

# CHAPTER-I

## INTRODUCTION

### 1.1 BACKGROUND

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

Nepal is the Himalayan Kingdom of Asia has its border with China in the north and India in the south, east and west. It is located between latitude 26 22" north to 30 27" north and longitude 80 4" east to 88 12" east having a total area of 147181 sq. km with a population of around 23.21 million (TPC, 2005:1). Life expectancy at birth is estimated at 58.9 years and infant mortality is 79 per 1000. Nepal's population is growing rapidly at 2.37 percent a year and the population density of around 600 persons per square kilometer of arable land is one of the highest in the world. The resulting pressure on Nepal's limited natural resources base contributes to low productivity, poverty and denudation of forest (Shrestha, 2001:1). Agriculture is the prime mourner of the Nepalese economy. More than 80% of total populations are engaged on the subsistence agriculture and agriculture contributes 40% GDP which reflects that the agriculture is the largest economic sector contributing to GDP.

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

Nepal's history of economic development is relatively short. Planned economic development started only since 1956 A.D. though an earlier attempt was made in 1948 A.D. Nepal has accomplished 10 five year plans. Various efforts are being put on to attain a faster

growth rate. Nepal's economic growth during the 1980s to accelerate.

Economic growth through expansionary fiscal policies led to considerable macroeconomic instability. In 1993/94 Nepal experienced its best macro-economic performance in the decade of nineties. In 1991/92 and early 93, Nepal undertook a series of reforms aimed at economic liberalization. These reforms have improved economic performance in a number of areas while they have been less satisfactory in other areas. Export growth after recording negative growth in 1994-95 has recorded steady growth thereafter. Exports increased by about 85.5 % in 1991/92 and are expected to grow at 19.8 percent in 1999/2000. Growth of imports declined in 1997/98 and 1998/99 mainly due to decline in imports of gold (Shrestha, 2001:1-2). The history of garment industry in Nepal is as old as 25 years. Various types of garments are available in Nepal for the export purpose. Nepalese readymade garments are divided into four types such as woolen and knitwear, cotton wear, silkwear and quiltwear. These garments cover various gents and ladies garments like waist coat, pullover sweater, caps, socks, shirts, vests pants blouses, jam-suit, long dress, trousers, jackets and various other popular items. Among these four types of garments, woolen garments have a dominating role over the country's export of readymade garment. Nepalese garment has occupied the After entering the WTO and phasing out the quota system under the WTO provision. Nepalese Ready Made Garment (RMG) industry faces the cut throat competition in international market with strong competitors. In the current situations, RMG industry faces the severe threats and challenges with technologically advanced countries. Nepal loses the huge amount of market share which she got from the U.S. market under the MFA. Budhathoki (2001) found. Due to very reason 95 percent of industries have been closed down and rests of the industries are operating with lower capacity. At present the garment sector in Nepal is on the razor edge. A massive fall down in export growth rate since the second half of 2001 has forced many industries to withheld production and some to close down. Both internal and external factors are responsible to create the prevailing hardship to this once flourishing sector in the Nepalese business and economy. The changes brought about by the WTO system indicate a formidable challenge to the Nepalese entrepreneurs as they are already facing the adjustment problem related to higher production cost and delivery time frame .Nepal may have to face not only the difficult adjustment problem but also risk collapse of the industry as a result of intensified international competitions and its inability to cope with the changes

situations this product line (<http://www.ganasso.org>). The vulnerable situation of Nepalese garment sector is due to the internal constraints from outdated manufacturing process to the logistic system and non conducive government policy and attitude to the geographical disadvantage of being a landlocked country. The cost of production in Nepal is higher by approximately 25 % than the production cost in other countries in South Asia. Further the lead time compared to India. For examples India can deliver goods to USA a major world market for garments in 19 days whereas it takes a minimum of 45 days for Nepal (<http://www.ganasso.org>). US government has diverted its trade from Nepal to sub-Saharan African and Caribbean Basin countries under the act of (USTADA) of 2000. Why this happen because of the poor marketing strategy of Nepalese entrepreneurs. They couldn't win the mind and heart share of the American buyers because of higher production cost poor quality and time delivery frame. RMG industry basically has to depend on assortment of materials such as fabrics, threads, zippers, buttons and labels and so on. Everything from the fabrics to the threads, sewing machine to the needle has to be imported from another country. Nepal doesn't produce textile suitable for manufacturing export quality readymade garments. The locally produce fabrics and threads don't also meet the standard required for the production.

According to the trade promotion report, Nepali textile should be 15% cheaper than foreign textile to compete in the garment market. Skilled manpower, as labor input another crucial factor for the development of garment industry, has also imported from the neighboring country India (Adhikari, 1995:6). Ignoring the diversification of market will be harmful for any business. Nepalese RMG industry was heavily dependent upon US market. Due to very reason, after MFA, RMG industry is on the verge of collapse, and thousands of employees are suffering from the loss of job. Thus it is very necessary to explore new markets to provide a secure future for Nepalese garment industry. Nepalese garment producers should also develop direct contact with the perspective buyers. Till now most of the Nepalese garment producers depends upon Indian agents for their market abroad. The business world is changing fast in this dynamic world. Business environment is determined by the development of science and technology, economic, social and political factors. These factors keep industrial development changing. In order to cope with the changes, industrialists/businessmen should be able to have appropriate marketing strategy and ensure its effective implementation. It is obvious that no business can

flourish without the application of appropriate marketing tools and strategies. In the competitive market, marketing plays a key role to boost up industrial production and attain success. Marketing is an attempt to produce the desired response by creating and offering values to the market (Kotler, 1972:50) The role of marketing must be attained to social improvement rather than economic gain, human aspiration rather than merely human needs, conservation rather than consumption, intrinsic worth rather than price, and the consumer and the firm as entities of a greater society rather than only as economic factors (Cateora & Graham, 1975:65). Marketing has been an indispensable factor for all kinds of products. Marketing focuses on making the product available at the right place, at the right time, at a price that is acceptable to customers and on informing customers in a way that helps them determine if the product is consistent with their needs. In fact the importance of marketing has been growing everyday due to its effectiveness on the success or failure of an enterprise. The reason for attracting increasing attention by marketing is not only due to its inherent influence on the success or failure of an enterprise but due to its increasing dimension and scope of the importance of marketing is to identify custo. Production without marketing is waste of time, money and energy. The realization mer"s requirements and to satisfy them. Though Nepal is one of the developing countries, it cannot stay away from adopting sound marketing strategies. Because of increasing international competition, Nepal despite being basically a product oriented country, has not been able to fulfill production and demand requirements of the people. The industrialists today have realized that top priority should be given to marketing. It has been understood from study or contact with industrialists that they have known the importance and influence of marketing in the business they still do not seem to be fully employing it. Many factors have been responsible for it. Reportedly the industrialists have been unable and in some cases even unwilling to fully adopt marketing strategies in their business (Shrestha, 2001:4). In our constantly changing environment the key to corporate survival lies not so much in the quality of our long range planning as in the clarity of our thinking. To survive and flourish organization must face the future knowing what they want to be strategic- planning –as well as how to get there long range planning and operational decision- making. Marketing strategies should be designed with the general organizational strategies. The enterprises have been forced by the emerging challenge of competition from within and outside the country to evaluate and assess their hitherto production oriented policies. Appropriate marketing strategies and policies enable enterprise to mould

