

# **CHAPTER-I**

## **INTRODUCTION**

### **1.1 Background**

Nepal is an agro-based developing country which occupies 1,47,181 square kilometer of area in south Asia. It is a landlocked Himalayan country situated between China and India. About 80% of its population is dependent on agriculture. Therefore, economic development plan of Nepal must be based on sustainable agriculture. Any liberalization of industrial economy at the cost of agriculture can prove to suicide. Development of agriculture sector can only lead to a more stable and self –reliant economic growth pattern. Agriculture is not only dependable partner but indeed the very vehicle for long- term stability and prosperity of Nepal. In this context agro-based industries form life line of the economy of the nation they not only utilize the local agriculture products but they also provide employment to the local people. One of the suitable agro-based industries that Nepal can have is Fruit and vegetables processing industries as many types of fruits and vegetables can be grown in Nepal. With the objective of producing quality fruits and vegetables products Rijal Tashi Industries (P) Ltd. has been established whose profile is given below.

### **1.2 Rijal Tashi Industries (P) LTD. - A profile**

Rijal Tashi Industries (P) Ltd. [RTI (P) LTD.], established in 27 Shrawan 2038(1981) is an agro-processing industries. It is a high tech venture between M/s Tashi Commercial Corporation, Bhutan, and M/S Rijal Canning and Company, Nepal, with Technical Corporation with M/S Bhutan Fruit product,

Bhutan. It is 100% agro-based processing industry located at Itahari-5, Sunsari, Nepal. Its main objective is to produce quality fruit and vegetables products to meet the market demand of Nepal. “Druk” is its trade mark. RTI (P) LTD. produces about 69 varieties of different fruits and vegetables products. Its main products include fruit squash, jams, pickles, canned fruits, tomato ketchup and sauce, juice and nectars, vinegar and sauces, etc. ( Appendix- I)

RTI (P) LTD. was established with fixed assets of Rs 2.7 million and its current capital is Rs 7.2 million. Its annual sales turnover is about Rs 155 million and annual sales growth approximately 20%.

The premises of RTI (P) LTD. spread over the area of 10.5 *bigha*. It has a separate horticulture farm of 5 *bigha* within its premises for growing fruits and vegetables to meet factory requirements. According to Mr Ranjan Kumar Singh, the Farm Manager, from this year (2009) the demand of lemon can be fulfilled by the farm’s production itself. There will be production of 80 tons of lemon per year. Besides lemon, the farm is growing banana, guava, litchi, orange, mango, strawberry (for the first time in terai region), *junar*, etc. RTI (P) LTD. has aim to produce fruits and vegetables to fulfill all the requirements of the factory in the years to come.

RTI (P) LTD. mainly uses fruits and vegetables as raw materials. It is trying to expand its market further to other major cities of Nepal in future. It must develop and use effective distribution system because it is the means of getting the products o the target markets. To get success in the business every company has to set scientific distribution system. The choice of distribution also depends on the economic condition of the company or the organization.

RTI (P) LTD. should deal with the overall considerations of consumer serviced service, locations, inventories level, transportations, communications, etc.

### **1.2.1 Organization and Management**

Organizational Structure of RTI (P) LTD. has flat structure. It comprises of three level management-top management, middle level management and supervisory level. The top management of RTI (P) LTD. constitutes the Executive Manager who commands the authority for the operation and performance of the strategic planning such as target plans and policies.

Middle level management consists of department heads. They are Account Department, Production Department, Administration, and Selling and Distribution. This level is entrusted with the task of translating successfully the comprehensive strategic planning laid down by the top management into operational plans and procedures. (Appendix-II)

### **1.2.2 Area of Marketing**

After the products are manufactured in the factory they are distributed to the markets. The wholesalers purchase from the dealers and retailers from the wholesalers. And finally consumers purchase from the retailers. The retailers can purchase from wholesalers or the dealers. No products are sold out of Nepal. There are altogether 17 dealers scattered at least one each at the following major towns of Nepal: Itahari, Dharan, Damak, Hile, Birtamode, Kathmandu, Narayangadh, Pokhara, Hetauda, Birganj, Janakpur, Lahan, Butwal, Bhairawa, Nepalgunj, Dang and Surkhet.

RTI (P) LTD. has 2 mini trucks which are used for transporting the products to dealers to local areas. For transporting products outside local places hired means of transport are used.

### **1.2.3 Quality Maintenance**

Quality maintenance is the function of Quality Control Officer who works under the instructions of Chief Chemist.

### **1.2.4 Price of Products**

Current prices of the products are shown in Table-1. The prices may be changed according to demand and supply of the fruits and vegetables, competition, government rules and regulations, etc. RTI (P) LTD. produces about 69 varieties of fruit and vegetable productions, but the prices of only 10 products are shown for the research purpose.

### **1.2.5 Payment System for Dealers**

One month's credit is provided to the dealers. If they pay within the credit period they receive 5 % cash discount.

## **1.3 Background of the Study**

Development of industries is inevitable for the economic development of any country. There is very close link between agriculture and industries. Agro-processing industries also contribute to the development of the country. They have been providing employment to many people directly and indirectly.

In the context of Nepal agro-processing industries like Rijal Tashi (P) Industries are playing prominent role in the economic development of the country.

There is no argument that without the active management, the industrial development is not possible. Marketing the product is one which plays the vital role in the development of any country. Marketing is the directing of the flow of goods and services from producers to consumers. In another word, marketing is concerned specially with promoting the sale of goods and services to consumers. Before 1950 A.D. the sales was only the objective of business organization. So the marketing functions were carried only to promote sales, advertising and marketing researches were also carried with the view of increasing the sales. And the primary purpose of the staff engaged in marketing was to maximize sales volume.

In modern age, the marketing concept has changed into consumer satisfaction. According to this concept, the responsibility of manager has grown up. He or she has to expand all his activates in determining and satisfying the customer's needs at a profit. Thus, he or she should perform the function of communication by all means. Nowadays, marketing executive has been given authority over credit, physical, public relations, research and development. The more advance concept in the field of marketing system is integrated marketing system. In this system, the head of marketing becomes as the chief executive in the marketing department who controls and manages other functional areas of research of manufacturing, purchasing, selling, personal department etc. these tendencies have easily been seen in most of all the leading industrial countries.

“Consumers form expectations about the value of marketing offer and make buying decision based on these expectations. Customer satisfaction with a purchase depends on the product’s actual performance relative to a buyer’s expectations. A customer might experience various degrees of satisfaction. If the product’s performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is highly satisfied or delighted. Expectations are based on the customer’s past buying experience, the opinions of friends and associates and marketer and competitor’s information and promises. Marketers must be careful to set the right level of expectations. If they set expectations too low, they may satisfy those who buy fail to attract enough buyers. In contrast, if they raise expectations too high, buyers are likely to be disappointed. Highly satisfied customers produce several benefits for the company. Satisfied customers are less price sensitive, talk favorably to others about the company and its products, and remain loyal for a longer period. However, the relationship between customer satisfaction and loyalty varies greatly across industries and competitive situation. In all cases as satisfactions increases so does loyalty. In highly competitive markets, such as those automobiles, personal computers, there is surprisingly little differences between the loyalty of less satisfied customers and those who are merely satisfied. However, there is a tremendous difference between loyalty of satisfied customers and complete satisfied customers” ( Kotler & Armstrong , 1982 : 670 ).

Whether the buyer is satisfied after purchase depends on the offer’s performance in relation to the buyer’s expectations. In general, satisfaction is a person’s feeling of pleasures or disappointment resulting from comparing a product’s perceived performance in relation to his or her expectation.

Satisfaction is an important element in the evaluation stage. Satisfaction refers to the buy's state of being adequately rewarded in a buying situation for the sacrifice he has made. Adequacy of satisfaction is a result of matching actual past purchase and consumption experience with expected reward from the brand in terms of its anticipated potential to satisfy the consumer's motives. The concept of satisfaction is one about which there are presently few agreed upon definitions or approaches to measurements. Satisfaction is a kind of stepping away from an experience and evaluating it. One could have a pleasurable experience and caused dissatisfaction because even though pleasurable, it wasn't as pleasurable as it was supposed or expected to be. So satisfaction/dissatisfaction aren't an emotion, it's the evaluation of an emotion.

“Consumers have certain experiences prior to the purchase. These expectations may be about (1) the nature and performance of the product or services, (2) the costs and efforts to expended before obtaining the direct product or service benefits, and (3) the social benefits or costs accruing to the consumer as a result of the purchase. Advertising may often be an important factor influencing these factors, as we shall see later. Consumers may have variety of product performance expectation, including what the consumer hopes performance will be in terms of an ideal level, what would be fair and equitable given the consumer's expenditure of time and money in obtaining and using the products.

“Once consumers purchase and use a product, they may then become either satisfied or dissatisfied. Research has uncovered several determinants, which appear to influence satisfaction, including demographic variables, personality variables, expectations and other factors. Customer satisfaction is one of the

major indicators of excellent quality in companies. It is important to product an audit or review of component.” (Loudon & Bitta, 1982: 579-581)

For the marketers, the best measure of quality is customer satisfaction. In a competitive environment, the ultimate indication of satisfaction is whether or not the customer returns to buy a product a second, third or fourth time. However, a firm can't afford to gamble that its marketing decisions are correct and then wait for repeat purchases to confirm or reject those judgments. Instead, managers realize that satisfaction is determined by how closely experience with a product meets or exceeds a customer's expectations. Therefore, marketers must do two things-

- ) Ensure that all marketing activities, such as the price of product, the claim made for it in advertising and the places in which it is sold, contribute to creating reasonable expectations on the part of the customer.
- ) Eliminate variation in customer's experiences in purchasing and consuming the product.

Distribution of good and services is one of the activities of the marketing system which helps to move the goods and services through various channel of distribution. The channel of distribution differs from the industry to industry and it is determined by the development nature of the country, economic condition of the organization, size of industry, nature of the product, etc. the industry has a wide choice of distribution channels open to them. They can sell their products directly to final consumers or through wholesaler, retailer and intermediary. The management must choose appropriate type of distribution channels to achieve success. To get success in any business, each industry has

to set scientific distribution system. It should deal with the overall considerations of customer service. In addition, it should contain statement concerning facilities, locations, inventory level, transportation, communication, producers and utilizations.

The problem of RTI (P) LTD. is related with functioning. This functioning is related to marketing, specially the customer satisfaction and distribution activities. Therefore, in this context there in no such detail study on channel of distribution or RTI (P) LTD. Thus, the present study is made to analyze the present distribution system and also to provide valuable suggestions to correct shortcomings and improve them in future.

#### **1.4 Statement of the Problem**

Nepal has agro-based economy. To improve the economic condition of the people and to solve unemployment problem, agro-processing industries play very important role. Fruit/vegetable products like juice, squash, pickles, sauce etc. form necessary food items for everyone.

Consumers have certain experiences prior to purchase. These expectations may be about (1) the nature and performance of the product or services, (2) the costs and efforts to expended before obtaining the direct product or service benefits, and (3) the social benefits or costs accruing to the consumer as a result of the purchase. Adverting may often be an important factor influencing these factors. Once consumers purchase and use a product, they may then become either satisfied or dissatisfied. There are certain factors which appear to influence satisfaction. Customer satisfaction is one of the major indicators of excellent quality delivered by any companies. It is important to conduct an audit or review of this component.

The following are some of the problems that should be studied in the context this study-

- ) Are the customers satisfied with the product of RTI (P) LTD.?
- ) What are their expectations regarding the products of RTI (P) LTD.?
- ) How can RTI (P) LTD. satisfy the customer needs?
- ) What should be the future plan of RTI (P) LTD. to satisfy the customers' demand and compete in the current competitive market?
- ) What is the channel of distribution of RTI (P) LTD.?
- ) What are the major channels used by RTI (P) LTD.?
- ) Are the channel members of RTI (P) LTD. cost effective?
- ) What factors are the greatest influences in deciding the channels of RTI (P) LTD.?
- ) Who controls the channels of RTI (P) LTD.?
- ) Is there any conflict among channel members of RTI (P) LTD.?
- ) Should the company prefer some other types of channels than that is currently being used?
- ) What are the managerial efforts made for the wide distribution?

Regarding the fulfillment of the market demand of fruit/vegetable products, RTI (P) LTD. is facing many problems right from the time of its operation. The problem of the company is much related to marketing. Marketing functions include product planning, distribution, pricing, promotion etc. Among all the marketing functions, distribution system is one of the most important functions.

RTI (P) LTD. is not very big in terms of turnover and their size as well. The competition of fruit/vegetables products has been increasing in the local as well

in national market. The company is not in position to follow the latest scientific distribution system. The problems faced by RTI (P) LTD. are limited market, transportation, packaging, selection of channel structure etc. so these are the real problems of distribution system of RTI (P) LTD. and subject for the study.

### **1.5 Objective of the Study**

The prime objective of the present study is to identify the distribution system of Rijal Tashi Industries Private Limited. In this context the followings have been identified as the objectives of the study -

1. To find the present system of distribution of RTI (P) LTD.
2. To find out effectiveness of the level of channel used by the company.
3. To find the channel conflict of RTI (P) LTD.
4. To find out the opinions of consumers whether RTI (P) LTD. is directed towards customer satisfactions through hygienic products, right price, place and promotion.

### **1.6 Importance of Study**

In Nepalese context agro- processing industries are very important. RTI (P) LTD. being a native company has been utilizing the local resources and providing employees to the local people. As the case of other business organization, success of this company depends on its efficient distribution system. Distribution system is the major function marketing. Without efficient distribution system delivery of right product to the right customers in right time is impossible. This study is important from because it will not only trace out the problems relating to the distribution system of the company but it will also help to find out the managerial solution to such problems. In addition, this

study will be important to the marketers channel members. It will also be important to the researchers and students.

### **1.7 Scope of Study**

The present study of the distribution system of RTI (P) LTD. has the following scopes-

1. This study will help the people to know about the different situations in which agro-processing industries work.
2. The consumer satisfaction towards a product can be known and examined by this study.
3. The channel of distribution of RTI (P) LTD. can be known.
4. The researcher can get a real work environment during study.
5. The study will help the reader in future to know the distribution system of RTI (P) LTD.

### **1.8 Limitations of the Study**

There are certain limitations relating to this study which are presented below-

1. The consumers' survey is limited to the consumers in Sunsari District.
2. The present study covers only the distribution system and related parts of RTI (P) LTD.
3. Lack of primary data and secondary data is another limitation.
4. This study covers only period from 2060/061 to 2064/065.
5. The major findings of this study are based on observations and questionnaires.

6. Lack of the sufficient literature about distribution system of RTI (P) LTD. is another limitation.
7. Depth study of distribution system of RTI (P) LTD. may not be possible due lack of time and data available.

## **1.9 Organization of the Study**

The study has been organized into five chapters. Each chapter deals some important factors of channel of distribution. The titles are listed below-

Chapter - 1 Introduction

Chapter - 2 Literature Review

Chapter - 3 Research Methodology

Chapter - 4 Presentations and Analysis of Data

Chapter - 5 Summaries, Conclusions and Recommendations

### **Chapter - 1 Introduction**

This chapter is the introduction chapter of the study. This chapter includes statement of problem. Objectives of the study focus of the study, importance of the study and limitations of the study.

### **Chapter - 2 Literature Review**

This chapter deals with conceptual framework of the channel of distribution. In this part review of previous study will be presented.

### **Chapter - 3 Research Methodology**

This chapter contains research design, sources of data, data collection technique and data analysis tools.

### **Chapter - 4 Presentations and Analysis of Data**

This chapter deals with the presentation and analysis and major findings of the study channel of distribution.

### **Chapter - 5 Summaries, Conclusions and Recommendations**

This chapter includes summer, conclusion, and recommendation, the bibliography and appendices are the end of the study.

