

**A STUDY ON EXPORT MARKETING STRATEGY
OF
NEPALESE READY MADE GARMENT INDUSTRIES**

A THESIS

Submitted By:

SAMJHANA MALLA

PADMA KANYA MULTIPLE CAMPUS

T.U Registration No:-7-3-38-1865-2004

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RECOMMENDATION

This is to certify that the thesis submitted

By
Samjhana Malla

Entitled

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READY MADE GARMENT INDUSTRIES”**

has been prepared as approved by this campus in the Prescribed format of
faculty of Management. This thesis is forwarded for examination.

.....
Lecturer Ms. Neera Shrestha
Thesis Supervisor

.....
Associate Prof. Masta Bahadur Garanja
Thesis Supervisor

.....
Ms. Neera Shrestha
Co-ordinator MBS Programme

Date:

VIVA-VOICE SHEET

We have conducted the viva-voice examination of the thesis presented

By

Samjhana Malla

Entitled

**“A STUDY ON EXPORT MARKETING STRATEGY OF NEPALESE READY
MADE GARMENT INDUSTRIES”**

And found the thesis to be original Working of the student and written
According to the prescribed format. We recommend the thesis to be accepted
as partial fulfillment of the requirement for the Masters of Business Studies (MBS)

VIVA-VOICE COMMITTEE

Member (Thesis Supervisor):-.....

Member (Thesis Supervisor):-.....

Member (Thesis/ Research Proposal Committee):-.....

Member (External Expert):-.....

Member (Co-ordinator, MBS Programme):-.....

Date:

DECLARATION

I hereby declare that the work reported in this thesis “**A STUDY ON EXPORT MARKETING STRATEGY OF NEPALESE READY MADE GARMENT INDUSTRIES**” submitted to Padma Kanya Multiple Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements for Master’s Degree of Business Studies under the supervision of Associate Prof. Mr. Masta Bahadur Garanja, and Lecturer Ms. Neera Shrestha, Padma Kanya Multiple Campus.

April 2011

.....
Samjhana Malla
Padma Kanya Multiple Campus
Roll No: 33/061
M.B.S Symbol No: 3611
T.U. Registration No: 7-3-38-1865-2004

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LIST OF ABBREVIATIONS

AGOA	:	African Growth and Opportunity Act
ATC	:	Agreement on Textile and Clothing
B2B	:	Business to Business
B2C	:	Business to Consumer
BEM	:	Big Emerging Market
<u>BRIC</u>	:	<u>Brazil, Russia, India, and China</u>
CBI	:	Caribbean Basin Initiatives
CBTPA	:	Caribbean Basin Trade Partnership Act
CEO	:	Chief Executive Officer
<u>CIVETS</u>	:	<u>Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa</u>
CME	:	Capital Market Exchange
CPG	:	Consumer Package Goods
ELI	:	Export Led Industrialization
EOI	:	Export-Oriented Industrialization
ESI	:	Export Substitution Industrialization
EU	:	European Union
F.Y.	:	Fiscal Year
FNCCI	:	Federation of Nepalese Chamber of Commerce and Industry
FTA	:	Free Trade Agreement
FTSE	:	Financial Times Stock Exchange
GAN	:	Garment Association Nepal
GATT	:	Generalized Agreement on Tariff and Trade
GI	:	Garment Industry
GSP	:	Generalized System of Preference
HMG	:	His Majesty Government
ITC	:	International Trade Centre
L/C	:	Letter of Credit
LDC	:	Least Development Country

LEDCs	:	less economically developed countries
M.D	:	Managing Director
M.S	:	Mean Score
MAI	:	<u>Multilateral Agreement on Investment</u>
MFA	:	Multi Fiber Arrangement
MICS	:	Ministry of Industry Commerce & Supply
MKIS	:	Marketing Information System
MKIS	:	Marketing Information System
MPL	:	Marginal Product of Labor
MSCI	:	Morgan Stanley Capital International
NAFTA	:	North American Free Trade Arrangement
NRB	:	Nepal Rastra Bank
R & D	:	Research & Development
RMG	:	Ready Made Garment
ROI	:	Return on Investment
S&P	:	Standard & Poor's
SBU	:	Strategic Business Unit
SIVA	:	Solution, Information, Value, Access
SMEs	:	Small & Medium Sized Enterprises
STP	:	Segment, Target, Position
SWOT	:	Strength, Weakness, Opportunity & Threats
TPC	:	Trade Promotion Centre
UNCTAD	:	The United Nation Conference on Trade and Development
US	:	United States
USA	:	United States of America
USTDA	:	United States Trade Development Act
WTO	:	World Trade Organization

CHAPTER-I

INTRODUCTION

1.1 BACKGROUND

Nepal is sandwiched between the two giant countries, India and China, is one of the land locked countries, and survives with her own natural beauty in Asia. It's half century of experiments and efforts to raise the quality of life of its populace is defeated. Almost half of its population lies under absolute poverty line ,especially living in the rural areas are deprived of even basic needs and facilities like enough calories, pure drinking water, sanitation facilities , electricity road facility etc. Some of the basic human indicators like life expectancy, literacy, nutrition level etc. also show that Nepal occupies among the nation to eliminate the massive poverty persisting in the country through gradual development of the total nation and by providing and availing basic needs to poor people. Actually slow pace of developing of Nepal is due to nothing but landlocked position, poor resources mobilization and its utilization, weak infrastructure development and more over unstable eco-political environment.

Nepal is the Himalayan Kingdom of Asia has its border with china in the north and India in the south, east and west. It is located between latitude 26 22' north to 30 27' and longitude 80 4' east to 88 12' east having a total area of 147181 sq. km with a population of around 23.21 million (TPC, 2005:1). Life expectancy at birth is estimated at 58.9 years and infant mortality is 79 per 1000. Nepal's population is growing rapidly at 2.37 percent a year and the population density of around 600 persons per square kilometer of arable land is one of the highest in the world. The resulting pressure on Nepal's limited natural resources base contributes to low productivity, poverty and denudation of forest (Shrestha, 2001:1)

Agriculture is the prime mourner of the Nepalese economy. More than 80% of total populations are engaged on the subsistence agriculture and agriculture contributes 40% GDP which reflects that the agriculture is the largest economic sector contributing to GDP.

Nepal's agriculture production is still dependent on monsoon and the vagaries of nature cause substantial production fluctuation. Despite of substantial investment in the agriculture sector, this sectors performance has been disappointing.

Nepal's history of economic development is relatively short. Planned economic development started only since 1956 A.D. though an earlier attempt was made in 1948 A.D. Nepal has 3 year interim plan. Various efforts are being put on to attain faster growth rate. Nepal's economic growth during the 1980s to accelerate economic growth through expansionary fiscal policies led to considerable macroeconomic instability. In 1993/94 Nepal experienced its best macro-economic performance in the decade of nineties. In 1991/92 and early 93, Nepal undertook a series of reforms aimed at economic liberalization. These reforms have improved economic performance in a number of areas while they have been less satisfactory in other areas. Export growth after recording negative growth in 1994-95 has recorded steady growth thereafter. Exports increased by about 85.5 % in 1991/92 and are expected to grow at 19.8 percent in 1999/2000. Growth of imports declined in 1997/98 and 1998/99 mainly due to decline in imports of gold (Shrestha, 2001:1-2).

The history of garment industry in Nepal is as old as 25 years i.e.1986. Various types of garment are available in the Nepal for the export purpose. Nepalese readymade garments are divided into four types such as woolen and knitwear, cotton wear, silk wear and quilt wear.

These garments cover various gents and ladies garments like waist coat, pullover sweater, caps, socks, shirts, vests, pants, blouses, jam suit, long dress, trousers, jackets and various other popular items. Among these four types of garments, woolen garments have a dominating role over the country's export of readymade garment.

Nepalese garment has occupied the 1st position in term of overseas exports. Garment sector has made a significant contribution to the national economy of the country. It accounts for around 18 % of the total export and 40 % of foreign exchange among overseas export earnings. This sector has provided employment to about 1,00,000 Nepalese people which is 12 % of total industrial employment. About 350,000 people including the family members of the employees have benefited from this industry (TPC, 2005:4).

After entering the WTO and Phasing out the quota system under the WTO provision. Nepalese Ready Made Garment (RMG) industry faces the cut throat competition in international market with strong competitors. In the current situations, RMG industry faces the severe threats and challenges with technologically advanced countries. Nepal loses the huge amount of market share which she got from the U.S. market under the MFA. Budhathoki (2001) found. Due to very reason 95 percent of industries have been closed down and rest of the industries is operating with lower capacity.

At present the garment sector in Nepal is on the razor edge. A massive fall down in export growth rate since the second half of 2001 has forced many industries to withheld production and some to close down. Both internal and external factors are responsible to create the prevailing hardship to this once flourishing sector in the Nepalese business and economy. These changes brought about by the WTO system indicate a formidable challenge to the Nepalese entrepreneurs as they are already facing the adjustment problem related to higher production cost and delivery time frame. Nepal may have to face not only the difficult adjustment problem but also risk collapse of the industry as a result of intensified international competitors and its inability to cope with the changes situations this product line (<http://www.ganasso.org>).

The vulnerable situation of Nepalese garment sector is due to the internal constraints from outdated manufacturing process to the logistic system and non conducive government policy and attitude to the geographical disadvantage of being a landlocked country. The cost of production in Nepal is higher by approximately 25 % than the production cost in other countries in South Asia. Further the lead time compared to India. For example, India can deliver goods to USA a major world market for garments in 19 days whereas it takes a minimum of 45 days for Nepal (<http://www.ganasso.org>).

U.S government has diverted its trade from Nepal to sub-Saharan African and Caribbean Basin countries under the act of (USTADA) of 2000. Why this happen because of the poor marketing strategy of Nepalese entrepreneurs. They couldn't win the mind and heart share of the American buyers because of higher production cost, poor quality and time delivery frame.

RMG industry basically has to depend on assortment of materials such as fabrics, threads, zippers, buttons and labels and so on. Everything from the fabrics to the threads, sewing machine to the needle has to be improved from another country. Nepal doesn't produce textile suitable for manufacturing export quality readymade garments. The locally produce fabrics and threads don't also meet the standard required for the production. According to the trade promotion report, Nepali textile should be 15% cheaper than foreign textile to compete in the garment market. Skilled manpower, as labor input another crucial factor for the development of garment industry, has also imported from the neighboring country India (Adhikari, 1995:6).

Ignoring the diversification of market will be harmful for any business. Nepalese RMG industry was heavily dependent upon US market. Due to very reason, after MFA, RMG industry is on the verge of collapse, and thousands of employees are suffering from the loss of job. Thus it is very necessary to explore new markets to provide a secure future for Nepalese garment industry. Nepalese garment producers should also develop direct contact with the perspective buyers. Till now most of the Nepalese garment producers depends upon Indian agents for their market abroad.

The business world is changing fast in this dynamic world. Business environment is determined by the development of science and technology, economic, social and political factors. These factors keep industrial development changing. In order to cope with the changes, industrialists/businessmen should be able to have appropriate marketing strategy and ensure its effective implementation.

It is obvious that no business can flourish without the application of appropriate marketing tools and strategies. In the competitive market, marketing plays a key role to boost up industrial production and attain success. Marketing is an attempt to produce the desired response by creating and offering values to the market (Kotler, 1972:50). The role of marketing must be attained to social improvement rather than economic gain, human aspiration rather than merely human needs, conservation rather than consumption, intrinsic worth rather than price, and the consumer and the firm as entities of a greater society rather than only as economic factors (Cateora & Graham, 1975:65).Marketing has been an indispensable factor for all kinds of products. Marketing focuses on making the product available at the right place, at the right time, at a price that is acceptable to customers and on

informing customers in a way that helps them determine if the product is consistent with their needs. In fact the importance of marketing has been growing everyday due to its effectiveness on the success or failure of an enterprise. The reason for attracting increasing attention by marketing is not only due to its inherent influence on the success or failure of an enterprise but due to its increasing dimension and scope.

Production without marketing is waste of time, money and energy. The realization of the importance of marketing is to identify customer's requirements and to satisfy them. Though Nepal is one of the developing countries, it cannot stay away from adopting sound marketing strategies. Because of increasing international competition, Nepal despite being basically a product oriented country, has not been able to fulfill production and demand requirements of people. The industrialists today have realized that top priority should be given to marketing. It has been understood from study or contact with industrialists that they have known the importance and influence of marketing in the business they still do not seem to be fully employing it. Many factors have been responsible for it. Reportedly the industrialists have been unable and in some cases even unwilling to fully adopt marketing strategies in their business (Shrestha, 2001:4).

In our constantly changing environment the key to corporate survival lies not so much in the quality of our long range planning as in the clarity of our thinking. To survive and flourish organization must face the future knowing what they want to be strategic-planning-as well as how to get there long range plans and operational decision making. Marketing strategies should be designed with general organizational strategies. The enterprises have been forced by the emerging challenge of competition from within and outside the country to evaluate and assess their hitherto production oriented policies. Appropriate marketing strategies and policies enable enterprise to mould suitable ways of action to attain predetermined purpose. Globalization initiatives emerging since the eighties has put further impetus for adopting more aggressive marketing in view of substantial growth in the level of competition.

Nepal's garment production soared in the mid-1980s primarily because of Indian producers who entered Nepal to bypass the U.S. imposed quota on Indian garments. An immediate jump of garment exports was then observed from a mere 1% of total export in 1983-84 to 17 % in 1984-85, and then to 27 % in 1985-86. Labor raw materials, and capital (mainly sewing

machines) were brought into Nepal. Nepal basically provided warehouse and other facilities to these producers. Nepalese also started becoming trained by working with Indian entrepreneurs and Indian workers. In 1993-94, garment exports reached a peak of about 31 % of total exports. By 1998-99, garment exports lingered at 27% of total export. Today, most of the garments are being produced in Nepal with Nepalese workers.

Garment production in Nepal is mainly for export. Producers must organize production so that the cost per unit is at minimum level. This is especially significant to the producers of garment in Nepal who must compete with producers in other countries. This study analyzes the long-run cost function in the garment industry of Nepal, looking particularly at whether the producers have exploited the economies of scale.

All the parameter estimates are statistically significant. From the model the minimum efficient scale (MES) is calculated as 1,337,530 garment pieces. This shows that the MES was about nine times by average output. In a highly competitive market, firms are expected to produce as near as possible to the MES. However, nearly 98% of the firms were producing as less than 50% of the MES. This simply indicated the garment industry is not very competitive nor has it been exploiting the economies of scale that exists over the current production range.

The possible existence of unexploited economies of scale in the Nepalese garment industry has important implications for development of efficient and competitive firms in the world market. Since there is no trade barrier for the garment industry in Nepal, the argument of removing trade barriers as a means for expanding production cannot be forwarded. Cost cutting measures can be used to remain competitive in the long run. Fortunately, there seems to be slight indication in this direction.

1.2 BRIEF HISTORY OF NEPALESE READY MADE GARMENT INDUSTRY

Clothing in Nepal in the past was done by a group of people known as “ Damai ” a tailoring caste group and “Suchikar” as professional group of newar community. Both of these groups had their own determination in the area of work. The curative sides to this division always

belong to the suchikar. So they use to stay and run their business activities in urban area or the vicinity. Due to scarcity poverty they continued their tailoring for livelihood and subsistence .By the passing of time the preference of the people to the house tailored garments had changed with the increasing trend of RMG imported in the country (Budhathoki, 2003:10).

The history of garment industries in Nepal is not very old. It was instated about two decades ago. Though there were handfuls of garments trader in the middle of 1970s, the business really picked up speed after 1980s. Its effort to develop as a major exporting sector has been magnificent. At present garment industry is the second largest currency earner after woolen carpet industries. Besides, it has also played an important role in employment generation. Initially the industry was dominated by the Indian exporters when the US government imposed quota system on import of RMG from the third world countries. India being one of import of the products, this induced the Indian garment entrepreneurs to come to Nepal, especially Kathmandu to make use of the unused quota allocated to Nepal. Nepalese entrepreneurs learned a lot from their Indian counterparts in this process and the growth story of the industry began (Pant, 2002:50).

The young industry's initiation were very haphazard and with no set policies by the government through this scenario has changed quiet a lot during the years. The government has set some policies which are deemed friendly to this industry. As a matter of fact, the garment industries flourished during the only due to continuous efforts made by the industrialist albeit government policies aimed at developing this sector appeared in a while. Signals are being noticed in the country's export industries following the change in the world trade and global shift to liberalized economic policy. Since the garment industries being export based and have to compete with any countries, especially with the neighboring countries in the international market, the policies adopted by these countries are bound to have direct impact in the garment export of Nepal ([http:// www.ganasso.org](http://www.ganasso.org)).

The statistical record of Nepal garment export are 3.93 billion rupees in 1992-93; 5.48 billion in 1993-94; 5.41 billion rupees in 1995-96 and in 1998-99 it was wires up to 8.37 billion. The export has decreased by 89 % in 2008 in comparison to export of 2003 A.D. and it has further decreased by 73 % in 2009 January in comparison to year 2008 January. This indicates the urgent need to promote and consolidate this industry ([http:// www.ganasso.org](http://www.ganasso.org)).

In the early days of commencement most of factories are established under financial and technical collaboration with Indian industrialist. At the time more subsistent investment were covered by Indian industrialist. But the fact is quite opposite right now. Most of the participants like labors and financers are Nepalese. Among labors the women who are taken as ideal work force in the country and participating significantly. The demand for rural female labor and the massive movement of women from rural households to production lines can help transform their social and economic status. This flush can be used not only for industrial advancement by countries (<http://www.ganasso.org>).

It has been roughly two decades since the garment industry started its export business but till present it imports raw materials and accessories from India, Indonesia, Malaysia Hong Kong, China etc. But 95% accessories are imported from India alone. The garment entrepreneurs do not have their say in choosing the materials and accessories. With the approval of the buyers, materials and accessories are selected and design and dressed as too given by buyers. There are handfuls of entrepreneurs whose designs are approved by the buyers.

The number of registered industries which was only 58 in 1982-83, increased to 757 in 1992-93 and reached a peak of 1076 in 1994-95. Since then there has been a continuous decline in the number of operating industries now standing of 212. About 51% of the registered industries are of sole proprietorship, 40% partnership and 9% are foreign joint venture (GAN survey, 2001). The statistics reveal that, over the past few years the garment industries have made considerable contribution to the export sector by absorbing growing numbers of unemployed population and by helping reduce trade deficit to a certain extent. The garment industry provides direct and indirect employment opportunities to over a hundred thousand people, establishing as the second leading source of foreign exchange.

1.3 STATEMENT OF THE PROBLEM

The garment industries in Nepal are facing critical situation and time has come to save the existence of these companies on the shoulders of entrepreneurs. To overcome threat and challenges, the CEO or entrepreneurs must take the rational decisions by implementing the effective and pertinent marketing strategies.

The problems confronting this industry are supply market, which is heavily dependent on U.S market only, foreign skilled labor, poor logistics, supply of raw materials ,difficulty of access to foreign market, demand constraints, high cost and poor quality and changing pattern of demand in international market and lack of conducive government policy (Agrawal, 2002:87).

In addition, the most crucial challenges of Nepalese garment industry is to compete with the technologically advanced countries. It is definitely sure that this industry will be collapsed if the effective and pertinent marketing strategy is not implement to win the market share, heart share and mind share of the prospective buyers. In comparison to the other countries RMG entrepreneurs of Nepal lack the implication of long term strategic marketing management planning in their overseas business. Within the period of one and half decade it was the enough time for Nepalese entrepreneurs to get international marketing experiences and to built its competitive positions. But nobody has taken care about the matter. As a matter fact this industry lies inside neck as a bone whether to swallow or throw.

Regionalization of trade in textile and clothing anti-dumping and countervailing duties, increased customs checks to ensure that trans-shipment activities do not take place, rigorous application of ethical standards to prevent child labor and compulsion to adapt eco-labels will be some of the key drivers and trade parameters determining exports of textile and apparels.

Not only the macro economic analysis but also the marketing strategy is the crucial factor for any enterprises to survive and thrive, either big or small, under the changing global trading environment , but the Nepalese RMG entrepreneurs are more concerned on government policy.

Enterprises can not exploit the opportunities and copying the threats- even the government policy or environment is favorable to business, if they are not strategically ready to interact with the business environment. Since there is intense competition in U.S., Canada, Europe and Japan, there are still other countries in South Asia and South East Asian countries where Nepalese garment entrepreneurs can concentrate their business by marketing strategy implementation. Thus entrepreneurs should be proactive rather than the reactive in nature. After the general statement of problem, some research problems identified are as follows:

- What are the appropriate export marketing strategies and how they should be implemented?
- How Nepalese garment industry can develop competitive export strategies?
- What are the determinant factors that help garment industry to implement the export marketing strategy effectively?
- How can garment industry and concerned organizations develop a strategic approach plan to tackle the possible challenges?
- How can the Nepalese RMG industry increase productivity and develop new products as well as create niche markets in new markets?
- Do the Nepalese RMG entrepreneurs implement the efficient sourcing strategy to get inputs a cost effective rate?

1.4 OBJECTIVES OF THE STUDY

The main objective of the study is to analyze the export marketing strategies to find out the suitable marketing strategies for suggesting the entrepreneurs and for trying to seek out the ways of saving the existence and increasing the competitiveness of Nepalese readymade garment industries. The specific objectives of the study are:

- To analyze the export marketing strategies in Nepalese ready made garment industries.
- To analyze the view of entrepreneurs, CEO or marketing managers about the export marketing strategies of Nepalese Readymade Garment.
- To know how the executives understand competitors and choose competitive position.
- To evaluate the policy and practices on export marketing strategies in present situation.
- To make recommendations for effective management of threats and challenges faced by Nepalese readymade garment industries in Nepal.

1.5 SIGNIFANCE OF THE STUDY

Although some of the research-works on RMG-industry had been done by previous researchers this topic called ‘export marketing strategies of Nepalese RMG industries ‘ is almost new. Almost –all of the previous research works were focused on the topic of socio-economic problem and prospect WTO and its impact to RMG industry and Nepalese RMG industry in changing global trading environment. My special focused on export marketing strategies is to suggest and save the existence and to strengthen the competitive position of RMG industry. So the present study can be considered as worth-from the point of view;

- It provides the data and information of entrepreneur’s point of view about the export marketing strategies, which will help to build and improve the suitable marketing strategies for the further period.
- The study is beneficial to other export industry also.
- It helps entrepreneurs, CEO and marketing managers to strengthen the competitive position of RMG industry.
- It provides the insights of the concerned study. So, the Nepalese policy makers, teachers and students who are interests in this study will be benefited.

1.6 LIMITATIONS OF THE STUDY

The study was carried within the following limitations:

- The study was concerned with export marketing concept.
- Only limited studies and surveys are available in this area.
- The study was focused on export aspect of the industries.
- The use of questionnaire and personal visit was made to acquire necessary data. Lack of the appropriate database may constrain the result.
- Samples were taken from within the Kathmandu Valley. So it does not represent the whole country.

- Most of the questions were attitudinal rating scale which might bias the results.

1.7 ORGANIZATION OF THE STUDY

The study has been organized into five chapters. The title of each of these chapters is as follows:

CHAPTER I Introduction

Introduction chapter comprises background of the study, focus of the study, statement of problem, objectives of the study, significance of the study, limitation of the study and organization of the study.

CHAPTER II Review of Literature

Review of Literature chapter comprises conceptual review of the NPA and review of the past thesis.

CHAPTER III Research Methodology

Research Methodology deals with the method of investigation and includes research design, nature of data, data collection procedure and tools used.

CHAPTER IV Marketing Strategies and Policies of Nepalese Readymade Garment Industries

Marketing Strategies and Policies of Nepalese Readymade Garment of data deal with different statistical and the financial tools that used in the analysis of the data.

CHAPTER V Summary, Conclusion and Recommendations

Last chapter includes the summary, findings of the study and recommendation.

CHAPTER-II

LITERATURE REVIEW

2.1 INTRODUCTION

The purpose of literature of review is to find out what research studies have been conducted in one chosen field of study and what remain to be done. It provides the student with the knowledge of status of their field of research and foundation of developing a comprehensive theoretical framework which hypothesis can be developed for testing.

This chapter consists of two parts-Conceptual Framework and Review of related Studies. In conceptual framework, review of what has been written in academic books is carried out, while review of related studies is further divided into review of journals and review of master degree thesis.

2.2 CONCEPTUAL REVIEW OF MARKETING

Marketing is *"the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."* Marketing is a product or service selling related overall activities. It generates the strategy that underlies sales techniques, business communication, and business developments. It is an integrated process through which companies build strong customer relationships and create value for their customers and for themselves.

Marketing is used to identify the customer, satisfy the customer, and keep the customer. With the customer as the focus of its activities, it can be concluded that **marketing management** is one of the major components of business management. Marketing evolved to meet the stasis in developing new markets caused by mature markets and overcapacities in the last 2-3 centuries. The adoption of marketing strategies requires businesses to shift their focus from production to the perceived needs and wants of their customers as the means of staying profitable.

The term *marketing concept* holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions. It proposes that in order to satisfy its organizational objectives, an organization should anticipate the needs and wants of consumers and satisfy these more effectively than competitors.

Marketing is further defined by the AMA as an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. The term developed from an original meaning which referred literally to going to a market to buy or sell goods or services. Seen from a systems point of view, sales process engineering marketing is *"a set of processes that are interconnected and interdependent with other functions, whose methods can be improved using a variety of relatively new approaches."*

The Chartered Institute of Marketing defines marketing as *"the management process responsible for identifying, anticipating and satisfying customer requirements profitably."* A different concept is the *value-based marketing* which states the role of marketing to contribute to increasing shareholder value. In this context, marketing is defined as *"the management process that seeks to maximise returns to shareholders by developing relationships with valued customers and creating a competitive advantage."*

Marketing practice tended to be seen as a creative industry in the past, which included advertising, distribution and selling. However, because the academic study of marketing makes extensive use of social sciences, psychology, sociology, mathematics, economics, anthropology and neuroscience, the profession is now widely recognized as a science, allowing numerous universities to offer Master-of-Science (MSc) programmes. The overall process starts with marketing research and goes through market segmentation, business planning and execution, ending with pre- and post-sales promotional activities. It is also related to many of the creative arts. The marketing literature is also adept at re-inventing itself and its vocabulary according to the times and the culture.

2.3 EVOLUTION OF MARKETING

An orientation, in the marketing context, related to a perception or attitude a firm holds towards its product or service, essentially concerning consumers and end-users. Throughout history, marketing has changed considerably in conjunction with consumer tastes.

2.3.1 Earlier Approaches

The marketing orientation evolved from earlier orientations, namely, the production orientation, the product orientation and the selling orientation.

Table No. 1
Earlier approaches

<i>Orientation</i>	<i>Profit driver</i>	<i>Western European timeframe</i>	<i>Description</i>
Production	Production methods	until the 1950s	A firm focusing on a production orientation specializes in producing as much as possible of a given product or service. Thus, this signifies a firm exploiting economies of scale until the minimum efficient scale is reached. A production orientation may be deployed when a high demand for a product or service exists, coupled with a good certainty that consumer tastes will not rapidly alter (similar to the sales orientation).
Product	Quality of the product	until the 1960s	A firm employing a product orientation is chiefly concerned with the quality of its own product. A firm would also assume that as long as its product was of a high standard, people would buy and consume the product.