suitable ways of action to attain predetermined purpose. Globalization initiatives emerging since the eighties has put further impetus for adopting more aggressive marketing in view of substantial growth in the level of competition. Nepal's garment production soared in the mid-1980s primarily because of Indian producers who entered Nepal to bypass the U.S. imposed quota on Indian garments. An immediate jump of garment exports was then observed from a mere 1 percent of the total export in 1983-84 to 17 percent in 1984-85, and then to 27 percent in 1985-86. Labor, raw materials, and capital (mainly sewing machines) were brought into Nepal. Nepal basically provided warehouse and other facilities to these producers. Nepalese also started becoming trained by working with Indian entrepreneurs and Indian workers. In 1993-94, garment exports reached a peak of about 31 percent of total exports. By 1998-99, garment exports lingered at 27 percent of the total export. Today, most of the garments are being produced in Nepal with Nepalese workers. Garment production in Nepal is mainly for export. Producers must organize production so that the cost per unit is at a minimum level. This is especially significant to the producers of garments in Nepal who must compete with producers in other countries. This study analyzes the long-run cost function in the garment industry of Nepal, looking particularly at whether the producers have exploited the economies of scale. All the parameter estimates are statistically significant. From the model, the Minimum Efficient Scale (MES) is calculated as 1,337,530 garment pieces, while the average output of the industry in 1997 was 150,131 garments pieces. This shows that the MES was about nine times the average output. In a highly competitive market, firms are expected to produce as near as possible to the MES. However, nearly 98 percent of the firms were producing at less than 50 percent of the MES. This simply indicates that the garment industry is not very competitive nor has it been exploiting the economies of scale that exist over the current production range. The possible existence of unexploited economies of scale in the Nepalese garment industry has important implications for the development of efficient and competitive firms in the world market. Since there is no trade barrier for the garment industry in Nepal, the argument of removing trade barriers as a means for expanding production cannot be forwarded. Cost cutting measures can be used to remain competitive and move towards the MES, which could be the only way to penetrate the world market and remain competitive in the long run. Fortunately, there seems to be a slight indication in this direction

## **1.2 BRIEF HISTORY OF NEPALESE RMG INDUSTRY**

Clothing in Nepal in the past was done by a group of people known as “Damai” a tailoring caste group and “Sujikar” as professional group of Newar community. Both of these groups had their own determination in the area of work. The curative side to this division always belonged to the sujikar. So they used to stay and run their business activities in urban area or the vicinity. Due to scarcity poverty they continued their tailoring for livelihood and subsistence. By the passing of time the preference of the people to the house tailored garments had changed with the increasing trend of RMG imported in the country (Budhathoki, 2003:10). The history of garment industries in Nepal is not very old. It was instated about two decades ago. Though there were handfuls of garments trader in the middle if 1970s, the business really picked up speed after 1980s. Its effort to develop as a major exporting sector has been magnificent. At present garment industry is the second largest currency earner after woolen carpet industry. Besides, it has also played an important role in employment generation. Initially the industry was dominated by the Indian exporters when the US government imposed quota system on import of RMG from the third world countries. India being one of import of the products, this induced the Indian garment entrepreneurs to come to Nepal, especially Kathmandu to make use of the unused quota allocated to Nepal. Nepalese entrepreneurs learned a lot from their Indian counterparts in this process and the growth story of the industry began (Pant, 2002:50).

The young industry's initiation was very haphazard and with no set policies by the government though this scenario has changed quite a lot during the years. The government has set some policies which are deemed friendly to this industry. As a matter of fact, the garment industries flourished during the only due to continuous efforts made by the industrialist albeit government policies aimed at developing this sector appeared onve in a while. Signals are being noticed in the country's export industries following the change in the world trade and global shift to liberalized economic policy. Since the garment industries being export based and have to compete with any countries, especially with the neighboring countries in the international market, the policies adopted by these countries are bound to have direct impact in the garment export of Nepal (<http://www.ganasso.org>). The statistical record of Nepal garment export are 3.93billion rupees in 1992- 93;5.48billion rupees in 1993-94;5.41 billion rupees in 1995-96 and in 1998-99 it was wired up to 8.37 billion.. The export has decreased by 89 % in 2008 in

comparison to export of 2003 A.D. and it has further decreased by 73 % in 2009 January in comparison to year 2008 January. This also indicates the urgent need to promote and consolidate this industry (<http://www.ganasso.org>). In the early days of commencement most of factories are established under financial and technical collaboration with Indian industrialist. At that time more subsistent investment were covered by Indian Industrialist. But the fact is quite opposite right now. Most of the participants like labors and financers are Nepalese. Among labors the women who are taken as ideal work force in the country are participating significantly. The demand for rural female labor and the massive movement of women from rural house holds to production lines can help transform their social and economic status. This flush can be used not only for industrial advancement by countries (<http://www.ganasso.org>). It has been roughly two decades since the garment industry started its export business but till present it imports raw materials and accessories from India, Indonesia, Malaysia, Hong Kong, china etc. But 95%accessories are imported from India alone. The garment entrepreneurs do not have their say in choosing the materials and accessories. With the approval of the buyers, materials and accessories are selected and design and dressed as too given by buyers. There are handfuls of entrepreneurs whose designs are approved by the buyers. The garment sector expanded unprecedently for about a decade after the mid eighties. The number of registered industries which was only 58 in 1982-83, increased to 757 in 1992-93 and reached a peak of 1076 in 1994-95. Since then there has been a continuous decline in the number of operating industries now standing of 212. About 51 % of the registered industries are of sole proprietorship, 40 % partnership and 9 % are foreign joint venture (GAN survey, 2001). The statistics reveal that over the past few years the garment industries have made considerable contribution to the export sector by absorbing growing numbers of unemployed population and by helping reduce trade deficit to a certain extent. The garment industry provides direct and indirect employment opportunities to over a hundred thousand people, establishing as the second leading source of foreign exchange.

### **1.3 STATEMENT OF THE PROBLEM**

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

effective and pertinent marketing strategies. The problems confronting this industry are supply market, which is heavily dependent on U.S. market only, foreign skilled labor, poor logistics, supply of raw materials, difficulty of access to foreign market, demand constraints, high cost and poor quality and changing pattern of demand in international market and lack of conducive government policy (Agrawal, 2002:87). In addition, the most crucial challenges of Nepalese garment industry is to compete with the technologically advanced countries. It is definitely sure that this industry will be collapsed if the effective and pertinent marketing strategy is not implemented to win the market share, heart share and mind share of the prospective buyers. In comparison to the other countries RMG entrepreneurs of Nepal lack the implication of the long term strategic marketing management planning in their overseas business. Within the period of one and half decade it was the enough time for Nepalese entrepreneurs to get international marketing experiences and to build its competitive positions. But nobody has taken care about the matter. As a matter of fact this industry lies inside neck as a bone whether to swallow or throw. Regionalization of trade in textile and clothing antidumping and countervailing duties, increased customs checks to ensure that trans-shipment activities do not take place, rigorous application of ethical standards to prevent child labor and compulsion to adapt eco-labels will be some of the key drivers and trade parameters determining exports of textile and apparels. Not only the macro economic analysis but also the marketing strategy is the crucial factor for any enterprises to survive and thrive, either big or small , under the changing global trading environment But the Nepalese RMG entrepreneurs are more concerned on government policy. Enterprises can not exploit the opportunities and copying the threats – even the government policy or environment is favorable to business, if they are not strategically ready to interact with the business environment. Since there is intense competition in U.S., Canada, Europe and Japan, there are still other countries in South Asia and South East Asian countries where Nepalese garment entrepreneurs can concentrate their business by marketing strategy implementation. Thus entrepreneurs should be proactive rather than the reactive in nature. After the general statement of problem, some research problems identified are as follows:

- ❖ What are the appropriate export marketing strategies and how they should be implemented?
- ❖ How Nepalese garment industry can develop competitive export strategies?
- ❖ What are the determinant factors that help garment industry to implement the export

marketing strategy effectively?