## **CHAPTER-II**

### **LITERATURE REVIEW**

#### **2.1 Concept of Distribution**

Distribution system is concerned with all business activities revolving around the problem of getting the product from the place of manufacturing to final consumers or business users. It is often termed as "the other half of marketing ". This indicates that distribution has great importance in marketing the products of any business firm. Distribution system can be considered as a big asset for every manufacturer. Distribution system mainly consists of two categories of function-channel functions and logistic function. Both of these categories of function create time utility, place utility, possession utility and form utility for the consumers or buyers"(Sharma, G.R. 2063:296). This means distribution involves channels of distribution and logistic distribution.

Channels of distribution include channel flows, channel participants for consumer and industrial products. "A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user. A channel of distribution always includes both the producer and the final customer for the product in its present form as well as any middlemen such as retailers and wholesalers" (Stanton, W.J. Etzel, M.J., & Walker, B.J. 1994:363). Logistic distribution includes transportation, warehousing, inventory control, material handling and other processing (for consumer and industrial products).

Channel participants for consumer goods are agents, wholesalers and retailers. Similarly, channel participants for industrial goods are industrial distributors and industrial agents, for distribution of consumer goods various channel structures like zero-level, one-level, two-level or three-level channel structures are used.

Channel conflicts appear due to various reasons such goal incompatibility, unclear roles, perceptual differences, poor communication, e.g., restructuring the channel, improving communication, adopting super-ordinate goals, mediation, arbitration.

"The fundamental aim and distribution system is to transfer products from the place of manufacture to the place of consumption; in practice this statement is too general because it says nothing about keeping costumers happy of casting of money. It is necessary to quality the fundamental aim by adding to it the reason for distribution, which is to provide a service to customers who pay to receive goods in order" (Attwood, P.R. 1971:1).

"A distribution system..... is a key external resource. Normally it takes years to build and it is not easily changed. It ranks in importance with key internal recourses such as manufacturing, research, engineering and field sales personal and facilities. It represents a significant corporate commitment to large number of independent companies whose business is distribution – and to the particular markets they serve. It represent, as well, a commitment to a set of policies and practices that constitute the basic fabric on which is woven an extensive set of long-term relationship" (Kotler, Philip 2000:49).

Distribution system links production with consumption. This will help to match supply with demand.

There are two major types of distribution-physical distribution and channel of distribution.

## **2.2 Physical Distribution**

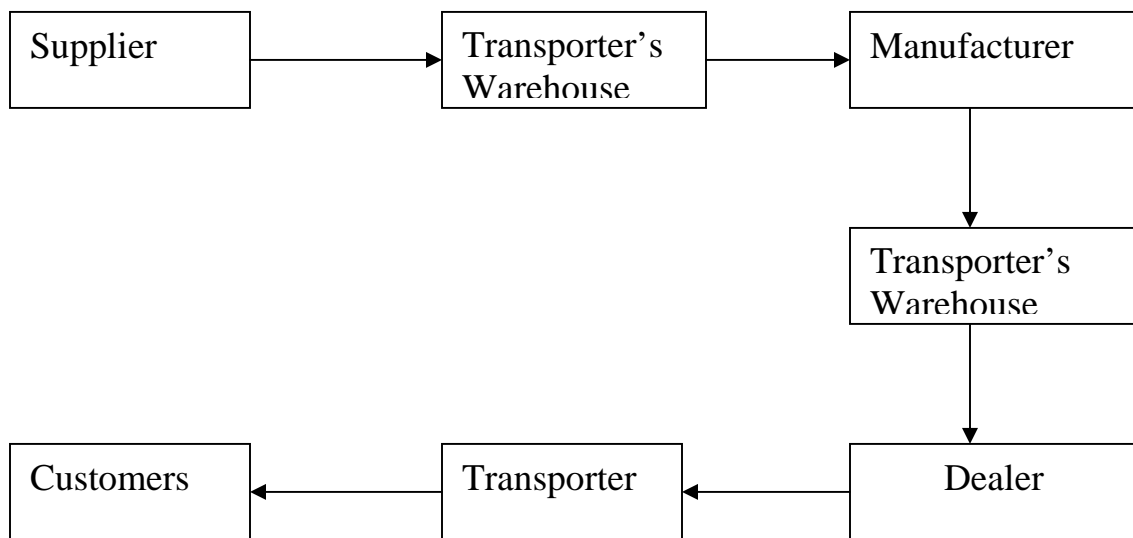
Physical distribution refers to all those activities concerned with the flow of materials. Attention has perhaps tended to focus too heavily upon the wider issue of devising integrated distribution policies, which can impinge on both cost and revenue.

Physical distribution is related the physical handling of goods and it helps to maximize the customer service. The main goal of physical distribution is offering delivery of right goods at the right time and right place. Physical distribution activity covers order processing, handling of goods, and packaging, warehousing, transportation and inventory control and customer service.

The main function of physical distribution is planning implementing and controlling the flow of materials and the finished production. It involves sales forecasting on the basis of which the company schedules production and inventory levels. The production plans indicate the material that the purchasing department must order. These materials arrive through inbound transportation, enter the receiving area and are stored in raw material inventory. Raw materials are converted into finished goods. Inventory is the link between the customer's order and company's manufacture activity. Customer orders draw down the finished goods inventory level and manufacturing activities build it up. Finished goods flow off the assembly line

and pass through packaging in plant warehousing, shipping-room processing and customer delivery and servicing (Kotler, Philip 2000:577)".

The market is very competitive today. To get success in this competitive market, every businessman tries to attract the potential customers. To win the heart of the large number of customers, it is essential to give better service in lower cost/price. Good physical distribution helps to supply goods in time and decrease the price and cost of the production. Traditional physical distribution has typically started with production at the plant and tried to find low cost solutions to get them to customer. However, today's marketers prefer market logistics thinking, which starts with the market place and works backwards to the factory. Logistics address not only the problem of moving products and materials from suppliers to factory. The physical distribution as a physical flow is given in the following figure.



*Sources- Kotler, Philip 2000:578*

**Figure 2.1: Physical Distribution**

### **2.2.1 Components of Physical Distribution System**

There are many components of a physical distribution system. The major components are transportation, warehousing, inventory management and control, material handling and order processing.

#### **) Transportation**

Transportation is the major tools for creating place utility on production. It is the major tool for moving products from the producer to ultimate consumer. From the logistic management view, an organization should establish a capability move for the development of the transportation capabilities. As a first option, it may maintain its own private fleet of vehicles to provide the movement of products. This option requires heavy investments on equipments and personnel and is private transports on a job or long term contract basis. These contract carriers are specialist and provide efficient and professional transport services. As a third option, it may use common carriers that offer point to point movement of products under specified changes.

Transportation decision involve the decision the modes of transport. The major mode modes of transport available for a marketer are road, railway, sea and air. The various means of transport offer varying level of costs, speed, consistency and product safety. Human being and animals are popular means of transport in our country and sea and airways are very popular means of transport in the world.

The physical distribution manager needs to evaluate the relative benefits of various transport options in term of costs, speed, consistency and products safety. In this view of global movement of products, sea transport is the most

extensively mode as it offers the best economic and levels of consistency of service and product safety.

## ) **Warehousing**

Warehousing is a fixed facility in which products are stored until demands arise for them in the market. Warehousing is a major physical distribution function that affects the level of consumer service of an organization. The concept of warehousing has undergone significant changes over the years. It is no more viewed as the traditional godown where products are stored for months. The distribution warehouses have priced godowns. In the distribution warehouse, products are stored for a minimum of time before they are delivered to the target markets. Here, the emphasis is on product movement rather than product storing. There are several types of warehouse. However, the three major kinds of warehouses are private warehouse, public warehouse and bonded warehouse.

## ) **Inventory Management and Control**

Inventory management and control is another important decision area in physical distribution system. Inventory control is concerned with developing a system of maintaining an adequate level of product assortment to meet the customers' demands. Inventory planning is most essential because storages of products normally results in customer disappointments and hence lower levels of customer servicing, overstocking inventories normally results in higher cost in capital tie-up. Increase in the cost of warehouse and insurance results in lower profitability.

## ) **Material Handling**

Material handling or physical handling of product is closely associated with warehousing since most of the work of physical transfer is performed mostly within a warehouse. Material handling systems are designed to enhance the usable capacity of warehouse, reduce the number of time the products are handled and improve the customer service and satisfaction factor. Materials may handle according to the nature of the product, the size of the packages and the materials used in packaging. Materials handling are mainly two types- mechanical handling and non-mechanical handling.

## ) **Order Processing**

Order processing is the receipt and transmissions of sales order information. It is an important distribution function as its efficiency may result in better customer satisfaction, repeat order and higher profit level. Order processing can be two types manual order processing and computer based order processing. Small companies prefer manual order processing which takes long time to process order. Large companies prefer computer based order processing which takes very short time to process order.

### **2.3 Channel of Distribution**

Channel of distribution is highly complex mechanism. Its nature is dynamic. To understand a channel of distribution it should be clear on its structure. A structure is an organized activity and involves complex activities in order to perform the required work. The channel of distribution is the means to bring the product from the producer to the ultimate consumer or industrial user.

Every producer seeks to link together the set of marketing intermediaries that best fulfill the firm's objectives. This set of marketing intermediaries is called the marketing channel or channel of distribution or trade channel. In general, the channel of distribution refers to the way of from which the goods or services move from production to the customer. "Channels are the medium for taking the goods and services to ultimate buyer. Marketing channel is varying from direct selling to using intermediaries such as wholesaler, retailer, jobber, etc. (Agrawal, G.R. 1980 : 160)".

In the past, the producer used direct channel to distribute their products because the market was small and not complicated. Therefore, there was no essence of the channel. But today, most of the producers do not sell their products directly because today's market is very complicated. There are many intermediaries between producers and the final users.

The channels of distribution are operated in with the need of the independently operating organizations. A manufacturer should develop his/her own retailer or middleman to compete to the market because the real threat of the manufacture is to win the tactics of other or middleman on the distribution system of their competitive manufacturers. So, it is the real competition between distribution systems of different producers.

Elements of distribution are:

- a) Path – It is a path between producer and consumer.
- b) Composition – It is a composition of agents, wholesaler, retailer etc.
- c) Flow of product – It is a channel through which producer to final consumers.

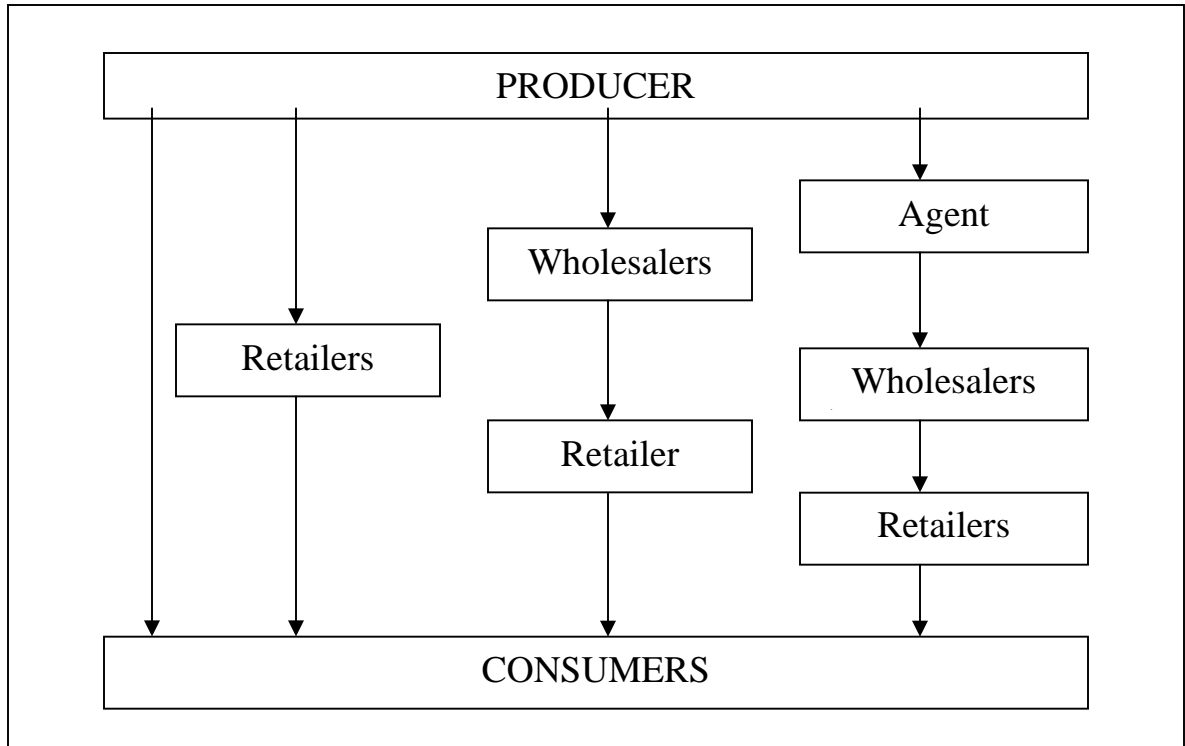
- d) Middlemen's function – The middlemen function can be performed directly or indirectly.
- e) Aim – Its aim is to provide profit to producer and satisfaction to user or consumer.
- f) Ownership – It changes the ownership of a product.
- g) Channel change – Product and distribution channel may be changed.

The channel of distribution has many importances. Some of the importances of channel system are mentioned below:

- a) With the help of its information, time authority and place can be made systematic.
- b) With the help of its information, time authority and place can be made systemic.
- c) Any producer can not contact his consumers directly – to contact with consumers the channel system is necessary.
- d) The mediators should be experienced so that they may be helpful to the reproducers.

### **2.3.1 Types of Distribution Channel**

The present study covers the channel of distribution of RTI (P) LTD. The channel of distribution differs from one product to another product. In other words it differs from nature of product, quality of product, market size, marketing practices etc. Therefore, an attempt has been made here to review consumer channel of distribution.



*Source- Agrawal, G.R. 1980: 159*

**Figure 2.2: Consumer Channel of Distribution**

Figure 2.2 shows the four types of channels for consumer products.

They are describes below in detail.

### ) **Zero Level Channel**

If producers distribution their product themselves directly to the consumers, it is called producer to consumer channel zero level. It is direct level because products are distributed directly from producers to consumers. Producers may distribute directly to consumers through multi-shops and chain stores. Many producers market their product directly under the mail-order arrangement. Some producers have started direct marketing through the Internet services.

Consumers use Internet Services to order directly from producers and receive the product by the mail or courier.

### ) **One Level Channel**

In this channel producer uses the retailer as middlemen. Producer does not directly sell his merchandise to consumer. This channel contains one intermediary so it is called one level channel. Producers generally follow one level channel to distribute products through large retail establishments, such as department stores, super markets and discount houses. A producer may adopt selective distribution policy and distribute through selected retail outlets.

### ) **Two level Channel**

This channel contains two intermediaries i.e., Wholesaler and retailer. This is also called two level channels. It is oldest channel of marketing. Most consumer goods are distributed intensively with the target of achieving widest possible market coverage. Merchandise can be distributed widely only when the producer uses wholesalers to reach large number of retail outlets in different market segments.

### ) **Three level Channel**

This channel has three intermediaries, i.e. agent, wholesaler, retailer, etc. which is called three level or multi-level channel. This is extremely long distribution channel in the marketing. It is used only in special circumstances. Comparatively, this channel takes a lot of time and money. Producers try to avoid this design due to high selling costs. This channel is mostly used in international marketing in which the producer faces distance, language and

other cultural barriers to deal directly with local wholesalers. In such situation, the producer may use a local agent to contact with wholesalers and execute the sales transaction.

## **2.4 Factor Influencing Channel Structure**

There is a greatest completion in modern world market. The channel system is a very important and powerful tool to meet the completion. So the company has to choose the most suitable channel of distribution. The work of selecting the most suitable channel of distribution is very complex and hard. It also depends on some factors such as nature of the product, trends of market, competition, limitation of the transaction of the company, availability of middlemen and capacity of the company. There are come main factors influencing channel structures which are described below.

