is 998. Regarding the price, mean is 150 and min and max is 135 and 160 respectively. On average the AP is 8348300 and min and max is 4697265 and 11071290 respectively. Regarding salary's average is 24386000 and min and max are 18392460 and 31378799.The mean of Assets is 934670000, the min is 833000000 and max is 1070000000.

Correlations							
		ROE	IT	Price	AP	Salary	Assets
ROE	Pearson Correlation	1	.564	.335	.707	-.860	-.008
	Sig. (2-tailed)		.322	.581	.182	.062	.990
	N	5	5	5	5	5	5
IT	Pearson Correlation	.564	1	.390	.969**	-.745	-.130
	Sig. (2-tailed)	.322		.517	.007	.148	.835

	N	5	5	5	5	5	5
Price	Pearson Correlation	.335	.390	1	.271	-.054	.855
	Sig. (2-tailed)	.581	.517		.659	.931	.065
	N	5	5	5	5	5	5
AP	Pearson Correlation	.707	.969**	.271	1	-.886*	-.259
	Sig. (2-tailed)	.182	.007	.659		.046	.673
	N	5	5	5	5	5	5
Salary	Pearson Correlation	-.860	-.745	-.054	-.886*	1	.412
	Sig. (2-tailed)	.062	.148	.931	.046		.490
	N	5	5	5	5	5	5
Assets	Pearson Correlation	-.008	-.130	.855	-.259	.412	1
	Sig. (2-tailed)	.990	.835	.065	.673	.490	
	N	5	5	5	5	5	5

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table presents the Pearson's pair-wise correlation matrix between variables of interest along with their corresponding significance level. The matrix shows a positive and statistically significant correlation between both performance measures – ROE and inventory turnover ratio. We found a positive and statistically insignificant correlation between the ROE and Inventory turnover ratio with price. But positive and statistically significant relation is found between ROE and inventory turnover ratio with Advertising and promotion (AP). . In case of ROE and inventory turnover ratio with salary, the results show a negative and significant correlation. Negative correlation is found between ROE and Inventory turnover ratio with Assets, but the relationship is not strong.

Multivariate analysis

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	19.481	1	19.481	.380	.581[a]
	Residual	153.616	3	51.205		
	Total	173.097	4			

a. Predictors: (Constant), Price

b. Dependent Variable: ROE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-25.218	54.170		-.466	.673
	Price	.222	.361	.335	.617	.581

a. Dependent Variable: ROE

The table shows the regression analysis on price. It shows the coefficient on price is positive and statistically significant.

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	105001.584	1	105001.584	.537	.517[a]
	Residual	586873.216	3	195624.405		
	Total	691874.800	4			

a. Predictors: (Constant), Price

b. Dependent Variable: IT

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1871.531	3348.219		-.559	.615
	Price	16.325	22.282	.390	.733	.517
a. Dependent Variable: IT						

Table report the regression analysis of Inventory turnover ratio on Price. It shows that the coefficient on the price is positive, and it is statistically significant. So this supports our hypothesis that perception of customers do differ towards price.

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	86.470	1	86.470	2.995	.182[a]
	Residual	86.627	3	28.876		
	Total	173.097	4			
a. Predictors: (Constant), AP						
b. Dependent Variable: ROE						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.326	8.696		-.727	.520
	AP	1.732E-6	.000	.707	1.730	.182
a. Dependent Variable: ROE						

Table shows the regression analysis on advertising and promotion and the result is that the coefficient is found positive and statistically significant.

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	649226.898	1	649226.898	45.669	.007[a]
	Residual	42647.902	3	14215.967		
	Total	691874.800	4			
a. Predictors: (Constant), AP						
b. Dependent Variable: IT						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-675.936	192.948		-3.503	.039
	AP	.000	.000	.969	6.758	.007
a. Dependent Variable: IT						

Table show the correlation on Advertising and promotion which is positive and the relationship is statistically significant. This supports our second hypothesis that perceptions of customers differ towards advertising and promotion.

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	127.903	1	127.903	8.490	.062[a]
	Residual	45.194	3	15.065		
	Total	173.097	4			
a. Predictors: (Constant), Salary						
b. Dependent Variable: ROE						

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	34.326	9.155		3.750	.033
	Salary	-1.074E-6	.000	-.860	-2.914	.062

a. Dependent Variable: ROE

In table, salary is found to be negatively related with ROE and the coefficient is statistically significant.