Selling	Selling methods	1950s and 1960s	<p>A firm using a sales orientation focuses primarily on the selling/promotion of a particular product, and not determining new consumer desires as such. Consequently, this entails simply selling an already existing product, and using promotion techniques to attain the highest sales possible.</p> <p>Such an orientation may suit scenarios in which a firm holds dead stock, or otherwise sells a product that is in high demand, with little likelihood of changes in consumer tastes that would diminish demand.</p>
Marketing	Needs and wants of customers	1970 to present day	<p>The 'marketing orientation' is perhaps the most common orientation used in contemporary marketing. It involves a firm essentially basing its marketing plans around the marketing concept, and thus supplying products to suit new consumer tastes. As an example, a firm would employ market research to gauge consumer desires, use R&D to develop a product attuned to the revealed information, and then utilize promotion techniques to ensure persons know the product exists.</p>

Source: www.wikipedia.com/evolutionofmarketing

2.3.2 Contemporary Approaches

Recent approaches in marketing include *relationship marketing* with focus on the customer, *business marketing* or *industrial marketing* with focus on an organization or institution and *social marketing* with focus on benefits to society. New forms of marketing also use the internet and are therefore called *internet marketing* or more generally *e-marketing*, *online marketing*, search engine marketing, *desktop advertising* or *affiliate marketing*. It attempts to perfect the segmentation strategy used in traditional marketing. It targets its audience more

precisely, and is sometimes called personalized marketing or one-to-one marketing. Internet marketing is sometimes considered to be broad in scope, because it not only refers to marketing on the Internet, but also includes marketing done via e-mail and wireless media.

Table No. 2
Contemporary approaches

<i>Orientation</i>	<i>Profit driver</i>	<i>Western European timeframe</i>	<i>Description</i>
Relationship marketing / Relationship management	Building and keeping good customer relations	1960s to present day	Emphasis is placed on the whole relationship between suppliers and customers. The aim is to provide the best possible customer service and build customer loyalty.
Business marketing / Industrial marketing	Building and keeping relationships between organizations	1980s to present day	In this context, marketing takes place between businesses or organizations. The product focus lies on industrial goods or capital goods rather than consumer products or end products. Different forms of marketing activities, such as promotion, advertising and communication to the customer are used.
Social marketing	Benefit to society	1990s to present day	Similar characteristics as marketing orientation but with the added proviso that there will be a curtailment of any harmful activities to society, in either product, production, or selling methods.
Branding	Brand value	2000s to present day	In this context, "branding" is the main company philosophy and marketing is considered an instrument of branding philosophy.

Source: www.wikipedia.com/evolutionofmarketing

Figure No. 1

Customer orientation



Constructive criticism helps marketers adapt offerings to meet changing customer needs.

A firm in the market economy survives by producing goods that persons are willing and able to buy. Consequently, ascertaining consumer demand is vital for a firm's future viability and even existence as a going concern. Many companies today have a customer focus (or market orientation). This implies that the company focuses its activities and products on consumer demands. Generally, there are three ways of doing this: the customer-driven approach, the market change identification approach and the product innovation approach.

In the consumer-driven approach, consumer wants are the drivers of all strategic marketing decisions. No strategy is pursued until it passes the test of consumer research. Every aspect of a market offering, including the nature of the product itself, is driven by the needs of potential consumers. The starting point is always the consumer. The rationale for this approach is that there is no reason to spend R&D funds developing products that people will not buy. History attests to many products that were commercial failures in spite of being technological breakthroughs.

A formal approach to this customer-focused marketing is known as *SIVA* (Solution, Information, Value, Access). This system is basically the four Ps renamed and reworded to provide a customer focus. The SIVA Model provides a demand/customer-centric alternative

to the well-known 4Ps supply side model (product, price, placement, promotion) of marketing management.

Product	→	Solution
Price	→	Value
Place	→	Access
Promotion	→	Information

If any of the 4Ps were problematic or were not in the marketing factor of the business, the business could be in trouble and so other companies may appear in the surroundings of the company, so the consumer demand on its products will decrease.

2.3.3 Organizational Orientation

In this sense, a firm's marketing department is often seen as of prime importance within the functional level of an organization. Information from an organization's marketing department would be used to guide the actions of other departments within the firm. As an example, a marketing department could ascertain (via marketing research) that consumers desired a new type of product, or a new usage for an existing product. With this in mind, the marketing department would inform the R&D department to create a prototype of a product/service based on consumers' new desires.

The production department would then start to manufacture the product, while the marketing department would focus on the promotion, distribution, pricing, etc. of the product. Additionally, a firm's finance department would be consulted, with respect to securing appropriate funding for the development, production and promotion of the product. Inter-departmental conflicts may occur, should a firm adhere to the marketing orientation.

Production may oppose the installation, support and servicing of new capital stock, which may be needed to manufacture a new product. Finance may oppose the required capital expenditure, since it could undermine a healthy cash flow for the organization.

2.3.4 Herd Behavior

Herd Behavior in marketing is used to explain the dependencies of customers' mutual behavior. *The Economist* reported a recent conference in Rome on the subject of the simulation of adaptive human behavior. It shared mechanisms to increase impulse buying and get people "to buy more by playing on the herd instinct." The basic idea is that people will buy more of products that are seen to be popular, and several feedback mechanisms to get product popularity information to consumers are mentioned, including smart card technology and the use of Radio Frequency Identification Tag technology. A "swarm-moves" model was introduced by a Florida Institute of Technology researcher, which is appealing to supermarkets because it can "increase sales without the need to give people discounts." Other recent studies on the "power of social influence" include an "artificial music market in which some 19,000 people downloaded previously unknown songs" (Columbia University, New York); a Japanese chain of convenience stores which orders its products based on "sales data from department stores and research companies;" a Massachusetts company exploiting knowledge of social networking to improve sales; and online retailers who are increasingly informing consumers about "which products are popular with like-minded consumers" (e.g., Amazon, eBay).

2.3.5 Further Orientations

- An emerging area of study and practice concerns *internal marketing*, or how employees are trained and managed to deliver the brand in a way that positively impacts the acquisition and retention of customers, see also *employer branding*.
- *Diffusion of innovations* research explores how and why people adopt new products, services, and ideas.

- With consumers' eroding attention span and willingness to give time to advertising messages, marketers are turning to forms of *permission marketing* such as *branded content*, *custom media* and *reality marketing*.

2.3.6 Marketing Research

Marketing research involves conducting research to support marketing activities, and the statistical interpretation of data into information. This information is then used by managers to plan marketing activities, gauge the nature of a firm's marketing environment and attain information from suppliers. Marketing researchers use statistical methods such as quantitative research, qualitative research, hypothesis tests, Chi-squared tests, linear regression, correlations, frequency distributions, poisson distributions, binomial distributions, etc. to interpret their findings and convert data into information. The marketing research process spans a number of stages, including the definition of a problem, development of a research plan, collection and interpretation of data and disseminating information formally in the form of a report. The task of marketing research is to provide management with relevant, accurate, reliable, valid, and current information.

A distinction should be made between *marketing research* and *market research*. Market research pertains to research in a given market. As an example, a firm may conduct research in a target market, after selecting a suitable market segment. In contrast, marketing research relates to all research conducted within marketing. Thus, market research is a subset of marketing research.

2.4 MARKETING ENVIRONMENT

2.4.1 Market Segmentation

Market segmentation pertains to the division of a market of consumers into persons with similar needs and wants. For instance, Kellogg's cereals, Frosties are marketed to children. Crunchy Nut Cornflakes are marketed to adults. Both goods denote two products which are marketed to two distinct groups of persons, both with similar needs, traits, and wants.

Market segmentation allows for a better allocation of a firm's finite resources. A firm only possesses a certain amount of resources. Accordingly, it must make choices (and incur the related costs) in servicing specific groups of consumers. In this way, the diversified tastes of contemporary Western consumers can be served better. With growing diversity in the tastes of modern consumers, firms are taking note of the benefit of servicing a multiplicity of new markets.

Market segmentation can be defined in terms of the *STP* acronym, meaning *Segment*, *Target* and *Position*.

2.4.2 Types of Marketing Research

Marketing research, as a sub-set aspect of marketing activities, can be divided into the following parts:

- Primary research (also known as field research), which involves the conduction and compilation of research for a specific purpose.
- Secondary research (also referred to as desk research), initially conducted for one purpose, but often used to support another purpose or end goal.

By these definitions, an example of primary research would be market research conducted into health foods, which is used *solely* to ascertain the needs/wants of the target market for health foods. Secondary research in this case would be research pertaining to health foods, but used by a firm wishing to develop an unrelated product.

Primary research is often expensive to prepare, collect and interpret from data to information. Nevertheless, while secondary research is relatively inexpensive, it often can become outdated and outmoded, given that it is used for a purpose other than the one for which it was intended. Primary research can also be broken down into quantitative research and qualitative research, which, as the terms suggest, pertain to numerical and non-numerical research methods and techniques, respectively. The appropriateness of each mode of research depends on whether data can be quantified (quantitative research), or whether subjective, non-numeric or abstract concepts are required to be studied (qualitative research).

There also exist additional modes of marketing research, which are:

- Exploratory research, pertaining to research that investigates an assumption.
- Descriptive research, which, as the term suggests, describes "what is".
- Predictive research, meaning research conducted to predict a future occurrence.
- Conclusive research, for the purpose of deriving a conclusion via a research process.

2.4.3 Marketing Planning

The *marketing planning* process involves forging a plan for a firm's marketing activities. A marketing plan can also pertain to a specific product, as well as to an organization's overall marketing strategy. Generally speaking, an organization's marketing planning process is derived from its overall business strategy. Thus, when top management are devising the firm's strategic direction or mission, the intended marketing activities are incorporated into this plan. There are several levels of marketing objectives within an organization. The senior management of a firm would formulate a general business strategy for a firm. However, this general business strategy would be interpreted and implemented in different contexts throughout the firm.

2.4.4 Marketing Strategy

The field of marketing strategy encompasses the strategy involved in the management of a given product.

A given firm may hold numerous products in the marketplace, spanning numerous and sometimes wholly unrelated industries. Accordingly, a plan is required in order to effectively manage such products. Evidently, a company needs to weigh up and ascertain how to utilize its finite resources. For example, a start-up car manufacturing firm would face little success should it attempt to rival Toyota, Ford, Nissan, Chevrolet, or any other large global car maker. Moreover, a product may be reaching the end of its life-cycle. Thus, the issue of divest, or a ceasing of production, may be made. Each scenario requires a unique marketing strategy. Listed below are some prominent marketing strategy models.

2.4.5 Marketing Specializations

With the rapidly emerging force of globalization, the distinction between marketing within a firm's home country and marketing within external markets is disappearing very quickly. With this in mind, firms need to reorient their marketing strategies to meet the challenges of the global marketplace, in addition to sustaining their competitiveness within home markets.

2.4.6 Buying Behaviour

A marketing firm must ascertain the nature of customers' buying behavior if it is to market its product properly. In order to entice and persuade a consumer to buy a product, marketers try to determine the behavioral process of how a given product is purchased. Buying behavior is usually split into two prime strands, whether selling to the consumer, known as business-to-consumer (B2C), or to another business, known as business-to-business (B2B).

2.4.7 B2C Buying Behaviour

This mode of behaviour concerns consumers and their purchase of a given product. For example, if one imagines a pair of sneakers, the desire for a pair of sneakers would be followed by an information search on available types/brands. This may include perusing media outlets, but most commonly consists of information gathered from family and friends. If the information search is insufficient, the consumer may search for alternative means to satisfy the need/want. In this case, this may mean buying leather shoes, sandals, etc. The purchase decision is then made, in which the consumer actually buys the product. Following this stage, a post-purchase evaluation is often conducted, comprising an appraisal of the value/utility brought by the purchase of the sneakers. If the value/utility is high, then a repeat purchase may be made. This could then develop into consumer loyalty to the firm producing the sneakers.

2.4.8 B2B Buying Behaviour

Relates to organizational/industrial buying behavior. "B2B" stands for Business to Business. B2B marketing involves one business marketing a product or service to another business.

B2C and B2B behavior are not precise terms, as similarities and differences exist, with some key differences listed below:

In a straight re-buy, the fourth, fifth and sixth stages are omitted. In a modified re-buy scenario, the fifth and sixth stages are precluded. In a new buy, all stages are conducted.

2.4.9 Use of Technologies

Marketing management can also rely on various technologies within the scope of its marketing efforts. Computer-based information systems can be employed, aiding in better processing and storage of data. Marketing researchers can use such systems to devise better methods of converting data into information, and for the creation of enhanced data gathering methods. Information technology can aid in enhancing an MKIS' software and hardware components, and improve a company's marketing decision-making process.

In recent years, the net book personal computer has gained significant market share among laptops, largely due to its more user-friendly size and portability. Information technology typically progresses at a fast rate, leading to marketing managers being cognizant of the latest technological developments. Moreover, the launch of smart phones into the cell phone market is commonly derived from a demand among consumers for more technologically advanced products. A firm can lose out to competitors should it ignore technological innovations in its industry.

Technological advancements can lessen barriers between countries and regions. Using the World Wide Web, firms can quickly dispatch information from one country to another without much restriction. Prior to the mass usage of the Internet, such transfers of information would have taken longer to send, especially if done via snail mail, telex, etc.

2.4.10 Services Marketing

Services marketing relates to the marketing of services, as opposed to tangible products. A service (as opposed to a good) is typically defined as follows:

- The use of it is inseparable from its purchase (i.e., a service is used and consumed simultaneously)
- It does not possess material form, and thus cannot be touched, seen, heard, tasted, or smelled.
- The use of a service is inherently subjective, meaning that several persons experiencing a service would each experience it uniquely.

For example, a train ride can be deemed a service. If one buys a train ticket, the use of the train is typically experienced concurrently with the purchase of the ticket. Although the train is a physical object, one is not paying for the permanent ownership of the tangible components of the train.

Services (compared with goods) can also be viewed as a spectrum. Not all products are pure goods, nor are all pure services. An example would be a restaurant, where a waiter's service is intangible, but the food is tangible.

Along with opportunities today's business environment is full of threats and challenges. Among such kind of complicated environment are organization needs to produce and market their products to achieve their goal as well as survive and thrive for their existence. This is the age of globalization. It has brought the drastic change in global market. Development of S & T makes a world as a global village. Seller of one corner of the world can sale his product to the buyers of the opposite corner of the world at a click of mouse. Better, faster and more competitive organization can overcome the threats and exploit the opportunities through the pertinent marketing and strategy. So marketing is becoming hot subject for every business organization in this fast changing world.

Prof. Govinda Ram Agrawal (2001:1) identifies the today's marketing environment characteristics as follows:

- **Globalization:** Global corporations are present in most of the markets; no domestic market is safe from competition.
- **Technological Changes:** Technological advances have shortened the time and distances. New product appears worldwide in a short period. Consumers are using internet and computers for shopping purpose.
- **Liberalization:** Deregulation has brought competition everywhere. Public enterprises are being privatized.

For a managerial definition marketing has often been described as “the art of selling products”, but people are surprised when they hear that the most important part of marketing is not selling! Selling is only the tip of the marketing iceberg (kotler’s 2003:9).

The above definition outlines that marketing is not only the art of selling products but also the integrative activities of marketing where the selling is the part of marketing activities.

Prof. Dr. E. Jerome Mc Carthy & Dr. William D. Perreault (1990:3) argue the effects of marketing in almost every aspect of our daily life are as follows:

When it’s time to-roll—out of bed in the morning; does your general alarm make you with a buzzer playing your favorite radio station? Is the station playing rock, classical, or country music? Will you slip into your Levi’s, your shirt from L.L. bean and yours Nikes, or does the day called for your brooks brothers’ suit? Will breakfast be Kellogg’s corn flakes-made with corn from Americans heart land or some “extra large” eggs and Horne! Bacon cooked in Panasonic micro wave imported from Japan/ Will it be Maxwell house coffee-grown in Colombia or some minute made as Orange Juice? May be you are late and plan to get an egg Mc Muffin at the M.C. Donald’s drive thru. When you leave home, will it be in a Toyota, on a Huffy Bike , or on the bus that the city bought from General Motors.

When you think about it, you can’t get very far into a day without bumping into marketing and what the whole marketing system for you. It affects every aspect of our lives often in ways we don’t ever consider.

It means that most of the human and social needs are extremely related with marketing activities. An organization can achieve its goals by fulfilling the customer's need or satisfying them through proper marketing activities. Marketing helps organization to find out what their customer's needs and wants. After identifying the customer's needs and wants, the ultimate achievement of the marketing is to win the large marketing share, heart share and mind share of the customer's. Marketing requires separate work and a distinct group of activities. But it is first a central dimension of the entire business. It is the whole business seen from the point of view of its final result that is from the customer point of view (Carvens, Hill & Wood ruff, 1988:4).

Some of the important definitions of prominent writers are as follows:

According to Prof. Cundiff, Still & Govini (1982:5):

Marketing activities are those most directly concerned with the demand stimulating and demand fulfilling efforts of the enterprise. These activities interlock and interact with another as component of the total system by which a company develops and makes its product available, distributes them through marketing channels, promotes them and price them. From the above definition we can understand that the marketing is the combination of the four 4Ps.(i.e. product, place , price promotion).

Prof. Philip Kotler (2003:9) in his famous book marketing management defines marketing as ,
“ a social and managerial process by which individuals and groups obtain what they need and want through creating and friendly exchanging products and services of value with others. “
Kotler states that marketing is the set of human activities facilitates and consummates the exchange transaction. There are some core marketing concept like needs, wants and demands; products and services utility, value and satisfaction; exchange transaction and relationship; social and managerial process; markets; marketing and marketers and individual single buyer and group institutional buyers.

2.5 ROLE OF MARKETING IN INDUSTRIALIZATION

Marketing plays a very significant role in acceleration the pace of industrialization which in turn aims at making the economy developed and strong. In this connection it is significant to note that marketing is the most important multiplier of economics development. The development of marketing makes possible economics integration and the fullest utilization of assets and production capacity and economic already possesses. It mobilizes the latent economic energy and finally contributors to the greatest need that for the rapid development of entrepreneurs and managers. Ultimately the development of the entrepreneurs and managers help in managing industrial activities in a country. It is evident that industrially developed countries are developed in the area of marketing too.

Marketing plays important role in the process of industrialization. The proceeds of industrial activity are passed on to the society through the process of marketing. Hence the success or failure of business largely hinges upon the art and science of marketing which is composed of explorative knowledge tact and talent of veteran practitioners. In the global market the multi-national companies like sony, Hitachi, TOSHIBA, Philips, Proctor and Gamble, Johnson and Nicholson and many others have been permitting through out the world with the help of modern marketing practice and methods. So are Tata , the Birla , the Bajaj India and the STC, Thai Foods and Pancha Kanya Iron in Nepal. Marketing in this sense has made the producers as well as the customer's more conscious towards comparative services, values, safety, satisfaction and convenience (Sharma, 1999:4).

Sherbini (1995) has contended that marketing is instrumental for industrial development. He also observes that marketing problems could be more obtrusive than many other deterrents to process of industrialization. The growth of marketing attributes to disseminate new ideas favorable to economic growth. Hirsch (1961) pointed out that growth in marketing could help disseminate new ideas favorable to economic growth, new pattern of consumption possible new techniques and the end purpose of business enterprises.

Lazer (1969) while discussing the need for broadening the social role of marketing argues that it can help reduce and eliminate poverty preserves and natural resources and stimulate economic growth. Slater (1976) mentions that it has become an article of faith among

preachers of the gospel that marketing has something vital and constructive to add to development efforts. Kacker (1982) asserts that marketing enhances potential aggregate demand, which further aids to enlarge market and accelerate economic development. Rao (1982:60) opines that it plays the role of an educator, it cultivates changes in public attitudes, it brings about changes in the quality of life, it encourages a modern way of living, it strives to build efficient economic and social institutions; it strives to secure the satisfaction of the public which is the primary recipient of national development. Antonym (1984) adds that marketing has a cost-reducing dimension. Effective marketing not only creates new and bigger markets thereby helping to activate production, it enables industries to reduce cost, create further demand and ensure further production increases.

2.5.1 Export-oriented Industrialization

Export-oriented Industrialization (EOI) sometimes called export substitution industrialization (ESI) or export-led industrialization (ELI) is a trade and economic policy aiming to speed-up the industrialization process of a country through exporting goods for which the nation has a comparative advantage. Export-led growth implies opening domestic markets to foreign competition in exchange for market access in other countries.

However, this may not be true of all domestic markets, as governments may aim to protect specific nascent industries so they grow and are able to exploit their future comparative advantage and in practice the converse can occur. For example, many East Asian countries had strong barriers on imports during most of the 1960s-1980s.

Reduced tariff barriers, floating exchange rate (devaluation of national currency is often employed to facilitate exports), and government support for exporting sectors are all an example of policies adopted to promote EOI, and ultimately economic development. Export-oriented Industrialization was particularly characteristic of the development of the national economies of the Asian Tigers: Hong Kong, South Korea, Taiwan and Singapore in the post-World War II period.

Limitations

Despite its support in mainstream economic circles, its success has been increasingly challenged over recent years due a growing number of examples in which it has not yielded the expected results. EOI increases market sensitivity to exogenous factors, and is partially responsible for the damage done by the 1998 economic crisis to the economies of countries who used export-oriented industrialization. It is also criticized for its lack of product diversity as economies pursue their comparative advantage, which makes the economies potentially unstable if demand for their specialization falls; this is something which occurred during the financial crisis of 2007–2010 and subsequent global recession.

Other criticisms include that export orientated industrialization has limited success if the economy is experiencing a decline in its terms of trade, where prices for its exports are rising at a slower rate than that of its imports. This is true of many economies aiming to exploit their comparative advantage in primary commodities as they have a long term trend of declining prices, noted in the Singer-Prebisch thesis though there are criticisms of this thesis as practical contradictions have occurred. Primary commodity dependency also links to the weakness of excessive specialization as primary commodities have incredible price volatility, given the inelastic nature of their demand, leading to a disproportionately large change in price given a change in demand for them.

The problem is that EOI presupposes that a government contains the relevant market knowledge to judge whether or not an industry to be given development subsidies which will prove a good investment in the future. The ability of any government to do this is limited as it will not have occurred through the natural interaction of market forces of supply and demand. Also to exploit a potential comparative advantage requires a significant amount of investment which governments can only supply a limited amount of. In many LEDCs it is necessary for multinational corporations to provide the foreign direct investment, knowledge, skills and training needed to develop an industry and exploit the future comparative advantage.

History

Export-oriented industrialization is often contrasted with import substitution industrialization. It grew as a reaction to import substitution and it widely championed by many free markets economists who are influenced by traditional proponents of free trade, such as Adam Smith and David Ricardo. The economists who devised the theories of specialization and comparative advantage, respectively.

2.6 GLOBAL MARKETING

The Oxford University Press defines **global marketing** as “marketing on a worldwide scale reconciling or taking commercial advantage of global operational differences, similarities and opportunities in order to meet global objectives.” Oxford University Press’ Glossary of Marketing Terms.

Here are three reasons for the shift from domestic to global marketing as given by the authors of the textbook, *Global Marketing Management—3rd Edition* by Masaaki Kotabe and Kristiaan Helsen, 2004.

2.6.1 Worldwide Competition

One of the product categories in which global competition has been easy to track in U.S. is automotive sales. The increasing intensity of competition in global markets is a challenge facing companies at all stages of involvement in international markets. As markets open up, and become more integrated, the pace of change accelerates, technology shrinks distances between markets and reduces the scale advantages of large firms, new sources of competition emerge, and competitive pressures mount at all levels of the organization. Also, the threat of competition from companies in countries such as India, China, Malaysia, and Brazil is on the rise, as their own domestic markets are opening up to foreign competition, stimulating greater awareness of international market opportunities and of the need to be internationally competitive. Companies which previously focused on protected domestic markets are entering into markets in other countries, creating new sources of competition, often targeted to price-sensitive market segments. Not only is competition intensifying for all firms regardless of

their degree of global market involvement, but the basis for competition is changing. Competition continues to be market-based and ultimately relies on delivering superior value to consumers. However, success in global markets depends on knowledge accumulation and deployment.

2.6.2 Evolution to Global Marketing

Global marketing is not a revolutionary shift, it is an evolutionary process. While the following does not apply to all companies, it does apply to most companies that begin as domestic-only companies.

2.6.3 Domestic Marketing

A marketing restricted to the political boundaries of a country, is called "Domestic Marketing". A company marketing only within its national boundaries only has to consider domestic competition. Even if that competition includes companies from foreign markets, it still only has to focus on the competition that exists in its home market. Products and services are developed for customers in the home market without thought of how the product or service could be used in other markets. All marketing decisions are made at headquarters.

The biggest obstacle these marketers face is being blindsided by emerging global marketers. Because domestic marketers do not generally focus on the changes in the global marketplace, they may not be aware of a potential competitor who is a market leader on three continents until they simultaneously open 20 stores in the Northeastern U.S. These marketers can be considered ethnocentric as they are most concerned with how they are perceived in their home country. Exporting goods to other countries.

2.6.4 International Marketing

If the exporting departments are becoming successful but the costs of doing business from headquarters plus time differences, language barriers, and cultural ignorance are hindering the company's competitiveness in the foreign market, then offices could be built in the foreign countries. Sometimes companies buy firms in the foreign countries to take advantage of

relationships, storefronts, factories, and personnel already in place. These offices still report to headquarters in the home market but most of the marketing mix decisions are made in the individual countries since that staff is the most knowledgeable about the target markets. Local product development is based on the needs of local customers. These marketers are considered polycentric because they acknowledge that each market/country has different needs.

2.6.5 Elements of the Global Marketing Mix

The “Four P’s” of marketing: product, price, placement, and promotion are all affected as a company moves through the five evolutionary phases to become a global company. Ultimately, at the global marketing level, a company trying to speak with one voice is faced with many challenges when creating a worldwide marketing plan. Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.) it is impossible to launch identical marketing plans worldwide. Nisant Chakram(Marketing Management)

Product

A global company is one that can create a single product and only have to tweak elements for different markets. For example, Coca-Cola uses two formulas (one with sugar, one with corn syrup) for all markets. The product packaging in every country incorporates the contour bottle design and the dynamic ribbon in some way, shapes, or form. However, the bottle or can also includes the country’s native language and is the same size as other beverage bottles or cans in that same country.

Price

Price will always vary from market to market. Price is affected by many variables: cost of product development (produced locally or imported), cost of ingredients, cost of delivery (transportation, tariffs, etc.), and much more. Additionally, the product’s position in relation to the competition influences the ultimate profit margin. Whether this product is considered

the high-end, expensive choice, the economical, low-cost choice, or something in-between helps determine the price point.

Placement

How the product is distributed is also a country-by-country decision influenced by how the competition is being offered to the target market. Using Coca-Cola as an example again, not all cultures use vending machines. In the United States, beverages are sold by the pallet via warehouse stores. In India, this is not an option. Placement decisions must also consider the product's position in the market place. For example, a high-end product would not want to be distributed via a "dollar store" in the United States. Conversely, a product promoted as the low-cost option in France would find limited success in a pricey boutique.

Promotion

After product research, development and creation, promotion (specifically advertising) is generally the largest line item in a global company's marketing budget. At this stage of a company's development, integrated marketing is the goal. The global corporation seeks to reduce costs, minimize redundancies in personnel and work, maximize speed of implementation, and to speak with one voice. If the goal of a global company is to send the same message worldwide, then delivering that message in a relevant, engaging, and cost-effective way is the challenge.

Effective global advertising techniques do exist. The key is testing advertising ideas using a marketing research system proven to provide results that can be compared across countries. The ability to identify which elements or moments of an ad are contributing to that success is how economies of scale are maximized. Market research measures such as Flow of Attention, Flow of Emotion and branding moments provide insights into what is working in an ad in any country because the measures are based on visual, not verbal, elements of the ad.

2.6.6 Advantages and Disadvantages

Advantages

- The advantages of global market we can introduce our product by using advertising
- Economies of scale in production and distribution
- Lower marketing costs
- Power and scope
- Consistency in brand image
- Ability to leverage good ideas quickly and efficiently
- Uniformity of marketing practices
- Helps to establish relationships outside of the "political arena"
- Helps to encourage ancillary industries to be set up to cater for the needs of the global player
- Benefits of eMarketing over traditional marketing

Reach

The nature of the internet means businesses now have a truly global reach. While traditional media costs limit this kind of reach to huge multinationals, eMarketing opens up new avenues for smaller businesses, on a much smaller budget, to access potential consumers from all over the world.