- ) **Market Factor:** In market factor, the marketer should study the number of consumer, buying habits of consumers, geographical situation of the market, nature of product etc.
- ) **Product Factor:** Product factor is also an important factor, whether the product is perishable or non-perishable, product weight, product line, government act etc. must to taken in to consideration before selection of channel.
- ) **Organization Factor:** Skill and experience, tendency, goodwill and financial position of the organization may play important role in selection of a channel.
- ) **Middleman Factor:** Middleman factor is the most important factor. Availability capacity and interest of middleman must be studied.

Distribution cost, flexibility, fit to objective, evaluation, satisfaction of consumer etc. are all the factors that a channel maker must take into consideration before selecting a good and economic channel of distribution.

Above mentioned market factor, product factor, organization factor, middleman factor are factors affecting the selection of channel of distribution. So the marketer should study all these factors before selecting a channel.

## **2.5 Motivation of Channel Members**

Once the channel is selected, channel members must be continuously motivated to do their best. Most producers see the problem as finding ways to gain intermediary cooperation. They use the carrot-stick approach. At times they offer positive motivators such as higher margins, special bonus, advertising allowances and display allowances. At other time they use negative motivators, such as threatening to reduce margins, to slow down delivery or close the relationship altogether.

## **2.6 Evaluation of Channel Member**

The producer must regularly evaluate each channel member's performance against standards such as sales, average inventory levels, customer delivery time, cooperation in the company, promotion should recognize and reward intermediaries who are performing well. Those who are performing poorly should be helped or as a last resort replaced.

A producer will occasionally find that it is paying too much to particular intermediaries for what they are actually doing. Producers should set up

functional discounts which they pay specified amounts for the trade channels performance each agreed upon service. Underperformers need to be console, retrained, re-motivated or terminated.

## **2.7 Channel Conflict**

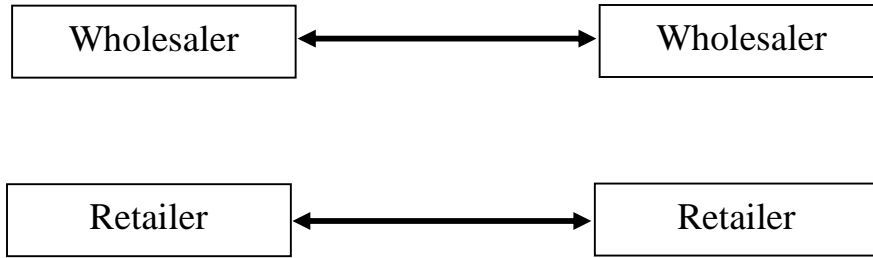
Channel efficiency depends heavily on the mutual inter-dependency between the channel members and effective cooperation in the achievement of channel goals. However, a channel system has several individuals and institutions highly dissimilar characteristics and varied objectives, which often result on channel conflicts. "Channel conflict is the disagreement among marketing channel members on goals and roles – who should do what and for what rewards" (Kotler, Philip Kotler, Armstrong, Gary 12997). When channel conflicts arise, the channel system does not function smoothly.

### **2.7.1 Types of Channel Conflict**

There are two types of channel conflicts as mentioned below.

#### **) Horizontal Channel Conflict**

Horizontal channel conflict occurs among firms at the same level of channel. This conflict is at the same level that is between wholesaler and wholesaler or between retailer and retailer.( Figure 2.3)

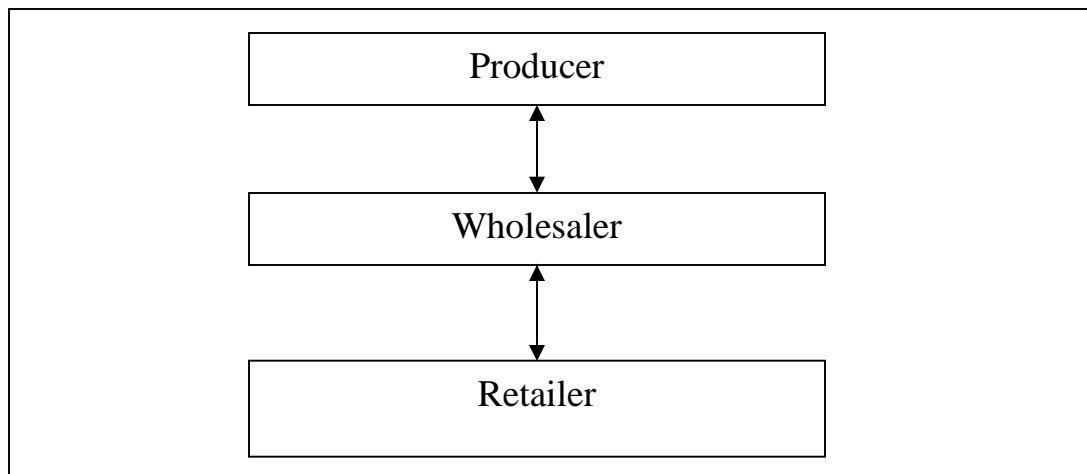


*Source- Agrawal, G.R. 1980: 159*

**Figure 2.3: Horizontal Channel Conflict**

) **Vertical Channel Conflict**

Vertical channel conflict is more even more common and refers to conflicts between different levels of the same channel. For example, suppose "A" agro-processing company has two wholesaler, i.e., wholesaler "X" and wholesaler "Y" in the certain market. He has been providing different commission, bonuses to them. In this case, the vertical channel conflict arises between Agro-processing Company "A" and wholesaler "X" or wholesaler "Y". Figure 2.4 shows vertical channel conflict.



*Source- Agrawal, G.R. 1980: 158*

**Figure 2.4: Vertical Channel Conflict**

## **2.8 Distribution System Practiced in Nepal**

"Distribution has not received proper attention in Nepal although there are a variety of institutions facilitating the movement of goods from manufacturers of consumers. They have a series of problems relating to distribution such as unsuitable government policies, unsatisfactory services of channel members, lack of sufficient infrastructural facilities, inter channel conflicts, etc."(Sharma, G.R. 2063:298).

About fifty percent of the total Nepalese organizations emphasize on distribution objectives as increasing channel productivity, creating favorable image and goodwill and minimizing channel conflicts. Regarding channel members, dominant role of wholesalers and retailers are quite apparent in Nepal. However, agents and brokers are emerging very fast. Wholesalers operate distribution services at zonal and regional levels, covering small areas such as district town and a number of villagers. Retailers have dominated the market in the form of retail outlets, dealing a variety of products. Especially departmental stores and supermarkets are some of the popular examples of retail outlets mostly operating in Kathamandu, Pokhara, Itahari etc. Regarding distribution facilitators, commercial banks are specially operating throughout the country facilitating distribution transactions of business firms.

However, distribution system for consumer product can be seen as more traditional in Nepal. For perishable products direct channel design is used. There is also a gradual development of telemarketing and 'sky shops' in Nepal for selling physical fitness products and home appliances.

Two types of channel structures are used for distributing industrial products in Nepal-direct channel and one-level channel. The direct channel structure is

used for distributing fabricating materials such as flour for bakeries. Companies requiring accessory equipment and operating supplies also use one-level channel structure. "Channel structure for industrial products is generally on-level consisting of distributors" (Agrawal, Govinda Ram, 2061:356).

"Channel member roles are not well defined in Nepal. As a result, even wholesalers have been found operating retail business from the same outlet" (Sharma, G.R. 2063:356). This has created confined. A single distributor is found handling two or more competing products.

Horizontal channel conflicts are commonly found in Nepal. This is due to unclear roles of channel members, problems related to discounts and allowances, lack of sales conferences held by manufacturers. "Sales territories are not clearly set by the manufacturers that often cause cross-selling by one distributor in other distributor's territories. Cross-selling by one distributor of horizontal conflict in the Nepalese market" (Koirala, K.D., 2004:299). Nepalese organizations use bilateral effort to manage to channel conflicts. The retailers and the wholesalers' associations also play important role in managing channel conflicts.

Geographical situation of Nepal poses serious challenge for logistic management. In addition, the Nepalese business organizations are lacking knowledge of using logistic management as effective tool for providing better services to customers.

Most manufactures use road transport for transporting their goods. They highly depend on contract carriers, except some large organizations having their own private carriers. In hilly but rural parts of Nepal, animals and human muscles

are widely used. In rural tarai, even buffalo-carts are used. Air transport is only used for export of valuable products such as pasmina shawls, handicrafts etc.

Pipelines are used for supplying water in city areas. Cable lines are used by Electricity Authority Corporation. Both private and contract warehouses are used for storing goods. Nepalese organizations bear high material handling cost as it is basically non-mechanical.

None of the above studies has done on topics of “A Study on Distribution System of Rijal Tashi Industries (P) Ltd.” So, this study would be helpful to researcher, planners, and further study to the students.

**CHAPTER – III**  
**RESEARCH METHODOLOGY**

**3.1 Research Methodology**

Research methodology refers to the methods and techniques used to achieve the objectives of the research. It involves research design, tools and techniques of data analysis, etc.

**3.2 Research Design**

The research design of the study is descriptive cum analysis type with both quantitative and qualitative primary and secondary data. This design is expected to describe the distribution status of RTI (P) LTD. in analytical way.

**3.3 The Population and Sample**

The population of this study is all the employees, dealers, wholesalers, retailers and final consumers of RTI (P) LTD. The population and sample used in the study is presented in Table 3.1. The sampling method used in this study is judgment sampling.

**Table 3.1: Population and Sample of Research Study**

	Population	Sample	Percentage
Employees	35	12	25
Dealers	17	3	20
Wholesalers	100	10	10
Retailers	500	25	5
Customers	10000	200	2

### 3.4 Nature and Source of Data

The study has used both primary data and secondary data. Primary data are based on structured and semi-structured interviews with the personnel, retailers and consumers of RTI (P) LTD. secondary data are based on official records and published reports, bulletin, journals etc. of the industry. Emphasis has been given to the quantitative data collection and qualitative data are considered as the supplementary information.

### 3.5 Data Analysis and Interpretation

Fist of all, various available reports, data and information have been collected from different primary and secondary sources and they have been tabulated categorically to facilitate subsequent analysis.

For the analysis on production, sales and capacity utilization of RTI (P) LTD., five years data have been used. They have been presented in figure and percentage.

Five-year scale ranging from 1 to 5 has been used to collect the response of management, dealers, wholesalers, retailers and customers of RTI (P) LTD.



In this scale, point 1 is used for indicating the highest degree of satisfaction, point 2 is used for indicating the satisfaction, point 3 is used for indicating the indifference, point 4 is used for indicating the dissatisfaction and point 5 is used for indicating the highest dissatisfaction.

Similarly, questionnaire has been prepared to know the customers' reaction. A format of questionnaire is included in the appendix-..

The survey has been done on random basis in Itahari and spread from colleges, schools and local markets.

**CHAPTER –IV**  
**ANALYSIS AND PRESENTATION OF DATA**

**4.1 Introduction**

This chapter attempts to analyze the different factors or elements of marketing directly or indirectly related with the distribution system of RTI (P) LTD. products. The attitudes of management, dealers and customers of RTI (P) LTD. have also been considered in this regard.

The distribution system of RTI (P) LTD. can be presented as follows-

**4.2 PHYSICAL DISTRIBUTION**

**4.2.1 Transportation**

The main means of transportation used by RTI (P) LTD. are presented in the following table-

**Table 4.1 Means of Transportation used by RTI (P) LTD.**

Means of Transport	Purpose	Use frequency	Payment
Trucks-2 (Self-owned)	) Carrying raw materials to factory ) Distribution of finished products to local dealers	Regularly	Salary to drivers and helpers

*Source – Marketing Department of Rijal Tashi Industries (P) Ltd.*

Table 4.1 shows that RTI (P) LTD. has two trucks of its own which it uses to deliver finished products to the local dealers and to carry raw materials to its factory. To deliver goods to the places outside the local area, it uses the trucks of Transport Company.

RTI (P) LTD. uses its own trucks to transport the goods to the local distributors. It has to borne the cost of regular fuel consumption and repair and maintenance of the vehicles (trucks). It has to pay salary to the drivers and the helpers every month. Therefore, the transportation cost of RTI (P) LTD. consists of cost of fuel, repair and maintenance of vehicles and the remuneration of drivers and helpers.

**Table4.2 Relationship between Sales and Transportation Cost**

(In lakhs)

Year	Sales (Rs)	Transportation costs (Rs)
2060/2061	75	6
2061/2062	113	7
2062/2063	138	10
2063/2064	166	13
2064/2065	175	17

*Source- Official Record of RTI (P) LTD.*

Table- shows the relationship between sales and transportation cost of RTI (P) LTD. The relationship between sales and transportation cost can be analyzed with the help of regression analysis (Appendix-X)

From the calculation, we found the regression equation Y on X

$$Y = 0.103 X - 3.14$$

The analysis of regression value indicates that minimum increase of sales does not change the transportation on sales. It indicates the there is a chance to increase sales without increasing the transportation cost

### **Correlation between Sales and Transportation Cost**

Using the Table 4.2, the calculated correlation is 0.931, which shows that the correlation between transportation cost of and sales of RTI (P) LTD. during the study period is positive. Two variables are correlated positively that is the transportation cost is increased with the increases of sales of products of RTI (P) LTD. (Appendix-XI)

#### **4.2.2 Warehousing**

The warehousing system of RTI (P) LTD. is presented below.

**Table 4.3: Warehousing System of RTI (P) LTD.**

Types of warehouse	Ownership	Use	Remarks
Ordinary	Self-owned	Storing raw materials and finished products	Cold storage facility

*Source- Production Section of RTI (P) LTD.*

The Table 4.3 shows that RTI (P) LTD. has its own warehouse to store raw materials and finished goods. To keep the raw materials for longer period before they are processed, RTI (P) LTD. had cold storage.

### 4.2.3 Material Handling

Materials Handling of RTI (P) LTD. is shown in the following table.

**Table 4.4: Material Handling of RTI (P) LTD.**

Types of handling	Nature of product	No of machines/ persons	Handling capacity per day
1. Mechanical	-	No	-
2. Manual	Raw and finished	2+3	28 cartoons

*Source-Production Department of RTI (P) LTD.*

Table 4.4 indicates that RTI (P) LTD. is using only human factor in handling its raw material and finished products. Altogether five workers are involved in handling materials. One worker handles about 28 cartoons per day. Two workers are involved in handling raw materials and three persons are engaged in handling finished products.

### 4.2.4 Order Processing

Order processing of RTI (P) LTD. is presented in the following table.

**Table 4.5: Order processing of RTI (P) LTD.**

Mode of receiving	Processing method	Time required	Frequency
Mails	Manual	Within 1 week	Sometimes
Electronic Means (telephone, fax, e-mail)	Manual	Within 1 week	Regular

*Source- Administration and Marketing department of RTI (P) LTD.*

Table- shows that RTI (P) LTD. receives order from dealers through mails and electronic means like telephone, fax, e-mail, etc. It has manual based order processing system. Time required for order processing is 1 week for both mail order and order by electronic means. But order through telephone and fax is more regular than through order letters.