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	384115.899	1	384115.899	3.744	.148[a]
	Residual	307758.901	3	102586.300		
	Total	691874.800	4			

a. Predictors: (Constant), Salary

b. Dependent Variable: IT

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2012.473	755.438		2.664	.076
	Salary	-5.886E-5	.000	-.745	-1.935	.148

a. Dependent Variable: IT

In table the coefficient on salary is negative and statistically significant.

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.011	1	.011	.000	.990[a]
	Residual	173.086	3	57.695		
	Total	173.097	4			

a. Predictors: (Constant), Assets

b. Dependent Variable: ROE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.644	37.001		.234	.830
	Assets	-5.436E-10	.000	-.008	-.014	.990

a. Dependent Variable: ROE

Table show that the coefficient on Asset is negative and statistically insignificant with ROE.

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	173.097	4	43.274	.	.[a]
	Residual	.000	0	.		
	Total	173.097	4			

a. Predictors: (Constant), Assets, AP, Salary, Price

b. Dependent Variable: ROE

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	104.840	.000		.	.
	Price	-1.961	.000	-2.958	.	.
	AP	2.802E-6	.000	1.143	.	.
	Salary	-1.761E-6	.000	-1.410	.	.
	Assets	2.321E-7	.000	3.400	.	.
a. Dependent Variable: ROE						

Table shows the multiple regression result which explains that the coefficient of Assets, Advertising and promotion effect positively on ROE, but price and salary has negative effect.

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	691874.800	4	172968.700	.	.[a]
	Residual	.000	0	.		
	Total	691874.800	4			
a. Predictors: (Constant), Assets, AP, Salary, Price						
b. Dependent Variable: IT						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3048.550	.000		.	.
	Price	19.201	.000	.458	.	.
	AP	.000	.000	1.163	.	.
	Salary	3.815E-5	.000	.483	.	.
	Assets	-1.808E-6	.000	-.419	.	.
a. Dependent Variable: IT						

In table the multiple regression result shows that the coefficient of price, AP and salary shows positively on inventory turnover ratio, and the negative relationship between the Assets and IT.

Using Multivariate analysis we have found positive statistical insignificant correlation between ROE and Inventory Turnover with price. That indicates that customers are less influenced by price. In case of ROE and IT with advertising and promotion measures the results show positive and significant correlation. It can be concluded that advertising and promotion do effect the customer's perception and has an influence on consumer buying behavior. Again, we have found negative and significant correlation between IT and salary. This might indicate that there are other things other than salary such as job empowerment, job rotation, bonus etc. which motivates merchandisers.

Using panel fixed effects model, we found positive statistical significant relation between FGS Knitwear LTD's price and its ROE and IT. This result suggests price do effect the perception of customers.

In testing hypothesis- 2, we again found that advertising and promotion affect the performance of the FGS Knitwear positively and significantly in terms of ROE and IT. This result suggests that when expenditure on advertising and promotion increases, the sale of the company also increases. So this concludes that advertising and promotion powerfully influences customers.

In testing hypothesis- 3, we found statistically negative and significant relation between salary and IT. This study might reveal that there are other factors other than salary which affects merchandising performance. . The study indicates a way for further research on the discovery of factors that affects the merchandising performance.

Chapter Seven: SWOT analysis of FGS Knitwear Limited

A SWOT analysis is overall evaluation of the company's Strength, Weakness, Opportunities and Threat. Strength and Weakness are the internal values creating factors such as assets, skills or resources etc. And Opportunities and Threat are external values creating factors a company unable to control.

The SWOT analysis of FGS Knitwear Limited is given below-

Strengths

1. **Own Land:** Factories of FGS Knitwear Limited are established in its own land.
2. **Effective Manpower:** Factories are well equipped with skilled, expertise and productive manpower. They are doing their level best to deliver timely shipment and exporting 100% quality garments.
3. **Production of Fabrics:** Mostly employees produce fabrics as per buyers requirement.
4. **Innovative product line:** Product lines are producing a unique & innovative garment which is a very good sign for the industry.
5. **Proper Management:** Employees of FGS Knitwear Limited manages all the paper work quite nicely; supervises the production from start to end and helps to ship the good s as per the requirement of buyers.

