Impact of Outbound Logistics in Purchase Decision of Small Electronic Home Appliance Traders in Chittagong

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ABSTRACT
Outbound logistics focuses on the distribution to the point of sales, such as - collection, storage, and distribution systems etc. Marketers must understand – what the customer wants in terms of logistics and how it can create value to the customers? Based on this scenario, this study focuses on the fact that lack of understanding about the elements of outbound logistics is leading to lack of identifying it as value creation tool to impact the purchase decision in home appliances industry. In total around 490 home appliance traders is selected based on convenience from Chittagong city and interviewed based on a questionnaire in May 2016. Factor Analysis is used to identify the most relevant factors from 14 variables and then a regression analysis is used to show how each of those factors related to outbound logistics in small home appliance sector is impacting the purchase decision. The outcome is the trader’s purchase decision equation which a marketer can use to identify the elements of outbound logistics where he can focus more to strengthen his logistics channel.

KEYWORDS
Factor Analysis, Outbound Logistics, Purchase Decision, Regression Analysis, Small Home Appliance, Value Chain

INTRODUCTION
Based on the report published by Euromonitor International (June, 2014), the consumer electronics market of Bangladesh experienced a current value CAGR of 14% over 2009-2013 to reach USD 1.9 billion in the later year. A growing middle class, increasing consumer sophistication, and introduction of new products contributed to the growing sales of consumer electronics. As the usages of electronic appliances are growing in Bangladesh, local brands are becoming popular in the Small Home Appliance industry of Bangladesh, and as a result number of small appliance traders is also increasing. Based on industry experience, most of these traders are buying these appliance goods from different places in Bangladesh and then transport them to their facility or shop. Many arrange their own transport, some outsource the logistics support and others take the support from the appliance marketer themselves. Outbound Logistics outsourcing has a significant effect on how firms deliver products to their customers. Indeed, many firms do not own or manage the transportation and warehousing resources used for outbound shipments from their facilities. This research investigates how the outbound logistics is impacting the purchase decision of the small appliance traders in Chittagong City.

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Framework

The framework is shown in Figure 1.

LITERATURE REVIEW

It was in 1985 that the term “Value Chain” was coined by Michael Porter (Porter 1998) and all its subsidiary headings. For this research, the researcher will look at some of the literature surrounding the outbound logistics, primary activity of Porter’s value chain model and then it will discuss how consumer’s purchase intention evolve. Using both dimensions of the literature, i.e. outbound logistics drivers and purchase intention, the researcher will check how both dimensions can be linked.

PURCHASE INTENTION

Consumers’ buying decision is very complex. Keller (2001) mentioned usually consumers’ behavior, perception and their attitude creates the purchasing intention. And in purchase behavior, intention is an important key point for consumers during taking into consideration and evaluating certain product. Ghosh (1990) stated that purchase intention is one of the key elements in purchasing process. Intention drives the consumers when they decide to purchase the product in certain store. However, purchase intention may be changed due to the influence of price, quality observation and value perception (Zeithaml, 1988 and Grewal et al., 1998). In addition, consumers will be provoked by internal impulse and external environment during purchasing process. In general, customers behavior will be altered or driven by the physiological drive that stimulates their action which bring them to the store to fulfill their need (Kim and Jin, 2001). The literature of purchase intention can be summarized by the diagram in Figure 2.

OUTBOUND LOGISTICS DEFINITION

Based on Investopedia, logistics is the general management of how resources are acquired, stored and transported to their final destination from the point of origin in order to meet customers’ requirements. Johnson and Wood’s definition (cited in Tilanus, 1997) mentioned logistics describes the entire

Figure 1. Framework
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