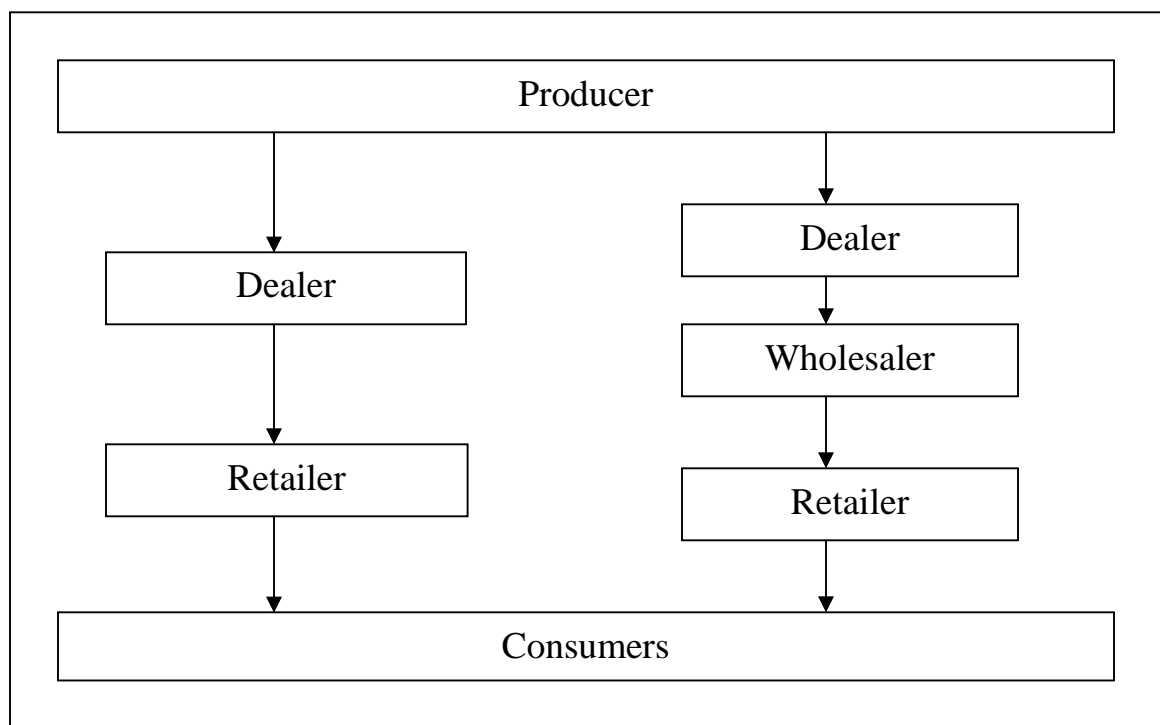
#### **4.2.5 Inventory Management and Control**

There is no such inventory management and control system in RTI (P) LTD. It uses card system for the delivery of goods and keeps stock of goods one month only. It seems RTI (P) LTD. has not understood the sense of the inventory management and control. They have applied subjective method such as experience, judgment for the calculation required for the inventory.

### 4.3 Channel of Distribution

The channel of distribution used by RTI (P) LTD. is shown in the Figure 4.1. It uses only Two-level and Three-level channel for distribution of its products. It does not use Zero-level and One-level Channel.

**Figure 4.1: Structure of Channel of Distribution of RTI (P) LTD.**



*Source- Marketing Department of RTI (P) LTD.*

#### 4.3.1 Two-Level Channel

Two-level distribution channel of RTI (P) LTD. consists of dealers and retailers in between producer and consumers. This means RTI (P) LTD. sells its products to the retailers through dealers. There are altogether 18 dealers

scattered at different towns of Nepal. The dealers are given sales target. If they meet their sales target, they are allowed 2% of the total sales amount as bonus or incentive.

#### **4.3.2 Three-Level Channel**

Another channel of distribution used by RTI (P) LTD. is three-level channel that consists of dealers, wholesalers and retailers in between producer and consumers. Under this channel products move to the dealers first, then to the wholesalers and finally the retailers purchase from the wholesalers to be sold to the final customers.

#### **4.4 Views on the Distribution System of RTI (P) LTD.**

The management of RTI (P) LTD. responded the distribution cost of RTI (P) LTD. mean score 3 (indifferent), timely availability of product mean score 2 (satisfactory), present distribution system mean score 2 (satisfactory), overall distribution channel mean score 3 (indifferent), respectively. Dealers responded distribution cost of RTI (P) LTD. mean score 3 (indifferent), timely availability of product mean score 2 (satisfactory), present distribution system mean score 3 (indifferent), overall distribution channel mean score 3 (indifferent), respectively. Wholesalers responded distribution cost of RTI (P) LTD. mean score 2 (satisfactory), timely availability of product mean score 3 (indifferent), present distribution system mean score 2 (satisfactory), overall distribution channel mean score 3 (indifferent), respectively. Retailers responded the distribution cost of RTI (P) LTD. mean score 3 (indifferent), timely availability of product mean score 3 (indifferent), present distribution system mean score 2

(satisfactory), overall distribution channel mean score 3 (indifferent), respectively.

**Table 4.6: Management and Channel Views Relating to Distribution System**

Particulars	Mean Score				Total Mean score	Avg. Mean score
	Management	Dealer	Wholesaler	Retailer		
a. Distribution cost	3	3	2	3	11	2.75
b. Timely availability of product	2	2	3	3	10	2.5
c. Satisfaction of present distribution	2	3	2	2	9	2.25
c. Overall distribution channel	3	2	3	3	11	2.75
Total	10	10	10	11	41	10.25
X	2.5	2.5	2.5	2.75	10.25	2.56

*Source- Direct Field Survey, 2008*

Table 4.6 shows that the overall rating of management mean score is 2.5, dealers mean score is 2.5, wholesalers mean score is 2.5, retailer mean score is 2.75 and the overall mean rating of four groups is 2.56 which indicate moderately satisfaction. All these figures indicate that they are not very pleased with the distribution system of Rijal Tashi Industries (P) Ltd.

#### **4.5 Factors Influencing to Selecting channel Structure at RTI (P) LTD.**

The management of Rihjal Tashi Industries (P) Ltd considered middlemen factor, product factor and organization factor but they did not consider market

factor before selecting channel. The management has to develop the suitable channel structure to attain maximum sales and profit.

Actually, the task of channel selecting is a critical decision for the agro-based products. Channel decision is a compromise decision between the most ideal channels and available channels. Channel selection requires a careful analysis if above factors.

#### **4.6 Major channel Alternatives at RTI (P) LTD.**

RTI (P) LTD. has identified the following channel alternatives.

##### **4.6.1 Types of intermediaries**

RTI (P) LTD. has adopted the following three types of intermediaries to sell its products in all places effectively.

###### **(i) Product Dealers**

RTI (P) LTD. has 18 dealers at different parts of the countries. It allows them a certain margin in their sales volume. In addition to this margin they are given a 2% bonus on total sales amount if they excel the sales target given to them.

###### **(ii) Wholesalers**

RTI (P) LTD. has about 67 wholesalers around the county who sell the products to the retailers. They take the title to products.

### (iii) Retailers

There are a number of retailers who sales the products of RTI (P) LTD. scattered around both urban and rural areas of Nepal.

## **4.6.2 Number of Intermediaries**

The challenge the management faces in channel decision is to determine the intensity of distribution, i.e., to determine the number of middlemen. Generally, three causes of action are available in this case namely-

### (i) Intensive distribution

In this case, the seller will take for every outlet to sell the product.

### (ii) Selective distribution

In this case, the marketer will have only a few outlets in a particular market.

### (iii) Exclusive distribution

In this case, the producer will enter into agreement with a particular dealer or retailer and sell only to those intermediaries in the given market.

In the case of RTI (P) LTD., it is using intensive as well as selective distribution system.

#### **4.6.3 Terms and Responsibilities of Channel Members**

The producer of every company had to determine the rights and responsibility of participating channel members. Each channel member must be treated respectfully.

##### **(i) Price Policy**

RTI (P) LTD. products have prepared price-lists. The schedule and allowance of products is given in special cases. Channel members of RTI (P) LTD. were not satisfied with the schedule of discounts and allowances as it is too low with the comparison with competitive product.

##### **(ii) Condition of Sale**

RTI (P) LTD. has granted cash discount and special case to dealers for early payment. It has also granted credit facility to the dealer for maximum three months. RTI (P) LTD. takes back the products which are not sold in the market.

##### **(iii) Dealer's territorial rights**

Management of RTI (P) LTD. has ignored about dealers territorial rights. The dealer can do anything to sell their products and this right depends upon hi/her

but cannot go against the pricing policy of RTI (P) LTD. If the dealer comes and ask for dealership then s/he can get the dealership by fulfilling the requirement of RTI (P) LTD.

#### **4.7 Motivation of Channel Members at RTI (P) LTD.**

RTI (P) LTD. has thought that once selected channel members must be continuously motivated to do their best. The management felt that it is great problem to gain channel members cooperation without motivating them. But the credit facilities are given to the channel members and some special discount is also given in special cases according to the sales performance of the dealers. So, RTI (P) LTD. is in plan to give some motivational tools to the channel members as commission etc. in the days to come.

#### **4.8 Channel Conflict at RTI (P) LTD.**

Channel conflict is the disagreement among marketing channel members on goals and roles. Perhaps every trade channel of any business firm is affected by channel conflict. On the other hand the mind of every Marketing Manager is threatened by channel conflict.

In this regard an exclusive talk was held with the Marketing Manager of RTI (P) LTD. On the basis of this talk it has been found out that sometimes horizontal conflict was experienced in Eastern Region, especially, Dharan-Itahari-Biratnagar area. The dealer of Dharan was complained, some years ago, for trying to sell his products to the wholesalers of Itahari. But this conflict was very soon resolved in the initiative of Marketing Manager.

## **4.9 Findings of Consumers' Survey**

The management of the RTI (P) LTD. is very keen on the consumer feedback. A questionnaire has been prepared to gain consumer reaction, i.e., level of customer satisfaction against the channel of distribution. A format of the questionnaire which was used in the survey has been duly included in the appendix as a sample.

The research was done on random basis in Itahari area and spread from schools, colleges to the market place. Three age groups i.e., 16-21, 22-27 and 28-33 have been selected as target of the survey.

### **4.9.1 Sample size, gender and age groups**

The sample size selected is 200 people. The respondents consist of male as well as female. The number of male and female respondents that took part in the survey has been listed in Table 4.7, and the division of respondent according to the age group has been listed in Table 4.8.

**Table 4.7: Number of Respondent in Terms of Gender**

Respondents' Gender	Number of Respondents
Female	120
Male	80

Total	200
-------	-----

**Table 4.8: Number of respondents in Terms of Age Groups**

Age Groups	16-21	22-27	28-33
No. of Respondents	33	52	115

The findings of the survey are presented in pie charts and tables on the basis of age group (as shown in Table 4.8) rather than the gender (as shown in Table 4.7). The analysis of the survey will be done according to the questions from the questionnaire. The tables and charts are based on the answers given by the respondents of concerned age group. Only relevant answers have been tabulated and presented in pie charts. Other questions are dealt with in the conclusion and recommendation part.

#### **4.9.2 Users of Fruit/vegetable-based Products**

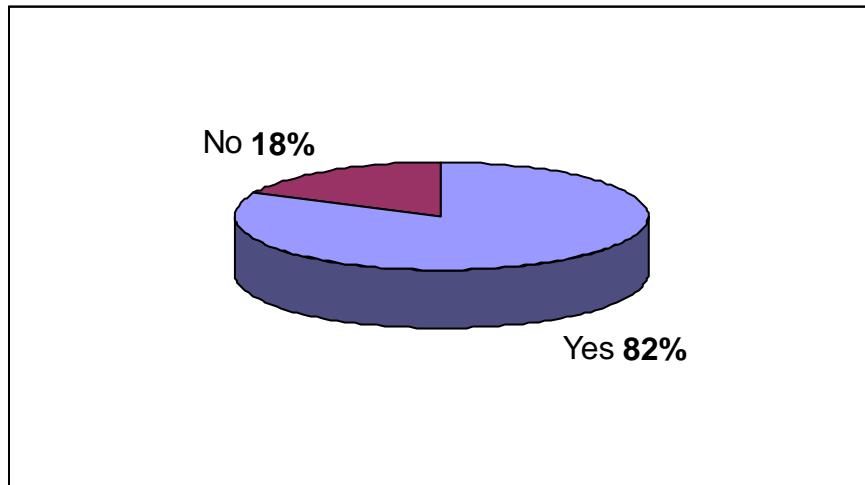
The respondents were asked whether they use any fruit-vegetables based (agro-based) products to know the number of users of fruit/ vegetables products. To the above question the following response were made which are tabulated and presented in pie chart.

**Table 4.9: Users of Fruit/vegetable-based Products (Age: 16-21)**

Total/Percentage	Yes	No
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33	27	6
100%	82%	18%

*Source- Direct Field Survey, 2008*



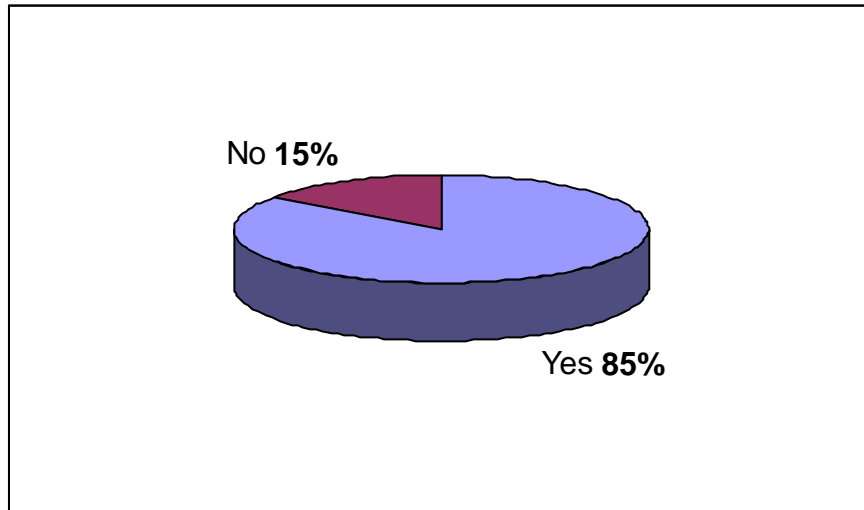
**Figure 4.2 Users of fruit/vegetable-based Products (Age: 16-21)**

From Table 4.9 and Figure 4.2, it has been found that the majority (82%) of respondents of Age Group 17-21 use (consume) fruit/vegetables-based products. Only a small number (18%) of respondents are found not using fruit/vegetables-based products.

**Table 4.10: Users of fruit/vegetable-based Products (Age: 22-27)**

Total/Percentage	Yes	No
52	44	8
100%	85%	15%

Source- Direct Field Survey, 2008



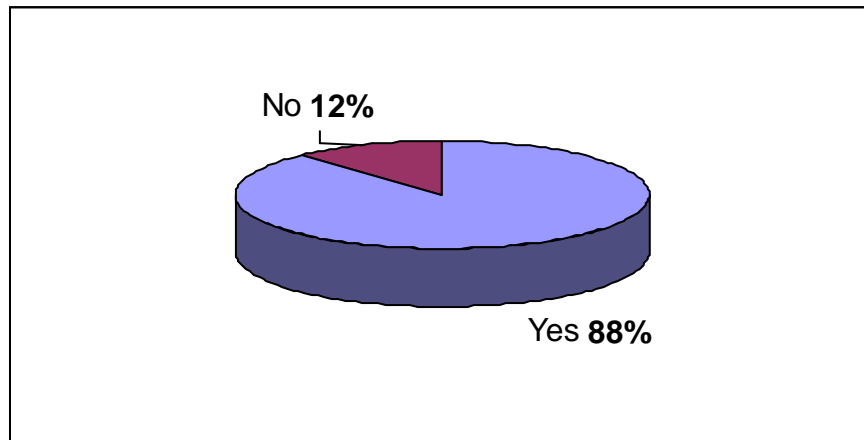
**Figure 4.3: Users of fruit/vegetable-based Products (Age: 22-27)**

From Table 4.10 and Figure 4.3, it has been found that the majority (85%) of respondents of Age Group 22-27 use (consume) fruit/vegetables-based products. Only a small number, i.e., 15% of respondents do not use fruit/vegetables-based products.