Scope

Internet marketing allows the marketer to reach consumers in a wide range of ways and enables them to offer a wide range of products and services. eMarketing includes, among other things, information management, public relations, customer service and sales. With the range of new technologies becoming available all the time, this scope can only grow.

Interactivity

Whereas traditional marketing is largely about getting a brand's message out there, eMarketing facilitates conversations between companies and consumers. With a two way

communication channel, companies can feed off of the responses of their consumers, making them more dynamic and adaptive.

Immediacy

Internet marketing is able to, in ways never before imagined, provide an immediate impact. Imagine you're reading your favorite magazine. You see a double-page advert for some new product or service, maybe BMW's latest luxury sedan or Apple's latest iPod offering. With this kind of traditional media, it's not that easy for you, the consumer, to take the step from hearing about a product to actual acquisition. With eMarketing, it's easy to make that step as simple as possible, meaning that within a few short clicks you could have booked a test drive or ordered the iPod. And all of this can happen regardless of normal office hours. Effectively, Internet marketing makes business hours 24 hours per day, 7 days per week for every week of the year. By closing the gap between providing information and eliciting a consumer reaction, the consumer's buying cycle is speeded up and advertising spend can go much further in creating immediate leads.

Demographics and Targeting

Generally speaking, the demographics of the Internet are a marketer's dream. Internet users, considered as a group, have greater buying power and could perhaps be considered as a population group skewed towards the middle-classes. Buying power is not all though. The nature of the Internet is such that its users will tend to organize themselves into far more focused groupings. Savvy marketers who know where to look can quite easily find access to the niche markets they wish to target. Marketing messages are most effective when they are presented directly to the audience most likely to be interested. The Internet creates the perfect

Adaptivity and closed loop Marketing

Closed Loop Marketing requires the constant measurement and analysis of the results of marketing initiatives. By continuously tracking the response and effectiveness of a campaign, the marketer can be far more dynamic in adapting to consumers' wants and needs. With eMarketing, responses can be analyzed in real-time and campaigns can be tweaked

continuously. Combined with the immediacy of the Internet as a medium, this means that there's minimal advertising spend wasted on less than effective campaigns. Maximum marketing efficiency from eMarketing creates new opportunities to seize strategic competitive advantages. The combination of all these factors results in an improved ROI and ultimately, more customers, happier customers and an improved bottom line.

Disadvantages

- Differences in consumer needs, wants, and usage patterns for products
- Differences in consumer response to marketing mix elements
- Differences in brand and product development and the competitive environment
- Differences in the legal environment, some of which may conflict with those of the home market
- Differences in the institutions available, some of which may call for the creation of entirely new ones (e.g. infrastructure)
- Differences in administrative procedures
- Differences in product placement.
- Differences in the administrative procedures and product placement can occur

2.7 MARKETING STRATEGY

Marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage.

2.7.1 Developing a Marketing Strategy

Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objectives. Plans and objectives are generally tested for measurable results. Commonly, marketing strategies are developed as multi-year plans, with a tactical plan detailing specific actions to be accomplished in the current year. Time horizons covered by the marketing plan vary by company, by industry, and by nation, however, time horizons are becoming shorter as the speed of change in the environment increases. Marketing

strategies are dynamic and interactive. They are partially planned and partially unplanned. Marketing strategy involves careful scanning of the internal and external environments which are summarized in a SWOT analysis. Internal environmental factors include the marketing mix, plus performance analysis and strategic constraints. External environmental factors include customer analysis, competitor analysis, target market analysis, as well as evaluation of any elements of the technological, economic, cultural or political/legal environment likely to impact success. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement.

Once a thorough environmental scan is complete, a strategic plan can be constructed to identify business alternatives, establish challenging goals, determine the optimal marketing mix to attain these goals, and detail implementation. A final step in developing a marketing strategy is to create a plan to monitor progress and a set of contingencies if problems arise in the implementation of the plan.

2.7.2 Types of Strategies

Marketing strategies may differ depending on the unique situation of the individual business. However there are a number of ways of categorizing some generic strategies. A brief description of the most common categorizing schemes is presented below:

- Strategies based on market dominance - In this scheme, firms are classified based on their market share or dominance of an industry. Typically there are four types of market dominance strategies:
 - Leader
 - Challenger
 - Follower
 - Nicher
- Porter generic strategies - strategy on the dimensions of strategic scope and strategic strength. Strategic scope refers to the market penetration while strategic strength refers to the firm's sustainable competitive advantage. The generic strategy framework (porter 1984) comprises two alternatives each with two alternative scopes. These are

Differentiation and *low-cost leadership* each with a dimension of *Focus*-broad or narrow.

- Product differentiation (broad)
- Cost leadership (broad)
- Market segmentation (narrow)
- Innovation strategies - This deals with the firm's rate of the new product development and business model innovation. It asks whether the company is on the cutting edge of technology and business innovation. There are three types:
 - Pioneers
 - Close followers
 - Late followers
- Growth strategies - In this scheme we ask the question, “How should the firm grow?” There are a number of different ways of answering that question, but the most common gives four answers:
 - Horizontal integration
 - Vertical integration
 - Diversification
 - Intensification

A more detailed scheme uses the categories:

- Prospector
- Analyzer
- Defender
- Reactor
- Marketing warfare strategies - This scheme draws parallels between marketing strategies and military strategies.

2.7.3 Strategic Models

Marketing participants often employ strategic models and tools to analyze marketing decisions. When beginning a strategic analysis, the 3Cs can be employed to get a broad

understanding of the strategic environment. An Ansoff Matrix is also often used to convey an organization's strategic positioning of their marketing mix. The 4Ps can then be utilized to form a marketing plan to pursue a defined strategy.

There are many companies especially those in the Consumer Package Goods (CPG) market that adopt the theory of running their business centered on Consumer, Shopper & Retailer needs. Their Marketing departments spend quality time looking for "Growth Opportunities" in their categories by identifying relevant insights (both mindsets and behaviors) on their target Consumers, Shoppers and retail partners. These Growth Opportunities emerge from changes in market trends; segment dynamics changing and also internal brand or operational business challenges. The Marketing team can then prioritize these Growth Opportunities and begin to develop strategies to exploit the opportunities that could include new or adapted products, services as well as changes to the 7Ps.

2.7.4 Real-life Marketing

Real-life marketing primarily revolves around the application of a great deal of common-sense; dealing with a limited number of factors, in an environment of imperfect information and limited resources complicated by uncertainty and tight timescales. Use of classical marketing techniques, in these circumstances, is inevitably partial and uneven.

Thus, for example, many new products will emerge from irrational processes and the rational development process may be used (if at all) to screen out the worst non-runners. The design of the advertising, and the packaging, will be the output of the creative minds employed; which management will then screen, often by 'gut-reaction', to ensure that it is reasonable.

For most of their time, marketing managers use intuition and experience to analyze and handle the complex, and unique, situations being faced; without easy reference to theory. This will often be 'flying by the seat of the pants', or 'gut-reaction'; where the overall strategy, coupled with the knowledge of the customer which has been absorbed almost by a process of osmosis, will determine the quality of the marketing employed. This, almost instinctive management, is what is sometimes called 'coarse marketing'; to distinguish it from the refined, aesthetically pleasing, form favored by the theorists.

2.8 AN OVERVIEW OF STRATEGIC MARKETING MANAGEMENT

Marketing irony of cultural values is the next pivotal element to an industry's survival prosperity or quit from a particular market. Campbell soup withdrew from markets in Brazil because housewives believed that they were not fulfilling homemaker's role if they served canned soups. Even in the countries like Japan, Australia, Singapore and many European countries consumers seem to put their money where their mouth is regarding the purchase of environmentally sensitive products in spite of being environmentalism political factors. However, this factor of marketing may be underestimated in the countries like Nepal, Bangladesh, Pakistan and India and so on where there is crying need for clothes, food and shelter; and lower purchasing capacity; and irregular buying habit as compared to marketing rich countries (Sharma, 1999:4-5).

Strategic marketing management is a system designed to help management both precipitate & make strategic decision, as well as create strategic vision. A strategic decision involves the creation, change or retention of the resources & time required to reverse, or change it. The cost of altering a wrong decision may be so high as to threaten the very existence of an organization. Normally, a strategy decision has a time frame greater than one year; sometimes decades are involved (Aaker, 2001:18).

A strategic vision is vision of a future strategy or sets of strategies. The realization of an optimal strategy for a firm may involve a delay because the firm is not ready or the emerging conditions are not yet in place. A vision will provide direction & purpose for interim strategies & strategies (Aaker:180.)

An importance vision is a vision of the system is to precipitate as well as make strategic response is frequently a critical step. Many strategic blunders occur because a strategic decision process was never activated, not because an incorrect decision was made. Furthermore, the role of strategic market management is not limited to selecting from among decision alternatives, but it includes the identification of alternatives as well. Much of the analysis is therefore concerned with identifying alternatives (Asker, 2001:18).

Overviews of its principal elements are as follows:

External Analysis	Internal Analysis
Customer Analysis: Segments, motivations, unmet needs	Performance Analysis: Profitability, sales, shareholder value analysis, customer satisfaction, product quality, brand associations, relative cost, new products, employee capability and performance, product portfolio analysis.
Competitor Analysis: Identify strategic groups, performance, image, objectives, strategies, culture, cost, structure, strengths, and weakness.	Determinants of Strategic Options: Past and current strategies, strategic problems, organizational capabilities and constraints. Financial resources and constraints, strengths and weaknesses.
Market Analysis: Size, Projected Growth profitability, entry barriers. Cost structure, distribution systems, trends, key success factors.	
Environmental Analysis: Technological, governmental, economic, cultural, demography, scenarios, information-need areas.	



Opportunities, threats, trends and problems



Strategic strengths, weakness,

Strategic uncertainties

constraints and uncertainties



Strategy Identification and Selection

- Identify strategic alternatives.
- Product-market investment strategies.
- Functional area strategies.
- Assets, competencies, and synergies.
- Select strategy.
- Implement the operating plan
- Review strategies.

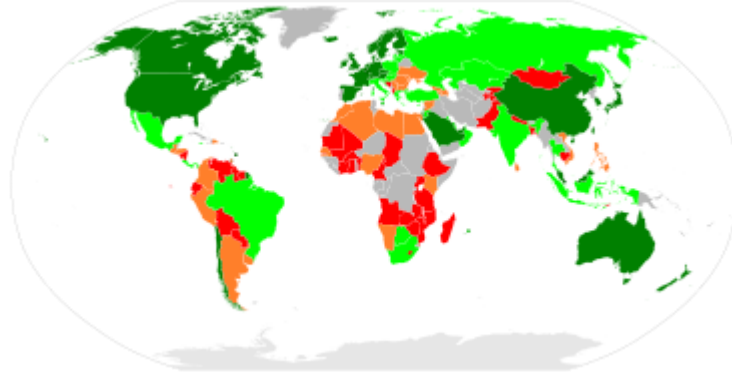
2.9 INTERNATIONAL TRADE

International Trade is exchange of capital, goods, and services across international borders or territories. In most countries, it represents a significant share of gross domestic product (GDP). While international trade has been present throughout much of history (see Silk Road, Amber Road), its economic, social, and political importance has been on the rise in recent centuries.

Industrialization, advanced transportation, globalization, multinational corporations, and outsourcing are all having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization. Without international trade, nations would be limited to the goods and services produced within their own borders.

Figure No. 2

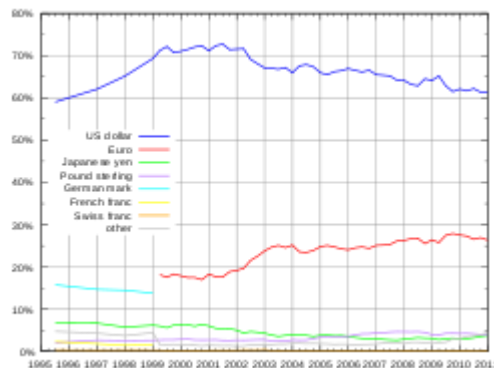
International trade



Global Competitiveness Index (2008-2009): competitiveness is an important determinant for the well-being of states in an international trade environment.

Figure No. 3

International Trade



International trade is in principle not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across a border or not. The main difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such

as tariffs, time costs due to border delays and costs associated with country differences such as language, the legal system or culture.

Another difference between domestic and international trade is that factors of production such as capital and labour are typically more mobile within a country than across countries. Thus international trade is mostly restricted to trade in goods and services, and only to a lesser extent to trade in capital, labor or other factors of production. Then trade in goods and services can serve as a substitute for trade in factors of production.

Instead of importing a factor of production, a country can import goods that make intensive use of the factor of production and are thus embodying the respective factor. An example is the import of labor-intensive goods by the United States from China. Instead of importing Chinese labor the United States is importing goods from China that were produced with Chinese labor.

International trade is also a branch of economics, which, together with international finance, forms the larger branch of international economics.

2.9.1 Models

Several different models have been proposed to predict patterns of trade and to analyze the effects of trade policies such as tariffs.

Figure No. 4
Ricardian model



The Panama Canal is important for international sea trade between the Atlantic Ocean and the Pacific Ocean.

The Ricardian model focuses on comparative advantage, perhaps the most important concept in international trade theory. In a Ricardian model, countries specialize in producing what they produce best. Unlike other models, the Ricardian framework predicts that countries will fully specialize instead of producing a broad array of goods.

Also, the Ricardian model does not directly consider factor endowments, such as the relative amounts of labor and capital within a country. The main merit of Ricardian model is that it assumes technology differences between countries. Technology gap is easily included in the Ricardian and Ricardo-Sraffa model.

The Ricardian model makes the following assumptions:

1. Labor is the only primary input to production (labor is considered to be the ultimate source of value).
2. Constant Marginal Product of Labor (MPL) (Labor productivity is constant, constant returns to scale, and simple technology.)

3. Limited amount of labor in the economy
4. Labor is perfectly mobile among sectors but not internationally.
5. Perfect competition (price-takers).

The Ricardian model measures in the short-run, therefore technology differs internationally. This supports the fact that countries follow their comparative advantage and allows for specialization.

Heckscher-Ohlin Model

In the early 1900s an international trade theory called factor proportions theory emerged by two Swedish economists, Eli Heckscher and Bertil Ohlin. This theory is also called the Heckscher-Ohlin theory. The Heckscher-Ohlin theory stresses that countries should produce and export goods that require resources (factors) that are abundant and import goods that require resources in short supply. This theory differs from the theories of comparative advantage and absolute advantage since those theories focus on the productivity of the production process for a particular good. On the contrary, the Heckscher-Ohlin theory states that a country should specialize production and export using the factors that are most abundant, and thus the cheapest. Not to produce, as earlier theories stated, the goods it produces most efficiently.

The Heckscher-Ohlin model was produced as an alternative to the Ricardian model of basic comparative advantage. Despite its greater complexity it did not prove much more accurate in its predictions. However from a theoretical point of view it did provide an elegant solution by incorporating the neoclassical price mechanism into international trade theory.

The theory argues that the pattern of international trade is determined by differences in factor endowments. It predicts that countries will export those goods that make intensive use of locally abundant factors and will import goods that make intensive use of factors that are locally scarce. Empirical problems with the H-O model, known as the Leontief paradox, were exposed in empirical tests by Wassily Leontief who found that the United States tended to export labor intensive goods despite having a capital abundance.

The H-O model makes the following core assumptions:

1. Labor and capital flow freely between sectors
2. The production of shoes is labor intensive and the production of computers is capital intensive
3. The amount of labor and capital in two countries differ (difference in endowments)
4. Free trade
5. Technology is the same across countries (long-term)
6. Tastes are the same.

The problem with the H-O theory is that it excludes the trade of capital goods (including materials and fuels). In the H-O theory, labor and capital are fixed entities endowed to each country. In a modern economy, capital goods are traded internationally. Gains from trade of intermediate goods are considerable, as it was emphasized by Samuelson (2001).

Reality and Applicability of the Heckscher-Ohlin Model

The Heckscher-Ohlin theory is preferred to the Ricardo theory by many economists, because it makes fewer simplifying assumptions. In 1953, Wassily Leontief published a study, where he tested the validity of the Heckscher-Ohlin theory. The study showed that the U.S was more abundant in capital compared to other countries, therefore the U.S would export capital-intensive goods and import labour-intensive goods. Leontief found out that the U.S's export was less capital intensive than import.

After the appearance of Leontief's paradox, many researchers tried to save the Heckscher-Ohlin theory, either by new methods of measurement, or either by new interpretations. Leamer emphasized that Leontief did not interpret HO theory properly and claimed that with a right interpretation paradox did not occur. Brecher and Choudri found that, if Leamer was right, the American workers consumption per head should be lower than the workers world average consumption.

Many other trials followed but most of them failed. Many famous textbook writers, including Krugman and Obstfeld and Bowen, Hollander and Viane, are negative about the validity of H-

O model. After examining the long history of empirical research, Bowen, Hollander and Viane concluded: "Recent tests of the factor abundance theory [H-O theory and its developed form into many-commodity and many-factor case] that directly examine the H-O-V equations also indicate the rejection of the theory.

Heckscher-Ohlin theory is not well adapted to the analyze South-North trade problems. The assumptions of HO are less realistic with respect to N-S than N-N (or S-S) trade. Income differences between North and South is the one that third world cares most. The factor price equalization [a consequence of HO theory] has not shown much sign of realization. HO model assumes identical production functions between countries. This is highly unrealistic. Technological gap between developed and developing countries is the main concern of the poor countries.

Specific Factors Model

In this model, labor mobility between industries is possible while capital is immobile between industries in the short-run. Thus, this model can be interpreted as a 'short run' version of the Heckscher-Ohlin model. The specific factors name refers to the given that in the short-run, specific factors of production such as physical capital are not easily transferable between industries. The theory suggests that if there is an increase in the price of a good, the owners of the factor of production specific to that good will profit in real terms; in other terms, the international trade is the biggest network on the earth.

Additionally, owners of opposing specific factors of production (i.e. labor and capital) are likely to have opposing agendas when lobbying for controls over immigration of labor. Conversely, both owners of capital and labor profit in real terms from an increase in the capital endowment. This model is ideal for particular industries. This model is ideal for understanding income distribution but awkward for discussing the pattern of trade.

New Trade Theory

New Trade Theory tries to explain empirical elements of trade that comparative advantage-based models above have difficulty with. These include the fact that most trade is between

countries with similar factor endowment and productivity levels, and the large amount of multinational production (i.e. foreign direct investment) which exists. New Trade theories are often based on assumptions like monopolistic competition and increasing returns to scale. One result of these theories is the home-market effect, which asserts that, if an industry tends to cluster in one location because of returns to scale and if that industry has high transportation costs, the industry will be located in the country with most of its demand to minimize.

Gravity Model

The Gravity model of trade presents a more empirical analysis of trading patterns rather than the more theoretical models discussed above. The gravity model, in its basic form, predicts trade based on the distance between countries and the interaction of the countries' economic sizes. The model mimics the Newtonian law of gravity which also considers distance and physical size between two objects. The model has been proven to be empirically strong through econometric analysis. Other factors such as income level, diplomatic relationships between countries.

Ricardian Theory of International Trade (Modern Development)

The Ricardian theory of comparative advantage became a basic constituent of neoclassical trade theory. Any undergraduate course in trade theory includes expansions of Ricardo's example of four numbers in for form of a two commodity, two country model.

This model was expanded to many-country and many-commodity cases. Major general results were obtained by the beginning of 1960's by McKenzie and Jones, including his famous formula. It is a theorem about the possible trade pattern for N-country N-commodity cases. Let a_{ij} be the labor input coefficient for a country i and for the industry j (or for the production of good j). If a trade pattern i country specialises in i industry, then the product

$$a_{11} a_{22} \dots a_{NN}$$

is strictly smaller than any permutation products of the form

$$a_{1\sigma(1)} a_{2\sigma(2)} \dots a_{N\sigma(N)}$$

for any permutation σ except the identity permutation which transforms i onto i .

Contemporary Theories

Ricardo's idea was even expanded to the case of continuum of goods by Dornbusch, Fischer, and Samuelson. This formulation is employed for example by Matsuyama and others. These theories use the special property which is applicable only for the two country case.

Neo-Ricardian Trade Theory

Inspired by Piero Sraffa, a new strand of trade theory emerged and was named neo-Ricardian trade theory. The main contributors include Ian Steedman (1941-) and Stanley Metcalfe (1946-). They have criticized neoclassical international trade theory, namely the Heckscher-Ohlin model on the basis that the notion of capital as primary factor has no method of measuring it before the determination of profit rate (thus trapped in a logical vicious circle). This was a second round of the Cambridge capital controversy, this time in the field of international trade.

The merit of neo-Ricardian trade theory is that input goods are explicitly included to the analytical framework. This is in accordance with Sraffa's idea that any commodity is a product made by means of commodities. The limit of their theory is that the analysis is limited to small country cases.

Traded Intermediate Goods

Ricardian trade theory ordinarily assumes that the labor is the unique input. This is a great deficiency as trade theory, for the intermediate goods occupy the major part of the world international trade. Yeats found that 30% of world trade in manufacturing is intermediate inputs. Bardhan and Jafee found that intermediate inputs occupy 37 to 38% in the imports to the US for years 1992 and 1997, whereas the percentage of intrafirm trade grew from 43% in 1992 to 52% in 1997.

McKenzie and Jones emphasized the necessity to expand the Ricardian theory to the cases of traded inputs. In a famous comment McKenzie (1954, p. 179) pointed that "A moment's

consideration will convince one that Lancashire would be unlikely to produce cotton cloth if the cotton had to be grown in England." Paul Samuelson coined a term *Sraffa bonus* to name the gains from trade of inputs.

Ricardo-Sraffa Trade Theory

John Chipman observed in his survey that McKenzie stumbled upon the questions of intermediate products and discovered that "introduction of trade in intermediate product necessitates a fundamental alteration in classical analysis." It took many years until recently Y. Shiozawa succeeded to remove this deficiency. The Ricardian trade theory was now constructed in a form to include intermediate input trade for the most general case of many countries and many goods. This new theory is called Ricardo-Sraffa trade theory.

It is emphasized that the Ricardian trade theory now provides a general theory which includes trade of intermediates such as fuel, machine tools, machinery parts and processed materials. The traded intermediate goods are then used as inputs of productions in the importing country. Capital goods are nothing other than inputs to the productions. Thus, in the Ricardo-Sraffa trade theory, capital goods moves freely from country to country. Labor is the unique factor of production that remains immobile in the country of its origin.

In a blog post of April 28, 2007, Gregory Mankiw compared Ricardian theory and Heckscher-Ohlin theory and stood by the Ricardian side. Mankiw argued that Ricardian theory is more realistic than the Heckscher-Ohlin theory as the latter assumes that capital does not move from country to country. Mankiw's argument contains a logical slip, for the traditional Ricardian trade theory does not admit any inputs. Shiozawa's result saves Mankiw from his slip.

The neoclassical Heckscher-Ohlin-Samuelson theory only assumes production factors and finished goods. It contains no concept of intermediate goods. Therefore, it is the Ricardo-Sraffa trade theory that provides theoretical bases for the topics such as outsourcing, fragmentation and intra-firm trade.

2.9.2 Top Trading Nations

List of countries by exports and List of countries by imports

Rank	Country	Exports + Imports	Date of information
-	 European Union (Extra-EU27)	\$3,764,000,000,000	2010
1	 United States	\$3,173,000,000,000	2010 est.
2	 People's Republic of China	\$2,813,000,000,000	2010 est.
3	 Germany	\$2,457,000,000,000	2010 est.
4	 Japan	\$1,402,000,000,000	2010 est.
5	 France	\$1,086,400,000,000	2010 est.
6	 United Kingdom	\$952,100,000,000	2010 est.
7	 Italy	\$918,100,000,000	2010 est.
8	 South Korea	\$884,200,000,000	2010 est.
9	 Netherlands	\$859,700,000,000	2010 est.
10	 Canada	\$813,200,000,000	2010 est.
-	 Hong Kong	\$795,600,000,000	2010 est.
11	 Singapore	\$666,800,000,000	2010 est.
12	 Russia	\$614,000,000,000	2010 est.
13	 Mexico	\$609,000,000,000	2010 est.

14	 Spain	\$592,900,000,000	2010 est.
15	 Belgium	\$560,900,000,000	2010 est.
16	 India	\$528,000,000,000	2010 est.
17	 Taiwan (Republic of China)	\$524,800,000,000	2010 est.
18	 Switzerland	\$453,000,000,000	2010 est.
19	 Australia	\$411,100,000,000	2010 est.
20	 Brazil	\$387,400,000,000	2010 est.

Source: Exports/Imports: The World Factbook.

2.9.3 Top Traded Commodities (exports)

Rank	Commodity	Value in US\$('000)	Date of information
1	Mineral fuels, oils, distillation products, etc	\$1,658,851,456	2009
2	Electrical, electronic equipment	\$1,605,700,864	2009
3	Machinery, nuclear reactors, boilers, etc	\$1,520,199,680	2009
4	Vehicles other than railway, tramway	\$841,412,992	2009
5	Pharmaceutical products	\$416,039,840	2009
6	Optical, photo, technical, medical, etc apparatus	\$396,337,696	2009
7	Plastics and articles there of	\$386,628,064	2009

8	Pearls, precious stones, metals, coins, etc	\$320,174,080	2009
9	Organic chemicals	\$310,106,432	2009
10	Iron and steel	\$273,024,416	2009

Source: International Trade Centre

2.9.4 Regulation of International Trade

Traditionally trade was regulated through bilateral treaties between two nations. For centuries under the belief in mercantilism most nations had high tariffs and many restrictions on international trade. In the 19th century, especially in the United Kingdom, a belief in free trade became paramount. This belief became the dominant thinking among western nations since then. In the years since the Second World War, controversial multilateral treaties like the General Agreement on Tariffs and Trade (GATT) and World Trade Organization have attempted to promote free trade while creating a globally regulated trade structure. These trade agreements have often resulted in discontent and protest with claims of unfair trade that is not beneficial to developing countries.



Current members of the World Trade Organisation.

Free trade is usually most strongly supported by the most economically powerful nations, though they often engage in selective protectionism for those industries which are

strategically important such as the protective tariffs applied to agriculture by the United States and Europe. The Netherlands and the United Kingdom were both strong advocates of free trade when they were economically dominant, today the United States, the United Kingdom, Australia and Japan are its greatest proponents. However, many other countries (such as India, China and Russia) are increasingly becoming advocates of free trade as they become more economically powerful themselves. As tariff levels fall there is also an increasing willingness to negotiate non tariff measures, including foreign direct investment, procurement and trade facilitation. The latter looks at the transaction cost associated with meeting trade and customs procedures.

Traditionally agricultural interests are usually in favour of free trade while manufacturing sectors often support protectionism. This has changed somewhat in recent years, however. In fact, agricultural lobbies, particularly in the United States, Europe and Japan, are chiefly responsible for particular rules in the major international trade treaties which allow for more protectionist measures in agriculture than for most other goods and services.

During recessions there is often strong domestic pressure to increase tariffs to protect domestic industries. This occurred around the world during the Great Depression. Many economists have attempted to portray tariffs as the underlining reason behind the collapse in world trade that many believe seriously deepened the depression.

The regulation of international trade is done through the World Trade Organization at the global level, and through several other regional arrangements such as MERCOSUR in South America, the North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico, and the European Union between 27 independent states. The 2005 Buenos Aires talks on the planned establishment of the Free Trade Area of the Americas (FTAA) failed largely because of opposition from the populations of Latin American nations. Similar agreements such as the Multilateral Agreement on Investment (MAI) have also failed in recent years.