- How can garment industry and concerned organizations develop a strategic approach plan to tackle the possible challenges?
- Do the Nepalese RMG entrepreneurs implement the efficient sourcing strategy to get inputs a cost effective rate?
- How can the Nepalese RMG industry increase productivity and develop new products as well as create niche markets in new markets?

#### **1.4 OBJECTIVES OF THE STUDY**

The objective of the study is to find out the problem faced by the garment industry right at the moment and the contribution made by this sector to the economic development of the country. The chief objectives of the study may be stated as below.

- To analyze the trends of development of Readymade garments industry in Nepal.
- To examine the role of the Readymade Garments Industry in revenue and employed generation.
- To find out the problems faced by the government entrepreneurs and to provide suggestions as such

#### **1.5 SIGNIFICANCE OF THE STUDY**

Although some of the research-works on RMG-industry had been done by previous researchers this topic called „export marketing strategies of Nepalese RMG industries“ almost new. Almost-all of the previous research works were focused on the topic of socio- economic,- problem and-prospect WTO and it"s impact to RMG industry and Nepalese RMG industry in changing global trading environment. But none of the research works had been basically focused on export marketing strategies to suggest and save the existence and to strengthen the competitive position of the RMG industry. So the present study can be considered as worthy-from the point of view;

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

## **1.6 LIMITATIONS OF THE STUDY**

The study was carried within the following limitations:

- The study was concerned with export marketing concept.
- Only limited studies and surveys are available in this area.
- The study was focused on export aspect of the industries from 2009 to 2010.
- The use of questionnaire and personal visit was made to acquire necessary data. Lack of appropriate database may constrain the result.
- Samples were taken from within the Kathmandu Valley. So it does not represent the whole country.
- Most of the questions were attitudinal rating scale which might bias the results.

## **1.7 ORGANIZATION OF THE STUDY**

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

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

**CHAPTER II Review of literature** Chapter two consists of review of literature. This chapter is subdivided into various sections such as conceptual framework, review from different studies, review from journal, article and magazine and review from master's thesis for the concerned topic.

**CHAPTER III Research methodology** Research methodology deals with the method of investigation and includes research design, nature of the data, data collection procedure and tools used.

#### **CHAPTER IV Presentation and analysis of data and major findings**

Data presentation and analysis of data deal with different statistical and the financial tools that used in the analysis of the data.

**CHAPTER V Summary, conclusion and recommendations** Last chapter includes the summary, findings of the study and recommendation.

## **CHAPTER-II**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

The purpose of literature of review is to find out what research studies have been conducted in one chosen field of study and what remain to be done. It provides the student with the knowledge of the status of their field of research and foundation for developing a comprehensive theoretical framework which hypothesis can be developed for festing. This chapter consists of two parts-Conceptual Framework and Review of Related Studies. In conceptual framework, review of what has been written in academic books is carried out while review of related studies is further dividend into review of journals and review of master degree thesis.

#### **2.2 CONCEPTUAL REVIEW OF MARKETING**

Along with opportunities today's business environment is full of threats and challenges. Among such kind of complicated environment are organization needs to produce and market products to achieve their goal as well as survive and thrive for their existence. This is the age of globalization. It has brought the drastic change in global market. Development of S & T makes a world as a global village. Seller of one corner of the world can sale his product to the buyers of the opposite corner of the world at a click of mouse. Better faster and more competitive organization can overcome the threats and exploit the opportunities through the pertinent marketing management and strategy. So marketing is becoming hot subject for every business organization in this fast changing world. Prof. Govinda Ram Agrawal (2001:1) identifies the today's marketing environment characteristics as follows: Globalization: Global corporations are present in most of the markets; no domestic market is safe from competition. Technological changes: Technological advances have shortened the time and distances. New product appears worldwide in a short period. Consumers are using internet and computers for shopping purpose. Liberalization: Deregulation has brought competition everywhere. Public enterprises are being privatized. For a managerial definition marketing has often been described as "the art of selling products," but people are surprised when they hear that the most important part of marketing is not selling! Selling is only the tip of the marketing

iceberg (Kotlers, 2003:9). The above definition outlines that marketing is not only the art of selling products but also the integrative activities of marketing where the selling is the part of marketing activities. Prof. Dr. E. Jerome Mc Carthy & Dr. William D. Perreault (1990:3) argue the effects of marketing in almost every aspect of our daily life are as follows: When it's time to roll-out of bed in the morning; does your general alarm make you with a buzzer playing your favorite radio station? Is the station playing rock, classical, or country music? Will you slip into your Levi's, your shirt from L.L. bean and yours Nikes, or does the day call for your Brooks brothers' suit? Will breakfast be Kellogg's corn flakes –made with corn from America's heartland or some "extra large" eggs and Hormel Bacon cooked in Panasonic microwave imported from Japan/Will it be Maxwell house coffee –grown in Colombia or some Minute Maid orange juice? May be you're late and plan to get an egg Mc Muffin at the M.C. Donald's drive thru. When you leave home, will it be in a Toyota, on a huffy bike, or on the bus that the city bought from General Motors.

When you think about it, you can't get very far into a day without bumping into marketing and what the whole marketing system for you. It affects every aspect of our lives often in ways we don't ever consider. It means that most of the human and social needs are extremely related with marketing activities. An organization can achieve its goals by fulfilling the customer's need or satisfying them through proper marketing activities. Marketing helps organization to find out what their customer needs and wants. After identifying the customer needs and wants. The ultimate achievement of the marketing is to win the large marketing share, heart share and mind share of the customers. Marketing requires separate work and a distinct group of activities. But it is first a central dimension of the entire business. It is the whole business seen from the point of view of its final results that is from the customer's point of view (Crevens, Hill & Woodruff, 1988:4).

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

According to Prof. Cundiff, Still & Govani (1982:5): Marketing activities are those most directly concerned with the demand stimulating and demand fulfilling efforts of the enterprise. These

activities interlock & interact with another as component of the total system by which a company develops and makes its product available, distributes them through marketing channels, promotes them & price them. From the above definition we can understand that the marketing is the combination of 4ps (i.e. product, place, price& promotions). Prof. Philip Kotler ( 2003:9) in his famous book marketing management defines marketing as ,"a social & managerial process by which individuals & groups obtain what they need & want through creating ,& freely exchanging products & services of value with others .'. Kotler states that marketing is the set of human activities that facilitates and consummates the exchange transaction. So affect the exchange transaction. There are some core marketing concepts like needs. Wants & demands: products& services Utility, value and satisfaction: exchange, transaction and relationship; social & managerial process; markets; marketing & marketers & individual single buyer & group institutional buyers.