**Table 4.11: Users of fruit/vegetable-based Products (Age: 28-33)**

Total/Percentage	Yes	No
115	101	14
100%	88%	12%

*Source- Direct Field Survey, 2008*



**Figure 4.4: Users of fruit/vegetable-based Products (Age: 28-33)**

From Table 4.11 and Figure 4.4 it has been found that the majority (88%) of respondents of Age Group 28-33 use (consume) fruit/vegetables-based products. Only a small number, i.e., 12% of respondents do not use fruit/vegetables-based products.

From the analysis of above tables and pie charts, it can be concluded that majority of people consume fruit/vegetables-based products in their daily life. This shows that there is a great potentiality of market of fruit/vegetables-based products. Therefore, fruit/vegetables-based products have bright prospects.

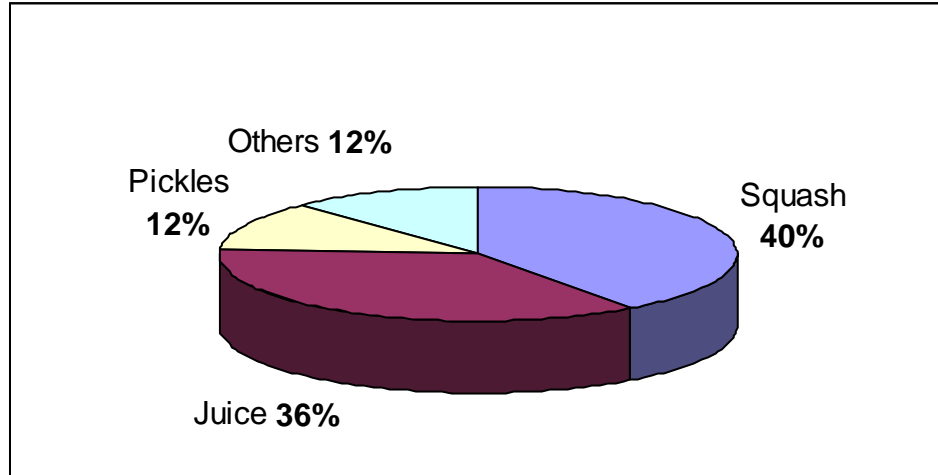
#### **4.9.2 Demand of Fruit/vegetables-based Products**

This question has been asked to find out the demand of the types of fruit/vegetable-based products. The findings are tabulated and presented in pie charts.

**Table 4.12: Demand of Different Fruit/Vegetables-based Products  
(Ag: 16-21)**

Total/Percentage	Squash	Juice	Pickles	Others
33	13	12	4	4
100%	40%	36%	12%	12%

*Source- Direct Field Survey, 2008*



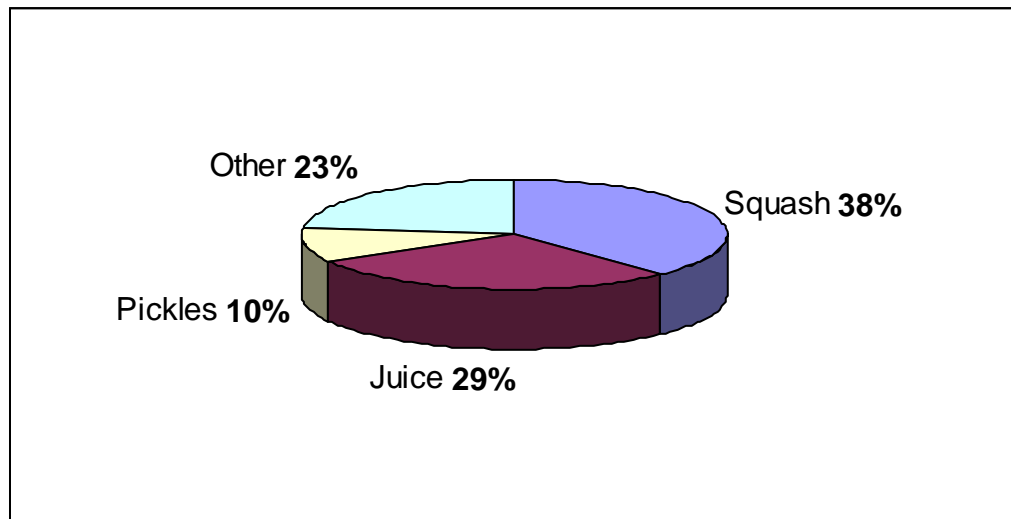
**Figure 4.5: Demand of Different Fruit/Vegetables-based Products  
(Age: 16-21)**

From Table 4.12 and Figure 4.5 it has been found that the 40% of respondents of Age Group 16-21 use (consume) squash, 36% uses juice, 12% uses pickles and 12% uses others products.

**Table 4.13: Demand of Different Fruit/Vegetables-based Products  
(Age: 22-27)**

Total/Percentage	Squash	Juice	Pickles	Others
52	20	15	5	12
100%	38%	29%	10%	23%

*Source- Direct Field Survey, 2008*



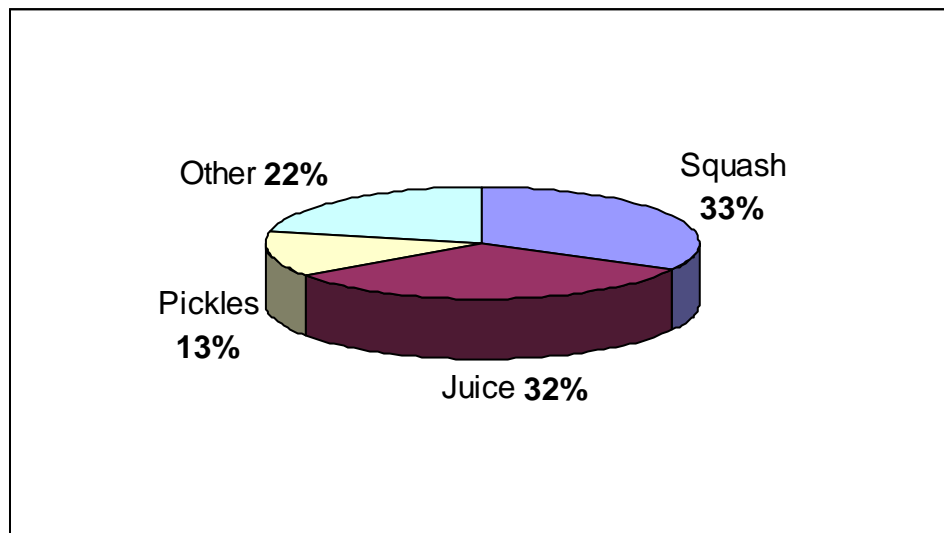
**Figure 4.6: Demand of Different Fruit/Vegetables-based Products  
(Age: 22-27)**

Table 4.13 and Figure 4.6 depict that the 38% of respondents of Age Group 22-27 use (consume) squash, 29% uses juice, 10% uses pickles and 23% uses other products.

**Table 4.14: Demand of Different Fruit/Vegetables-based Products  
(Age: 28-33)**

Total/Percentage	Squash	Juice	Pickles	Others
115	38	37	15	25
100%	33%	32%	13%	22%

*Source- Direct Field Survey, 2008*



**Figure 4.7 Demand of Different Fruit/Vegetables-based Products  
(Age: 28-33)**

Table 4.14 and Figure 4.7 reveal that the 33% of respondents of Age Group 28-33 use (consume) squash, 32% uses juice, 13% uses pickles and 22% uses other products.

From above tables and charts, it can be concluded that the majority of the respondents use/consume squash followed by juice, other products and pickles. It shows that RTI (P) LTD. should emphasize more on squash as it is most preferred by the customers.

Among the products squash, pickles and juice it has been found that the respondents preferred pickles the least.

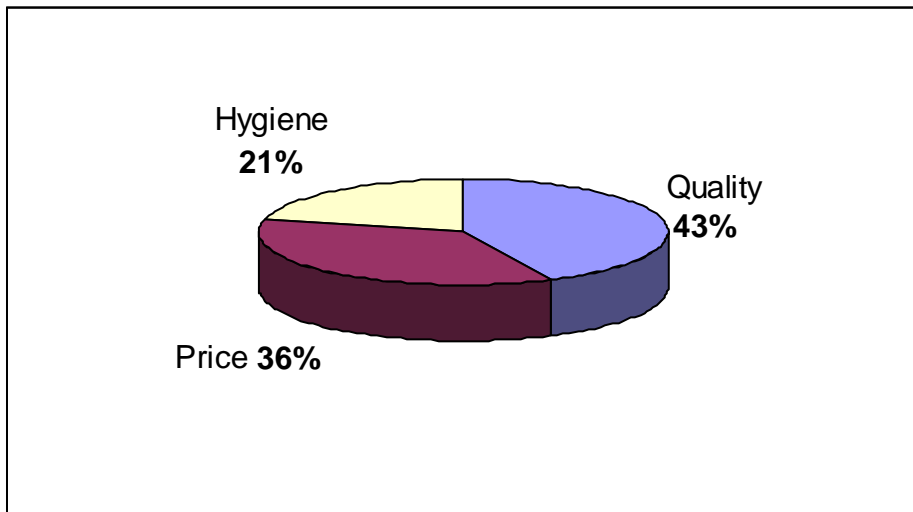
#### **4.9.3 Factors Affecting Purchase Decision for fruit/vegetables-based**

Every customer considers various factors like quality, price and hygiene, before purchasing, especially, fruit/ vegetables-based products. This question helps to explore the factors that actually influence the consumers while purchasing agro-based products like juice, squash, pickles, etc. The responses to above question are tabulated and presented in pie charts as follows.

**Table 4.15: Factors affecting Purchase Decision (Age: 16-21)**

Total/Percentage	Quality	Price	Hygiene
33	14	12	7
100%	43%	36%	21%

*Source- Direct Field Survey, 2008*



**Figure 4.8: Factors affecting Purchase Decision (Age: 16-21)**

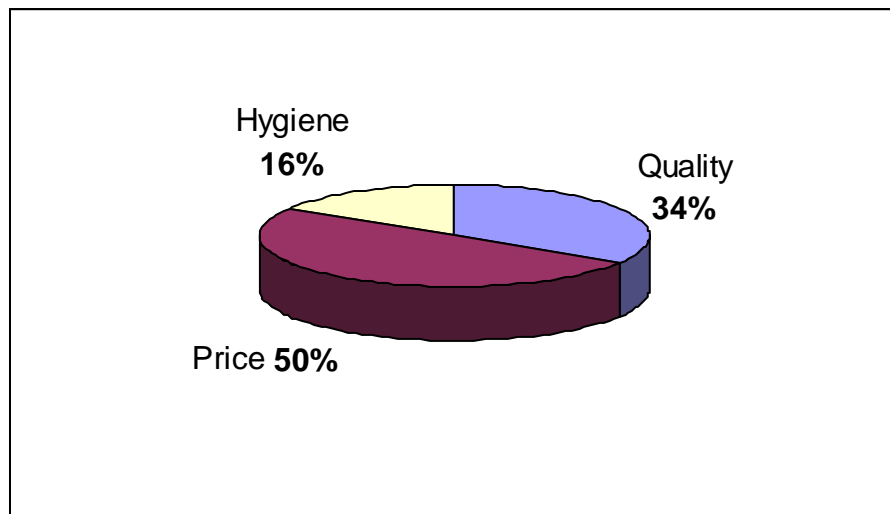
Table 4.15 and Figure 4.8 show that the purchase decision of majority of respondents of Age: 16-21 is influenced by quality. Price is second factor that influences their buying decision. Respondents of this group are found least influenced by hygiene factor.

**Table 4.16: Factors affecting Purchase Decision (Age: 22-27)**

Total/Percentage	Quality	Price	Hygiene
52	18	26	8

100%	34%	50%	16%
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*Source- Direct Field Survey, 2008*



**Figure 4.9: Factors affecting Purchase Decision (Age: 22-27)**

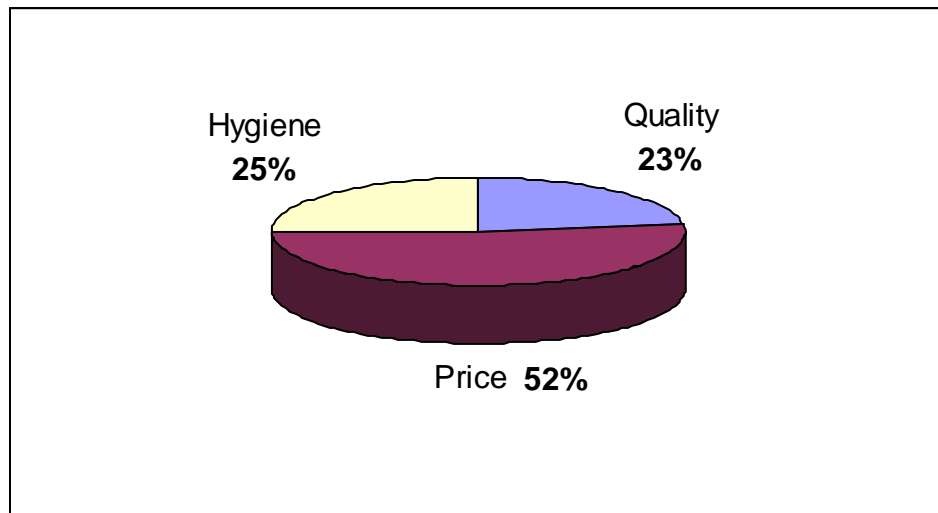
Table 4.16 and Figure 4.9 show that the purchase decision of majority (50%) of respondents of Age: 22-27 is influenced by price. Quality is second factor that influences their buying decision. Respondents of this group are found least influenced by hygiene factor.

**Table 4.17: Factors affecting Purchase Decision (Age: 28-33)**

Total/Percentage	Quality	Price	Hygiene
115	26	60	29

100%	23%	52%	25%
------	-----	-----	-----

*Source- Direct Field Survey, 2008*



**Figure 4.10: Factors affecting Purchase Decision (Age: 28-33)**

Table 4.17 and Figure 4.10 show that the purchase decision of majority (52%) of respondents of Age: 28-33 is influenced by price. Hygiene is second factor that influences their buying decision. Respondents of this group are found giving comparatively less importance to hygiene factor.

From above tables and charts, it can be concluded that the majority of the respondents are being influenced by price while purchasing agro-based products like squash, juice, pickles, etc. This means they are price conscious.

The second strong factor that affects their buying decision is quality of the product. The respondents are comparatively less influenced by hygiene factor.

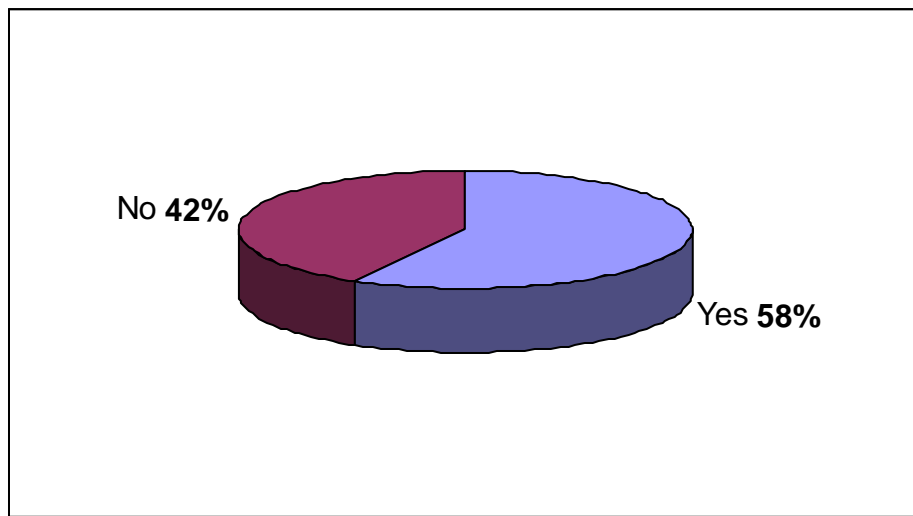
#### 4.9.4 Liking and Disliking of the Products of RTI (P) LTD.