2.9.5 Risk in International Trade

Companies doing business across international borders face many of the same risks as would normally be evident in strictly domestic transactions. For example,

- Buyer insolvency (purchaser cannot pay);
- Non-acceptance (buyer rejects goods as different from the agreed upon specifications);
- Credit risk (allowing the buyer to take possession of goods prior to payment);
- Regulatory risk (e.g., a change in rules that prevents the transaction);
- Intervention (governmental action to prevent a transaction being completed);
- Political risk (change in leadership interfering with transactions or prices); and
- War and other uncontrollable events.

In addition, international trade also faces the risk of unfavorable exchange rate movements (and, the potential benefit of favorable movements).



Triangle trade: Slaves being sold from Africa to The Caribbean, sugar from South America to New England, and Rum and other goods from North America back to Africa.



Some people do not see international trade favourably: here a child protests against the WTO in Jakarta.

2.10 EMERGING INTERNATIONAL MARKET

Emerging markets are nations with social or business activity in the process of rapid growth and industrialization. At 2006, there are around 28 emerging markets (at 2010, more than 40 emerging markets) in the world, with the economies of China and India considered to be the largest. According to *The Economist* many people find the term outdated, but no new term has yet to gain much traction.

In the 1970s, "less economically developed countries" (LEDCs) was the common term for markets that were less "developed" (by objective or subjective measures) than the developed countries such as the United States, Western Europe, and Japan. These markets were supposed to provide greater potential for profit, but also more risk from various factors. This term was felt by some to be not positive enough so the *emerging market* label was born. This term is misleading in that there is no guarantee that a country will move from "less developed" to "more developed"; although that is the general trend in the world, countries (e.g., Argentina) can also move from "more developed" to "less developed".

Originally brought into fashion in the 1980s by then World Bank economist Antoine van Agtmael, the term is sometimes loosely used as a replacement for *emerging economies*, but really signifies a business phenomenon that is not fully described by or constrained to geography or economic strength; such countries are considered to be in a transitional phase between developing and developed status. Examples of emerging markets include Indonesia, Iran, some countries of Latin America, some countries in Southeast Asia, most countries in Eastern Europe, Russia, some countries in the Middle East, and parts of Africa. Emphasizing the fluid nature of the category, political scientist Ian Bremmer defines an emerging market as "a country where politics matters at least as much as economics to the markets".

The research on emerging markets is diffused within management literature. While researchers including C. K. Prahalad, George Haley, Hernando de Soto, Usha Haley, and several professors from Harvard Business School and Yale School of Management have described activity in countries such as India and China, how a market emerges is little understood.

In the 2008 Emerging Economy Report, the Center for Knowledge Societies defines Emerging Economies as those "regions of the world that are experiencing rapid informationalization under conditions of limited or partial industrialization." It appears that emerging markets lie at the intersection of non-traditional user behavior, the rise of new user groups and community adoption of products and services, and innovations in product technologies and platforms.



Figure: Global emerging market

Newly industrialized countries as of 2010. This is an intermediate category between fully developed and developing.

The term "rapidly developing economies" is being used to denote emerging markets such as The United Arab Emirates, Chile and Malaysia that are undergoing rapid growth.

In recent years, new terms have emerged to describe the largest developing countries such as BRIC that stands for Brazil, Russia, India, and China, along with *BRICET* (BRIC + Eastern Europe and Turkey), *BRICS* (BRIC + South Africa), *BRICM* (BRIC + Mexico) , *BRICK* (BRIC + South Korea), Next Eleven (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey, and Vietnam) and CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa). These countries do not share any common agenda, but some experts believe that they are enjoying an increasing role in the world economy and on political platforms.

It is difficult to make an exact list of emerging (or developed) markets; the best guides tend to be investment information sources like ISI Emerging Markets and *The Economist* or market index makers (such as Morgan Stanley Capital International). These sources are well-

informed, but the nature of investment information sources leads to two potential problems. One is an element of historicity; markets may be maintained in an index for continuity, even if the countries have since developed past the emerging market phase. Possible examples of this are South Korea and Taiwan. A second is the simplification inherent in making an index; small countries, or countries with limited market liquidity are often not considered, with their larger neighbours considered an appropriate stand-in.

In an Opalesque.TV video, hedge fund manager Jonathan Binder discusses the current and future relevance of the term "emerging markets" in the financial world. Binder says that in the future investors will not necessarily think of the traditional classifications of "G10" (or G7) versus "emerging markets". Instead, people should look at the world as countries that are fiscally responsible and countries that are not. Whether that country is in Europe or in South America should make no difference, making the traditional "blocs" of categorization irrelevant.

The *Big Emerging Market* (BEM) economies are (alphabetically ordered): Brazil, China, Egypt, India, Indonesia, Mexico, Philippines, Poland, Russia, South Africa, South Korea and Turkey.

Newly industrialized countries are emerging markets whose economies have not yet reached first world status but have, in a macroeconomic sense, outpaced their developing counterparts.

Individual investors can invest in emerging markets either through ADRs (American depositor Receipts - stocks of foreign companies that trade on US stock exchanges) or through exchange traded funds (exchange traded funds or ETFs hold basket of stocks). The exchange traded funds can be focused on a particular country (e.g., China, India) or region (e.g., Asia-Pacific, Latin America).

2.10.1 FTSE list

FTSE operates the well known FTSE 100 Index and FTSE 250 Index as well as over 100,000 other indices, including 600 real-time indices. There are currently seven main groups of indices: Global Equity, Regional and Partner, Fixed Income, Real Estate, Alternative Investment, Responsible Investment, and Investment Strategy. Fees from the use of index information and associated services generate revenues necessary to continue operations. FTSE has offices in London, New York, Paris, Frankfurt, Madrid, San Francisco, Beijing, Sydney, Tokyo, and Hong Kong.





The FTSE Group distinguishes between Advanced and Secondary Emerging markets on the basis of their national income and the development of their market infrastructure. The Advanced Emerging markets are classified as such because they are upper middle income GNI countries with advanced market infrastructures or high income GNI countries with lesser developed market infrastructures.

The Advanced Emerging markets are:

 Brazil  Hungary  Mexico
 Poland  South Africa  Taiwan

The Secondary Emerging markets include some upper middle, lower middle and low income GNI countries with reasonable market infrastructures and significant size and some upper middle income GNI countries with lesser developed market infrastructures. The secondary emerging markets are:

 Chile  China  Colombia  Czech Republic
 Egypt  India  Indonesia  Malaysia
 Morocco  Pakistan  Peru  Philippines

 Russia  Thailand  Turkey  UAE

2.10.2 MSCI list

MSCI Inc. (NYSE: MSCI) is a provider of investment decision support tools to investment institutions. Products include indices, portfolio risk and performance analytics - for use in managing equity, fixed income and multi-asset class portfolios - and governance tools.

As of May 2010, MSCI Barra classified the following 21 countries as emerging markets:

-  Brazil
-  Chile
-  China
-  Colombia
-  Czech Republic
-  Egypt
-  Hungary
-  India
-  Indonesia
-  Malaysia
-  Mexico
-  Morocco
-  Peru
-  Philippines
-  Poland
-  Russia
-  South Africa
-  South Korea
-  Taiwan
-  Thailand
-  Turkey

The list tracked by *The Economist* is the same, except with Hong Kong, Singapore and Saudi Arabia included (MSCI classifies the first two as developed markets and the third one as a frontier market).

2.10.3 S&P list

Standard & Poor's (S&P) is a United States-based financial services company. It is a division of The McGraw-Hill Companies that publishes financial research and analysis on stocks and bonds. It is well known for the stock market indices, the US-based S&P 500, the Australian S&P/ASX 200, the Canadian S&P/TSX, the Italian S&P/MIB and India's S&P CNX Nifty. It is one of the Big Three credit rating agencies (Standard & Poor's, Moody's Investor Service and Fitch Ratings).

As of 31 December 2010, Standard and Poor's classified the following 19 countries as emerging markets:

-  Brazil
-  Chile
-  China
-  Czech Republic
-  Egypt
-  Hungary
-  India
-  Indonesia
-  Malaysia
-  Mexico
-  Morocco
-  Peru
-  Philippines
-  Poland
-  Russia
-  South Africa
-  Taiwan
-  Thailand
-  Turkey

2.10.4 Dow Jones list

Dow Jones & Company is an American publishing and financial information firm.

The company was founded in 1882 by three reporters: Charles Dow, Edward Jones, and Charles Bergstresser. Like *The New York Times* and the *Washington Post*, the company was in recent years publicly traded but privately controlled. The company was led by the Bancroft family, which effectively controlled 64% of all voting stock, before being acquired by News Corporation. In 2010, the company sold 90% of Dow Jones Indexes to the CME Group, including the Dow Jones Industrial Average.

The company became a subsidiary of News Corporation after an extended takeover bid during 2007. It was reported on August 1, 2007 that the bid had been successful after an extended period of uncertainty about shareholder agreement. The transaction was completed on December 13, 2007. It was worth US\$5 billion or \$60 a share, giving NewsCorp control of *The Wall Street Journal* and ending the Bancroft family's 105 years of ownership











As of May 2010, Dow Jones classified the following 35 countries as emerging markets:




















-  Argentina
-  Bahrain
-  Brazil
-  Bulgaria
-  Chile
-  China
-  Colombia
-  Czech Republic
-  Egypt
-  Estonia
-  Hungary
-  India
-  Indonesia
-  Jordan
-  Kuwait
-  Latvia
-  Lithuania
-  Malaysia
-  Mauritius
-  Mexico
-  Morocco
-  Oman
-  Pakistan
-  Peru
-  Philippines
-  Poland
-  Qatar
-  Romania
-  Russia
-  Slovakia
-  South Africa
-  Sri Lanka
-  Thailand
-  Turkey
-  United Arab Emirates

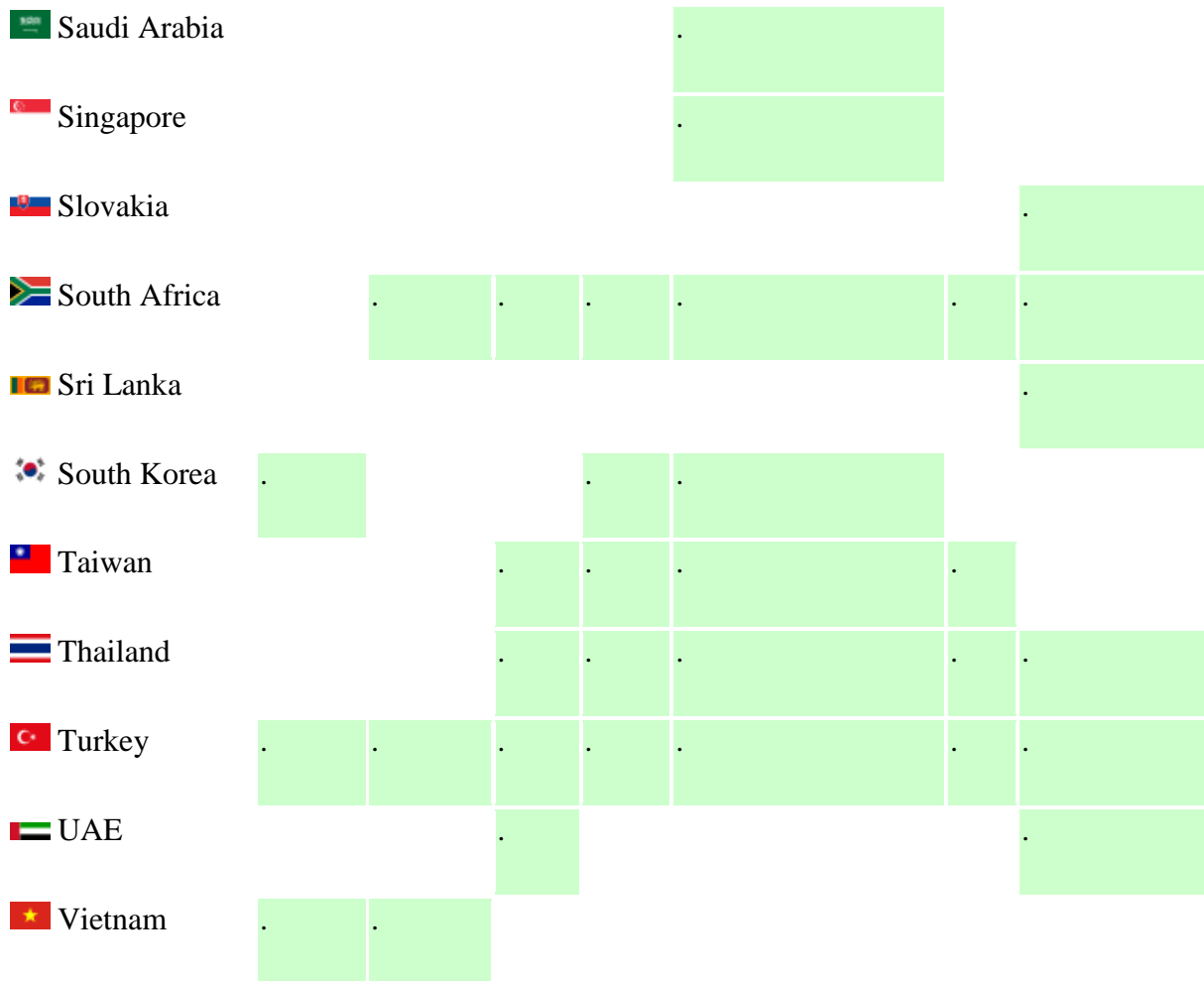
2.10.5 Among the lists

If we plot the lists above to table below, there are only 3 countries always appear in every list (Next Eleven, CIVETS, FTSE, MSCI, The Economist, S&P, Dow Jones). They are Indonesia, Turkey, and Egypt. Indonesia and Turkey, which have been categorized as four emerging markets. Egypt, since January 25, 2011, has been affected by protests and is now in a transition process.

Emerging Markets by Each Group of Analysts

Country	Next-11	CIVETS	FTSE	MSCI	THE ECONOMIST	S&P	DOW JONES
 Argentina							•
 Bahrain							•
 Bangladesh	•						
 Brazil			•	•	•	•	•
 Bulgaria							•
 Chile			•	•	•	•	•
 China			•	•	•	•	•
 Colombia		•	•	•	•		•
 Czech Republic			•	•	•	•	•
 Egypt	•	•	•	•	•	•	•
 Estonia							•
 Hong Kong					•		
 Hungary			•	•	•	•	•
 India			•	•	•	•	•

 Indonesia	.	.	.	.	.	.	.
 Iran	.						
 Jordan						.	.
 Kuwait						.	.
 Latvia						.	.
 Lithuania						.	.
 Malaysia		.	.	.	.	.	.
 Mauritius						.	.
 Mexico	.	.	.	.	.	.	.
 Morocco		.	.	.	.	.	.
 Nigeria	.						
 Oman						.	.
 Pakistan	.	.				.	.
 Peru		.	.	.	.	.	.
 Philippines	.	.	.	.	.	.	.
 Poland		.	.	.	.	.	.
 Qatar						.	.
 Romania						.	.
 Russia		.	.	.	.	.	.



Source: The Economist-2010

2.11 INTERNATIONAL MARKETING

International marketing is the performances of business activities designed to plan, price, promote and direct the flow of a company's goods & services to consumers or users in more than one nation for a profit. This apparently minor difference, "in more than one country" accounts for complexity & diversity found in international marketing operations. Marketing concepts, process & principles are universally applicable and the marketer's task is the same whether doing business in Dime box, Texas or Dar distributing, products for which there is market (Cateora & Graham, 2002:7-8).

The answer lies not with different concept of marketing but with the environment with in which marketing plans must be implemented. The uniqueness of foreign marketing comes

from the range of unfamiliar problems & the variety of strategies necessary to cope with different levels of uncertainty encountered in foreign markets (Catrora & Graham 2002:8).

Competition, legal restraints, government controls, weather, fickle consumers, & any number of other uncontrollable elements can & frequently do, affect the profitable outcome of goods, sound marketing plans. Generally speaking, the marketer cannot control or influences their uncontrollable elements, but instead must adjust or adapt to them in a manner consistent with a successful outcomes of the marketing decision (product, price, promotion, & distribution) with the framework of the uncontrollable elements of the market place (competition, policies, laws, consumer behavior, level of technology & so forth) in such a way that marketing objectives are achieved. Even though marketing principle & concepts are universally applicable, the environment within which the marketer must implement marketing plans can change dramatically from country or region to region. The difficulties created by different environments are the international marketer's primary concern (Caterora & Graham, 2002:8)

The business organization must consider the uncontrollable elements for adjusting or adapting them, scan the environments for coping the unfamiliar problems & plan, implement & control the varieties of strategies necessary to cope with different levels of uncertainty encountered in foreign market.

2.11.1 International Marketing Environment

The international marketing environment has undergone significant changes since 1945 creating both new opportunities and new threats. The most significant changes are:

- The significant internationalization of the world economy reflected in the rapid growth of the world trade and investment.
- The increasing domination of US dollar in world economy.
- The rising economic power of Japan in the worlds market.
- The shift in the world income since 1973 to the oil-producing countries.

- The increasing trade barriers put up to protect domestic market against foreign competition.
- The establishment of a working international financial system offering improved currency convertibility.
- The gradual change of governments and politics in various countries of the world.
- The gradual shift of Communism into Capitalism.

The hundred-odd nations of the world differ greatly in the kinds of goods and services they are ready to use or they need. For example, it would be as such a mistake for a Nepali manufacturer to seek a market for bullock carts in American markets as for American manufactures of microwave ovens to seek a market in Nepal.

International marketing decisions and programmers are highly influenced by the international marketing environment. Some international environments are internal and are of controllable nature, but some are external and are of uncontrollable nature. Since, the key to the success of international marketing managers is the ability to make timely and appropriate adoptions to a complex and ever changing environment, it is their task to cope with the internal forces of their decisions in light of the external environment in such a manner that marketing objectives are achieved.

The task is made more difficult in international marketing, because the marketer must deal with at least two levels of uncontrollable uncertainty instead of one. Uncertainty is created by the uncontrollable elements of the business environment at home that are applicable to foreign operations plus the uncontrollable elements of business environments found in the foreign country or countries in which a company operates. The following diagram illustrates the total environment in international marketing. (Shrestha, 1994:9)

Controllable Domestic Factors:

Controllable factors include 4Ps i.e., product, price, place and promotion, popularly known as marketing-mix. In order to achieve the desired goal of the firm, the marketing decision

makers manage and coordinate the marketing-mix. However, these factors are influenced by the domestic external forces in a way that the levels of uncertainty in decision making are created most frequently.

Domestic Uncontrollable Factors:

Marketing decision based on the marketing-mix are influenced by the home country's political, economic, social, cultural, competitive, legal and natural factors. The marketing decision makers analyze and follow the ever-changing environment regarding these forces. On the basis of these changes, the marketing decision makers should make marketing programs and decisions if they want to succeed in the market.

Uncontrollable Foreign Factors:

Uncontrollable factors may differ from countries to countries. For example, the politics and legal environment of Nepal may differ from that of India, Japan and USA. Therefore, whatever marketing decisions are made in Nepal by taking into considerations the political and legal environment of Nepal may not adopt the Indian, Japanese or US markets.

2.12 EXPORT

The term **export** is derived from the conceptual meaning as to ship the goods and services out of the port of a country. The seller of such goods and services is referred to as an "exporter" who is based in the country of export whereas the overseas based buyer is referred to as an "importer". In International Trade, "exports" refers to selling goods and services produced in home country to other markets.

Any good or commodity, transported from one country to another country in a legitimate fashion, typically for use in trade. Export goods or services are provided to foreign consumers by domestic producers.

Export of commercial quantities of goods normally requires involvement of the customs authorities in both the country of export and the country of import. The advent of small trades over the internet such as through Amazon and e-Bay have largely bypassed the involvement

of Customs in many countries because of the low individual values of these trades. Nonetheless, these small exports are still subject to legal restrictions applied by the country of export. An export's counterpart is an import.



Definition

"Foreign demand for goods produced by home country"

In national accounts "exports" consist of transactions in goods and services (sales, barter, gifts or grants) from residents to non-residents. The exact definition of exports includes and excludes specific "borderline" cases. A general delimitation of exports in national accounts is given below:

- An export of a good occurs when there is a change of ownership from a resident to a non-resident; this does not necessarily imply that the good in question physically crosses the frontier. However, in specific cases national accounts impute changes of ownership even though in legal terms no change of ownership takes place (e.g. *cross border financial leasing, cross border deliveries between affiliates of the same enterprise, goods crossing the border for significant processing to order or repair*). Also smuggled goods must be included in the export measurement.
- Export of services consists of all services rendered by residents to non-residents. In national accounts any direct purchases by non-residents in the economic territory of a country are recorded as exports of services; therefore all expenditure by foreign tourists in the economic territory of a country is considered as part of the exports of services of that country. Also international flows of illegal services must be included.

National accountants often need to make adjustments to the basic trade data in order to comply with national accounts concepts; the concepts for basic trade statistics often differ in terms of definition and coverage from the requirements in the national accounts:

- Data on international trade in goods are mostly obtained through declarations to custom services. If a country applies the general trade system, all goods entering or leaving the country are recorded. If the special trade system (e.g. extra-EU trade statistics) is applied goods which are received into customs warehouses are not recorded in external trade statistics unless they subsequently go into free circulation in the country of receipt.
- A special case is the intra-EU trade statistics. Since goods move freely between the member states of the EU without customs controls, statistics on trade in goods between the member states must be obtained through surveys. To reduce the statistical burden on the respondents small scale traders are excluded from the reporting obligation.
- Statistical recording of trade in services is based on declarations by banks to their central banks or by surveys of the main operators. In a globalized economy where services can be rendered via electronic means (e.g. *internet*) the related international flows of services are difficult to identify.
- Basic statistics on international trade normally do not record smuggled goods or international flows of illegal services. A small fraction of the smuggled goods and illegal services may nevertheless be included in official trade statistics through dummy shipments or dummy declarations that serve to conceal the illegal nature of the activities.

History

The theory of international trade and commercial policy is one of the oldest branches of economic thought. Exporting is a major component of international trade, and the macroeconomic risks and benefits of exporting are regularly discussed and disputed by economists and others. Two views concerning international trade present different perspectives. The first recognizes the benefits of international trade. The second concerns

itself with the possibility that certain domestic industries (or laborers, or culture) could be harmed by foreign competition.

Process

Methods of export include a product or good or information being mailed, hand-delivered, shipped by air, shipped by boat, uploaded to an internet site, or downloaded from an internet site. Exports also include the distribution of information that can be sent in the form of an email, an email attachment, a fax or can be shared during a telephone conversation.

National Regulations

United States

The export of defense-related articles and services on the United States Munitions List (USML) is governed by the Department of State under the International Traffic in Arms Regulations (ITAR).

The Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Code of Federal Regulations Title 15 chapter VII, subchapter C, also known as Export Administration Regulations (EAR), in the United States. The BIS regulates the export and re-export of most commercial items. Some commodities require a license in order to export. There are different requirements to export lawfully depending on the product or service being exported.

Depending on the category the 'item' falls under, the company may need to obtain a license prior to exporting. EAR restrictions can vary from country to country. The most restricted destinations are the embargoed countries and those countries designated as supporting terrorist activities including Cuba, North Korea, Sudan, Syria and Iran. Some products have received worldwide restrictions prohibiting exports.

An item is considered an export whether or not it is leaving the United States temporarily, if it is leaving the United State but is not for sale (a gift), or if it is going to a wholly owned U.S. subsidiary in a foreign country. A foreign-origin item exported from the United States,

transmitted or transhipped through the United States, or being returned from the United States to its foreign country of origin is.

How an item is transported outside of the United States does not matter in determining export license requirements.

Refer to U.S. Census Data for data on exports by industry for 2006.

Canada

Canadian Export and Import Controls Bureau (EICB)

Australia

Australian Defence Trade Control and Compliance (DTCC)

Barriers

Trade barriers are generally defined as government laws, regulations, policy, or practices that either protect domestic products from foreign competition or artificially stimulate exports of particular domestic products. While restrictive business practices sometimes have a similar effect, they are not usually regarded as trade barriers. The most common foreign trade barriers are government-imposed measures and policies that restrict, prevent, or impede the international exchange of goods and services.

Strategic

International agreements limit trade in, and the transfer of, certain types of goods and information e.g. goods associated with weapons of mass destruction, advanced telecommunications, arms and torture, and also some art and archaeological artefacts. Examples include Nuclear Suppliers Group - limiting trade in nuclear weapons and associated goods (currently only 45 countries participate), The Australia Group - limiting trade in chemical & biological weapons and associated goods (currently only 39 countries), Missile Technology Control Regime - limiting trade in the means of delivering weapons of mass

destruction (currently only 34 countries) and The Wassenaar Arrangement - limiting trade in conventional arms and technological developments (currently only 40 countries).

Tariffs

A tariff is a tax placed on a specific good or set of goods exported from or imported to a country, creating an economic barrier to trade. Usually the tactic is used when a country's domestic output of the good is falling and imports from foreign competitors are rising, particularly if there exist strategic reasons for retaining a domestic production capability.

Some failing industries receive a protection with an effect similar to a subsidies in that by placing the tariff on the industry, the industry is less enticed to produce goods in a quicker, cheaper, and more productive fashion. The third reason for a tariff involves addressing the issue of dumping. Dumping involves a country producing highly excessive amounts of goods and *dumping* the goods on another foreign country, producing the effect of prices that are "too low". Too low can refer to either pricing the good from the foreign market at a price lower than charged in the domestic market of the country of origin. The other reference to dumping relates or refers to the producer selling the product at a price in which there is no profit or a loss. The purpose (and expected outcome) of the tariff is to encourage spending on domestic goods and services.

Protective tariffs sometimes protect what are known as **infant industries** that are in the phase of expansive growth. A tariff is used temporarily to allow the industry to succeed in spite of strong competition. Protective tariffs are considered valid if the resources are more productive in their new use than they would be if the industry had not been started. The infant industry eventually must incorporate itself into a market without the protection of government subsidies.

Tariffs can create tension between countries. Examples include the United States steel tariff of 2002 and when China placed a 14% tariff on imported auto parts. Such tariffs usually lead to filing a complaint with the World Trade Organization (WTO) and, if that fails, could

eventually head toward the country placing a tariff against the other nation in spite, to impress pressure to remove the tariff.

Subsidies

To subsidize an industry or company refers to, in this instance, a governmental providing supplemental financial support to manipulate the price below market value. Subsidies are generally used for failing industries that need a boost in domestic spending. Subsidizing encourages greater demand for a good or service because of the slashed price.

The effect of subsidies deters other countries that are able to produce a specific product or service at a faster, cheaper, and more productive rate. With the lowered price, these efficient producers cannot compete. The life of a subsidy is generally short-lived, but sometimes can be implemented on a more permanent basis.

The agricultural industry is commonly subsidized, both in the United States, and in other countries including Japan and nations located in the European Union (EU).

Critics argue such subsidies cost developing nations \$24 billion annually in lost income according to a study by the International Food Policy Research Institute, a D.C. group funded partly by the World Bank. However, other nations are not the only economic 'losers'. Subsidies in the U.S. heavily depend upon taxpayer dollars. In 2000, the U.S. spent an all-time record \$32.3 billion for the agricultural industry. The EU spends about \$50 billion annually, nearly half its annual budget on its common agricultural policy and rural development.

Exports and Free Trade

The theory of comparative advantage materialized during the first quarter of the 19th century in the writings of 'classical economists'. While David Ricardo is most credited with the development of the theory (in Chapter 7 of his *Principles of Political Economy*, 1817), James Mills and Robert Torrens produced similar ideas. The theory states that all parties maximize

benefit in an environment of unrestricted trade, even if absolute advantages in production exist between the parties.

In contrast to Mercantilism, the first systematic body of thought devoted to international trade, emerged during the 17th and 18th centuries in Europe. While most views surfacing from this school of thought differed, a commonly argued key objective of trade was to promote a "*favorable*" *balance of trade*, referring to a time when the value of domestic goods exported exceeds the value of foreign goods imported. The "*favorable*" balance in turn created a *balance of trade surplus*.