### **2.3 ROLE OF MARKETING IN INDUSTRIALIZATION**

Marketing plays a very significant role in acceleration the pace of industrialization which in turn aims at making the economy developed and strong. In this connection it is significant to note that marketing is the most important multiplier of economics development. The development of marketing makes possible economics integration and the fullest utilization of assets and production capacity an economic already possesses. It mobilizes the latent economic energy and finally contributors to the greatest need that for the rapid development of entrepreneurs and managers. Ultimately the development of entrepreneurs and managers help in managing industrial activities in a country. It is evident that industrially developed countries are developed in the area of marketing too. Marketing plays important role in the process of industrialization. The proceeds of industrial activity are passed on to the society through the process of marketing. Hence the success or failure of business largely hinges upon the art and science of marketing which is composed of explorative knowledge tact and talent of veteran practitioners. In the global market the multinational companies like Sony, Hitachi, Toshiba, Philips, Proctor and Gamble, Johnson and Nicholson and many others have been permeating throughout the world with the help of modern marketing practice and methods. So are Tata, the Birla, the Bajaj India and the STC, Thai Foods and Pancha Kanya Iron in Nepal. Marketing in this sense has made the producers as well as the customers more conscious towards comparative services, values, safety,

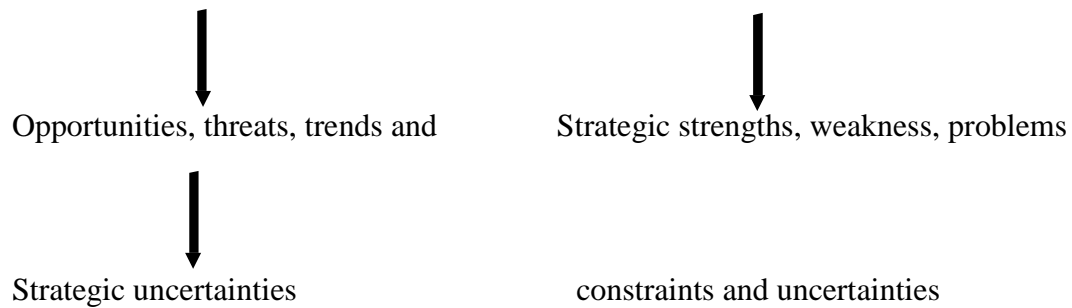
satisfaction and convenience (Sharma, 1999:4). Sherbini (1995) has contended that marketing is instrumental for industrial development. He also observes that marketing problems could be more obtrusive than many other deterrents to the process of industrialization. The growth of marketing attributes to disseminate new ideas favorable to economic growth. Hirsch (1961) pointed out that growth in marketing could help disseminate new ideas favorable to economic growth, new pattern of consumption possible new techniques and the end purpose of business enterprises. Lazer (1969) while discussing the need for broadening the social role of marketing argues that it can help reduce and eliminate poverty preserves and natural resources and stimulate economic growth. Slater (1976) mentions that it has become an article of faith among preachers of the gospel that marketing has something vital and constructive to add to development efforts. Kacker (1982) asserts that marketing enhances potential aggregate demand, which further aids to enlarge market and accelerate economic development. Rao (1982:60) opines that it plays the role of an educator it cultivates changes in public attitudes, it brings about changes in the quality of life, it encourages a modern way of living, it strives to build efficient economic and social institution; it strives to secure the satisfaction of the public which is the primary recipient of national development. Antonym (1984) adds that marketing has a cost reducing dimension. Effective marketing not only create new and bigger markets thereby helping to activate production, it enables industries to reduce cost, create further demand and ensure further production increases.

## **2.4 AN OVERVIEW OF STRATEGIC MARKETING MANAGEMENT**

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

make strategic decision, as well as create strategic vision. A strategic decision involves the creation, change or retention of the resources & time required to reverse, or change it. The cost of altering a wrong decision may be so high as to threaten the very existence of an organization. Normally, a strategy decision has a time frame greater than one year; sometimes decades are involved (Aaker, 2001:18). A strategic vision is a vision of a future strategy or sets of strategies. The realization of an optimal strategy for a firm may involve a delay because the firm is not ready or the emerging conditions are not yet in place. A vision will provide direction & purpose for interim strategies & strategies (Aaker- 2001: 180. An importance vision is a vision of the system is to precipitate as well as make strategic response is frequently a critical step. Many strategic blunders occur because a strategic decision process was never activated, not because an incorrect decision was made. Furthermore, the role of strategic market management is not limited to selecting from among decision alternatives, but it includes the identification of alternatives as well. Much of the analysis is therefore concerned with identifying alternatives (Aaker, 2001: 18). Overviews of its principal elements are as follows:-

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



### Strategy Identification and Selection

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

## 2.5 INTERNATIONAL MARKETING

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

The answer lies not with different concept of marketing but with the environment with in which marketing plans must be implemented. The uniqueness of foreign marketing comes from the range of unfamiliar problems & the variety of strategies necessary to cope with different levels of uncertainty encountered in foreign markets (Catrora & Graham, 2002:8).

Competition, legal restraints, government controls, weather, fickle consumers, & any number of other uncontrollable elements can & frequently do, affect the profitable outcome of goods, sound marketing plans. Generally speaking, the marketer cannot, control or influences their uncontrollable elements, but instead must adjust or adapt to them in a manner consistent

with a successful outcomes of the marketing decision (product, price, promotion, & distribution) with the framework of the uncontrollable elements of the market place (competition, policies, laws, consumer behavior, level of technology, & so forth) in such a way that marketing objectives are achieved. Even though marketing principles & concepts are universally applicable, the environment within which the marketer must implement marketing plans can change dramatically from country or region to region. The difficulties created by different environments are the international marketer's primary concern (Caterora & Graham, 2002: 8

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

## **2.6 INTERNATIONAL MARKETING ENVIRONMENT**

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

- The significant internationalization of the world economy reflected in the rapid growth of world trade and investment
- The increasing domination of US dollar in the world economy.
- The rising economic power of Japan in the worlds market.
- The shift in the world income since 1973 to the oil- producing countries.
- The increasing trade barriers put up to protect domestic market against foreign competition.
- The establishment of a working international financial system offering improved currency convertibility

The gradual change of governments and politics in various countries of the world. The gradual shift of Communism into Capitalism. The hundred-odd nations of the world differ greatly in the kinds of goods and services they are ready to use or they need. For example, it would be as such a mistake for a Nepali manufacturer to seek a market for bullock carts in American markets as for American manufactures of microwave ovens to seek a market in Nepal. International marketing decisions and programmes are highly influenced by the international marketing environment. Some international environments are internal and are of controllable nature, but some are external and are of uncontrollable nature. Since, the key to the success of international marketing managers is the ability to make timely and appropriate adoptions to a complex and ever changing environment, it is their task to cope with the internal forces of their decisions in light of the external

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

**Controllable Domestic Factors:**

Controllable factors include 4Ps i. e., product, price, place and promotion, popularly known as marketing –mix. In order to achieve the desired goal of the firm, the marketing decision makers manage and coordinate the marketing-mix. However, these factors are influenced by the domestic external forces in a way that the levels of uncertainty in decision making are created most frequently.

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**Domestic Uncontrollable Factors:**

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

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### **Uncontrollable Foreign Factors:**

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

## **2.7 CONCEPT OF EXPORT MARKETING**

Export marketing is a part of international marketing. It is concerned with the foreign trade of a country. It simply implies exporting of goods to importing countries. Each country must have some exports to pay for its imports. Exports are of vital importance for a developing country like Nepal as they bring required foreign exchange essential for the development of a country. Export marketing means selling out products successfully overseas. It implies marketing our products abroad. This type of marketing is a highly specialized activity. It is quite different from that of domestic marketing. There are a number of distortions in such a type of trade flows. These have emerged due to certain policies pursued and institutions developed to regulate their trade by certain countries. These distortions are in the form of (a) Import Restrictions (b) Trade Agreements and (c) Regional Grouping/Trade Blocs (Kalkundrikar & Wali, 1993:7). Although there is no difference between domestic and export markets so far marketing principles are concerned, they differ greatly in marketing environment. While deciding to sell abroad, a firm will have to learn a great many new things. It will have to acquire a good knowledge of changing international marketing environment for the marketing of a particular product in a particular

country or territory. The international marketing largely depends upon the local environment of that particular country or territory.