This question helps to find out the actual consumers of RTI (P) LTD. who like its products. The responses to the above question are tabulated and presented in pie charts to make the analysis easier.

**Table 4.18: Liking and Disliking of Products of RTI (P) LTD. (Age: 16-21)**

Total/Percentage	Yes	No
33	19	14
100%	58%	42%

*Source- Direct Field Survey, 2008*



**Figure 4.11: Liking and Disliking of Products of RTI (P) LTD.  
(Age: 16-21)**

Table 4.18 and Figure 4.11 show that the majority (58%) of respondents of Age: 16-21 like the products of RTI (P) LTD. Only 42% does not like the products. This indicates that the products of RTI (P) LTD. are quite popular in the markets.

**Table 4.19: Liking and Disliking of Products of RTI (P) LTD. (Age: 22-27)**

Total/Percentage	Yes	No
52	43	9
100%	83%	17%

*Source- Direct Field Survey, 2008*

**Figure 4.12: Liking and Disliking of Products of RTI (P) LTD.  
(Age: 22-27)**

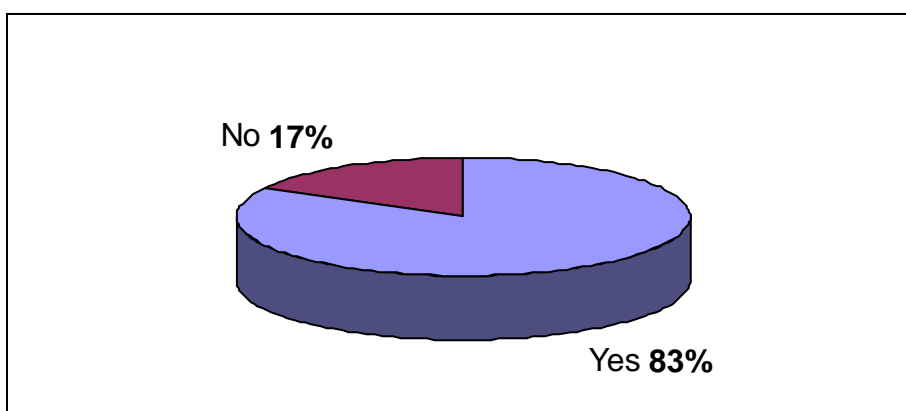
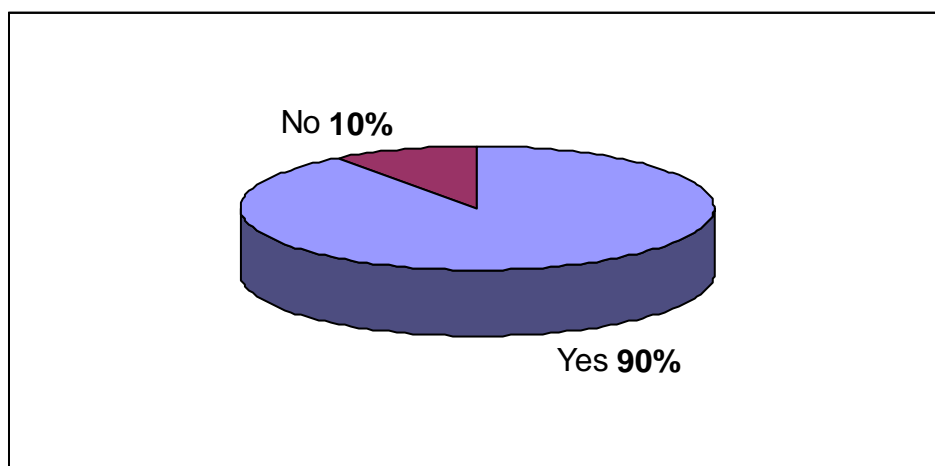


Table 4.19 and Figure 4.12 shows that the large majority (83%) of the respondents of Age: 22-27 preferred the products of RTI (P) LTD. The respondents not liking the products of RTI (P) LTD is very less (17%). This indicates that the products of RTI (P) LTD. are quite popular in the markets.

**Table 4.20: Liking and Disliking of Products of RTI (P) LTD. (Age: 28-33)**

Total/Percentage	Yes	No
115	104	11
100%	90%	10%

*Source- Direct Field Survey, 2008*



**Figure 4.13: Liking and Disliking of Products of RTI (P) LTD.  
(Age: 28-33)**

Table 4.20 and Figure 4.13 show that the large majority (90%) of the respondents of Age: 28-33 preferred the products of RTI (P) LTD. The respondents not liking the products of RTI (P) LTD is very less (10%). This indicates that the products of RTI (P) LTD. are quite popular in the markets.

Above tables and figure clearly show that the products of RTI (P) LTD. are liked by the most consumers. The respondents of Age: 28-33 group has been found that 90% of them liked the products. This is an encouraging result for the company.

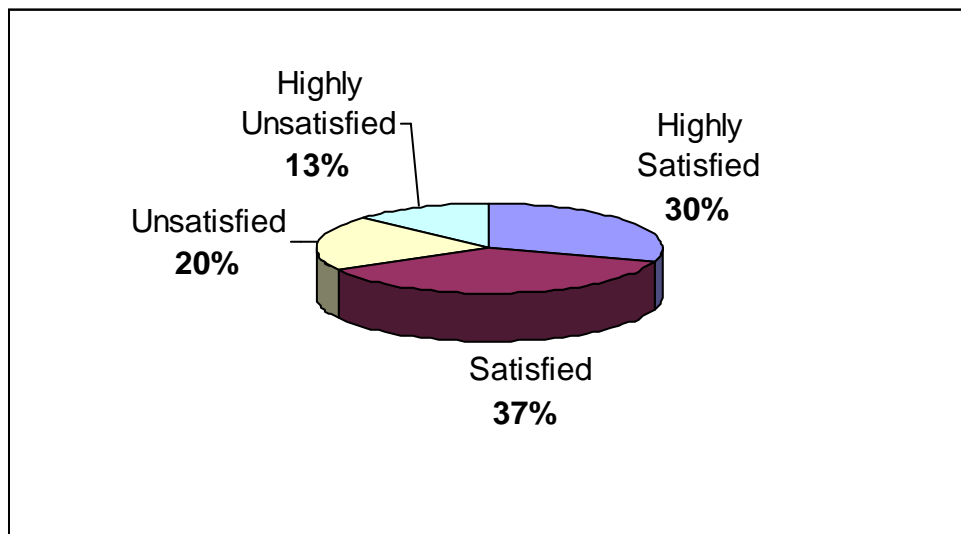
**4.9.5 View Towards the Price of Products RTI (P) LTD.**

The purpose of asking this question is to find out whether the prices of the products of RTI (P) LTD. are suitable for the consumers or not. The responses to the above question are tabulated and presented in the pie charts for analysis.

**Table 4.21: View towards the Prices of Products of RTI (P) LTD.  
(Age: 16-21)**

Total/Percentages	Highly satisfied	Satisfied	Unsatisfied	Highly Unsatisfied
33	10	12	7	4
100%	30%	37%	20%	13%

Source- Direct Field Survey, 2008



**Figure 4.14: View towards the Prices of Products of RTI (P) LTD.  
(Age: 16-21)**

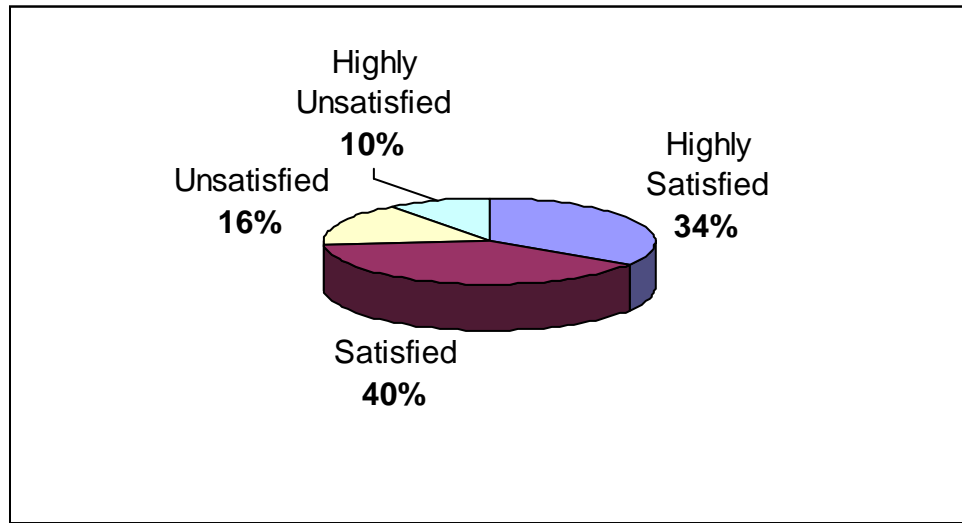
Table 4.21 and Figure 4.14 show that the respondents of Age: 16-21 are satisfied with the prices charged by RTI (P) LTD. 37% of the respondents have reported that they are satisfied with the prices of the company. The percentages of Highly Satisfied, Unsatisfied and Highly Unsatisfied are 30%, 20% and 13% respectively.

**Table 4.22: View towards the Prices of Products of RTI (P) LTD.**

(Age: 22-27)

Total/Percentages	Highly satisfied	Satisfied	Unsatisfied	Highly Unsatisfied
52	18	21	8	5
100%	34%	40%	16%	10%

Source- Direct Field Survey, 2008



**Figure 4.15: View towards the Prices of Products of RTI (P) LTD.**

(Age: 22-27)

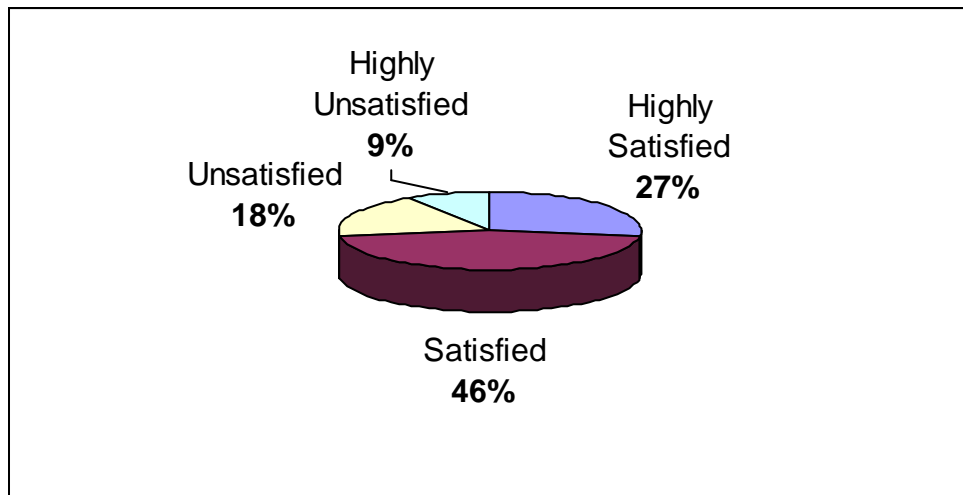
Table 4.22 and Figure 4.15 show that the respondents of Age: 22-27 are satisfied with the prices charged by RTI (P) LTD. 40 % of the respondents have reported that they are satisfied with the prices of the company. The percentages of Highly Satisfied, Unsatisfied and Highly Unsatisfied are 34%, 16% and 10% respectively.

**Table 4.23: View towards the Prices of Products of RTI (P) LTD.**

(Age: 28-33)

Total/Percentages	Highly satisfied	Satisfied	Unsatisfied	Highly Unsatisfied
115	31	53	21	10
100%	27%	46%	18%	9%

Source- Direct Field Survey, 2008



**Figure 4.16: View Towards the Prices of Products of RTI (P) LTD.**

(Age: 28-33)

Table 4.23 and Figure 4.16 show that the respondents of Age: 28-33 are satisfied with the prices charged by RTI (P) LTD. 46 % of the respondents have reported that they are satisfied with the prices of the company. The percentages of Highly Satisfied, Unsatisfied and Highly Unsatisfied are 27%, 18% and 9% respectively.

Above tables and pie charts indicate that majority of the respondents are satisfied with the price charged by the RTI (P) LTD. This means the products of the company is rightly priced.

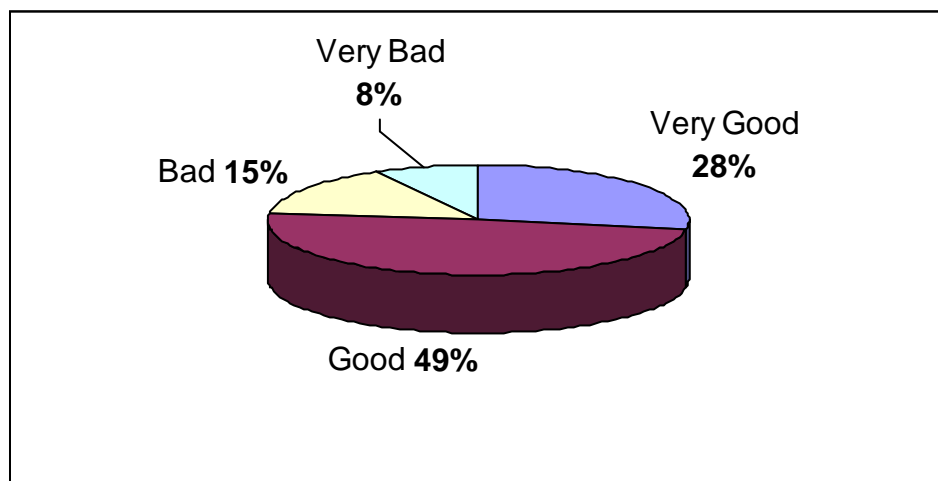
#### 4.9.6 View Towards the quality of the products of RTI (P) LTD.

The main purpose of preparing this question is to find out in what way the quality aspect of the products of RTI (P) LTD. is viewed by the consumers. Different age groups have been taken to know which age group has the most effect in the market. To the above question the following responses were made by three selected age groups of respondents. Their responses are tabulated and presented in pie charts to ease the analytical work.

**Table 4.24: View towards the Quality of the Products of RTI (P) LTD.**  
(Age: 16-21)

Total/Percentage	Very Good	Good	Bad	Very Bad
33	9	16	5	3
100%	28%	49%	15%	8%

*Source- Direct Field Survey, 2008*



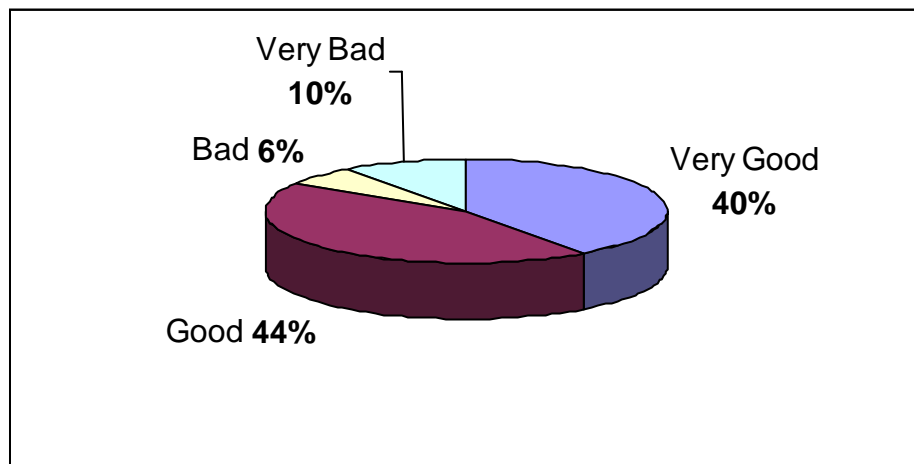
**Figure 4.17: View towards the Quality of the Products of RTI (P) LTD.  
(Age: 16-21)**

From Table 4.24 and Figure 4.17 it can be concluded that a considerable number of respondents in Age: 16-21 view the products of RTI (P) LTD. to be of good quality.