Mercantilists advocated that government policy directly arrange the flow of commerce to conform to their beliefs. They sought a highly interventionist agenda, using taxes on trade to manipulate the balance of trade or commodity composition of trade in favor of the *home country*.

2.12.1 Export Strategy

Export Strategy is to ship commodities to other places or countries for sale or exchange. In economics, an export is any good or commodity, transported from one country to another country in a legitimate fashion, typically for use in trade.



Vessel at Container Terminal Altenwerder (Hamburg)

2.12.2 Advantages of Exporting

Ownership advantages are the firm's specific assets, international experience, and the ability to develop either low-cost or differentiated products within the contacts of its value chain. The locational advantages of a particular market are a combination of market potential and

investment risk. Internationalization advantages are the benefits of retaining a core competence within the company and threading it through the value chain rather than obtain to license, outsource, or sell it. In relation to the Eclectic paradigm, companies that have low levels of ownership advantages either do not enter foreign markets. If the company and its products are equipped with *ownership advantage* and *internalization advantage*, they enter through low-risk modes such as exporting. Exporting requires significantly lower level of investment than other modes of international expansion, such as FDI. As you might expect, the lower risk of export typically results in a lower rate of return on sales than possible through other modes of international business. In other words, the usual return on export sales may not be tremendous, but neither is the risk. Exporting allows managers to exercise operation control but does not provide them the option to exercise as much marketing control. An exporter usually resides far from the end consumer and often enlists various intermediaries to manage marketing activities.

2.12.3 Disadvantages of Exporting

For Small-and-Medium Enterprises (SME) with less than 250 employees, selling goods and services to foreign markets seems to be more difficult than serving the domestic market. The lack of knowledge for trade regulations, cultural differences, different languages and foreign-exchange situations as well as the strain of resources and staff interact like a block for exporting. Indeed there are some SME's which are exporting, but nearly two-third of them sell in only to one foreign market. The following assumption shows the main disadvantages:

- *Financial management effort:* To minimize the risk of exchange-rate fluctuation and transactions processes of export activity the financial management needs more capacity to cope the major effort
- *Customer demand:* International customers demand more services from their vendor like installation and startup of equipment, maintenance or more delivery services.
- *Communication technologies improvement:* The improvement of communication technologies in recent years enable the customer to interact with more suppliers while receiving more information and cheaper communications cost at the same time like 20

years ago. This leads to more transparency. The vendor is in duty to follow the real-time demand and to submit all transaction details.

- *Management mistakes:* The management might tap in some of the organizational pitfalls, like poor selection of oversea agents or distributors or chaotic global organization.

2.12.4 Ways of Exporting

The company can decide to export directly or indirectly to a foreign country.

Direct selling in export strategy

Direct selling involves sales representatives, distributors, or retailers who are located *outside* the exporter's home country. Direct exports are goods and services that are sold to an independent party outside of the exporter's home country. Mainly the companies are pushed by core competencies and improving their performance of value chain.

Direct selling through distributors

It is considered to be the most popular option to companies, to develop their own international marketing capability. This is achieved by charging personnel from the company to give them greater control over their operations. Direct selling also give the company greater control over the marketing function and the opportunity to earn more profits.

In other cases where network of sales representative, they company can transfer them exclusive rights to sell in a particular geographic region. A distributor in a foreign country is a merchant who purchases the product from the manufacturer and sells them at profit. Distributors usually carry stock inventory and service the product, and in most cases distributes deals with retailers rather than end users.

Evaluating Distributors

- The size and capabilities of its sales force.
- Its sales record.

- An analysis of its territory.
- Its current product mix.
- Its facilities and equipment.
- Its marketing polices.
- Its customer profit.
- Its promotional strategy.

Direct selling through foreign retailers and end users

Exporters can also sell directly to foreign retailers. Usually, products are limited to consumer lines; it can also sell to direct end users. A good way to generate such sales is by printing catalogs or attending trade shows.

Direct selling over the Internet

Electronic commerce is an important mean to small and big companies all over the world, to trade internationally. We already can see how important E-commerce is for marketing growth among exporters companies in emerging economies, in order to overcome capital and infrastructure barriers.

E-commerce eased engagements, provided faster and cheaper delivery of information, generates quick feedback on new products, improves customer service, accesses a global audience, levels the field of companies, and support electronics data interchange with suppliers and customers.

Indirect selling

Indirect exports, is simply selling goods to or through an independent domestic intermediary in their own home county. Then intermediaries export the products to customers foreign markets.

Making the export decision

Once a company determines it has exportable products, it must still consider other factors, such as the following:

- What does the company want to gain from exporting?
- Is exporting consistent with other company goals?
- What demands will export place on the company's key resources - management and personnel, production capacity, and finance - and how will these demands be met?
- Are the expected benefits worth the costs, or would company resources be better used for developing new domestic business?

2.12.5 Export Promotion

Internationally

There are several global B2B directories and also country-specific directories, such as Kelly's Directory in the U.S., Tradeget in India, and Alibaba in China.

Challenges

Exporting to foreign countries poses challenges not found in domestic sales. With domestic sales, manufacturers typically sell to wholesalers or direct to retailer or even direct to consumers. When exporting, manufacturers may have to sell to importers who then in turn sell to wholesalers. Extra layer(s) in the chain of distribution squeezes margins and manufacturers may need to offer lower prices to importers than to domestic wholesalers.

2.13 CONCEPT OF EXPORT MARKETING

Export marketing is part of international marketing. It is concerned with the foreign trade of a country. It simply implies exporting of goods to importing countries. Each country must have some exports to pay for its imports. Exports are of vital importance for developing country like Nepal as they bring required foreign exchange essential for the development of a country.

Export marketing means selling out products successfully overseas. It implies marketing our products abroad. This type of marketing is a highly specialized activity. It is quite different from that of domestic marketing. There are a number of distortions in such type of trade flows. These have emerged due to certain policies pursued and institutions developed to regulate their trade by certain countries. These distortions are in the form of (a) Import Restrictions (b) Trade Agreements and (c) Regional Grouping/Trade Blocs (Kalkundikar & Wali, 1993:7).

Although there is no difference between domestic and export markets so far marketing principles are concerned, they differ greatly in marketing environment. While deciding to sell abroad, a firm will have to learn a great many new things. It will have to acquire a good knowledge of changing international marketing environment for the marketing of a particular product in a particular country or territory. The international marketing largely depends upon the local environment of that particular country or territory.

2.14 ROLE OF INTERNATIONAL ORGANIZATION

After the collapse of international trade in 1930 i.e. , after the great depression of 1930s, the developed countries sought in order to reconstruct and developed their countries, the monopolistic policies or unilateral policies of bilateral trade agreements, competitive tariff barriers, devaluation and quotas. The monopolistic and unilateral policies created a serious problem for the developing countries like Nepal whose exports consists primarily of agriculture products and have inadequate resources for developments. Therefore in order to protect the interest of developing countries, international organization s such as IMF and GATT were formed soon after Second World War. Since IMF is purely a financial institution, it does not help in protecting countries from trade barriers.

Generalizes Agreement on Tariff and Trade (GATT)

It is multilateral treaty that lays down agreed rules for conducting international trade on a stable basis and without any discrimination. The main objective of GATT is to achieve liberalization of world trade through negotiations among member countries. It aims at reducing, or even eliminating, trade barriers between countries, so that international trade may flow freely and swiftly.

One of the chief features of a GATT proposal is that member countries agree to extend the “Most-Favored nations” (MFN) treatments to one another. Besides offering the “MFN” status to member countries, the GATT committee constantly strives to achieve a progressive reduction in other duties payable in the importing countries by arranging a series of negotiations aimed at mutual settlement.

Till 1979 seven major trade negotiations had taken place under the GATT’s auspices. However, the most important and fruitful negotiation was Kennedy Rounds of Negotiation (1964-68) held in Geneva. It was successful in reducing customs duties and tariffs.

It was unfortunate that while during the decade 1960-70, substantial reduction was made in tariff barriers notably through the Kennedy Round or tariff negotiations, this trade liberalization was to a certain extent offset by the growth of non-tariff barriers { which was disguised and therefore difficult to quantify } and preferential trading groups such as the EEC, OECD, EFTA etc. which engaged in free trade between the member countries and therefore, in fact discriminated against non-member countries.

United Nations Conference on Trade and Development (UNCTAD)

Since the existing institutions like GATT and IMF were not properly organized to handle the peculiar problems of the developing countries, the United Nations Conference on Trade and Development (UNCTAD) was established in 1964 in order to provide a forum where the developing countries could discuss the problem relating to their economic development. UNCTAD presently is the only body whose membership includes developing, developed as well as centrally planned countries.

One of the main objectives of UNCTAD is to prevail upon the developed countries into progressively reducing and eliminating tariff and non tariff and other restrictions that seriously limit trade from developing countries.

Developing countries like Nepal is especially facing the problem of instability of prices on their primary products in international markets. In order to stabilize the prices of such primary products, the UNCTAD formulated the Integrated Programme of Commodities and created a common fund which will stabilize the prices of primary products through buffer stock.

Although developing countries like Nepal are enjoying special treatment such as the GSP and reduction or elimination of tariff and non-tariff barriers, the problem stands where it was. The main reason for this is frequent change in import regulations, customs regulations and procedure in developed countries, their unilateral and monopolistic right in doing so, creation of preferential trading groups such as EEC, OECD, EFTA etc. The developed countries are increasingly enjoying a larger share of international trade and do not face such trade barriers.

2.15 RISK MANAGEMENT AND EXPORT

In the previous section we discussed the nature and consequences of export barriers. Now we shall discuss various risks which are supposed to be overcome in the country's export trade.

Due to increasing complexities of business, the number and variety of risks are increasing these days. Actually speaking, international trade flows along with such risks. They cannot be separated from one another. Therefore, in international marketing, risks are neither voluntary nor avoidable. The exporters must face and try to solve the risks while entering the international market. There is variety of such risks. (Varsney & Bhattacharya, 1982:64)

Commercial Risks:

Commercial risks include the risks arising from suitability of the product for the market or otherwise, changes in supply and demand conditions and changes in prices like exchange rate, transit etc. Generally commercial risks arise due to the inability of a country to adapt themselves to new environment, lack of knowledge, different kinds of situations obtaining in different countries, and greater transit time involved in the arrival of goods in the foreign country.

Political Risks:

Every government reacts to their environment by inviting and pursuing policies deemed necessary to solve the problems created by their particular environment. The government is an integral part of every foreign business activity—a silent partner who has nearly total control. Therefore, before a company commits itself to operating the foreign market, it should exert considerable effort in assessing the dominant political climate.

Political risks arise as a result of changes in the party in power in the country concerned, changes in the form of governments, strong feeling of nationalism, strong cultural division, coups, civil wars, rebellion, wars between two or more countries, capture of cargoes by enemies etc. These risks may be avoided or reduced to some extent by judicious selection of countries. Insurance companies may also agree to provide cover for some of these risks on payment of additional premium. Some of the risks are also covered by the Export Credit and Guarantee Corporation, but in Nepal there is no such Cooperation as yet.

Some products appear to be more politically vulnerable than others, that is, because of particular circumstances they receive special government attention, either favorable or unfavorable depending on the product. Favorable political attention means protection while unfavorable political attention means discouragement or politically risky. The host government may intervene over the foreign firm in different forms such as confiscation, expropriation and domestication.

Confiscation occurs when a foreign investment is taken over by a government without any reimbursement. Expropriation involves the official seizure of foreign property by a host country whose intention is to use the seized property in the public interest and may or may not lead to full or partial financial compensation. While domestication is defined as the process whereby a host government, by various means, forces a foreign held corporation to relinquish control, including actual ownership, on several fronts to nationals, greater decision making powers.

Legal Risks:

Countries vary in their political setup, their commercial laws also be different. Conducting legal proceedings in a country is complicated and expensive tasks. The exporter must try to solve or reduce such risk through agents or exporter and the importer.

Cargo Risks:

One of the most important and regular risks in export marketing is the cargo risk. Cargo risk may arise due to fire, storm, collusion, theft, leakage, explosion, perils of sea etc. Every international trade must ensure cargoes to protect it from these risks.

Credit Risks:

The foreign buyer, in many cases, does not make advance payment to the exporter. He may ask for credit. Therefore, on the one hand, the exporter must have enough money to offer credit to overseas buyer and on the other hand, he should be prepared to take credit risks. Although, in Nepal, exporters are provided with pre-shipment and post-shipment finance to make them financially capable to offer credit to the overseas buyers, such finance is provided in a restricted manner and as such most of the exporters are not in a position to face these risks. Another most important problem is that export credits are not guaranteed by any specialized financial institution.

Foreign Exchange Fluctuation Risks:

Payments in international trade are made in internationally acceptable or convertible foreign currencies depending upon the contract or negotiation between the exporter and the importer. However, in international markets, exchange rates fluctuate from time to time due to various reasons such as devaluation or revaluation of a particular currency vis-a-vis other currencies, changes in economic power etc. In such cases, the uncertainty of foreign exchange rate becomes a risk in export marketing. Although agreement is reached between exporter and importer at the time of contract, such problems, frequently arise in international trade. The exporters of Nepal have been facing problem in the recent years to a considerable extent.

2.16 EXPORT MARKETING MANAGEMENT IN NEPAL

Till 1951 Nepal remained virtually in a state of isolation from the outside world. It was in that year that some political upheaval took place and a new era in Nepal's politics and economy started. But it was only in 1956 that the country launched its first five year and set in motion a systematic process of development. And yet till 1960 no attempt was made to streamline the country's foreign trade. (Shrestha, 1994:214)

1961 saw the introduction of 'Bonus System' to achieve the objectives of economic independence and trade diversification, but instead of promoting the country's export trade this system brought distortion and dislocation in this field. It introduced the malpractice of 'over-invoicing' in the country.

It was only after the establishment of Trade Promotion Centre in 1971 that the country started diversifying its foreign trade and reduced economic dependence in India. Yet the volume and value of export trade did not rise satisfactorily. In order to achieve better results, government abolished the 'bonus system' and introduced 'dual rate system'. But this system also could not serve the basic objectives of the country. Then his Majesty's Government of Nepal abolished this system too and introduced a 'multiple exchange rate system'. i.e; a 'basket system' which was able to adjust foreign exchange rates according to the demand for and supply of foreign exchange and essential commodities in the country.

In spite of all these efforts, the pattern of Nepal's foreign trade did not change. It continued to lead to an acute balance of payments problem. Imports continued to gallop year after year, but growth in exports decreased.

Frankly speaking there are several fundamental weaknesses in the country's export thrust which are responsible for creating a serious situation of this type.

The present study reveals that Nepal's exportable products are not being subjected to the rigors of the requirements of the international market; export is often conceived mainly as a matter of trade in surplus in the existing products, rather than as an effort to develop products especially for foreign markets. The concepts of product suitability and adaption and high quality are still unknown in the country.

Trade policy is directed more toward import substitution than export promotion. Responsibility for policy execution lies in the wrong hands. As such it has created 'fly-by-night' exporters in the country whose main intention is to make quick gains by taking illegal advantages of import incentives rather than to promote exports of the country as such.

Trade promotion centre is the only export institution which is engaged in the country's export expansion. But it is quite inefficient and ineffective in its working. There are various trade associations also working in this direction but they are all very much self-centered and do not contribute directly to the country's export expansion. It is primarily a Generalized System of Preferences which plays a vital role not only in the country's export promotion but also in the economic growth of the country, although Nepal has not been able to enjoy full benefit from this system. About 70 percent of its total exports is still going to the non-preference giving

countries such as India, Bangladesh, Hong Kong and other Asian , African and Latin American countries.

Since the financial capabilities of most of the exporters in Nepal are limited, their collection and supply capacity is extremely low. Moreover exporters in Nepal cannot look to the financial institutions for support with confidence. The banking system in Nepal is not yet fully geared to support the export sector. Funds are made available only in a restricted manner and that too through time-consuming procedures. There are no specialized agencies operating in the country for export credit guarantee and export credit insurance which could undertake the risk of banks as well as the exporters.

For a smooth flow of an export order every exporter has to fulfill various legal requirements. The quantum, mode and mechanics of export of a vast range of goods are regulated by the Exports and Imports(Control) Act, the Customs Traffic Act and the Foreign exchange regulation Act with a view to simplifying licensing procedure, exporters. Similarly export products and licenses have also been classified into various categories for this purpose. Licenses are issued on the basis of customs Traffic Act which enables the government to prohibit, either absolutely or subject to conditions, the import and export of goods so that the interests of the country may be protected against fraudulent activities such as smuggling and black-marketing. Foreign Exchange regulation Act has been introduced in the country in order to properly utilize the country's foreign exchange reserves. Allocation of foreign exchange is done by the Nepal Rastra Bank on the basis of national priority but day business of buying and selling foreign exchange is ordinarily handled by the exchange departments of commercial banks.

One of the most important requirements for the success of an export campaign is the capacity of the country to prepare a comprehensive and precise export plan. It is that which will give proper direction to the country's export thrust by deciding in advance about what to export , where to export and how to export. In Nepal unfortunately there is no export planning as such. It is just an annual estimate and programmed. While fixing the export target the authorities concerned consider only the supply position of the country and its past record. But other important factors such as taste of customers, changing environment in international markets,

competitive position of the foreign competitors etc. are not taken into account. These days there is absolutely lack of even annual estimates.

There are various products in the country which can be developed specially for foreign markets and in which the country has comparative advantages in terms of raw materials, trainable manpower, technological base, and capacity to absorb higher technology. Saffron is one of them. It is an expensive spice which is used for various purposes such as flavoring dishes, coloring medicine, religions ceremonies etc. Although there is production of saffron in Nepal, studies have proved that it can be produced and developed for the purpose of export.

The next important aspect of export management is export procedure and documentation of which the whole attention of the authorities remains fixed. In Nepal this aspect has been a most time-consuming and tedious process. Due to the weak institution base and negligence on the part of the government towards the export sector, exporters are facing another great problem .i.e. non- receipt of payment from the importers even after the goods have been delivered at the importer's port.

Nepal's geography is one of the biggest bottlenecks to export expansion. Calcutta remains the only exit port for Nepali Cargo. On the one hand, the physical facilities of the port are very poor and on the other hand, transit expenses in terms of time spent in fulfilling transit formalities, port clearance, frequency of strikes, executing insurance cover and other procedures are comparatively very high. Calcutta proves to be a bottleneck specially during the period of strikes or other forms of labor unrest or congestion of docks.

2.17 STRATEGY FOR EXPORT PROMOTION

Nepal is the second least developed country in the world. Hence like other least developed countries, it is also facing the problem of vicious-circle of poverty and economic backwardness. It has multidimensional problems such as fast population growth, slow pace of industrialization, deterioration in productivity, sluggish growth of export, growth of imports, at a faster pace, lack of commitment, adverse geographical position etc. The country therefore faces a dual challenges, firstly how to grow faster and secondly, how to overcome its balance of payments problem.

Since one of the factors on which a country's economic growth depends is the balance of payments situation, the task of country should be to improve this position. From the strategic point of view, there are four methods of adjusting balance of payments disequilibrium. These are (a) penetration into foreign markets, (b) import-substitution, (c) lowering the overall economic growth rate and thereby reducing demand for imports, and (d) increasing net external borrowings. Although these four methods are equally important to adjust the country's balance of payments disequilibrium, penetration into foreign markets has been regarded as the best method for the purpose. This is so because imports cannot be curtailed sufficiently and the last two methods are regarded as 'beggar policy'.

For the development and expansion of the country's export trade, Nepal launched a new trade policy, economic program and export program. However, the situation did not improve, because the whole organizational infrastructure in his regard in the past has been extremely weak. Similarly, there has been lack of entrepreneurship, sincerity and determined effort in the aforesaid areas.

The present study shows that for the promotion of exports and consequent economic growth of the country, the following measures are must.

2.17.1 Product Development Programme

- I.** The foremost task of the country should be the selection and development of genuine exportable products. For this purpose, it should concentrate on those products in which the country has a comparative advantage in raw materials, manpower and technology.
- II.** There is no guarantee that a product once developed, launched and introduced will continue to be popular in the foreign market. Steps should, therefore be taken to review the product-popularity periodically and to upgrade it and redesign it as and when required. A country should assess the suitability and acceptability of the product before launching it in a new market. For this purpose, a three- step investigation is necessary:
 - Study the product in relation to competitive products on the market,

- Investigate trade acceptance of the product (acceptance from importers, wholesalers and retailers),
- Test the product with consumers and end users.

III. If any deficiency appears while assessing the suitability and acceptability of a product it should be corrected by possible redesigning of the product or its packaging, which is known as ‘adapting the product’ to the target market.

2.17.2. Massive Industrialization

- (i) Industrialization increases the economic wealth of the country. Therefore proper attention should be paid to protecting the existing infant industries and promoting new industries in the country by clearly defining their categories such as basic industries, export-oriented industries and import substitution industries. Since there is a dynamic relationship between industries, their balanced growth is essential. One without the other will not produce fruitful results.
- (ii) There is a dynamic change in the demand of the people. Products today should be able to win not only the mouths and hands of the people but also their eyes and minds. Therefore, proper attention should be paid to industrial design. The rising demand for the Honking and Japanese goods in the world market early reveals how important industrial design has become for the general public. For this purpose the country should fulfill at least the following pre-requisites;
- The national education plan should pay greater attention to the production of industrial designers within the country;
 - Incentives should be provided to the designers concerned for developing a professional character;
 - Effort should be made to boost the profession of industrial design; and arrangement should be made for organizing and operating the exhibition facilities and ancillary services to the designers in the country.

- For greater industrialization and higher productivity in the country appropriate technology should be imported through joint venture as has been done in other countries of the world such as Japan, Taiwan, Honkong, India etc.

Nepal should also adopt 'me too' type of near-copying of products and processes developed elsewhere, because one who fails to keep up with technological change may fail in international competition as well.

2.18 THE EXPORT PROCEDURE AND PRACTICES

- The Nepalese Export Regulation for the Garment Industries
- All export must have been registered at the government office.
- All garment exporters are required to hold a Bonded Warehouse Certificate, issued by the Ministry of finance, Department of Customs.
- All garment exporters are required to be the member of GAN.
- Payment of foreign currency have to be guaranteed and an approval carrying letter attached with the L/C or the advance payment note issued by the bank are required to be presented at the time of export.
- All payment has to be done through bank.
- Garments have to be of Nepalese origin, re-exporting is prohibited.

The export procedure of the Nepalese garment to overseas countries is stated as follows:

I. Import of Raw Material

Raw materials for the garment manufacturing mainly comprise of fabrics and its accessories such as buttons, zippers, threads, etc. Nepalese GI is mainly dependent on India for fabrics supply. Fabrics are also imported from the countries like Korea, Hong Kong, Taiwan etc.

After the arrival of raw materials at the import point, they are required to be made custom clearance for which the concerned party should submit the delivery order receipt, registration certificate and renewed income tax certificate to the custom office. In addition to it the import custom declaration form explaining all the imported items and its details(quality, total amount, origin of materials airway bill number, income tax certificate and firms registration number etc) should be filled up by the currency (US \$ or other foreign currency) used in the import of the raw materials should also quoted.

Then the sample (swatches) are taken from the values of cloth and attached to the Import Custom Declaration form. It is sent to RMG section in Tribhuvan International Airport. After the signing of bond and provision of a bank guarantee, the raw materials is then transported to the factory and kept under the terms and conditions of the bonded warehouse facility.

While issuing the bank guarantee the concerned bank will charge 10 percent or more, depending on the size of party's business.

II. Issuing Of Visa

For the export of garment from the country Visa is required which is provided by the Visa Cell of the National Productivity and Economic Development Center , on the recommendation of the GAN. The visa system was introduced in 1987, July. The following documents are required in order to get Visa for garment export.

- a) Recommendation of the GAN
- b) Copy of Custom Declaration Form (Import)
- c) Copy of Import L/C
- d) Copy of Export L/C
- e) Copy of Custom Declaration Form Import of previous Visa.

On the basis of these documents and availability of quota for he concerned industry, the visa is issued by Visa Cell of NPEDC.

III. Export of RMG

After obtaining the visa , exporters using bonded facilities in the import of raw materials have to obtain the recommendation letter from the RMG section of Custom Office located at Tribhuvan International Airport, in order for custom clearance. An export is required to submit following documents to the Custom Office along with the good to be exported.

- Import Custom office declaration form
- Invoice of the exporter
- Packing list
- Certificate of Origin from the local Chamber of Commerce
- Firm company registration certificate
- Income Tax certificate
- GSP incase of export to advanced countries, which have unilaterally introduce the scheme of such preferences
- Foreign exchange declaration form of Nepal Rastra Bank
- Certificate of Valuation and documents related to freight

After submission of export declaration , RMG section attaches sample of fabrics import and dispatch it to custom section office for verification of samle with the deemed export. During the examination, consignment should confirm the description given in he packing list and the price quoted should not vary.

The customs section matches the sample with the deemed export goods and if found the same authorize to export. After physical examination and documentary verification the export consignment is repacked on the spot under the supervision of custom's staff until every package of the consignment is sealed.

After the completion of inspection, the custom inspector endorses all the documents and certificates customs declaration forms of the Nepal Rastra Bank Foreign exchange form , GSP certification and Custom Transit Declaration.

The export consignment, which are to be shipped by air, have to be stored in the warehouse for 24 hours in the custom's go down.

Upon export the custom office advises the RMG section, which they prepares the documents regarding release of Bank guarantee and forwards the particulars to the import custom office on remaining stock of raw material .The prevalent duties and taxes are charged by the import custom duty on the balance of fabrics (total import – total consumption) of fabrics for exported goods)

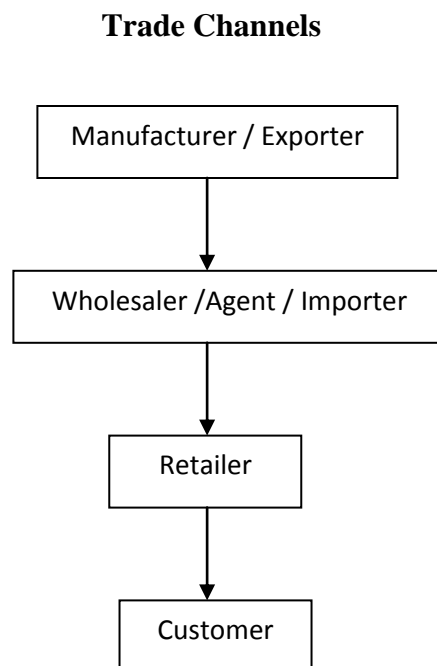
a. Export Practices

The various export of practices related to the RMG industry of Nepal has been presented below under their respective headings.

b. Export Trade Channels

In Nepal, garment exporter uses both indirect trade channels. Indirect trade channels operate through middlemen and the Nepalese exporter are highly dependent on this channel. The majority of middlemen are Indian agents. Part of the export is done through direct contacting where either the buyers themselves contact the Nepalese manufacturers exporter or vice versa. The prevailing export trade channel is as follows:

Export Trade Channels:



Order of RMG are also secured either through middlemen or directly to the Nepalese manufacturers/exporters.

IV. Pricing

Pricing for RMG is settled between an exporter and importer as a negotiated price. Once the price is fixed, exporter and importer must comply with it. The usual pricing method practiced by garment manufacturers is “cost plus” pricing, which may also be described as:

Cost of raw materials + Labor + Overhead + Profit = Price offered

a. Floor Pricing

GAN fixed a floor price for all categories though the government has removed floor price for RMG few years back. GAN still have it for the purpose of providing safeguard to exporter against nonpayment because buyers have to open L/C equivalent to amount quoted for the particular category after placing an order. In case of non payment by the buyers, Nepalese exporters could at least recover the amount paid in form of pay or L/C.