## **2.8 ROLE OF INTERNATIONAL ORGANIZATION**

After the collapse of international trade in 1930 i.e., after the great Depression of 1930s, the developed countries sought in order to reconstruct and developed their countries, the monopolistic policies or unilateral policies of bilateral trade agreements, competitive tariff barriers, devaluation and quotas. The monopolistic and unilateral policies created a serious problem for the developing countries like Nepal whose exports consists primarily of agriculture products and have inadequate resources for developments.

Therefore, in order to protect the interest of developing countries, international organizations such as IMF and GATT were formed soon after the Second World War. Since IMF is purely a financial institution, it does not help in protecting countries from trade barriers.

### **Generalized Agreement on Tariff and Trade (GATT)**

It is multilateral treaty that lays down agreed rules for conducting international trade on a stable basis and with out any discrimination. The main objective of GATT is to achieve liberalization of world trade through negotiations among member countries. It aims at reducing, or even eliminating, trade barriers between countries, so that international trade may flow freely and swiftly. One of the chief features of a GATT proposal is that member countries agree to extend the "Most-Favored nations" (MFN) treatments to one another. Besides offering the "MFN" status to member countries, the GATT committee constantly strives to achieve a progressive reduction in other duties payable in the importing countries by arranging a series of negotiations aimed at mutual settlement. Till 1979 seven major trade negotiations has taken place under the GATT's auspices. However, the most important and fruitful negotiation was Kennedy Rounds of Negotiation (1964-68) held in Geneva. It was successful in reducing customs duties and tariffs. It was unfortunate that while during the decade 1960-70, substantial reduction was made in tariff barriers notably through the Kennedy Round or tariff negotiations, this trade liberalization was to a certain extent offset by the growth of non-tariff barriers {which was disguised and therefore difficult to quantify} and preferential trading groups such as the EEC, OECD, EFTA etc. which engaged in free trade between the member countries and therefore, in fact discriminated against non-member countries.

### **United Nations Conference on Trade and Development (UNCTAD)**

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

One of the main objectives of UNCTAD is to prevail upon the developed countries into progressively reducing and eliminating tariff and non tariff barriers and other restrictions that seriously limit trade from developing countries. One of the main objectives of UNCTAD is to prevail upon the developed countries into progressively reducing and eliminating tariff and non tariff barriers and other restriction that seriously limit trade from developing countries . Developing country like Nepal is epically facing the problem of instability of prices on their primary products in international markets. In order to stabilize the prices of such primary products, the UNCTAD formulated the integrated Programmed of Commodities and created a common fund which will stabilize the prices of primary products through buffer stock. Although developing countries like Nepal are enjoying special treatment such as the GSP and reduction or elimination of tariff and non-tariff barriers, the problem stands where it was. The main reason for this is frequent change in import regulations, customs regulations and procedure in developed countries, their unilateral and monopolistic right in doing so, creation of preferential trading groups such as EEC, OECD, EFTA etc. The developed countries are increasingly enjoining a larger share of the international trade and do not faces such trade barriers.

## **2.9 RISK MANAGEMENT AND EXPORT**

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

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

### **Commercial Risks:**

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

**Political Risk:**

Every government reacts to their environment by inviting and pursuing policies deemed necessary to solve the problems created by their particular environment. The government is an integral part of every foreign business Activity- a silent partner who has nearly total control. Therefore, before a company commits itself to operating the foreign market, it should exert considerable effort in assessing the dominant political climate. Political risks arises as a result of changes in the party in power in the country concerned changes in the form of governments, strong feeling of nationalism, strong cultural division, coups, civil wars, rebellion, wars between two or more countries, capture of cargoes by enemies etc. These risks may be avoided or reduced to some extent by judicious selection of countries. Insurance companies may also agree to provide cover for some of these risks on payment of additional premium. Some of the risks are also covered by the Export Credit and Guarantee Corporation, but in Nepal there is no such Cooperation as yet. Some products appear to be more politically vulnerable than others, that is, because of particular circumstances they receive special government attention, either favorable or unfavorable depending on the product. Favorable political attention mean protection while unfavorable political attention mean discouragement or politically risky. The host government may intervene over the foreign firm in different forms such as, confiscation, expropriation, and domestication. Confiscation occurs when a foreign investment is taken over by a government without any reimbursement. Expropriation involves the official seizure of foreign property by a host country whose intention is to use the seized property in the public interest may or may not lead to full or partial financial compensation. Awhile, domestication is defined as the process whereby a host government, by various means, forces a foreign held corporation to relinquish control, including actual ownership, on several fronts to national. Domestication entails a transfer of ownership in part or totally to nationals, greater decision making powers.

**Legal Risks:**

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

**Cargo Risks:**

One of the most important and regular risks in export marketing is the cargo risk. Cargo

risk may arise due fire, storm, collision, theft, leakage, explosion, perils of sea etc. Every international trade must insure cargos to protect it from these risks.

### **Credit Risks:**

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

### **Foreign Exchange Fluctuation Risks:**

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

## **2.10 EXPORT MARKET MANAGEMENT IN NEPAL**

Till 1951 Nepal remained virtually in a state of isolation from the outside world. It was in that year that some political upheaval took place and a new era in Nepal's politics and economy started. But it was only in 1956 that the country launched its first five year and set in motion a systematic process of development. And yet till 1960 no attempt was made to streamline the country's foreign trade.(Shrestha,1994:214) 1961 saw the introduction of 'Bonus System' to achieve the objectives of economic independence and trade diversification, but instead of promoting the country's export trade this system brought distortion and dislocation in this field. It introduced the malpractice of 'over-invoicing' in the country. It was only after the establishment of Trade Promotion Centre in 1971 that the country started diversifying its foreign trade and reduced economic dependence in India. Yet the volume and value of export trade did not rise satisfactorily. In order to achieve better results, government abolished the „bonus system“ and introduced „dual rate system“.

But this system also could not serve the basic objective of the country. Then his Majesty's Government of Nepal abolished this system too and introduced a „multiple exchange rate system

i.e., a „basket system“ which was able to adjust foreign exchange rates according to the demand for and supply of foreign exchange and essential commodities in the country.

In spite of all these efforts, the pattern of Nepal's foreign trade did not change. It continued to lead to an acute balance of payments problem. Imports continued to gallop year after year, but growth in exports decreased. Frankly speaking there are several fundamental weaknesses in the country's export thrust which are responsible for creating a serious situation of this type. The present study reveals that Nepal's exportable products are not being subjected to the rigors of the requirements of the international market; export is often conceived mainly as a matter of trade in surplus in the existing products, rather than as an effort to develop products especially for foreign markets. The concepts of product suitability and adaptation and high quality are still unknown in the country. Trade policy is directed more towards import substitution than export promotion.