**Table 4.25: View towards the Quality of the Products of RTI (P) LTD.  
(Age: 22-27)**

Total/Percentage	Very Good	Good	Bad	Very Bad
52	21	23	3	5
100%	40%	44%	6%	10%

*Source- Direct Field Survey, 2008*



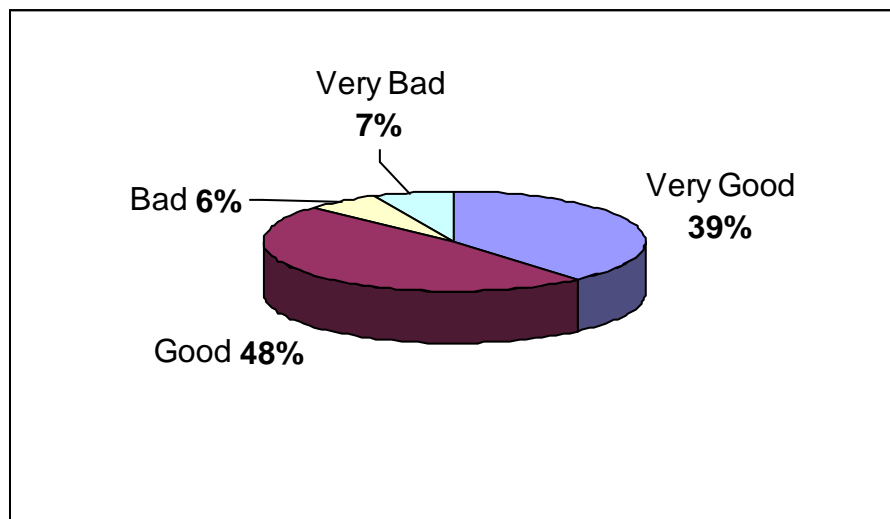
**Figure 4.18: View towards the Quality of the Products of RTI (P) LTD.**  
**(Age: 22-27)**

From Table 4.25 and Figure 4.18 it can be concluded that a considerable percentage (44%) of respondents in Age: 22-27 view the products of RTI (P) LTD. to be of good quality. In addition 40% of the respondents have considered the products to be of very good quality.

**Table 4.26: View towards the Quality of the Products of RTI (P) LTD.**  
**(Age: 28-33)**

Total/Percentage	Very Good	Good	Bad	Very Bad
115	45	55	7	8
100%	39%	48%	6%	7%

*Source- Direct Field Survey, 2008*



**Figure 4.19: View towards the Quality of the Products of RTI (P) LTD.  
(Age: 28-33)**

From Table 4.26 and Figure 4.19 it can be concluded that a considerable percentage (48%) of respondents in Age: 28-33 view the products of RTI (P) LTD. to be of good quality. In addition 39% of the respondents have considered the products to be of very good quality.

From above tables and charts it can be concluded that the majority of consumers have perceived the quality of the products of RTI (P) LTD. as good. This result points out that the company is conscious about maintaining the quality of the products manufactured by it.

#### **4.10 Findings of the Study**

- ) RTI (P) LTD. has two trucks of its own which it uses to deliver finished products to the local dealers and to carry raw materials to its factory.
- ) The relationship between sales and transportation cost of RTI (P) LTD. shows that minimum increase of sales does not change the transportation on sales. It indicates that there is a chance to increase sales without increasing the transportation cost.

- ) The study also showed that the correlation between transportation cost and sales during the study period is highly positive. That means the transportation cost is increased with the increases of sales of products.
- ) RTI (P) LTD. has its own warehouse to store raw materials and finished goods. To keep the raw materials for longer period before they are processed it has cold storage.
- ) RTI (P) LTD. uses only human factor in handling its raw material and finished products.
- ) Time required for order processing is 1 week for both mail order and order by electronic means. But order through telephone and fax is more regular than through order letters.
- ) There is no such inventory management and control system in RTI (P) LTD.
- ) RTI (P) LTD. uses only Two-level and Three-level channel for distribution of its products. In two-level channel of distribution the company sells the products to the retailers through dealers. Under three-level channel products move to the dealers first, then to the wholesalers and finally the retailers purchase from the wholesalers to be sold to the final customers.
- ) To know the view towards the distribution system of RTI (P) LTD. some managerial staff, dealers, wholesalers and retailers were interviewed. Their

views were rated. The overall mean rating of four groups was found 2.56 which indicate moderately satisfaction. They are not highly satisfied with the distribution system of RTI (P) Ltd.

- ) RTI (P) LTD. gives credit facilities to the channel members and some special discount in special cases according to the sales performance of the dealers.
- ) It has been found that sometimes horizontal conflict was experienced in Eastern Region of Nepal. But this type of conflicts is being resolved in the initiative of Marketing Manager.
- ) Consumers' survey was carried out by the researcher. It showed that fruit/vegetables-based products have bright prospects.
- ) Most of the respondents are found consuming squash followed by juice, other products and pickles. The respondents preferred pickles the least.
- ) The majority of the consumers were influenced by price while purchasing agro-based products. The second strong factor that affects their buying decision is quality of the product. The respondents are comparatively less influenced by hygiene factor.
- ) The products of the RTI (P) LTD are rightly priced because majority of the respondents were found satisfied with the price charged by it.
- ) The quality of the products of RTI (P) LTD. has been perceived by the customers as good.

## CHAPTER-V

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 SUMMARY

Nepal is developing country with agriculture-based economy. Economic development plan of Nepal must be based on sustainable agriculture. In this context agro-based industries form lifeline of the economy of the country. One of the suitable agro-based industries that Nepal can have is fruit and vegetables processing industries because many varieties of fruits and vegetables can be grown in Nepal. With the objective of producing fruit/vegetables-based products Rijal Tashi Industries (P) Ltd. has been established.

Rijal Tashi Industries (P) Ltd. [RTI (P) LTD.] was established in 27 Shrawan 2038(1981) at Itahari-5, Sunsari spread in area of 10.5 *bighas*. It is a high tech venture between M/s Tashi Commercial Corporation, Bhutan, and M/S Rijal Canning and Company, Nepal, with Technical Corporation with M/S Bhutan Fruit product, Bhutan. It is 100% agro-based processing industry. “Druk” is its trade mark. It produces about 69 varieties of different fruits and vegetables products. Their fixed asset is Rs 2.7 million and its current capital is Rs 7.2

million. Its annual sales turnover is about Rs 155 million and annual sales growth approximately 20%.

To get success in the business every company has to set scientific distribution system because distribution system is the means of getting the products to the target markets. The choice of distribution also depends on the economic condition of the company or the organization. In regard RTI (P) LTD. should deal with the overall considerations of consumer serviced service, locations, inventories level, transportations, communications, etc.

Distribution system embraces all elements of internal and external environment trend. Distribution links production and consumption, which helps to match supply to demand.

Physical distribution is related with the physical handling of goods and it helps to maximize the consumer service. It covers order processing, handling of goods, warehousing, transportation, inventory management and control and consumer service.

Channel of distribution refers to the way from which the goods and services move from producer to consumers. The channels may be dealers, wholesalers, retailers, agents, etc.

RTI (P) LTD. has adopted a simple distribution system to distribute its products. In physical distribution it has adopted the order processing, transportation, and inventory management and control. Similarly, in the distribution channel, there are dealers, wholesalers and retailers.

The main objective of this study is to study the channel of distribution of RTI (P) LTD., to identify the problems on distribution and to suggest the appropriate system of distribution to the company.

The data used in this study are both primary and secondary. These data are organized, recast, rearranged, summarized and presented in tabular forms. The statistical tools and techniques have been used to evaluate the performance of the distribution system of RTI (P) LTD.

## **5.2 Conclusions**

The main objective of this study is to study and analyze the distribution system of RTI (P) LTD. To identify the problems and affecting factors of distribution system, the data and information on related topics of 5 years i.e. from the year 2060/2061 to 2064/2065 have been analyzed. According to the analysis and interpretation of data, the following conclusion about the distribution system of RTI (P) LTD. have been drawn and summarized.

RTI (P) LTD. has two trucks of its own which it uses to deliver finished products to the local dealers and to carry raw materials to its factory.

The relationship between sales and transportation cost of RTI (P) LTD. shows that minimum increase of sales does not change the transportation on sales. It indicates that there is a chance to increase sales without increasing the transportation cost.

The study also showed that the correlation between transportation cost and sales during the study period is positive. That means the transportation cost is increased with the increases of sales of products.

RTI (P) LTD. has its own warehouse to store raw materials and finished goods. It has cold storage to keep the raw materials for longer period before they are processed

RTI (P) LTD. is using only human factor in handling its raw material and finished products. It does not use mechanical means to handle the raw/finished goods.

RTI (P) LTD. receives order from dealers through mails and electronic means like telephone, fax, e-mail, etc. It has manual based order processing system. Time required for order processing is 1 week for both mail order and order by electronic means. But order through telephone and fax is more regular than through order letters.

There is no such inventory management and control system in RTI (P) LTD. It uses card system for the delivery of goods and keeps stock of goods one month only.

RTI (P) LTD. uses only Two-level and Three-level channel for distribution of its products. It does not use Zero-level and One-level Channel. In two-level channel of distribution the company sells the products to the retailers through dealers. There are altogether 17 dealers scattered at different towns of Nepal. Under three-level channel products move to the dealers first, then to the

wholesalers and finally the retailers purchase from the wholesalers to be sold to the final customers.

To know the view towards the distribution system of RTI (P) LTD. some managerial staff, dealers, wholesalers and retailers were interviewed. Their views were rated. The overall rating of management mean score was found 2.5, dealers mean score 2.5, wholesalers mean score 2.5, retailer mean score 2.75 and the overall mean rating of four groups was found 2.56 which indicates moderately satisfaction. They are not very pleased with the distribution system of RTI (P) Ltd.

RTI (P) LTD. gives credit facilities to the channel members and some special discount in special cases according to the sales performance of the dealers. It is also planning to give some motivational tools to the channel members as commission etc. in the days to come.

It has been found that sometimes horizontal conflict was experienced in Eastern Region, especially, Dharan-Itahari-Biratnagar area. But this type of conflicts is being resolved in the initiative of Marketing Manager.

The research was done on random basis in Itahari area and spread from schools, colleges to the market place. Three age groups i.e., 16-21, 22-27 and 28-33 have been selected as targets of the survey. The sample size selected is 200 people. The respondents consist of 120 female and 80 male. However, the finding of the survey was based on age group rather than the gender. Questionnaires were used in the survey.

The majority of people respondents are found using fruit/vegetables-based products in their daily life. It indicates that there is a great potentiality of market of fruit/vegetables-based products. Therefore, fruit/vegetables-based products have bright prospects.

Similarly, most of the respondents are found consuming squash followed by juice, other products and pickles. It shows that RTI (P) LTD. should emphasize more on squash as it is most preferred by the customers.

Among the products squash, pickles and juice it has been found that the respondents preferred pickles the least.

The survey has found that the majority of the respondents are influenced by price while purchasing agro-based products like squash, juice, pickles, etc. This means they are price conscious. The second strong factor that affects their buying decision is quality of the product. The respondents are comparatively less influenced by hygiene factor.

The consumers' survey also revealed that the products of RTI (P) LTD. are liked by the most consumers. The respondents of Age: 28-33 group has been found that 90% of them liked the products. This is an encouraging result for the company.

The survey indicated that majority of the respondents are satisfied with the price charged by the RTI (P) LTD. This means the products of the company is rightly priced.

It has also been found that the majority of consumers have perceived the quality of the products of RTI (P) LTD. as good. This result points out that the company is conscious about maintaining the quality of the products manufactured by it.

### **5.3 Recommendations**

The following recommendation and suggestions have been made to improve the present channel and overall distribution system of RTI (P) LTD. on the basis of this study

1. RTI (P) LTD. should use other alternative channel of distribution, e.g., one-level and direct channel. Shorter the channel lesser the cost of distribution.
2. RTI (P) LTD. should use mechanized material handling system. It will decrease the cost of material handling and it is faster process than manual handling.
3. Regular follow-up and contact with the dealers is necessary. This helps in addressing their problems and solving them in time.
4. Customer service is the key to win the trust of market. Therefore, RTI (P) LTD. should know the problems and opinions of the customers and act accordingly.
5. During the consumers' survey it has been found that many people learn about products through advertisement. Maximum age groups are found

seeking product information from radio advertisements. RTI (P) LTD. should air effective advertisement on local FM and Radios.

6. It has been found that the dealership is concentrated only in towns and plain areas but the products are being sold in remote hilly areas as well. The company should make special effort to expand its market through dealership in such remote and hilly areas of the country.

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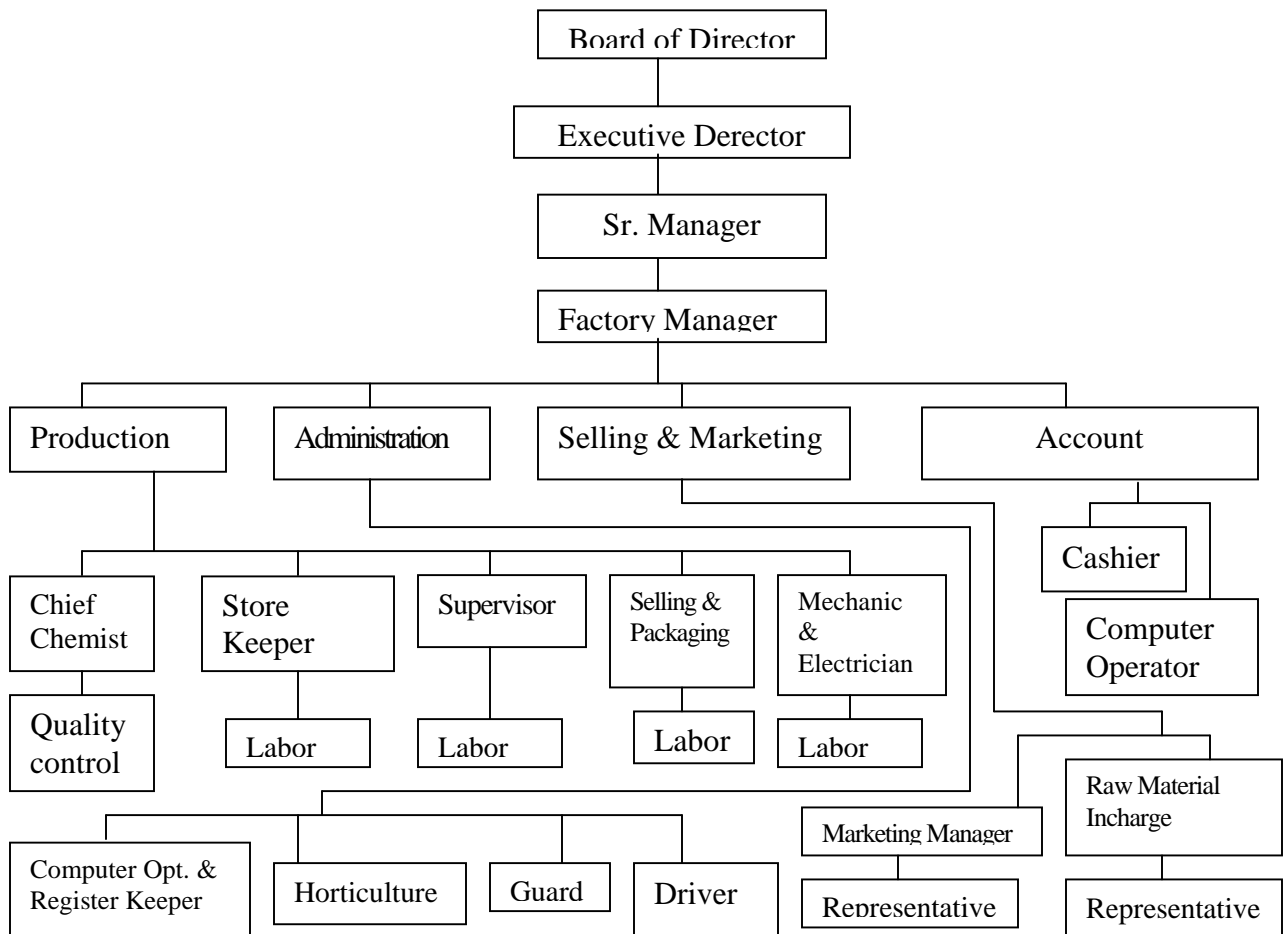
## **APPENDIX-I**