Weaknesses

1. **Post purchase behavior:** After shipment of the products, employees do not collect actual post purchase behavior of buyers which is really a negative sign for the industry.
2. **Shortage of workers:** As the Industry is not so big & the number of employee is limited, sometimes it becomes really difficult to produce all the goods timely & workload of the workers increase to a great extent if there is a large shipment.
3. **Subordinates absence in policy making:** The subordinates do not take any decision or take part in policy making in meeting. The decision always comes from the top management which is de motivating.
4. **Poor salary structure:** As the industry is still in a struggling position, its salary structure is not that much good in compare to the other industries.

Opportunities

1. **Covering UK & USA market:** Recently some foreign countries are really interested about making contract with FGS Knitwear Limited which is really good news. Covering more market area of EU & USA will help the industry to establish quickly.
2. **Diversification:** FGS Knitwear Limited can expand their business by establishing the yarn, woven & sweater factories. It will help them to minimize the risk.
3. **Hiring dynamic & fresh Graduates:** FGS Knitwear Limited can hire dynamic, young & fresh Graduates who can generate innovative ideas & can lead to grater profit.
4. **Attending Trade Fairs:** FGS Knitwear Limited can take part in different trade & textile fair to get public attention and can get new ideas related with today's business.

Threats

1. **Absence of Spinning Plant**: Most of the big Garments industries who are well-established have their own Spinning Plant. As a result they can sell their product more cheaply but FGS Knitwear Limited doesn't have any Spinning Plant. For that reason their cost of production is high.
2. **Competitors' smart move:** Competitor industries are constantly offering innovative and substitute a product which is a big threat for this industry.
3. **Trade barriers:** Increased trade barriers and quota system withdrawals are the major threats for the newcomer industries like FGS Knitwear Limited.
4. **Political imbalance:** One of the major threats for FGS Knitwear Limited is the current political instability. Strike, Procrastination etc are hampering the production process quite badly.

In this report I examined the relationship between price, advertising and promotion, salary and merchandising performance of the FGS knitwear Limited. Using regression models, we found a statistically significant relation between price, advertising and promotion, salary with merchandising performance which was consistent with expectations.

Chapter Eight- Recommendation & Conclusion

Recommendation

Generally I have given the concentration on Financial and Merchandising activities of FGS Knitwear Limited. I would like to recommend the following areas that should be improved immediately to achieve the desired goals-

- Instead of short-term relationship, Merchandisers need to develop long term relationship with the key parties – buyers, buying houses and suppliers etc.
- As a newcomer industry, FGS Knitwear Limited should always keep in mind that, customer retention is more important than customer attraction. If they can follow this concept then they will gain more.
- Director should clearly share his mission with manager and all the staffs. Because a clear mission statement guides the employee to work independently and to achieve the organizational objectives.
- As the industry is in a struggling position, it should frequently measure the annual growth rate through the growth share matrix, BCG (Boston Consulting Group approach) whether business is operating effectively or not.
- Consultancy with garments expertise regarding the development strategies will be helpful to get more output.
- FGS Knitwear Limited should identify their position based on the product life cycle and the position of competitors so that they take corrective action to compete & stay in the business.
- FGS Knitwear Limited can establish their own design section and from there they can create unique and innovative products design for marketing. And in this purpose they can contract with professional fashion designer in Bangladesh and abroad to get the maximum results.

- The industry can use internet as an efficient promotional tools for buyer awareness about their business. In this purpose they can develop their own website with detail information about their business.
- It should allow its employees to participate in decision making process so that it will help to get more productivity & commitment to work.
- The industry should establish a good salary structure & ensure the due time salary & wages otherwise employees will be demotivated.

Conclusion

The RMG sector is expected to grow despite the global financial crisis of 2009. As China is finding it challenging to make textile and foot wear items at cheap price, due to rising labor costs, many foreign investors, are coming to Bangladesh to take advantage of the low labor cost which is really a good sign for FGS Knitwear Limited.

Management of merchandising is a big job and is a complex one. The result of the study shows that there are a lot of steps that FGS Knitwear Limited should undertake to improve their merchandising management in order to be successful. The study revealed that Merchandisers are the most valuable human resources for the progress of the organization. For the development of these valuable resources there are many factors involved. So to increase the productivity of an organization effectively, efficient Merchandising management is necessary.

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