Responsibility for policy execution lies in the wrong hands. As such it has created „fly-by-night“ exporters in the country whose main intention is to make quick gains by taking illegal advantages of import incentives rather than to promote exports of the country as such. Trade promotion centre is the only export institution which is engaged in the country's export expansion. But it is quite inefficient and ineffective in its working. There are various trade associations also working in this direction but they are all very much self-centered and do not contribute directly to the country's export expansion. It is primarily a Generalized System of Preferences which plays a vital role not only in the country's export promotion but also in the economic growth of the country, although Nepal has not been able to enjoy full benefit from this system. About 70 percent of its total exports is still going to the non-preference giving countries such as India, Bangladesh, Hong Kong and other Asian, African and Latin American countries. Since the financial capabilities of most of the exporters in Nepal are limited, their collection and supply capacity is extremely low. Moreover exporters in Nepal can not look to the financial institutions for support with confidence. The banking system in Nepal is not yet fully geared to support the export sector. Funds are made available only in a restricted manner and that too through time-consuming procedures. There are no specialized agencies operating in the country for export credit guarantee and export credit insurance which could undertake the risk of banks as well as the exporters. For a smooth flow of an export order every exporter has to fulfill various legal requirements. The quantum, mode and mechanics of export of a vast range of goods are regulated by the Exports and Imports (Control) Act, the Customs Traffic Act and the Foreign exchange Regulation Act with a view to simplifying licensing procedure, exporters.

Similarly export products and licenses have also been classified into various categories for this purpose. Licenses are issued on the basis of customs Traffic Act which enables the government to prohibit, either absolutely or subject to conditions, the import and export of goods so that the interests of the country may be protected against fraudulent activities such as smuggling and black-marketing. Foreign Exchange Regulation Act has been introduced in the country in order to properly utilize the country's foreign exchange reserves. Allocation of foreign exchange is done by the Nepal Rastra bank on the basis of national priority but day business of buying and selling foreign exchange is ordinarily handled by the exchange departments of commercial banks. One of the most important requirements for the success of an export campaign is the capacity of the country to prepare a comprehensive and precise export plan. It is that which will give a proper direction to the country's export thrust by deciding in advance about what to export, where export and how to export. In Nepal unfortunately there is no export planning as such. It is just an annual estimate and programmed. While fixing the export target the authorities concerned consider only the supply position of the country and its past record. But other important factors such as taste of the customers, changing environment in international markets, competitive position of the foreign competitors etc. are not taken into account. These days there is absolutely lack of even annual estimates. There are various products in the country which can be developed specifically for foreign markets and in which the country has comparative advantages in terms of raw materials, trainable manpower, technological base, and capacity to absorb higher technology. Saffron is one of them. It is an expensive spice which is used for various purposes such as flavoring dishes, coloring medicine, religions ceremonies etc. Although there is no production of saffron in Nepal, studies have proved that it can be produced and developed for the purpose of export. The next important aspect of export management is export procedure and documentation of which the whole attention of the authorities remains fixed. In Nepal this aspect has been a most time-consuming and tedious process. Due to the weak institution base and negligence on the part of the government towards the export sector, exporters are facing another great problem i.e. non- receipt of payment from the importers even after the goods have been delivered at the importer's port. Nepal's geography is one of the biggest bottlenecks to export expansion. Calcutta remains the only exit port for Nepali Cargo. On the one hand, the physical facilities of the port are very poor and, on the other, transit expenses in terms of time spent in fulfilling transit formalities, port clearance, frequency of strikes, executing insurance cover and other procedures are comparatively very high. Calcutta proves to be a bottleneck specially during the period of strikes or other forms of labor unrest or congestion of docks.

## **2.11 STRATEGY FOR EXPORT PROMOTION**

Nepal is the second least developed country in the world. Hence like other least developed countries, it is also facing the problem of vicious-circle of poverty and economic backwardness. It has multidimensional problems such as fast population growth, slow pace of industrialization,

deterioration in productivity, sluggish growth of export, growth of imports, at a faster pace, lack of commitment, adverse geographical position etc. The country therefore faces a dual challenge, firstly, how to grow faster and secondly, how to overcome its balance of payments problem.

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

For the development and expansion of the country's export trade, Nepal launched a new trade policy, economic programme and export programme. However, the situation did not improve, because the whole organizational infrastructure in this regard in the past has been extremely weak. Similarly, there has been lack of entrepreneurship, sincerity and determined effort in the aforesaid areas. The present study shows that for the promotion of exports and consequent economic growth of the country, the following measures are a must.

### **2.11.1 PRODUCT DEVELOPMENT PROGRAMME**

(i) The foremost task of the country should be the selection and development of genuine exportable products. For this purpose, it should concentrate on those products in which the country has a comparative advantage in raw materials, manpower and technology. (ii) There is no guarantee that a product once developed, launched and introduced will continue to be popular in the foreign market. Steps should, therefore, be taken to review the product-popularity periodically and to upgrade it and redesign it as and when required. A country should assess the suitability and acceptability of the product before launching it in a new market. For this purpose, a three-step investigation is necessary: - Study the product in relation to competitive products on the market; - Investigate trade acceptance of the product (acceptance from importers, Wholesalers and retailers); - Test the product with consumers and end users. (iii) If any deficiency appears while assessing the suitability and acceptability of a product it should be

corrected by possible redesigning of the product or its packaging, which is known as „adapting the product“ to the target market.

### **2.11.2. MASSIVE INDUSTRIALIZATION**

(i) Industrialization increases the economic wealth of the country. Therefore proper attention should be paid to protecting the existing infant industries and promoting new industries in the country by clearly defining their categories such as basic industries, export-oriented industries and import substituting industries. Since there is a dynamic relationship between these industries, their balanced growth is essential. One without the other will not produce fruitful results. (ii) There is a dynamic change in the demand of the people. Products today should be able to win not only the mouths and hands of the people but also their eyes and minds. Therefore, proper attention should be paid to industrial design. The rising demand for the Honking and Japanese goods in the world market early reveals how important industrial design has become for the general public. For this purpose the country should fulfill at least the following pre-requisites

- The national education plan should pay greater attention to the production of industrial designers within the country;
- Incentives should be provided to the designers concerned for developing a professional character;
- Effort should be made to boost the profession of industrial design; and arrangement should be made for organizing and operating the exhibition facilities and ancillary services to the designers in the country.
- For greater industrialization and higher productivity in the country appropriate technology should be imported through joint ventures as has been done in other countries of the world such as Japan, Taiwan, Honking, India etc. Nepal should also adopt „me too“ type of near-copying of products and processes developed elsewhere, because one who fails to keep up with technological change may fail in international competition as well.

### **2.12. THE EXPORT PROCEDURE AND PRACTICES**

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

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

### **I. Import of Raw Material**

Raw materials for the garment manufacturing mainly comprise of fabrics and its accessories such as buttons, zippers, threads, etc. Nepalese GI is mainly dependent on India for fabrics supply. Fabrics are also imported from the countries like Korea, Hongkong, Taiwan etc. After the arrival of raw materials at the import point, they are required to be made custom clearance for which the concerned party should submit the delivery order receipt, registration certificate and renewed income tax certificate to the custom office. In addition to it the import custom declaration form explaining all the imported items and its details (quality, total amount, origin of materials airway bill number , income tax certificate and firm s registration number etc) should be filled up by the currency ( US \$ or other foreign currency ) used in the import of the raw materials should also quoted. Then the sample (swatches) are taken from the values of cloth and attached to the Import Custom Declaration form. It is sent to RMG section in Tribhuban International Airport. After the signing of bond o and provision of a bank guarantee, the raw materials is then transported to the factory and kept under the terms and conditions of the bonded warehouse facility. While issuing the bank guarantee the concerned bank will charge 10 percent or more, depending on the size of party's business.