V. Export Valuation

The value of goods mentioned in the bill or invoice submitted by the exporters is regarded as the value of such goods for the customs purpose. In case the custom officer is not satisfied with the bill or invoice submitted to him, he may determine the value of such goods on the basis of previous records. Irrespective of this provision, custom office demands certification of valuation of garments from GAN.

VI. Transportation

Both air and sea carriers are equally used for the transportation of RMG as it is of lightweight, via air, Nepal is directly linked to Europe through Frankfurt, London and Paris or otherwise for cheap air routes to Europe. The goods can be transported through India (Delhi, Mumbai), Bangladesh (Dhaka), Saudi Arabia etc. Via sea, Nepal is linked to European ports through Calcutta port.

The mode of transportation for garment may be land-sea, air-air and air-sea. The commonly used route is land-sea as it is the cheapest. However, the buyers dictate the route.

VII. Terms of Payment

Exporters do not export garments unless a guarantee of payment is obtained. Such a guarantee may take the form of advance payment or a letter of credit (L/C), other methods of payment include documents against payment, documents against acceptance and deferred payment terms. The bank does not guarantee payment of these cases therefore; they carry a greater risk of non-payment.

a. Export Payment policy

According to the Foreign Exchange Regulation Act 1962 and Rules 1963, an exporter is responsible to receive the total payment for exported goods in terms of convertible currency within six months from the date of shipment from Nepal. No export transaction can be effected on the consignment basis. Payment for the export of any product should be made either in advance of shipment or on the basis of irrevocable letter of credit. This rule applies to garment exporters too.

VIII. Terms of Delivery

The terms of delivery depends on the conditions set forth in the contract. It could be:

- a. Free on board(FOB)
- b. Cost Plus Freight(CF)
- c. Cost-Plus Insurance and Freight(CIF)

The terms and condition depend on the mutual agreement between the buyers and seller.

a. Delivery Time

The time of delivery is determined by the necessary transportation to the destination port. The exporter guarantees the delivery of goods to the forwarding agent appointed by the buyers within the specified in the contract.

IX. Sales Promotion

The most commonly used tools for sales promotion is the trade fairs or exhibition. Exporters have been regularly participating in such fairs and exhibition. Exporters have to be recommended by GAN in order to participate in the trade fairs or exhibitions.

2.19 REVIEW OF PREVIOUS STUDIES

In the process of reviewing literature, different theme papers were also analyzed. Some important related parts of such studies were mentioned & explained as under:

i. Nepalese garment industry under changing global trading environment:

This paper was prepared by Bijendra M.Shakya on behalf of WTO cell-GAN on the date of 26 Dec 2001. This study was a theme paper on implication of MFA phase out under the WTO system, and the impact of the US African and Caribbean Bills on Nepalese Garment Industry with a policy recommendation.

Some of the extremely related parts of the study were included as follows:

1. Major Bottlenecks:

The garment industry in Nepal has been suffering from a number of bottlenecks at different levels: from lacks of infrastructures to narrow export base, from problematic government policies to market access in foreign countries. He classified the problems in the following major grouped areas:

2. Supply Side Constraints:

Supply side is characterized by a narrow expert base and non competitive technology. Limitations in product adaptation to international demand, higher production cost as well inefficient marketing and delivery are the important limitations related to supply side. A major cost disadvantages arises from the higher cost of transportation of goods in external trade. Inadequate quality and packaging also cause serious problems in that export trade.

3. Inadequate Trade Support Service:

Some of the major problems related to trade support services are lacks of logistics and transport service, international price and trade information, export marketing service, and export financing support (e.g. higher collateral and interest rate etc.).

4. Non Conducive Government Policies:

Exporters most face lengthy administrative procedures ineffective incentives (like duty drawbacks), unfriendly labor policy inappropriate export traffic etc. These problems have involved extra cost to garment exports from Nepal.

5. Difficulty of Access to Foreign Markets:

Nepalese garments are subject to tariffs and quotas in major market like the US. They face complicated rules of origin for preferential market access in the EU, and difficulty in complying with standard and technical regulation in the target market some times.

6. Demand Constraints:

Buyers are sometimes reluctant to accept Nepalese garments due to non competitive price and unreliable deliveries as the lead time from the date of order to date of delivery is 120-150 days as against only 19-45 days in India.

7. Changing pattern in International Trade:

The pattern of international trade textiles and clothing has been changing due to the elimination use of non tariff barriers in the post of MFA clothing trade, they are also facing the trade diversion problem due to the US and EU policy of the special and preferential market access to particular countries and regions under the free trade agreements (FTAS)

8. A Major Threat:

Apart from the implication of the WTO provision, the future of Nepal's garment trade would also be influenced adversely by the recent united states announcement to provide duty free access to clothing made in the developing nations of African & the Caribbean basin (see annex to learn more about AGOA & CBTPA). The United States, the single largest importers of garment, has announced a preferential treatment

to clothing imports from the developing countries of sub Sahara African & Caribbean basin under the US trade & development act (USTDA) of 2000. Apparently, the Caribbean nation, such as Honduras, El Salvador Dominican republic & Jamaica are among the fastest growing suppliers of clothing to the US, after Mexico. Countries like the Dominican Republic, Costa Rica, Honduras & Guatemala are among the top ten exporters of clothing items that are of interest to Nepal exporters. In fact the United State is clearly favoring suppliers in the hemisphere & Africa at the cost of the Asian developing suppliers including Nepal. A gradual increase in the export from these countries indicates a formidable challenge to Nepalese exports to the American market, & would further marginalize Nepal's position in the international clothing trade.

9. Diversity Markets & Procedures:

Despite permission, liberalization of quotas may offer good opportunities to Nepalese garment exporters in developing country markets. It is very likely that they will be able to diversify their product to the developing countries, which have unilaterally reduced high tariff that they have been applying. Demand for garments in such countries is gradually increasing with rise in their per capita income & consumers in such markets are relatively flexible regarding quality. There will be no quota barriers in such countries also, so Nepalese exporters can benefit from this, if they are competitive enough. The chance of market diversification will depend upon how the buyer's specification is followed, whereas the development of own design & brands would determine the product diversification. An extensive study however may be required to achieve this goal.

Nepalese exporters should concentrate on the Asian market that is rising rapidly in textile & clothing trade. Asian market can be important because of a demographic status and rising their per capita income moreover; intra Asian trade in textiles & clothing is the second largest after Europe. Nepal should eye on the Indian market as an immediate market diversification goal. Government of Nepal should focus on the possibility of the Indian market for Nepalese garment while dealing with the Nepal-India trade arrangements.

ii. Nepal's apparel sector at crossroads: Assessment of adjustment problems and preparation for quota free trade

This study was a theme paper by Bijendra M. Shakya a resource person for the workshop organized by garment association- Nepal(GAN) and co-sponsored by international trade centre-ITC(UNCTAD/ WTO), Decemer-2004, Kathmandu , Nepal.

Some of the extremely related parts of the study were included here

Performance Appraisal:

Relatively low cost of labor will be the key advantage to Nepalese apparel producers in the liberalized system. However lower worker productivity will offset the advantages of the wages. That suggest for investment in productivity in garment industry in Nepal-is about 60-70% that of Chinese workers, who are considered the most productive in the world. That suggest for investment in productivity enhancement with application of latest technology & fashion urgently. At the same time it is also required to over come the internal bottlenecks, related to supply constraint, high transaction cost, lack of quality & inadequate infrastructure to substation in international clothing trade after 2004.

The country's overall apparel export performance is largely determined by the export to the US-Overtly dependent on one single market & the minuscule shares by the other two major exports destinations: Canada & the EU had subjected to high volatility. Although modest the export to EU looks promising, as the annual average shares has remained about one-tenth of the total export, has been as increasing rate in later years, which could be mainly because of the duty free market access to Nepalese apparels under the generalized system of preferences(GSP), under 5 the EBA scheme of the EU. The facility of derogation from the EU GSP rules of origin since 1997 has, to some extent, encouraged Nepalese export under the GSP scheme. Unlike that the export to Canada does not look that encouraging, despite the GSP privilege.

Changing patterns of apparel trade:

Bearing the production efficiency & policy flows, Nepalese traders should perceive the changes taking place in the global trading environment if they wanted to retain their position

even in post MFA, which is going to be one of the biggest transformations in the apparel trade history. In a quota-free trade, Nepal's strength of a guaranteed market in the US will perish & that will apparently turn in to a tough competition. Since the country has never faced the quota constraint, the determining factors for its survival in the quota free trade way are the competitive productive pricing with the efficient delivery system. If that would be a decisive factor, Nepal has nothing to gain the quota phase out.-The gainer of the trade would be the country having capacity to manufacture apparels in –“vertical” production, or to make from yarn to fabrics & to fashion, in order to trim the cost of production efficiently.- Since the apparel industries in Nepal are confined to the cut make-trim (CMT) process, they wouldn't be that effective to slash chain to face stiff competition,-reducing the global apparel prices unprecedentedly.

Price:

It is necessary to understand that the advantage of lower wage would be not sufficient to offset other costs to be price competitive. Although wages in least developed countries(LDC) like Bangladesh is 20-30 % lower than in China for example, wage costs are only 10 % of the cost of a garment making the wage advantage ,insufficient to offset other costs disadvantages relating to production and exports. Like Bangladesh, Nepal is also endowed with a pool of cheaper labor for garment manufacturing which seems to be insufficient cost advantage to surmount the existing higher production and delivery costs now estimated to be about 25% higher than in neighboring countries. Yet the labor component still matters in developed countries where labor cost is relatively at large portion. In France the labor costs are 50% of the total costs as against less than half in Portugal and only one third in China, even with the customs levies and transport. The shirt from China would therefore cost little more than half the shirt made in France.

Post MFA preparation:

Keeping all these possibilities aside it inevitable that the Nepalese garment sector should get prepared itself to face the intense competition in the quota-free trade, either by trimming the costs or by delivering the international fashion requirements. This is possible only if the industry get consolidated to a larger scale of production with the technology up gradation and

procedural simplification assuring a full package of production and service to foreign buyers. Comparative advantage to Nepalese apparels will largely depend not just on cheap labor but on a workforce that is both relatively cheap and technologically skilled seeking increased investment in training and skill development for the future and drawing on the latest information technology and marketing system. Unlike the buyer-driven commodity chain (i.e. the buyer practice of instructing where to buy and source fabrics and ancillaries) followed by Nepalese manufactures. It would be required for them to develop their own supply chain to improve their competitiveness in the future. It would be important for Nepalese manufacturers to have flexibility in sourcing for securing fabrics from the cheapest source with the quality and design meeting the buyer's expectation. Such kind of practice will gain momentum in sourcing of materials for optimization. Even the Indian garment industries which are relatively efficient are thinking over sourcing linen from China where fabrics can be as much as 30% cheaper than in India.

On the other hand, the distribution in the post MFA will be shorter. That means Nepalese exporters would require direct marketing network and manage supply-chain to gain markets on their own. To meet all these requirements it would be essential for garment industries to aim at vertical production base with the efficient trade infrastructure providing a full package of manufacturing and delivering system. Although most of these activities are directly concerned to individual industries, the stable government policy is indispensable to consolidate the production and delivery system in an integrated way. One of the measures that the government can more precisely take could be developing an industrial cluster focusing on the entire production and delivery system at a specified place to reduce cost and delivery time expeditiously.

The international market for readymade garments is unlimited, the Nepalese garment industry has not been able to fulfill even a limited number of US quota allocated to Nepal. Industry has produced and exported the basic garments only instead of high fashion product/. Products were made according to the demand of buyers because of poor product specialization. Indian employers highly paid and skilled persons not easily available in Nepal, . They were very much sincere about their work and were very much discipline and did not create problem by labor unionism. Due to lack of capital and direct contact i.e. lack of marketing, most of the

Nepalese entrepreneurs could not transform the piece rate system. Garments entrepreneurs were very much serious about the impacts of GATT's new provision of phasing out of multi fiber arrangement (MFA) within a period out of 10 years starting from 1st January 1995. .

Ref: Pushpa Raj Adhikari(1995)

USA is the major importer of Nepalese RMG with 90 % of share.The integration of MFA into WTO can result in significant net trade wins for developing countries including Nepal. Before integration into MFA, Nepal government has to improve its comparative competitiveness among other competitors.Nepalese garment industry actually has a good prospects, however government has to form various promotional policies regarding the garment industry in Nepal.

Ref:Marina Adhikari(1999)

The marketing strategies of the industry were found to be weak in view of the existence of differences in the views of the general managers and the marketing managers in key areas.The statistical tools proved that the industry is declining.It may be concluded that the textile industry in Nepal has been adopting mostly traditional approaches and does not appear to be taking necessary initiatives to redress the declining position of the industry.

Ref:Dr.RamKrishna Shrestha(2001)

Readymade garment productions are in a large scale .In this initial period, it has welcomed many industrialist's labor, capital and equipments from India. The garments produces have to follow different garments semi garment rules and regulations and these rules and regulations compel the producers to cross different channels. Most of the labor skilled and semi skilled is from India. Rough estimation of the Indian labors in these factories is more than 50%. There seems to have no direct contact of the buyer of Ready Made Garment in USA.Raw materials used almost all comes from India despite of so many mills and textile produce cotton fabrics in Nepal.

Ref:Bajracharya.Mainya(1990)

There is gap between the present research and the previous researches. Previous researches conducted on the topics concerning on the macroeconomic aspect. Most of the studies were based on trade aspects rather than marketing aspects. The findings of the previous researches were mostly based on secondary data. Most of the previous researches did not disclose what kinds of export marketing strategies should be implemented in Nepalese RMG industry. Thus to fill up those gap the current research is conducted. This research is a survey type of research. It is based on the primary sources of data. It examines the view of entrepreneurs about the marketing strategies competitive situation of Nepalese RMG industry, implementing condition of marketing strategies by the industry. Probably this might be the first research study carried on this topic regarding Nepalese RMG industry.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Research methodology is a way to systematically solve the research problem. It refers to the various sequential steps that are to be adopted by a researcher during the course of studying the problem with certain objectives. This chapter refers to the overall research method from the theoretical aspects to the collection and analysis of data. This study covers quantitative methodology in a greater extent and also uses the descriptive part based on both technical and logical aspect.

3.2 RESEARCH DESIGN

The research design adopted in this study was basically descriptive. But some of the hypotheses were also to be tested. To achieve the objectives, relevant data & information were collected, analyzed & tested simultaneously. The study was carried out through survey.

3.3 TYPES & SOURCES OF DATA

Both types of primary & secondary information have been used for the present study. But main focus is given to primary data. Data were mainly collected from primary source. Primary data were collected through questionnaire, interview & discussions.

3.3.1 POPULATION & SAMPLE SIZE

According to Garment Association of Nepal, there were 50 garment industries operating in 2010. Among them, more than 90% i.e. 45 in number were operating in Kathmandu Valley. Out of them only 10 found to be in operation at the time of survey. i.e. 22 %. For the purpose of survey, those industrial units which were in operation during the survey period were accounted. Hence, out of total 9 units (3 units from small scale, 3 units from medium scale & 3 from large scale) were selected as a sample size. Purposive or judgmental was followed to find out the fact & to analyze the marketing strategies of Nepalese RMG industry.

3.4 DATA COLLECTING INSTRUMENTS

Primary data was collected by using the questionnaire. The set of questionnaire was distributed to (CEO, MD) & marketing manager or entrepreneurs of the selected industries. Interviews were also conductive with the few executives & managers in order to acquire in depth information & support the survey for the study.

3.5 COMPONENTS OF QUESTIONNAIRE

The questionnaire prepared for data collection is related to marketing strategies. They also inquired about the background information of industries , objective, business policies, market situations for the product, organizational & managerial competitive strategies, external and internal business environment & planning and implementation of industries. The questionnaire included three types of questions, “closed ended scales “(schematic rating scale) and “preferential rating”. In closed ended question, appropriate alternatives were given to enable the respondents to make simple but correct choices. In the scaled questionnaire, five point scale was given in ranging from 1(most favorable) & in the preferential rating questionnaire, number 1 was given for most preference , number 2 for second most preference and so on. The questionnaires were included in the annex.

3.6 QUESTIONNAIRE ADMINISTRATION

The questionnaire was administered to the CEO, MD, marketing manager or entrepreneurs of the selected industries. Personnel were also taken for clarifications of information. Personals visits also made during the study periods. Personal visit was made to have direct contact with the interviewees so that more information & data could be collected & relative accuracy ensured.

3.7 DATA PROCESSING & TABULATIONS

Primary data were processed & tabulated as per the need of the study. The computed mean scores (M.S) could range from 1 to 5 has been interpreted as favorable and 5 as unfavorable. However, the score range from 1-5 was given. The range has been interpreted in the following ways:

1.0 to 2.5	favorable (maximum)
2.5 to 3.5	indifferent (moderate), and
3.5 to 5.0	unfavorable (minimum)

Percentages of response were also incorporated.

3.8 STATISTICAL TOOLS USED

The Chi-square (χ^2) test has been used to measure the degree of relationship and the differences in various forms of primary data to find out dependency or interdependency of variables.

CHAPTER-IV

MARKETING STRATEGIES AND POLICIES OF NEPALSE READY MADE GARMENT

This chapter deals with data presentation, analysis and interpretation following the research methodology presented in the third chapter. Data presentation and analysis are the central steps of the study. The main purpose of this chapter is to analyze and elucidate the collected data to achieve the objective of the study following the conversion of unprocessed data to an understandable presentation. The chapter deals with the main body of the study.

4.1 ANALYSIS OF SURVEY DATA

The basic objective of this study is to “analyze the export marketing strategies of Nepalese RMG industry to find out pertinent strategies for suggesting the entrepreneurs and trying to seek out the way of saving the existence and increasing the competitiveness of Nepalese RMG Industry”.

Hence, in order to identify the nature of export marketing strategies, the existing status of marketing and their attitude toward market, a survey of RMG industry was made. In each RMG industry, the CEO, MD, Marketing manager, export managers or entrepreneurs were interviewed using structured questionnaire in the Appendix-A.

4.2 MARKETING STRATEGIES AND POLICIES

Marketing Strategy is a process of model to allow a company or organization to focus limited resources on the best opportunities to increase sales and thereby achieve a sustainable competitive advantages.

It is a company plan that allocate resources in ways to generate profits by positioning products or services and targeting specific consumer groups. Marketing strategy and policies focuses on long-term company objectives and involves planning marketing programs so that they help

a company realize its goals. It is the process of planning and implementing company polices towards realizing company goals in accordance with the company vision.

Marketing Strategy is written plan which combines product development, promotion, distribution and pricing approach identifies the firms’ marketing goals and explains how they will be achieved within a stated time frame. It also determines the choice of target market segments, positioning, marketing mix and allocation of resources.

Table: 4.2.1

Effectiveness of Marketing Strategies and Policies

S.No.	Factor	Mean
1	Effectiveness of export marketing strategies and policies	2.9

Source: Field survey

An attempt has been made to rate the effectiveness of export marketing strategies and policies. The assessment of effectiveness of strategies and policies help an enterprise to take necessary steps to further develop or rectify them. The executives rated the effectiveness of their strategies at the mean score of 2.9. It shows that effectiveness of marketing strategies and policies is neither very satisfactory nor of much consequences.

Moreover the study reveals that the executives did not give duce attention to proper formulation of their marketing strategies and policies. It is ironic that they do realize the limitation of their strategies but have not initiated effort to correct them.

Table:4.2.2

Timing of Analysis of Export Marketing Strategies

S.No	Factor	No. of Respondents	Percentage
1	Annually	2	20
2	At the time of formulating plan	1	10
3	No fixed period	7	70
	Total	10	100

Source: Field survey

Generally business organizations analyze their export marketing strategies time to time. The analysis of marketing strategies of an organization is conducted to compete the competitors and to increase the competitive position of the organization. 20 % of respondents stated that they analyzed the export marketing strategies annually. 10% of respondents stated that they analyzed the marketing strategies at the time of formulating plan. 70% of the respondents stated that they don't have proper fixed period to analyze the marketing strategies . It shows that analyzing the export marketing strategies is neglected by Nepalese RMG industrials. They don't have any rule of frequently reanalyzing the marketing strategies.

Table:4.2.3

Achieving the Desired Objectives only through the Export Marketing Strategies

S.No	Factor	No of Respondents	Percentage	Mean
1	Yes	6	60	2.83
2	No	4	40	-
	Total	10	100	

Source: Field survey

Without proper and appropriate export marketing strategies, no organization can achieve the desired objectives. Despite other factors, export marketing strategy is one of the important factors for any business organization. Out of 10 respondents, 4 respondents or 40 % are not agree to achieve desired objectives only through marketing strategies but 6 respondents or 60

% are agree to achieve objectives only though export marketing strategies and they rated it at the mean score of 2.83.

Although most of them are agree with the above statement, they have not given more emphasis on the export marketing strategies only. It is inferred that other factors (e.g. conductive govt. policy, attitude of buying countries, WTO provision and competitors' activities etc) have played the crucial role whether to achieve the desired objectives or not.

Table :4.2.4

Overcoming Almost all the Problem that Industry Faces in the Quota Free Market by Suitable Export Marketing Strategies

S.No	Factor	Mean
1	Overcoming almost all the problem that industry faces in the quota free market by suitable export marketing strategies.	2.83

Source: Field survey

Suitable export marketing strategy is one of the important activities of the business organizations to overcome the problem and to make the competitive position of the organization. Most of the organizations face the problems because of poor marketing strategies, so suitable export marketing is necessary. The executive rated the suitable export marketing strategies to overcoming almost all the problems that industry faces in the quota free market by the mean score of 2.83. It shows that they are neither agreed nor disagreed with the above statement.

Table 4.2.5

Need Approaches for Coping Strategically the Existed Rapidly changing and Increasingly Unpredictable Environment

S.No	Factor	Mean
1.	Need approaches for coping strategically the existed rapidly changing and increasingly unpredictable environment	2.4

Source: Field survey

Static approaches or only one approach cannot be suitable for today's vast environment. So, for thriving and surviving in today's rapidly unpredictable business environment, it is necessary to cope with the export marketing strategy. The mean score of 2.4 above shows that they have quite positive attitude towards the above statement.

Table:4.2.6

Promotion Strategies

S. No	Factor	No. of Respondents	Percentage
1.	Consumer Aware (Pull strategy)	2	20
2.	Dealer Strategy (Push strategy)	5	50
3.	None of the Above	3	30
	Total	10	100

Source: Field survey

The main objective of promotion is to make consumers aware about the products. Promotional efforts include activities such as advertising, personal selling, publicity and a multitude of others such as fair, sampling, contests and cooping. Anonymous (1997) defines promotion as “the function of informing, persuading and influences the consumer’s purchase decision.” Anonymous (1981)in this connection opined that “marketing must speak to the consumer’s rationale side about the product advantages. They must cater to the consumer’s emotional side and drive home the sale through the physiological senses. The goal is to make consumer happy.... through the purchase of his product. Among the promotion strategies,

there are two promotion strategies, i.e. consumer promotion and dealer promotion. Out of 10, 2 or 20% of industries have adopted consumer promotion strategies, 5 or 50% industries have adopted dealer promotion strategies and 3 or 30% industries have not adopted any promotion strategies. The study shows that few industries have been doing promotion directly to the consumer. It implies that they have direct contact with consumer and which may be beneficial for their business in future. The large numbers of industries are promoted through dealer (Agents). It implies that they don't have adequate market power in terms of promotion. Remaining industries don't have any promotion strategies. They have poor market power in terms of promotion.

Table:4.2.7

Evaluation of External Environment for the Operation, Growth and Expansion of Enterprises:

S. No	Factor	Mean
1	Political	4.7
2	Economic	4.1
3	Socio-Culture	2.3
4	Technology	2.7
5	Competitive	4.0

Source: Field survey

External environment plays a vital role in the smooth operation, growth and expansion of enterprises. If external environment is not suitable and conducive, the organizational goals and objectives can't be fulfilled. Therefore, changes in the firm's environment must be constantly monitored and, if they suggest basic modification to policy, these should be given every careful consideration. The political environment is one of the components of marketing environment. The response to political environment has been rated to mean score of 4.7 showing extremely unfavorable environment for the industry. Economic environment plays a vital role in designing marketing strategies. The executives rated cultural environment include many aspects of society and its various constituents such as attitudes, beliefs, desires, expectations, education, customs, demographic components, role of women and view towards

themselves, society and Nation. The executives rated the mean score of 2.3 showing favorable environment for the industry. Technology brings innovativeness. Science has invented many sophisticated technologies. These technologies have been adopted by today's business and industries. The technological environment was rated at the mean score of 2.7. This shows that industries have given high priority to it. Another crucial external factor is competition. Because of globalization and liberal economic policies, the level of competition in the market is increasing at a phenomenal pace. The enterprise must always be able to go along with the nature and the level of competition. One can stand in the business world when it can meet the challenges. In this regard, the respondents rated response at the mean score of 4.0. It reveals that the strong competitors are existed in the market and rivalries among competitors are very high.

Table:4.2.8

Preference given by Industrialist or Executives to cope with the Adverse Effect Existed Through (USTAD 2000) Providing Duty Free Access to Clothing Made of African and Caribbean Basin Countries by USA:

S.No	Factor	Mean
1	Export Marketing Strategies	1.6
2	Conducive govt. policy	1.0
3	Lobbying the large importing countries(Specially the USA)	1.0
4	Strategic Alliances with other countries	1.9

Source: Field survey

To overcome the adverse effect in Nepalese RMG industry through the USTAD act 2000; the researcher has included the four major factors to know the preferential factors of executives or industrialist. In this regard, the executives rated the mean score of 1.6 for export marketing strategies, 1.0 for conducive or favorable govt. policy, 1.0 for lobbying the large importing countries and 1.0 for strategic alliance with other countries. The study shows that the industrialists have given top most preference to conducive govt. policy and lobby, second most preference is given to export marketing strategies and the least preference is given to strategic alliances with other countries. It implies that they are sure of coping with the

problems through conducive-govt. policy and lobbying rather than implementing export marketing strategies and strategic alliance with other countries.

Table:4.2.9

Rating Of Understanding Competitors when there are Many

S.No	Factor	Mean
1	Similar Characteristic (Size and resource)	2.5
2	Strength(e.g. product quality distribution, low cost etc.)	1.6
3	Strategies into strategic group	3.0
4	Country wise product	2.3

Source: Field survey

To understand the competitors is one of the inevitable activities of business organization. Those organizations who can understand the competitors can make the effective export marketing strategies and also can win the large market share or make strong position in the battle field. The researchers found that mean score of 2.5 was rated for similar characteristic, 1.6 for strength factors, 3.0 for strategies into strategic group and 2.3 for country wise product by the executives. The study shows that they have given more preference to understand the competitors by seeing their strength factors. Second most preference is given to country wise product. Third most preference is given to similar characteristic and the least preference is given to the strategic group. It indicates that they are aware of understanding the competitors, except similar characteristic and strategic into strategic group, in terms of strength factors and country wise product.

Table:4.2.10

Effect of Competitive Situation on Enterprises

S.No	Factor	Mean
1	Effect of competitive situation on enterprises	1.9

Source: Field survey

The executed rated the “Effect of competitive situation on enterprises” at the mean score of 1.9 which indicates that Nepalese RMG industry is extremely affected by the competition in the present time.