### **General Profile of RTI (P) LTD.**

<b>Name</b>	Rijal Tashi Industries (P) Ltd.
<b>Nature of firm</b>	Private Limited Company
<b>Factory Location</b>	Itahari-5, Sunsari
<b>Senior Manager</b>	Mr K.D. Sharma
<b>Factory Manager</b>	Mr E. B. Nepali
<b>Initial Capital Investment</b>	Fixed : Rs 50,00,000/- Working : Rs11,00,000/-
<b>No of Staff</b>	35 (13 Marketing, 18 Administrative, 2 Drives, 2 Security Guard)
<b>No of permanent workers</b>	84
<b>Registered Office</b>	Chuchepati Chabahil, Kathamandu
<b>Head Office</b>	Itahari-5, Sunsari, Nepal
<b>Phone Number</b>	00977-25-580623, 581081, 580121
<b>E-mail</b>	ritesh_ita@wlink.com.np

## APPENDIX-II

### **Organizational Structure of RTI (P) LTD.**



### APPENDIX-III

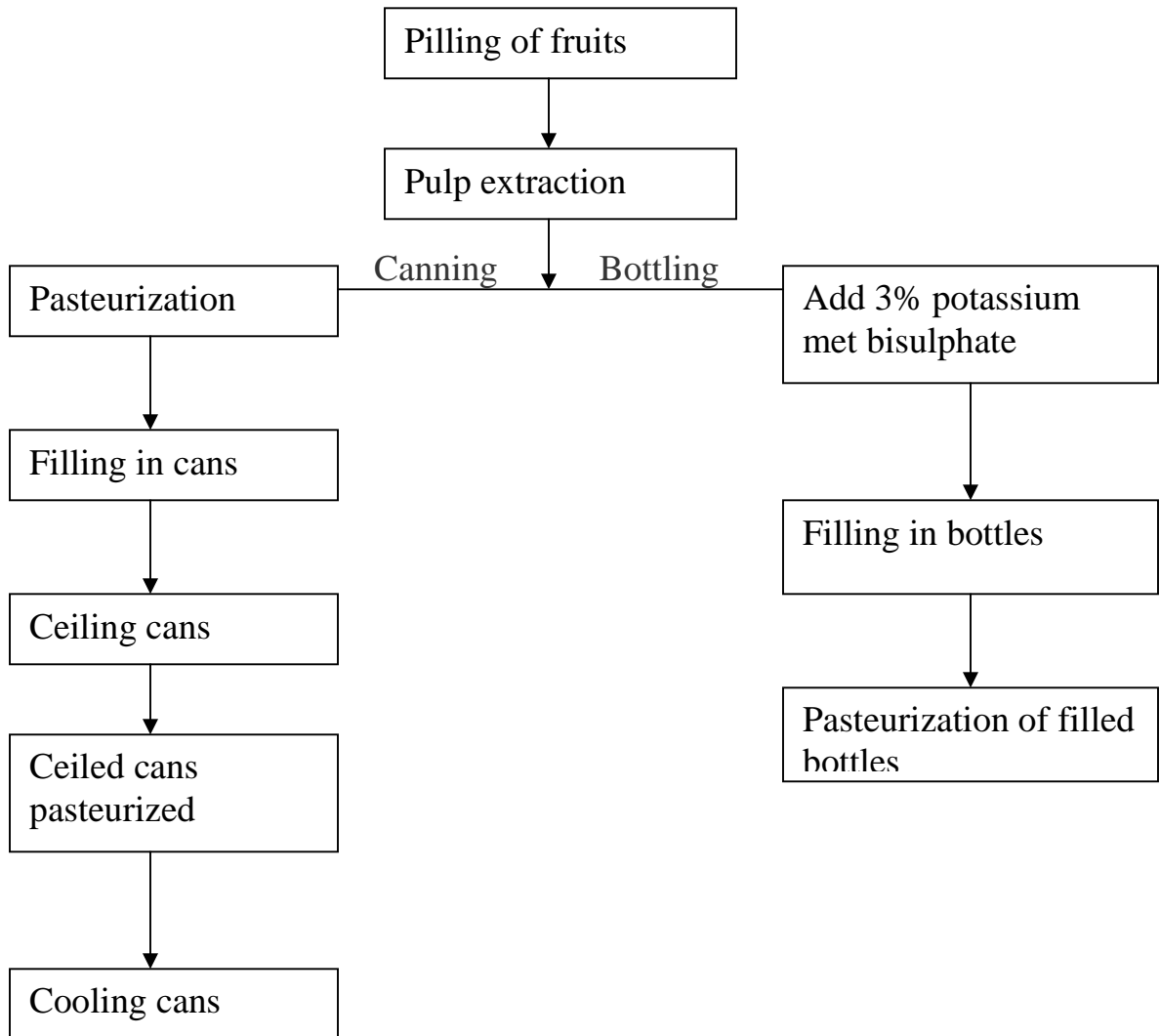
#### Price-list of RTI (P) LTD.

S/ N	Products	Qty.	Dealer Price	Wholesale Price	Retail Price
	<b>SQUASH</b>				
1.	Orange/Lemon/Pineapple (in bottle)	700ml	55.83	64.58	72
2.	Orange/Lemon/Pineapple (in pet)	300ml	21.54	24.92	28
	<b>JUICE IN CANS</b>				
3.	Orange/Pineapple/Mango/Tomato/Mixed Fruit	800ml	86.57	101.42	114
	<b>SYNTHETIC VINEGAR</b>				
4.	White vinegar (in jar)	700ml	32.44	38	43
	<b>JAM</b>				
5.	Mixed fruit/Orange Marmalade/Pineapple (in jar)	6 kg	496.95	582.25	652
	<b>PICKLES</b>				
6.	Mixed Mango/Lime/Chilli/Methi (in pet)	400 gm	58	68	76
	<b>KETCHUP AND SAUCE</b>				
7.	Tomato Ketchup (in jar)	1 kg	92.5	108.42	121
8.	Hot Spicy (in bottle)	1 kg	102.87	120.58	135
	<b>SLICE &amp; OTHER</b>				
9.	Pineapple Slice (in can)	850gm	94.35	110.58	124
	<b>VEGETABLE &amp; OTHER</b>				
10.	Green Peas (in can)	850 gm	77.22	90.50	101

*Source: Production Department (Fruit Division), RTI (P) LTD.*

**APPENDIX-IV**

**Process Flow Chart of Making Fruit Juice**



*Source: Production Department, RTI (P) LTD.*

## APPENDIX-V

**Marketing Manager  
Rijal Tashi Industries (P) Ltd.  
Itahari, Sunsari, Nepal**

1. What type of channel have you adopted for the distribution of your product?
  - a) Zero level channel ( )
  - b) One level channel ( )
  - c) Two Level channel ( )
  - d) Three level channel ( )
  
2. What are the means of transportation used by your company?
  - a) Hired Vehicles ( ) (b) Company's own trucks ( )
  - c) Local buses ( ) (d) Others ( )
  
3. How do you rate your present channels?
  - a) Long ( ) (b) Moderate ( ) (c) Short ( )
  
4. Do you think the exiting channels have helped to attain the goal?
  - a) Yes ( ) (b) No ( )
  
5. Why do you think channels are required?
  - (a) To get access to new Yes ( ) No ( )
  - (b) To minimize Yes ( ) No ( )
  - (c) To distribute the new product Yes ( ) No ( )
  - (d) To expand market Yes ( ) No ( )
  
6. How do you rate the following?

(a) Distribution cost	HS	1	2	3	4	5	NS
(b) Timely availability of product	HS	1	2	3	4	5	NS
(c) Satisfaction of present distribution	HS	1	2	3	4	5	NS
(d) Overall distribution channel	HS	1	2	3	4	5	NS

7. How do you intend to change your channels?  
(a) By reducing the channel length ( ) (b) By adding new channel ( )  
(c) By appointing agent ( ) (d) others ( )
8. How do you motivate the channel members?  
(a) Coercive power ( ) (b) Reward Power ( )  
(c) Expert power ( ) (d) Referent power ( )
9. Do you evaluate the channel members?  
(a) Yes ( ) (b) No ( )
10. Is there any channel conflict in the channel you have adopted?  
(a) Yes ( ) (b) No ( )
11. If yes, what types of channel conflict arise in the channel?  
(a) Horizontal ( )  
(b) Vertical ( )  
(c) Both ( )
12. What kinds of method are used for the resolution of channel conflict?  
(a) Problem solving ( ) (b) Persuasion ( )  
(c) Bargaining ( ) (d) Politics ( )
- (13) What factors do you consider while selecting the channel distribution?  
(a) Market factors ( )  
(b) Middleman factors ( )  
(c) Product factors ( )  
(d) Organizational factors ( )

**Signature-**

**Name-**

**Date-**

## APPENDIX-VI

**Name of Dealer-**

**Address-**

1. Which producer's fruit/ vegetables-based products do you sell?
  - (a) Products of J.B.'s Industries (P) Ltd.
  - (b) Products of Sagarmatha (P) Ltd.
  - (c) Products of Rijal Tashi Industries (P) Ltd.
  - (d) Others
2. Please, specify your per day sales amount.
  - (a) Below Rs 500
  - (b) Between Rs 500 and Rs 1000
  - (c) Between Rs 1000 and Rs 2000
  - (d) Above Rs 2000
3. Do you face the complaints of your customers regarding the products you deal?
  - (a) Yes
  - (b) No
4. Are you satisfied with the quality and price of the products of Rijal Tashi Industries (P) Ltd)?
  - (a) Yes
  - (b) No
5. Which of the following products do you sell?
  - (a) Squash
  - (b) Juice
  - (c) Pickles
  - (e) Others
6. How do you rate the following?

(a) Distribution cost	HS	1	2	3	4	5	NS
(b) Timely availability of product	HS	1	2	3	4	5	NS
(c) Satisfaction of present distribution	HS	1	2	3	4	5	NS
(d) Overall distribution channel	HS	1	2	3	4	5	NS

**Signature-**

**Date-**

## APPENDIX-VII

**Name of Wholesaler-**

**Address-**

3. Which producer's fruit/ vegetables-based products do you sell?

(e) Products of J.B.'s Industries (P) Ltd.

(f) Products of Sagarmatha (P) Ltd.

(g) Products of Rijal Tashi Industries (P) Ltd.

(h) Others

4. Please, specify the amount of sales per day.

(a) Below Rs 500

(b) Between Rs 500 and Rs 1000

(c) Between Rs 1000 and Rs 2000

(d) Above Rs 2000

3. Do you face the complaints of your retailers regarding the products you deal?

(a) Yes

(b) No

4. Are you satisfied with the quality and price of the products of Rijal Tashi Industries (P) Ltd)?

(a) Yes

(b) No

5. Which of the following products do you sell?

(a) Squash

(b) Juice

(c) Pickles

(e) Others

6. How do you rate the following?

(a) Distribution cost HS 1 2 3 4 5 NS

(b) Timely availability of product HS 1 2 3 4 5 NS

(c) Satisfaction of present distribution HS 1 2 3 4 5 NS

(d) Overall distribution channel HS 1 2 3 4 5 NS

**Signature-**

**Date-**

**APPENDIX-VIII**

**Name of Retailer-**

**Address-**

5. Which producer's fruit/ vegetables-based products do you sell?

- (i) Products of J.B.'s Industries (P) Ltd.
- (j) Products of Sagarmatha (P) Ltd.
- (k) Products of Rijal Tashi Industries (P) Ltd.
- (l) Others

6. Please, specify your per day sales amount.

- (a) Below Rs 500
- (b) Between Rs 500 and Rs 1000
- (c) Between Rs 1000 and Rs 2000
- (d) Above Rs 2000

3. Do you face the complaints of your customers regarding the products you deal?

- (a) Yes
- (b) No

4. Are you satisfied with the quality and price of the products of Rijal Tashi Industries (P) Ltd)?

- (a) Yes
- (b) No

5. Which of the following products do you sell?

- (a) Squash
- (b) Juice
- (c) Pickles
- (e) Others

6. How do you rate the following?

- (a) Distribution cost
- HS    1    2    3    4    5    NS

(b) Timely availability of product	HS	1	2	3	4	5	NS
(c) Satisfaction of present distribution	HS	1	2	3	4	5	NS
(d) Overall distribution channel	HS	1	2	3	4	5	NS

**Signature-**

**Date-**

## APPENDIX-IX

**Name of consumer:** \_\_\_\_\_

**Age:** \_\_\_\_\_

**Sex:** \_\_\_\_\_

**Occupation:** \_\_\_\_\_

1. Do you use/consume fruit/vegetables-based products?

- (a) Yes                      (b) No

2. If yes, which type of fruit/ vegetables-based products do you use?

- (a) Squash                  (b) Juice                  (c) Pickles                  (d) Others

3. What affect your purchase decision for fruit/vegetables-based products?

- (a) Quality                  (b) Price                  (c) Taste

(d) Channel of distribution

4. How do you first learn about the products?

- (a) TV                          (b) Radio

(b) Newspaper              (d) Others

5. Do you like the products of Rijal Tashi Industries (P) Ltd.?

- (a) Yes                          (b) No

6. If yes, why?

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7. Are you satisfied with the price charged by Rijal Tashi Industires (P) Ltd.?

- (a) Satisfied                      (b) Unsatisfied

(c) Highly satisfied              (d) Highly Unsatisfied

8. What is your view towards the quality of the products of Rijal Tashi Industries (P) Ltd..?

- (a) Good
- (b) Bad
- (c) Very good
- (d) Very good

9. Are you satisfied with the ingredients of the products of Rijal Tashi Industries (P) Ltd.?

- (a) Yes
- (b) No
- (c) Partially

10. Is there any retail shop near your house that supplies the products of Rijal Tashi Industries (P) Ltd.?

- (a) Near
- (b) Far
- (c) Very far
- (d) Very far

11. If you have any suggestions for the improvement of the products of Rijal Tashi Industries (P) Ltd., please, mention.

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Thank You

### APPENDIX-X

Regression analysis-Transportation cost on sales

Where,

Sales = X

Transportation Cost = Y

Year	X	Y	XY	X <sup>2</sup>	Y <sup>2</sup>
2060/061	75	6	450	5625	36
2061/062	113	7	791	12769	49
2062/063	138	10	1380	19044	100
2063/064	166	13	2158	27556	169
2062/062	175	17	2975	30625	289
	<b>X=667</b>	<b>Y=53</b>	<b>XY=7754</b>	<b>X<sup>2</sup>=95619</b>	<b>Y<sup>2</sup> = 643</b>

Regression equation Y on X

$$Y = a + bX$$

Where a and b are obtained by solving normal equations

$$Y = Na + b \sum X$$

$$XY = a \sum X + b \sum X^2$$

Substitute the total values in normal equations from the above table

$$53 = 5a + 667b$$

$$7754 = 667a + 95619b$$

Calculated value of a = - 3.14

Value of b = 0.103

Therefore, Y = 0.103 X - 3.14

## **APPENDIX-XI**

Calculation of correlation between sales and transportation cost-

$$\text{Correlation ( r )} = \frac{n \sum XY - (\sum X)(\sum Y)}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

$$= 0.931$$