### **II. Issuing Of Visa**

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

Declaration Form (Import) c) Copy of Import L/C d) Copy of export L/C e) Copy of Custom Declaration Form Import of previous Visa. On the basis of these document and availability of quota for the concerned industry, the visa is issued by Visa Cell of NPEDC.

### **III Export of RMG**

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

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

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

The customs section matches the sample with the deemed export goods and if found the same authorize to export. After physical examination and documentary verification the export consignment is repacked on the spot under the supervision of custom's staff until every package of the consignment is sealed. After the completion of inspection, the custom inspector endorses all the documents and certificates customs declaration forms of the Nepal Rastra Bank Foreign exchange form, GSP certification and Custom Transit Declaration. The export consignments, which are to be shipped by

air, have to be stored in the warehouse for 24 hours in the custom's go down. Upon export the custom office advises the RMG section, which the prepares the documents regarding release of Bank guarantee and forwards the particulars to the import custom office on remaining stock of raw material the prevalent duties and taxes are charged by the import custom duty on the balance of fabrics (total import - total consumption) of fabrics for exported goods) .

### **a. Export Practices**

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

### **b. Export Trade Channels**

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



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

## **IV Pricing**

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

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

### **a. Floor Pricing**

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

## **V. Export Valuation**

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

## **VI. Transportation**

Both air and sea carriers are equally used for the transportation of RMG as it is of lightweight, Via air, Nepal is directly linked to Europe through Frankfort, London and Paris or otherwise for cheap air routes to Europe. The goods can be transported through India (Delhi, Mumbai), Bangladesh (Dhaka), Saudi Arabia etc. Via sea, Nepal is linked to European ports through Calcutta port. The mode of transportation for garment may be land-sea, air- air and air-sea. The commonly used route is land-sea as it is the cheapest. However, the buyers dictate the route .

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## **VII. Terms of payment**

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

### **a. Export Payment policy**

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

## **VIII. Terms of delivery**

The terms of delivery depends on the conditions set forth in the contract. It could be: a. Free onboard (FOB) b. Cost Plus Freight(CF) c. Cost- Plus Insurance and Freight(CIF) The terms and conditions depend on the mutual agreement between the buyers and seller.

### **a. Delivery Time**

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

## **IX. Sales Promotion**

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

## **2.13 REVIEW OF PREVIOUS LITERATURE STUDIES**

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

### **i. Nepalese garment industry under changing global trading environment**

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

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

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

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

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

4. Non conducive government policies: exporters most face lengthy administrative procedures ineffective incentives (like duty drawbacks), unfriendly labor policy inappropriate export tariff etc. these problems have involved extra cost to garment exports from Nepal.

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

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

7. Changing pattern in international trade: The pattern of international trade textiles and clothing

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

8. A major threat: Apart from the implication of the WTO provision, the future of Nepal's garment trade would also be influenced adversely by the recent united states announcement to provide duty free access to clothing made in the developing nations of African & the Caribbean basin (see annex to learn more about AGOA& CBTPA ).

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

9. Diversity markets & procedures: Despite permission, liberalization of quotas may offer good opportunities to Nepalese garment exporters in developing country markets. It is very-likely that they will be able to diversify their product to the developing countries, which have unilaterally reduced high tariff that they have been applying. Demand for garments in such countries is gradually increasing with rise in their per capita income,& consumers in such markets are relatively flexible regarding quality-There will be no quota barriers in such countries also, so Nepalese exporters can benefit from this if they are competitive enough. The chance of market diversification will depend upon how the buyers ' specification is followed, whereas the development of own design & brands would determine the product diversification. An extensive study however may be required to achieve this goal. Nepalese exporters should concentrate on the Asian market that is rising rapidly in textile & clothing trade. Asian market can be important because of a demographic status and rising their per capita income moreover;

intra Asian trade in textiles & clothing is the second largest after Europe. Nepal should eye on the Indian market as an immediate market diversification goal. Government of Nepal should focus on the possibility of the Indian market for Nepalese garment while dealing with the Nepal–India trade arrangements.

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

This study was a theme paper by Bijendra M. Shakya a resource person for the workshop organized by garment association- Nepal (GAN) and co-sponsored by international trade centre-ITC (UNCTAD/WTO), December-2004, Kathmandu, Nepal. Some of the extremely related parts of the study were included here .

**Performance Appraisal:** Relatively low cost of labor will be the key advantage to Nepalese apparel producers in the liberalized system. However lower worker productivity will offset the advantages of the wages. That suggest for investment in productivity in garment industry in Nepal-is about 60-70% that of Chinese workers, who are considered the most productive in the world. That suggest for investment in productivity enhancement with application of latest technology & fashion urgently. At the same time it is also required to over come the internal bottlenecks, related to supply constraint, high transaction cost, lack of quality & inadequate infrastructure to substation in international clothing trade after 2004. The country's overall apparel export performance is largely determined by the export to the US-.Overtly dependent on one single market & the minuscule exports shares by the other two major exports destinations: Canada & the EU had subjected to high volatility". Although modest the export to EU looks promising, as the annual average shares has remained about one –tenth of the total export,& has been as increasing rate in later years, which could be mainly because of the duty free market access to Nepalese- apparels under the generalized system of preferences (GSP), under5 the EBA scheme of the EU. The facility of derogation from the EU GSP rules of origin since 1997 has, to some extent, encouraged Nepalese export under the GSP scheme. Unlike that the export to Canada does not look that encouraging, despite the GSP privilege.

**Changing patterns of apparel trade :** Bearing the production efficiency & policy flows, Nepalese traders should perceive the changes taking place in the global trading environment if they wanted to retain their position even in post MFA,which which is going to be one of the biggest transformations in the apparel trade history. In a quota-free trade, Nepal's strength of a guaranteed market in the US will perish, & that will apparently turn in to a tough competition. Since the country has never faced the quota constraint, the determining factors for its survival in the quota free trade way be the competitive productive pricing with the efficient delivery system.

If that would be a decisive factor, Nepal has nothing to gain the quota phase out.-The gainer of the trade would be the country having capacity to manufacture apparels in-"vertical" production ,or to make from yarn to fabrics & to fashion, in order to trim the cost of production efficiently.- Since the apparel industries in Nepal are confined to the cut make –trim (CMT) process, they wouldn't be that effective to slash chain to face stiff competition,-reducing the global apparel prices unprecedentedly.

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

**Post MFA preparation:** Keeping all these possibilities aside it inevitable that the Nepalese garment sector should get prepared itself to face the intense competition in the quota-free trade , either by trimming the costs or by delivering the international fashion requirements. This is possible only if the industry get consolidated to a larger scale of production with the technology up gradation and procedural simplification assuring a full package of production and service to foreign buyers. Comparative advantage to Nepalese apparels will largely depend not just on cheap labor but on a workforce that is both relatively cheap and technologically skilled seeking increased investment in training and skill development for the future and drawing on the latest information technology and marketing system. Unlike the buyer-driven commodity chain (i.e. the buyer practice of instructing where to buy and source fabrics and ancillaries) followed by Nepalese manufactures. It would be required for them to develop their own supply chain to improve their competitiveness in the future. It would be important for Nepalese manufacturers to

have flexibility in sourcing for securing fabrics from the cheapest source with the quality and design meeting the buyer's expectation. Such kind of practice will gain momentum in sourcing of materials for optimization. Even the Indian garment industries which are relatively efficient are thinking over sourcing linen from China where fabrics can be as much as 30 % cheaper than in India. On the other hand the distribution in the post MFA will be shorter. That means Nepalese exporters would require direct marketing network and manage supply-chain to gain markets on their own. To meet all these requirements it would be essential for garment industries to aim at vertical production base with the efficient trade infrastructure providing a full package of manufacturing and delivering system. Although most of these activities are directly concerned to individual industries the stable government policy is indispensable to consolidate the production and delivery system in an integrated way. One of the measures that the government can more precisely take could be developing an industrial cluster focusing on the entire production and delivery system at a specified place to reduce cost and delivery time expeditiously.