Table:4.2.11

Ranking of Major Competitors of Nepalese RMG industry

S.No	Country	Rank													
		1	%	2	%	3	%	4	%	5	%	6	%	7	%
1	India	3	30	4	40	-	-	3	30	-	-	-	-	-	-
2	Bangladesh	2	20	1	10	5	50	1	10	1	10	-	-	-	-
3	Sri Lanka	-	-	-	-	-	-	2	20	1	10	6	60	1	10
4	China	3	30	4	40	2	20	1	10	-	-	-	-	-	-
5	East Asia	-	-	-	-	1	10	-	-	6	60	3	30	-	-
6	African & Sub- Saharan	2	20	1	10	2	20	3	30	2	20	-	-	-	-
7	Others	-	-	-	-	-	-	-	-	-	-	1	10	9	90

Source: Field Survey

According to the above table, biggest competitors of Nepalese RMG industries are India and china. Out of 10 respondents, 30%, 40% and 30% ranked India as a major competitor by ranking 1, 2 and 4 respectively. Similarly out of 10 respondents, 30%, 40%, 20% and 10% respondents ranked China as a major competitor by ranking 1, 2, 3 and 4 respectively. Bangladesh and African & sub-Saharan countries are the major competitors after India and China. 20%, 10%, 50% and 10% respondents ranked Bangladesh as a major competitor by ranking 1, 2, 3, 4 and 5 respectively. 20%, 10%, 20% respondents ranked African & sub-Saharan countries as major competitors by ranking 1, 2, 3, 4 and 5 respectively. Sri Lanka & East Asia are not the biggest competitors as China, India, Bangladesh and African & Sub-Saharan countries.

However, the above countries might become the major competitors in future if Nepal couldn't implement the effective marketing strategies. 20%, 10%, 60% and 10% respondents ranked Sri Lanka as Competitors by ranking 4, 5, 6 & 7 respectively. 10% 60% and 30 % respondents ranked East Asia as a competitor by ranking 3, 5 and 6 respectively. 10% and 90% respondents ranked other countries as competitors by ranking 6 and 7 respectively.

Table:4.2.12

Sources of Getting Information about the Competitors

S.No	Country	Rank							
		1	%	2	%	3	%	4	%
1	Website(WTO,ITC,FNCCI,etc)	1	10	3	30	3	30	3	30
2	Govt. Agency(MICS,TPC)	-	-	3	30	4	40	3	30
3	Garment Association Nepal(GAN)	7	70	2	20	1	10	-	-
4	Experts	2	20	2	20	2	20	4	40

Source: Field survey

Information has the greater role in business organization. One of the important functions of information is to understand the competitors. It helps by formulating effective marketing strategies and policies to beat the competitors and to strengthen the competitive position. According to the above table, Garment Association Nepal (GAN) is the major informational sources for getting information about the competitors. They have awarded the 70% score as ranked 1. They have given second rank to the website by scoring 30%, third rank to the government agencies by scoring 40% and fourth rank to the experts by scoring 40%. The study shows that they are highly dependent on Garment Association Nepal only.

Table:4.2.13

Establishment of marketing Intelligence Department to Assess the Competitor's Activities and Strategies

S.No	Option	No. Of Respondent	Percentage
1	Yes	-	-
2	No	10	100
3	Total	10	100

Source: Field survey

Business organization must establish the marketing intelligence department to know the competitor's activities and strategies for surviving and thriving in the long term and for attacking their weak point to grab the large market share. The 10 or 100% industries do not have established the marketing intelligence department. It implies that they have poor export marketing strategies because of lacking the marketing intelligence personnel.

Table:4.2.14

Using the FIT, an International Trade Centre(ITC) Benchmarking Tool, for Comparative Analysis with Competitors

S.No	Option	No. Of Respondent	Percentage
1	Yes	-	-
2	No	10	100
	Total	10	100

Source: Field Survey

The all (100) % of respondents did not use this tool for comparative analysis. In spite of recommending using this tool by the ITC for the developing and the least developed countries in quota free market. Nepalese executives have not used this tool. During the interview, the researcher also found that they didn't know about the tools. It implies that they are unknown about the benefit and importance of the FIT.

Table:4.2.15

Existence of Competitors

S.No	Factors	Mean
1	Internal Competitors	3.5
2	Foreign Competitors	1.5

Source: Field survey

The executives awarded mean score of 3.5 for internal competitors and 1.3 for foreign competitors. It shows that numbers of foreign competitors are very high and those of domestic competitors are quite low. The study implies that the domestic competitors don't have to severely compete with each other.

Table:4.2.16

Timing of Monitoring the Objectives and Strategies of Competitors

S.No	Factors	Mean
1	Monitoring the Objectives and Strategies of Competitors	2.7

Source: Field survey

The executives rated the mean score of 2.7 for “monitoring the objectives and strategies of competitors”. The study shows that they are moderately monitoring the objectives and strategies of competitors. In other words, they are monitoring neither continuously nor discontinuously. During the interview, the researcher also found that they usually monitor the objectives and strategies annually. It reveals that they have fixed time.

Table:4.2.17

Competitive Position of Enterprises

S.No	Factor	Mean
1	Competitive Position of Enterprises	3.2

Source: Field survey

The executives rated the mean score of 3.2 for competitive position of their enterprises. They are in survival position. It can be inferred that existing industry (remaining industry) of Nepal has satisfactory reputation among buyers.

Table: 4.2.18

Satisfying the Need and Wants of Customers

S.No	Factor	Mean
1	Satisfying the need and wants of customers	2.2

Source: Field survey

The executives awarded the mean score of 2.2 for satisfying the needs and wants of customers. This shows that they have been fulfilling the customer's desire. During the interview, the researcher found that they are able to meet the merchandisers (agent) need and want instead of ultimate customer. It implies that they have poor proximate to ultimate consumers.

Table:4.2.19

Rating the Market Power, Market share and Market growth of Enterprises

S.No	Factor	Mean
1	Market Power	3.1
2	Market Share	3.5
3	Market Growth	4.0

Source:Field survey

The main essence of export marketing strategies is to increase the market power, market share and growth of enterprises. The executives have rated the mean score of 3.1, 3.5 and 4.0 for market power, market share and growth respectively. The study reveals that they are neither satisfied nor dissatisfied with their market power. But they are highly dissatisfied with their market share and market growth. It implies that their export marketing strategies are quite poor.

Table: 4.2.20

Allocation Of Resources to Increase the Business Strength of Enterprises

S.No	Factor	Mean
1	Allocating the resources to increase the business strength of enterprises	2.2

Source: Field Survey

To increase the business strength, more resources must be allocated. The executives rated the mean score of 2.2. It shows that they have been allocating their resources satisfactorily. But, during the interview, the researcher found that they didn't allocate their resources to enhance the marketing department.

Table: 4.2.21

Kinds of Periodic Plans

S.No	Factors	No. of respondents	Percentage
1	Short-Term	5	50%
2	Medium-Term	1	10%
3	Long- Term	1	10%
4	Perspective Plan	-	-
5	No Fixed Perio5d	3	30%
	Total	10	100%

Source: Field Survey

Marketing planning is very important to determine volume for production. It is also equally important for the proper and effective use of resources. Its absence in an organization leads to directionless ness. Anonymous, 1984 have rightly stated that "Market planners often need to forecast product demand at a various alternative price levels to develop pricing strategies and set sales goal for their firms". There are usually adequate historical data that can be used to project future market behavior. Majority 50% respondents maintained that they formulated short term plans. 10% indicated that they designed medium term plans and also 10% that they

practiced long term planning. 30% stated that they formulated plan for any time. And, no one formulated perspective plan. The study showed that most of the enterprises did not have long term planning. They extremely believed in short term planning. It also indicated that the entrepreneurs of this category of industry had neither long term development program nor appropriate plans and strategies for future.

Table: 4.2.22

Consideration and Evaluation of the Rival’s Plans and Policies while formulating own Plans and Strategies

S.No	Factors	No. of Respondents	Percentage
1	No	2	20
2	Yes	8	80
	Total	10	100

Source: Field survey

Business is very competitive today. They should make plans and policies according to their own nature of business. No company formulates its plans and policies without a deep study of competitor’s plans and policies. They do not remain silent observers, they rather keep their eyes and ears open all the time on rivals business plans and policies. In reference to this, it was found in this study that the substantial majority of 80% stated that they evaluated their rival’s plans and strategies while 20% did not think it was necessary. The study reveals that the executives are well aware of the importance of the study of the competitors marketing plans and strategies.

Table: 4.2.23

Timing of Evaluating the Implementation Of Marketing Plan

S.No	Factor	Mean
1	Timing of evaluating the implementation of marketing plan	2.9

Source: Field survey

The executives rated the mean score 2.9 for the above statement. It reveals that they evaluated the implementation of marketing plan moderately. In other words, they didn’t give enough time to evaluate it even though the industry has been facing the tough market condition.

Table: 4.2.24

Rating of the Implementation of Company's Program According to Market Plan

S.No	Factor	Mean
1	Implementation of company's program according to market plan	2.7

Source: Field survey

The executive rated the mean score of 2.7 for the implementation of company's program according to market plan. The study shows that the implementation of industry's program according to market plan is neither excellent nor poor. It implies that they didn't take into careful consideration the above statement very much even though the industry has been facing the tough market condition.

Table: 4.2.25

Important Strength and Weakness of Enterprises

S.No	Factors	Mean
Strength:		
1	Production Capacity	1.7
2	Manpower	2.4
3	Technology	2.5
4	Organization	2.5
5	Brand Name	4.2
6	Market Logistic	3.2
7	Marketing Information System (MKIS)	3.6
Weaknesses:		
1	Financial Position	3.5
2	Marketing Problems	2.7
3	Skilled Manpower	3.2
4	Capital	3.7
5	High Cost of Production	2.6
6	Slow Distribution	3.1

Source: Field survey

Every business organization has some strength and weakness. An organization can exploit the opportunities and overcoming or neutralizing the threats through its strength and by reducing its weakness. The executives rated the mean score of its strength factors as production capacity of 1.7, manpower of 2.4, technology of 2.5, organization of 2.5, brand name of 4.2, market logistic of 3.2 and marketing information system (MKIS) of 3.6 respectively. They rated the mean score of its weakness factors as financial position of 3.5, marketing problems of 2.7, skilled manpower of 3.2, capital of 3.7, high cost of production of 2.6 and slow distribution of 3.1 respectively. The study shows that the industries have more strength on product capacity and manpower, moderate strength on technology, organization and market logistic and the least strength on brand name and marketing information system.

Table: 4.2.26

Need of Change in Marketing Strategies

S.No	Factor	Present Mean	Desired Mean
1	Product Quality	1.4	1.0
2	Price Strategy	3.4	1.4
3	Extensive Promotion	3.6	1.9
4	Extensive Distribution	3.2	1.9
5	Market Segmentation	3.2	1.6

Source: Field survey

Marketing strategies are essential to attain effective marketing and what marketing strategies they have adopted and what they would like to adopt? The respondents were also asked to give their present status and desirable output of the marketing strategies. The response shows that a mean score of 1.4 has been given for the present marketing strategies and desired at least a mean score of 1.0 for product quality. The respondents awarded the mean score of 3.4 for the present marketing strategies and the desired mean score of 1.9 followed by the mean score of 3.2 for present marketing strategies and the desired score of 1.6 for market segmentation. The prevailing product quality is highly satisfactory and executives want further improvement than before. Price, promotion, distribution and segmentation are below middle scored. However, they desired significant improvement in these components too.

Table: 4.2.27
Focusing Activities of Industry

S.No	Factor	Mean
1	Heavily focusing their activities in international trade rather than international marketing	1.2

Source: Field survey

Any export oriented business organization must focus its business activities in both international trade and international marketing. No organization can survive and thrive in long term without concerning both in today's competitive world market. In this regard, the industrialist rated the mean score of 1.2 showing their attention towards international trade. This indicates that international marketing practices are the neglected part of business activities.

Table: 4.2.28
Rating of Understanding the Competitor's Activities and Status

S.No	Factor	Mean
1	Performance	1.5
2	Image and Personality	2.2
3	Objectives	2.0
4	Current and Past strategies	1.9
5	Organizational Culture	2.7
6	Cost Structure	1.2
7	Strength and Weakness	1.8

Source: Field Survey

Before understanding the competitors, organization should understand their activities and status. After understanding their activities and status, organization can make the effective marketing strategies for being market leader, follower or niche marketer whatever is suitable. Hence, for long term survival and thriving, understanding the competitor's activities and status is most. In this regard, the executive rated this aspect at the mean score of 1.5 for

performance, 2.2 for image and personality, 2.0 for objectives, 1.9 for current and past strategies, 2.7 for organizational culture, 1.2 for cost structure and 1.8 for strength and weakness. The study presents, that they have given top most emphasis on cost, performance, strength and weakness, current and past strategies, objectives, image and personality and organizational culture respectively. It also indicates that what they have rated is quite consequences except organizational culture (moderately satisfactory).

Table: 4.2.29

Rate of Approaches to Identify the Competitors

S.No	Factors	Mean
1	Customers based Approach: This grouping of competitors is based on competitors for customers	1.9
2	Strategic group Approach: A strategic group consists of organization with similar competitive strength, similar characteristic and similar image in given industry	3.1

Source: Field Survey

The executives rated the mean score of 1.9 for customers based approach and 3.1 for strategic group approach. It reveals that they have given high priority to customer based approach and moderate priority to strategic group approach for identifying the competitors. It can be inferred that they have less awareness of competitor's strategies.

Table: 4.2.30

Anticipating the Future Moves and Reaction Patterns of Competitors after Phasing out the Multi Fiber Arrangement (MFA) or Quota system

S.No	Factors	No. of Respondents	Percentage	Mean
1	No	4	40%	-
2	Yes	6	60%	-
	a. Laid back reaction (slow reaction)			2.66
	b. Selective reaction (attacking selective moves of the rivals)			2.66
	c. Tiger reaction (reacting swiftly to all the rival's moves).			2.33
	d. Stochastic reaction(no predictable reaction to rival's moves)			2.83
	Total	10	100%	

Source:Field Survey

Out of 10 respondents, 4 or 40% respondents have responded that they didn't anticipate the future moves and reaction pattern of competitors. It indicates that they are unaware of competitor's reaction pattern. 6 or 60% respondents have responded that they anticipated them by scoring the mean score of 2.66, 2.66, 2.33 and 2.83 respectively. It shows that competitors will highly and moderately react to "all of their moves" and to "select of their moves" respectively. Slow and unpredictable reaction will also be in moderate rate.

Table: 4.2.31

Evaluation of Executive's Preference to Increase Market Power

S.No	Factor	Mean
1	Improving Customer Value	1.7
2	Offering New Product	2.0
3	Competitive Market Positioning and Brand	1.8
4	Latest Marketing Practices (E-commerce)	1.9
5	Customer Satisfaction	1.2

Source: Field survey

Without market power, no organization can achieve its desire objectives in long term. Increasing market power is must for being market leader and challenger. The main essence of increasing market power is to survive and thrive in long term. In this regard, the researcher wanted to know their preferential factors to increase the market power. The executives rated the mean score of 1.2, 1.7, 1.8, 1.9 and 2.0 for customer satisfaction, improving customer value, competitive market positioning and brand , latest marketing practices (E-commerce) and offering new products from high to low preference respectively. The study shows that they have given high preference to all these factors. But, during the discussion with the respondents, the researcher found that they didn't use it in practice.

Table:4.2.32
Business Strength of Enterprises

S.No	Factor	Mean
1	Market Share and its growth	3.2
2	Product Quality	1.8
3	Distribution Network	3.0
4	Promotional Network	3.0
5	Product Capacity and Efficiency	2.1
6	Unit Cost	2.5
7	Customer Service	2.2
8	R & D performance	4.0
9	Management Competencies	2.5

Source: Field Survey

The table presents that the executives rated the mean score of 1.8, 2.1 & 2.2 for product quality, Product capacity and efficiency and customer services respectively. It indicates that their business strength on these factors is satisfactory. But, during the discussion with executives, the investigator found that they provide the service was for merchandiser (agents) not for ultimate customer. They rate mean score of 2.5, 2.5, 3.0, 3.0 for unit cost, management competencies, distribution network and promotional network. It reveals that their business strength of these factors is neither satisfactory nor dissatisfactory. They rated the mean score of 3.2, and 4.0 for market share and its growth and R & D performance. It shows that their business strength of these factors is dissatisfactory. To consider all of these factors, their business strength is in dissatisfactory level.

Table 4.2.33

Effectiveness of Value Chain of Company

S.No	Factors	Mean
Primary Value Activities		
1	Inbound logistic: material handling and warehousing	2.1
2	Operation: transforming input into final product	1.9
3	Out bound logistic: order processing and distribution	2.4
4	Marketing sales: communication, pricing and channel management	2.9
5	Service: post sale services	3.6
Secondary Value Activities		
1	Procurement: procedure and information system	3.0
2	Technology development: improving the product and process system.	2.1
3	Human resource management system: hiring, training, motivating and compensation	2.6
4	Firm structure: general management, finance, accounting, govt. relations and quality management.	2.3

Source: Field Survey

Firms create value for their buyers by the activities they perform. The measure of the value of these activities is the price the firm's customers are willing to pay for its product or services. If the price is greater than the total cost of all the activities that the firm performs, the firm makes a profit (Keegan, 2000:327). The above table shows that primary value chain is quite satisfactory effective except services and marketing which are ineffective and moderately effective respectively. Similarly the rated mean score of 3, 2.1, 2.6 and 2.3 for procurement, technology development, human resources management and firm infrastructure respectively shows that technology development and infrastructure are satisfactorily effective but procurement and human resources management of them are moderately effective.

Table:4.2.34

Evaluation of the Competitive Situation of Industry

S.No	Factors	Mean
1	Threats of substitute product	2.8
2	Bargaining power of buyers	1.3
3	Bargaining power of suppliers	1.3
4	Rivalry among competitors	2.4

Source: Field Survey

The availability of substitute products places limits on the price, market leaders can change in an industry; high price may induce buyers to switch to the substitute (Keegan, 2000:373). If substitute pose of credible threats then firms in the industry will be prevented from raising their prices or from failing to develop and improve their product services (Bowman, 1996:29). The executives rated the mean score of 2.8 showing the moderate condition of threats of substitute product. The ultimate aim of industrial customers is to pay the lowest possible price to obtain the products or services that it uses as inputs. Usually, therefore, the buyer's best interests are served if they can drive down profitability in the supplier industry. The executives rated the mean score of 1.3 showing the strong bargaining power of buyers. Supplier's power over industry firms is the "flip side of the coin" to buyer power. If suppliers have enough leverage over industry firms, they can raise price high enough to significantly influence the profitability of their organizational customers. The executive rated the mean score of 1.3 showing the strong bargaining power of suppliers. The head to head rivalry can be intense and cut throat or it may be governed by unwritten "rules": gentlemen's agreements which help the industry to avoid the damage that excessive price cutting, advertising and promotion expenses can inflict on profit. The executives rated the mean score of 2.4 showing high rivalry among competitors.

Table:4.2.35

Evaluating of Company's Formulating the Marketing Plan

S.No	Factors	Mean
1	Formulating the goal after assessing the SWOT analysis	1.9
2	Formulating the strategies after assessing the SWOT analysis and formulating the goal	2.2
3	Formulating the program according to the strategies	2.2

Source: Field survey

The above table shows that the executives rated the mean score of 1.9, 2.2 and 2.2 for the above statement respectively. It shows that the formulation of marketing plan is in satisfactory level. But during discussion, the researcher found that they have formulated the marketing plan for short term.

Table:4.2.36

Timing of Evaluating the Feedback (result) and Control of Enterprises

S.No	Factor	Mean
1.	Evaluating the feedback(result) and control of enterprises	2.4

Source: Field Survey

The executive rated the mean score of 2.4 for the above statement. It stated that they evaluated the feedback and control of enterprises satisfactorily (frequently). In other words, they gave enough time to evaluate them. But, it can be implied, by consideration previous table, that the effectiveness of evaluating the feedback and control of enterprises is poor because of not taking into careful consideration the implementation of industry's program according to market plan.

Test of Hypothesis

Hypothesis 1

2 X 2 contingency table

Executive's preferential Category	Increasing of competitive Position		Total
	Yes	No	
Export Marketing Strategy	0(a)	3(b)	$r_1=3$
Conducive Govt. Policy	2(c)	5(d)	$r_2=7$
Total	$C_1=2$	$C_2=2$	$N=10$

Solution:

Null Hypothesis H_0 :

There is no significant relationship between the executive's preferential category and increasing of competitive position. In other words, executive's preferential category and increasing of competitive position are independent.

Null Hypothesis H_1 :

There is significant relation between the executive's preferential category and increasing of competitive position. In other words, executive's preferential category and increasing of competitive position are dependent.

Since in all cell, frequencies are not \geq than 5. Yates correction should be made by adding and subtracting 0.5 at each cell respectively, starting from 'a' cell, we get:

Executive's preferential Category	Increasing of competitive Position		Total
	Yes	No	
Export Marketing Strategy	0.5 (a)	2.5 (b)	$r_1=3$
Conducive Govt. Policy	1.5 (c)	5.5 (d)	$r_2=7$
Total	$C_1=2$	$C_2=8$	$N=10$

Now,

$$\chi^2 = \frac{N \left[(ad - bc) - \frac{N}{2} \right]^2}{r_1 \times r_2 \times c_1 \times c_2}$$

$$= \frac{10 \left[0.5 \times 5.5 - 2.5 \times 1.5 - \frac{10}{2} \right]^2}{3 \times 7 \times 2 \times 8}$$

$$= \frac{10 \left[(2.75 - 3.75) - 5 \right]^2}{336}$$

$$= \frac{10(-6)^2}{336}$$

$$\chi^2 = 1.071$$

∴ Calculated $\chi^2 = 1.071$

Degree of freedom (d.f.) = (r-1) (c-1) = (2-1) (2-1)=1

Tabulated value of χ^2 at 0.05 level of significance for 1 d.f. is 3.841

Result :

Since the calculated value of $\chi^2 = 1.071$ is lesser than tabulated value of χ^2 at 5% level of significance for 1 d.f.= is 3.841, the null hypothesis is accepted. Therefore , we conclude that the executive's preferential category and increasing of competitive position are independent.

Hypothesis 2

Table of Rated Mean Score among Three Scales of Industries

Frequency of Scale Of Industry	Range Of Mean			Total
	1.0-2.5	2.5-3.5	3.5-5.0	
Large	62	24	10	96
Medium	56	23	17	96
Small	36	34	26	96
Total	154	81	53	288

Solution:

Null Hypothesis Ho:

The differences in 'range of mean' within different scale of industry are independent. In other words, three scales of industry have the same 'range of mean'.

Or

There is no significance difference between the scale of industry and their rated mean score.

Alternative Hypothesis H1:

The differences in 'range of mean' within different scale of industry are dependent. In other words, three scale of industry do not have the same 'range of mean'.

Or

There is significance difference between the scale of industry and their rated mean score.

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

$$O = \text{Observed Frequency} = \frac{RT \times CT}{N}$$

E = Expected Frequency

RT = Row Total

CT = Column Total

N = Grand Total

Calculation of χ^2

O	$E = \frac{RT \times CT}{N}$	$O-E$	$(O-E)^2$	$\frac{(O-E)^2}{E}$
62	51.33	10.67	113.84	2.21
24	27.00	-3.00	9.00	0.33
10	17.67	-7.67	58.82	3.32
56	51.33	4.67	21.80	0.424
23	27.00	-4.00	16.00	0.592
17	17.67	-0.67	0.4489	0.0254
36	51.33	-15.33		4.578
34	27.00	7.00		1.184
26	17.67	8.33		3.296
				$\sum \frac{(O-E)^2}{E} = 17.2194$

$$\chi^2 = \sum \frac{(O-E)^2}{E} = 17.2194$$

Degree of freedom (d. f.) = (r-1) (c-1) = (3-1) (3-1) = 4

Tabulated value of χ^2 at 0.01 level of significance for 4 d. f. is 13.277

Result :

Since the calculated χ^2 is greater than tabulated value of χ^2 at 0.01 level of significance, the null hypothesis H0 is rejected of alternative hypothesis H1 is accepted. Therefore, we conclude that there is significant difference between the scale of industries and their rated mean score.

Hypothesis 3

Table of Rated Mean Score between Large and Medium Scale Industries

Frequency of Scale Of Industry	Range Of Mean			Total
	1.0-2.5	2.5-3.5	3.5-5.0	
Large	62	24	10	96
Medium	56	23	17	96
Total	118	47	27	192

Solution:

Null Hypothesis H0 :

There is no significance difference between the scale of industries (i.e. large and medium) and their rated mean score.

Alternative hypothesis H1 :

There is significance difference between the scale of industry (i.e. large & medium) their rated mean score.

Calculated χ^2

O	$E = \frac{RT \times CT}{N}$	$O - E$	$(O - E)^2$	$\frac{(O - E)^2}{E}$
62	59	3	9	0.1525
24	23.5	0.5	0.25	0.0106
10	13.5	-3.5	12.25	0.9074
56	59	-3	9.00	0.1525
23	23.5	-0.5	0.25	0.0106
17	13.5	3.5	12.25	0.9074
				$\sum \frac{(O - E)^2}{E} = 2.141$

$$\chi^2 = \sum \frac{(O - E)^2}{E} = 2.141$$

Degree of freedom (d. f.) = (r-1) (c-1) = (2-1) (3-1) = 2

Tabulated value of χ^2 at 0.01 level of significance for 2 d. f. is 9.210

Result :

Since the calculated χ^2 is lesser than tabulated value of χ^2 at 0.01 level of significance, the null hypothesis H_0 is accepted or alternative hypothesis H_1 is rejected. Therefore, we conclude that there is no significant difference between the scale of industries (i.e. large & medium) and their rated mean score.

Hypothesis 4

Table Rated Mean Score between medium & small scale industries

Frequency of Scale of Industry	Range of Mean			Total
	1.0-2.5	2.5-3.5	3.5-5.0	
Medium	56	23	17	96
Small	36	34	26	96
Total	92	57	43	192

Solution:

Null Hypothesis H_0 :

There is no significant difference between the scale of industry (i.e. medium & small) and their rated mean score.

Alternative Hypothesis H_1 :

There is significant difference between the scale of industry (i.e. medium & small) and their rated mean score.

Calculation of χ^2

O	$E = \frac{RT \times CT}{N}$	$O - E$	$(O - E)^2$	$\frac{(O - E)^2}{E}$
56	46	10	100	2.17
23	28.5	-5.5	30.25	0.061
17	21.5	-4.5	20.25	0.941
36	46	-10	100	2.17
34	28.5	5.5	30.25	1.061
26	21.5	4.5	20.25	0.941
				$\sum \frac{(O - E)^2}{E} = 8.344$

$$\chi^2 = \sum \frac{(O - E)^2}{E} = 8.344$$

Degree of freedom (d. f.) = (r-1) (c-1) = (2-1) (3-1) = 2

Tabulated value of χ^2 at 0.01 level of significance for 2 d. f. is 9.210

Result :

Since the calculated χ^2 is lesser than tabulated value of χ^2 at 0.01 level of significance, the null hypothesis H_0 is accepted or alternative hypothesis H_1 is rejected. Therefore, we conclude that there is no significant difference between the scale of industries (i.e. large & medium) and their rated mean score.

Hypothesis 5

Table of Rated Mean Score between Large & Small scale Industries

Frequency of Scale of Industry	Range of Mean			Total
	1.0-2.5	2.5-3.5	3.5-5.0	
Medium	62	24	10	96
Small	36	34	26	96
Total	98	58	36	192

Solution:**Null Hypothesis H₀:**

There is no significant difference between the scale of industry (i.e. large & small) and their rated mean score.

Alternative Hypothesis H₁:

There is significant difference between the scale of industry (i.e. large & small) and their rated mean score.

Calculation of χ^2

O	$E = \frac{RT \times CT}{N}$	$O - E$	$(O - E)^2$	$\frac{(O - E)^2}{E}$
62	49	13	169	3.45
24	29	-5	25	0.862
10	18	-8	64	3.55
36	49	-13	169	3.45
34	29	5	25	0.862
26	18	8	64	3.55
				$\sum \frac{(O - E)^2}{E} = 15.724$

$$\chi^2 = \sum \frac{(O - E)^2}{E} = 15.724$$

Degree of freedom (d. f.) = (r-1) (c-1) = (2-1) (3-1) = 2

Tabulated value of χ^2 at 0.01 level of significance for 2 d. f. is 9.210

Result :

Since the calculated χ^2 is greater than tabulated value of χ^2 at 0.01 level of significance, the null hypothesis H₀ is rejected or alternative hypothesis H₁ is accepted. Therefore, we conclude that there is significant difference between the scale of industries (i.e. large & medium) and their rated mean score.

4.3 MAJOR FINDINGS OF THE STUDY

On the basis of comprehensive analysis of the data, the study has following findings:

- The most of the executives were disagree with the statement (i.e. overcoming almost all the problems that industry faces in the quota free market by pertinent marketing strategies). It showed that other determining factors (e.g. Govt. Policy, WTO Provision, Competitive Situation etc.) play the crucial roles in term of their view. Their view about the pertinent marketing strategies is also not adequately considerable.
- The industrialist/CEO/, manager's view about the "need approaches for coping strategically the existed rapidly changing an increasingly unpredictable environment" is quite positive. They felt the necessary of effective strategies in today's business environment.
- The enterprises were found to be engaged in the evaluation of the strategies and policies, which were in general, rated not very satisfactorily. Analysis of marketing strategies, further, was not in satisfactory level. They didn't have any rule of frequently analyzing them for evaluating the effectiveness of their marketing strategies. Due to many reasons, ignoring other factors (e.g. WTO Provision etc.), sales of Nepalese RMG industry might be decreased by 41%.
- 40% respondent didn't accept the statement (achieving the desired objectives only through the marketing strategies). It showed that they were pessimistic about the marketing strategies. 60% respondents accepted the given statement but they rated it moderately. It showed that they were considered the other determining factors (e.g. Govt. Policy, WTO Provision, Competitive Situation etc.). Their view about the marketing strategies is not adequately considerable.
- The executives rated the mean score of 1.6, 1.0, 1.0 and 1.9 of pertinent marketing strategies, conducive government policy, lobbying the large importing country and strategic alliances with other countries respectively to cope the adverse effect existed through (USTAD ACT 2000) providing duty free access to clothing made of African and Caribbean basin by USA. It showed that they have been given top most preference to conducive govt. policy and lobby rather than pertinent marketing strategies and strategic alliances with other countries.

- Every business organization must increase its strength and reduce its weakness for long term survival and flourishing. It can exploit the opportunities and overcoming or neutralizing the threats and challenges through its strength and by reducing its weakness. Product capacity and manpower (managerial) were rated to be satisfactorily strength factors. Technology, organization and market logistic were rated to be moderately strength factors. These factors have not been accorded high priority. Brand name and Market Information System (MKIS) were rated to be the (satisfactorily) strength factors. They extremely didn't take into consideration on these factors. Marketing, production cost and distribution were rated to be highly weaknesses factors. Skilled manpower (labor) was rated to be moderate weakness factor and the least weakness factors were financial position and capital.
- The executives were highly agreed with the statement (i.e. heavily focusing their activities in international trade rather than international marketing). It showed that International marketing practices were neglected part of their business activities.
- Performance, image and personality, objectives, current and past strategies, cost structure, strength and weakness of competitors are the major factors which were rate to be satisfactory to understand the competitor's activities and status. Organizational culture factor was rated to be moderately satisfactory. It showed that what they had rate was quite consequences except the factor of organizational culture.
- China and India are the biggest competitors of RMG industry. They were ranked number 1 and 2 respectively. Bangladesh, African and Sub-Saharan countries are the third and fourth competitors of Nepal respectively and followed by East Asia and Sri Lanka is the fifth and sixth competitors of Nepal. Other countries are the least competitors of Nepal which were ranked number 7.
- Similar characteristics (size & resources etc.) and strategies into strategic were rated to be moderately satisfactory to understand competitors when there are many groups. It showed that they didn't take into careful consideration in these factors. Strength factors (brand name, distribution, low cost etc.) and country wise products were rate to be satisfactory. It revealed that they have taken into careful consideration in these factors.

- Garment Association Nepal is the main sources of getting information about the competitors. They ranked it as a number 1 source. Websites (WTO, ITC etc.) is the number 2 source of information, and followed by Govt. agency (MICS and TPC etc.) and expert are the number 3 and 4 source of getting information respectively.
- Among the three benchmarking types(i.e. Performance Benchmarking, Process Benchmarking and Strategic Benchmarking), most of them have been adopted the performance benchmarking and very few industry have been adopted the process benchmarking. No industry have been adopted Strategic Benchmarking.
- The industry has given high priority to customer based approach (i.e. this grouping of competitors is based on competitions for customers) and moderate priority to strategic group approach (i.e. A strategic group consists of organization with similar competitive strategies, similar characteristic and similar image in a given industry) for identifying the competitors.
- The executives have been moderately monitoring the objectives and strategies of competitors. In other words, they have been monitoring the objectives and strategies of competitors neither continuously nor discontinuously. During the interview, the researcher found that they usually monitor them annually.
- No industry use the FIT (i.e. FIT is the benchmarking tool developed by international trade centre). In spite of recommending using this tool developed by international trade centre). In spite of recommending using this tool by ITC for the developing and the least developed countries in quota free market. Nepalese executives didn't use this tool.
- The numbers of foreign competitors are very high and those of domestic competitors are quite low. The domestic competitors don't have to seriously compete with each other.
- Forty percent respondents didn't anticipate the future moves and reaction pattern of competitors. It implies that they are unaware of competitor's reaction pattern. Sixty percent respondents anticipated them. In their view, competitors will highly and moderately react to "all of their moves" and to "selective of their moves" respectively. Competitor's reaction will also be moderately slow and unpredictable in the future.

- The existing industries are in competitive position, and they have been trying to fulfilling the customer's desire satisfactorily.
- The executives have given high preference to concerned factors (i.e. improving customer's value, offering new product, competitive market positioning and brand, latest marketing positioning and customer's satisfaction).
- The executives ranked the China and India as a number 1 & 2 and followed by East Asia and other countries as the third and fourth rank for sourcing destination to increase the customer value and industry's profit.
- Most of the industries do not have long term planning. They extremely believe in short term planning. The study also indicates that the executives of this category of industry do not have a long term development program and nor do they have appropriate plans and strategies from a longer term prospective.
- The majority (30%) of the executives ranked 'competition' as a number 1 considering factors while developing marketing plan. Forty percent of the executives ranked the 'consumer' as a number 2 considering factor. Twenty percent, 30%, 40%, & 60% of the executives ranked 'economic', Govt. Policy, Technological development', Firm's Strength and weakness and 'Political condition as a number 3, 4, 5, 6 & 7 considering factors while developing marketing plan respectively.
- The industry's primary value chain activities are quite satisfactorily effective except service and marketing which are ineffective and moderately effective respectively. In secondary value chain activities technology development activities and firm infrastructure are satisfactorily effective but procurement and human resources management of them are moderately effective.
- The majority 60% executives adopted cost focus strategy in narrow target and the least 30% executives adopted the cost leadership strategies in broad target. But no industry adopted the differentiation strategy. Only one executive didn't adopt any generic strategy.
- The executives evaluated the implementation of marketing plan moderately. In other words, they didn't give enough time to evaluate it even though they have been facing the tough market condition. 'Implementation of industry's program according to market plans is neither excellence nor poor. It implies that they didn't take into careful

consideration the above statement very much even though they have been facing the tough market condition.

- The executives evaluated the feedback and control of enterprise satisfactorily (frequently). In other words they have given time to evaluate them. But it can be implied by considering previous table, that the effectiveness of evaluating the feedback and control of enterprises is poor because of not taking into careful consideration the implementation of industry's program according to market plan.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter is the important chapter of research because this chapter is the extracts of all the previously discussed chapters. This chapter consists of mainly three parts: Summary, conclusion and recommendation. In summary part, revision or summary of all four chapters is made. In conclusion part, the result from the research is summed up and in recommendation part, suggestion and recommendation is made based on the result and experience of thesis. Recommendation is made for improving the present situation to the concerned parties as well as for further research.

5.1 SUMMARY

Nepal's history of economic development is relatively short. Planned economic developments started only since 1965 A.D though earlier attempt was made in 1948 A.D. Various efforts are being put in to attain a faster growth rate. In 1994/95, Nepal experienced its best macro economic performance in the decade of nineties.

The history of garment industry in Nepal is as old as 25 year i.e. 1986 A.D. Nepalese garment industry had occupied the 1st position in terms of overseas exports. Garment sector has made a significant contribution to the national economy of the country. It accounts for around 18% of the total export and 40% of foreign exchange among the overseas export earnings. This sector has provided employment to about 100,000 Nepalese people which is about 12% of total industrial employment.

In the current situation RMG industry faces the severe threats and challenges with technologically advanced countries because of WTO's provision. A massive fall down in export growth rate since the second half of 2001 has forced many industries to withheld production and some to close down. Nepal may have to face not only difficult adjustment problems but also risk collapse of the industry as a result of intensified international competition and its inability to cope with the change situation in this product line. The

vulnerable situation of Nepalese garment sector is due to the internal constraints from outdated manufacturing process to the logistic system and non-conducive government policy and attitude to the geographical disadvantage of being landlocked country. The cost of production and the further lead time from date of order to date of shipment of the goods are 25% higher than other South Asian countries and three times longer compared to India respectively. The main objectives of the present research is to analyze the marketing strategies to find out the pertinent marketing strategies for suggesting the entrepreneurs and trying to seek out the way of saving the existence and increasing the competitiveness of Nepalese RMG industry. As per the nature of the study, survey type research design is followed with descriptive and analytical approach. Surveys of different scale industries were made. Questionnaires were distributed and the table discussions were carried out to gather information. Information thus acquired was tabulated as required by the study.

The study was focused on analyzing the marketing strategies of Nepalese garment industries. It revealed that executives have positive attitude about the marketing strategies but they are pessimistic in practices. They preferred more on conducive- government policy rather than marketing strategies. They have not formulated proper marketing strategies to cope the present situation. The enterprises have mostly depended on Indian agents. They have not been able to adopt effective outward looking marketing policy. Therefore the whole industry appears to be deficient in formulation and adoption of effective marketing strategies. The traditional ways of doing business has not helped. The executives could not put their industry in competitive position by making good marketing plans and implementing them.

From the hypothesis tests, they are found that;

- The executive's preferential category and increasing of competitive position are independent.
- There is significant difference between the scale of industries and their rated mean score.
- There is no significant difference between the scale of industry (I.e. large & medium) and their rated mean score.
- There is significant difference between the scale of industry (i.e. medium & small).

- There is significant difference between the scale of industries (i.e. large & small) and their rated mean score.

5.2 CONCLUSION

From this study following conclusions are deduced:

- The executives have realized the limitation of the strategies but they have not initiated effort to correct them. Thus their marketing strategies and policies are ineffective.
- The executives feel effective strategies necessary for today's business environment. They have positive attitude about the change of marketing strategies.
- The industry has poor marketing mix. The executives have not taken any measures to solve marketing environment problems.
- The industries did not invest their money to increase brand name and to establish marketing department even though they had good financial condition. It is inferred that they do not want to take risk as they think it is wasting of money.
- They heavily focus their activities in international trade rather than international marketing. International marketing practices are neglected.
- They are aware of competitor's activities and status but they do not analyze the competitor's strategies.
- India, China, Bangladesh and African & Sub-Saharan countries are the biggest and the major competitors of Nepal respectively. Nepalese RMG industry is extremely and adversely affected by the competition in present time.
- The executives are highly dependent on GAN for getting information. They have not established the marketing department and marketing intelligence department, so their marketing strategies are poor.
- The executives have given more emphasis on performance-base benchmarking neglecting other benchmarking. So, it is very difficult for them to understand the competitor's overall activities.
- The industry has to compete with foreign competitors but not with the domestic competitors. So the executives are less aware of competitor's strategies.
- The executives did not monitor the objectives and strategies of competitors frequently.

- The executives do not seriously anticipate the future moves and reaction pattern of competitors after phasing out of MFA. It is inferred that their competitive strategies are ineffective.
- China and India are the most preferential sourcing destination of Nepalese RMG industry.
- Competitive situation of industry is not so favorable.
- Most of the industries adopt the lower cost strategy. No industry adopts the differentiation strategy. It is very difficult for the industry to compete by applying the lower cost strategy only.
- Planning is important for effective use of resources. Most of responding enterprises have short term planning. Hence they may be termed as short-sighted.
- The executives did not give enough time to evaluate the implementation of marketing plans even though the industry has been facing tough condition. Moreover they are unable to implement the marketing program according to marketing plan. Hence it can be concluded, they have poor marketing activities.
- The effectiveness of evaluating the feedback and control of enterprises is poor.
- The executives have given much emphasis on conducive-government policy to solve present problem rather than applying the effective marketing strategies. So it shows the pessimistic view of entrepreneurs toward marketing strategies.
- The comparison of large, medium and small industry shows that large industry has slightly effective marketing strategies compared to medium scale industry and medium industry has slightly more effective marketing strategies than small scale ones.

5.3 RECOMMENDATION

Till now marketing strategies is the neglected part of the garment industry. Due to lack of proper vision, mission and objectives, this industry is lagging behind in terms of competition. China, African Caribbean basin countries as well as neighboring South Asian countries have their own marketing and exporting strategies. But Nepal is in survival positions instead of competitive position.

As Nepal is one of the members of WTO, Nepalese RMG industry should fit the global environment. Best fit marketing strategies should be developed and enhanced. Information should be updated for better utilization of the limited resources and achieving goal through competition for which effective marketing strategies can be of great help.

Based on this research carried on, the following recommendations are made:

- The RMG industry must clearly identify its goals and formulate strategies with the changing environment and market.
- Marketing strategies must be reviewed and evaluated periodically in order to ascertain whether the effectiveness of marketing strategies are good or not, suited to the changing market environment and competition. If necessary modification and amendments must be made in good time.
- The industry should not be over dependent on agents. They should make their own trustful relationship with ultimate consumers.
- Every RMG industry should establish the marketing department. They have to update the information. The MKIS should be applied for this.
- The industries do not have brand name of their products. They should create their own brand name.
- Competitor's plans and programs should be suited before formulating own plans and policies. R&D should be conducted on a continual basis to understand the market effect and market situation should be analyzed.
- The technology should be upgraded and should be appropriate for the needs and competition.
- Market surveys should be done before applying market mix strategies. The changing needs of consumers should be identified for proper designing of production.
- Customer value should be increased for long term survival and differentiation strategies can increase the customer perceived value.
- The executives should make long term planning instead of short term planning. The feedback should be analyzed and marketing implementation phase should be

closely monitored. The finest marketing strategies can fail unless the implementation link that makes contact with customer is strong.

RECOMMENDATION FOR FURTHER RESEARCH

The further research can be carried out in the following areas of this related study:

- Marketing economics of RMG industry.
- Determination of competitive advantages of Nepalese RMG industry.
- Impact of WTO's provision on Nepalese RMG industry with respect to marketing aspect.
- Feasibility of differentiation strategy in RMG industry.
- Importance of brand strategy in Nepalese RMG industry under changing global environment.
- Marketing mix strategy in Nepalese RMG industry.

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Appendix-A

To

The CEO/MD/Marketing Manager

Dear Sir,

As a student of MBS of Padma Kanya Multiple Campus, T.U.,Kathmandu, I would like to inform you that I am writing a thesis entitled “export marketing strategies of Nepalese RMG industries in Kathmandu”. For this purpose I have taken your enterprise as one of the sample and it is obvious that without your kind cooperation I would never be able to complete my thesis research. I would also like to assure you that the information obtained from your enterprise will be used only for the academic /research purpose in my thesis and not otherwise. I therefore request you to furnish the following information as per the questionnaire. Please tick () where necessary.

QUESTIONNAIRE

Name of the Industry.....

Name of CEO/MD/Marketing

Manager.....

1. How do you rate the effectiveness of your export marketing strategies and policies?

Highly Satisfactory	1	2	3	4	5	Not Satisfactory
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2. When do you analyze your export marketing strategies?

Annually ()

At the time of formulating plans ()

No fixed period ()

3. Do you think that company can achieve the desired objectives only through the export marketing strategies?

Yes () No ()

If yes, what extent,

Max.	1	2	3	4	5	Min.
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4. Do you agree that export marketing strategies can overcome almost all the problem that industry faces in the quota free market?

Highly Agree	1	2	3	4	5	Highly Disagree
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5. Do you agree that Nepalese RMG industries now exist in rapidly changing and increasingly unpredictable environment and therefore need export marketing strategies to cope with the problems?

Highly Agree	1	2	3	4	5	Highly Disagree
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6. Which of the following promotion strategies do you take in quota free market?

Consumer Promotion (Pull Strategy) ()

Dealer Promotion (Push Strategy) ()

None of the above ()

7. How do you rate your external environment for the operation growth and expansion of your enterprises?

Political and Legal	Highly Favorable	1	2	3	4	5	Not Favorable
Economic	Highly Favorable	1	2	3	4	5	Not Favorable
Socio-Cultural	Highly Favorable	1	2	3	4	5	Not Favorable
Technological	Highly Favorable	1	2	3	4	5	Not Favorable
Competitive	Highly Favorable	1	2	3	4	5	Not Favorable

8. Providing duty free access to clothing made in African Caribbean basin by the USA adversely influenced the export of Nepalese RMG industries. What extent do you give preference to cope with this problem?

Export Marketing Strategies	Max.	1	2	3	4	5	Min.
Conducive Govt. Policy	Max.	1	2	3	4	5	Min.
Lobbying the large importing countries (specially USA)	Max.	1	2	3	4	5	Min.
Strategic alliances with other countries	Max.	1	2	3	4	5	Min.

9. How do you rate to understand competitors when there are many?

Similar Characteristics (Size and Resources)	Max.	1	2	3	4	5	Min.
Strength (e.g. brand name, distribution, low costs etc.)	Max.	1	2	3	4	5	Min.
Strategies into strategic group	Max.	1	2	3	4	5	Min.
Country wise Product	Max.	1	2	3	4	5	Min.

10. To what extent has competitive situation affected your enterprise?

Extremely	1	2	3	4	5	Not at all
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11. Which countries are the major competitors of Nepalese RMG industry? Give your preference 1 to the most and 5 to the least.

- India ()
- Bangladesh ()
- Sri Lanka ()
- China ()
- East Asia ()
- African & South Saharan Country ()
- Other ()

12. What are the sources that you get information about the competitors? Give your preference 1 to the most and 2 to the second most and so on.

- Web Sites (WTO, ITC etc) ()
- Government agencies (MICS, TPC) ()
- Garment Association of Nepal ()
- Experts ()
- All the above ()
- If Other, Please Specify ()

13. Does your enterprise have marketing intelligence department to assess the competitor's activities and strategies?

- Yes () No ()

If yes, which department has taken the responsibility?

14. Do you use the FIT, an international Trade Center (ITC) benchmarking tool, for comparative analysis with competitors?

- Yes () No ()

15. Rate the competitors of your company?

Internal Competitors	Max.	1	2	3	4	5	Min.
Foreign Competitors	Max.	1	2	3	4	5	Min.

16. How do you rate to continuously monitor the objective and strategies of competitors?

Max.	1	2	3	4	5	Min.
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17. How do you rate the competitive positions of your enterprise?

Highly Competitive	1	2	3	4	5	Highly Survival
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18. How do you rate that your enterprise has satisfied the need and wants of customers?

Highly Satisfaction	1	2	3	4	5	Highly Dissatisfaction
---------------------	---	---	---	---	---	------------------------

19. How do you rate your enterprise?

Market Power	High	1	2	3	4	5	Low
Market Share	Highly Satisfactory	1	2	3	4	5	Highly Dissatisfactory
Market Growth	High	1	2	3	4	5	Low

20. To what extent have you allocated the resources to increase the business strength of your enterprise?

More	1	2	3	4	5	Less
------	---	---	---	---	---	------

21. What kind of periodic plans do you formulate?

Short term (up to 1 year) ()

Medium term (1 to 3 years) ()

Long term (5 years) ()

Perspective plan (10 years & more) ()

Other, please specify.....

22. Do you consider and evaluate your rival's plan and policies while formulating your plans and strategies?

Yes () No ()

23. How often do you evaluate the implementation of marketing plan?

Frequently	1	2	3	4	5	Less Frequently
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24. How do you rate about the implementation of your company according to marketing plan?

Excellence	1	2	3	4	5	Poor
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25. How do you rate the important strength and weaknesses of your enterprises?

STRENGTH OF ENTERPRISES:							
Production Capacity	Max.	1	2	3	4	5	Min.
Man Power	Max.	1	2	3	4	5	Min.
Technology	Max.	1	2	3	4	5	Min.
Organization	Max.	1	2	3	4	5	Min.
Brand Name	Max.	1	2	3	4	5	Min.

Market Logistics	Max.	1	2	3	4	5	Min.
Marketing Information System	Max.	1	2	3	4	5	Min.
Others	Max.	1	2	3	4	5	Min.
WEAKNESS OF ENTERPRISES:							
Financial Position	Max.	1	2	3	4	5	Min.
Marketing Position	Max.	1	2	3	4	5	Min.
Skilled Manpower	Max.	1	2	3	4	5	Min.
Capital	Max.	1	2	3	4	5	Min.
High Cost Of Production	Max.	1	2	3	4	5	Min.
Slow Distribution	Max.	1	2	3	4	5	Min.
Others	Max.	1	2	3	4	5	Min.

26. What kind of changes in marketing strategies is essential to attain effective marketing?
Which of the following are you adopting and would like to adopt?

Product Quality	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low
Price Strategies	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low
Extensive Promotion	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low
Extensive Distribution	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low

Market Segmentation	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low
Any Other	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low

27. Do you agree that Nepalese RMG industry heavily focuses their activities in international trade rather than international marketing?

Highly Agree	1	2	3	4	5	Highly Disagree
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28. How do you rate to understand competitor's activities and status?

Performance	Max.	1	2	3	4	5	Min.
Image and Personality	Max.	1	2	3	4	5	Min.
Objective	Max.	1	2	3	4	5	Min.
Current and Past Strategy	Max.	1	2	3	4	5	Min.
Organizational Culture	Max.	1	2	3	4	5	Min.
Cost Structure	Max.	1	2	3	4	5	Min.
Strength and Weakness	Max.	1	2	3	4	5	Min.

29. How do you rate to identify the competitors?

Customer-based approach: This grouping of competitors is based on competitions for customers.

Max.	1	2	3	4	5	Min.
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Strategic group approach: A strategic group consists of organizations with similar competitive strategic, similar characteristic and similar image in a given industry.

Max.	1	2	3	4	5	Min.
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30. Do you anticipate the future moves and reaction pattern of competitors after phasing out the Multi Fiber Arrangement (MFA)?

Yes () No ()

If yes, to what extent have your competitors reacted?

Laid back reaction(Slow Reaction)	Max.	1	2	3	4	5	Min.
Selection reaction(Attacking selective moves of the rivals)	Max.	1	2	3	4	5	Min.
Tiger reaction(Reacting swiftly to all the rival's moves)	Max.	1	2	3	4	5	Min.
Stochastic reaction(No predictable reactions to rival's moves)	Max.	1	2	3	4	5	Min.

31. To what extent have you preferred to increase market power?

Improving Customer value	Max.	1	2	3	4	5	Min.
Offering New Product	Max.	1	2	3	4	5	Min.
Competitive Market Positioning & Brand	Max.	1	2	3	4	5	Min.
Latest Marketing Practices (E-commerce)	Max.	1	2	3	4	5	Min.
Customer Satisfaction	Max.	1	2	3	4	5	Min.

32. How do you rate the business strength of your enterprise?

Market Share and Growth	Max.	1	2	3	4	5	Min.
Product Quality and Brand Reputation	Max.	1	2	3	4	5	Min.
Objective	Max.	1	2	3	4	5	Min.
Distribution Network	Max.	1	2	3	4	5	Min.
Promotional Network	Max.	1	2	3	4	5	Min.
Product Capacity and Efficiency	Max.	1	2	3	4	5	Min.
Unit Costs	Max.	1	2	3	4	5	Min.
Customers Service	Max.	1	2	3	4	5	Min.
R & Performance	Max.	1	2	3	4	5	Min.
Management Competencies(the ability of well management)	Max.	1	2	3	4	5	Min.

33. How do you rate the effectiveness of value chain of your company?

PRIMARY VALUE ACTIVITIES							
Inbound logistic(Material handling and warehousing)	Max.	1	2	3	4	5	Min.
Operation: transforming inputs into the final product.	Max.	1	2	3	4	5	Min.
Outbound Logistic: order processing and distribution	Max.	1	2	3	4	5	Min.
Marketing and sales: communication, pricing and channel management.	Max.	1	2	3	4	5	Min.
Service: post sales service	Max.	1	2	3	4	5	Min.
SECONDARY VALUE ACTIVITIES							
Procurement: procedure and information system	Max.	1	2	3	4	5	Min.
Technology development: improving the product and processes system.	Max.	1	2	3	4	5	Min.
HRM: hiring ,motivating, training and compensation	Max.	1	2	3	4	5	Min.
Firm infrastructure: general management, finance accounting government relationship and quality management.	Max.	1	2	3	4	5	Min.

34. How do you rate about?

The threats of substitute products	High	1	2	3	4	5	Low
The bargaining power of buyers	Max.	1	2	3	4	5	Min.
The bargaining power of suppliers	Max.	1	2	3	4	5	Min.
The rivalry among competitors	High	1	2	3	4	5	Low

35. How do you rate about the company formulation?

The goal after assessing the SWOT analysis	Max.	1	2	3	4	5	Min.
The strategy after assessing the SWOT analysis and formulating the goal.	Max.	1	2	3	4	5	Min.
The program according to the strategy	Max.	1	2	3	4	5	Min.

36. How do you rate the evaluating of feedback (result) and control of your company?

Frequently	1	2	3	4	5	Less Frequently
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Thank you very much for your kind cooperation.

Appendix-B

List of Sample units

S.N	Industry	Scale of Industry
1.	Destination Apparels P. Ltd, Old Baneshwor	Large
2.	Jasun Fashion, Lazimpat	
3.	Rara Apparels Pvt. Ltd, New Baneshwor	
4.	Deurali Garment ,Bijeshwori	Medium
5.	Heritage Garment, Balkumari	
6.	Classic Casual Pvt. Ltd., Bhimsengola	
7.	Bhimsen Garment, Maitidevi	Small
8.	Bitisha Garment, Sinamangal	
9.	Gaurab Garment, Bhimsengola	

Appendix C

The FIT

Performance benchmarking for SMEs in the clothing sector.

What is FIT?

The FIT is a software- based benchmarking tool for small and medium scale enterprises (SMEs) in the clothing sector. This tool compares and positions enterprises performance of one firm with respect to a group of other national and international firms on a completely confidential basis. Providing an analytical basis for identification of strengths and weaknesses in the global performance of an enterprise, the FIT helps participating enterprises prioritize areas of action to improve their competitiveness.

The FIT checklist enables each company to measure performance gap in the key areas of 'management and organization', 'financing planning', 'marketing and sales', and 'production operation and sourcing'. This information is used to develop well-focused business improvement plans aimed at increasing competitiveness, which will become increasingly important in the fast approaching quota free era, after the phasing out of the Agreement on Textiles and Clothing (ATC) on 31st December 2004. The versatility of the FIT lies in the variety of report output options, enabling custom made reports which are self-explicit analytical graphs and charts. These performance benchmarking reports help assess real needs of SMEs thereby serving as a basis for textiles and clothing manufacturing associations to develop and or provide additional services.

Who is it for?

The FIT is targeted at SMEs through a network of textiles and clothing manufacturing associations operating the benchmarking reports.

Where is it used?

In the development and operation of the FIT , ITC works in partnership with national counterpart agencies. The associations which administer the benchmarking help SMEs analyze the results and then arrange for related consulting or training services, this tool has been pilot tested by companies from Cambodia, India, Lesotho, Nepal, Sri Lanka, Thailand, Mauritius and Turkey. It is now ready for implementation worldwide. National textiles and clothing associations should contact to participate.

Retrieved from <http://www.intracen.org/textile&clothing/fit.eng.pdf>