**iii. Pushpa Raj Adhikari (1995) has conducted a study entitled ready made garments industry in Nepal ("Past, Present and Future") with the objectives of:**

Basic Objectives: to find out the problems faced by the garments industry right at the moment and the contribution made by this sector to economic development.

**Other objectives:**

- To show the trends of development of readymade garments industry in Nepal.
- To examine the role of garments industry in revenue & employment generation.
- To study the impact of GATT on readymade garment industry.
- To find out the problems faced by the garments entrepreneurs and to provide suggestions for their remedies.

**The major findings of the study are as following:**

- Foreigner currency earner this industry occupied second position in the overseas export, was initiated in Nepal a decade ago by Indian exporters was primarily based on imported raw materials and covered 90 % share in quantity and value of export. Most of the ready

made garment export is done through agents with none or very little direct contact with the main buyers.

- Although the international market for ready made garments is unlimited the Nepalese garment industry has not been able to fulfill even a limited number of US quota allocated to Nepal. The production of ready made garments mostly depends on the demands of the Indian middlemen (buyers and exporters).
- This industry has used Indian technology and piece rate system in garment marketing. Industry has produced and exported the basic garments only instead of high fashion product/ Products were made according to the demand of buyers because of poor product specialization.
- Indian employers highly paid and skilled persons not easily available in Nepal, were more efficiency and productive than those of Nepalese employees. They were very much sincere about their work and were very much discipline and did not create problem by labor unionism.
- Due to lack of capital and direct contact i.e. lack of marketing most of the Nepalese entrepreneurs could not transform the piece rate system. Risk taking ability was lacked in Nepalese entrepreneurs. By using the assembly line production system which could make high quality and quantity of high fashion garments could minimize over dependency upon India.
- Most of the entrepreneurs were not satisfied with the government policy.
- Garments entrepreneurs were very much serious about the impacts of GATT's new provision of phasing out of multi fiber arrangement (MFA) within a period out of 10 years starting from 1<sup>st</sup> January 1995. Joint effort should be made immediately between the government and the entrepreneurs sector to minimize the impact or to gain as more as possible from the GATT's new provisions.
  
- **iv. Marina Adhikari (1999) has conducted a study entitled "Integration of MFA into WTO: Its implication on Nepalese Readymade Garment Industry" with the objectives of:**
  - Examine the status of garment industry in Nepal.
  - Analyze the different facets of multi-fiber arrangement (MFA).
  - Assess the factors affecting comparative advantage of garment industry.
  - Identify major problems of Nepalese garment industry and to develop appropriate measures to survive in the competitive market.
  - Examine the major implications of integration of MFA into WTO on Nepalese garment industry.

**The major findings of the study were as follows:**

- USA is the major importer of Nepalese RMG with 90 percent of share.
- The integration of MFA into WTO can result in significant net trade wins for developing countries including Nepal. Elimination of MFA trade in textile and clothing products would tend to gravitate back to large exporters like India, China or Far East. LDC like Nepal might face some problem staying in business.
- Before integration into MFA, Nepal government has to improve its comparative competitiveness among other competitors.
- Although there are majority of small scale industries there are also few and big scale industries. On an average per industry has 60 sewing machines and the biggest fixed capital investment is more than 200 millions.
- Nepalese garment industry actually has a good prospects; however government has to form various promotional policies regarding the garment industry in Nepal.

**v. Dr. Ram Krishna Shrestha (2001) has conducted a study entitled "Marketing Strategies in textile industry of Nepal" with the objectives of:**

**Basic objective:** To evaluate the marketing practices and strategies being followed by Nepalese textile industries.

**Complementary objectives**

- ❑ To identify the existing marketing system and strategies adopted by Nepalese textile industrialist.
- ❑ To find out assess and evaluate the nature of marketing strategies of the textile industries.
- ❑ To identify marketing problems being encountered by the industry.
- ❑ To recommend appropriate marketing strategies to the industry and suggest measure for development.

**Major findings of the study:**

- The marketing strategies of the industry were found to be weak in view of the existence of differences in the views of the general managers and the marketing managers in key areas.
- The statistical tools proved that the industry is declining.
- It may be concluded that the textile industry in Nepal has been adopting mostly

traditional approaches and does not appear to be taking necessary initiatives to redress the declining position of the industry.

**vi. Bajracharya, Mainya (1990), “A study of Readymade Garment Industries in Kathmandu Valley”:Export Policy, unpublished master’s level thesis T. U. Kathmandu.**

The major findings of the study were: 1. Readymade garment productions are in a large scale and the export of it from Nepal is a new phenomenon. In this initial period, it has welcomed many industrialists’ labor, capital and equipments from India. As such, major benefits out of this sector have been utilized by the Indians and Nepal has become only the media. 2. The garments produces have to follow different garments semi garment rules and regulations and these rules and regulations compel the producers to cross different channels. This has created harassment and delay in shipment of the finished products. 3. Most of the labor skilled and semi skilled is from India. Rough estimation of the Indian labors in these factories is more than 50 %. Nepalese labors have been utilized only in simple works like thread cutting, checking, packaging and for port rage.

4. There seems to have no direct contact of the buyer of Ready Made Garment in USA.

5. Raw materials used almost all comes from India despite of so many mills and textile produce cotton fabrics in Nepal.

6. The orthodox in Indian inflow in this tiny capital has the chances to cause a lot of problems in Socio-Political and cultural aspects of social life. If the situation remains the same in long run, they all convert into permanent settler.

7. The production of Readymade Garment is not for the local market. All of them are of high fashion and are subject to exporting to the America and European world. The general people have nothing to do with them.

## **2.14 RESEARCH GAP**

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

## **CHAPER-III**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

The chapter has been divided as follows:-

#### **3.2 RESEARCH DESIGN**

The research design adopted in this study was basically descriptive and analytical.

#### **3.3 TYPES & SOURCES OF DATA**

According to Garment Association of Nepal, there were 50 garment industries were operating in 2008. Among them, more than 90% were operating in Kathmandu Valley. Out of them only 15-20 found to be in operation at the time of survey. For the purpose of survey, those industrial units which were in operation during the survey period were accounted. Hence, out of total 9 units (3 units from small scale, 3 units from medium scale & 3 from large scale) were selected as a sample size. Judgmental was followed to find out the fact & to analyze the marketing strategies of Nepalese RMG industry.

#### **3.4 DATA COLLECTING INSTRUMENTS**

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

#### **3.5 COMPONENTS OF QUESTIONNAIRE**

The questionnaire prepared for data collection questions related marketing strategies. They also inquired about the background information of industries, objective, business policies, market situations for the product, organizational & managerial competitive strategies, external and internal business environment & planning & implementation of the industries. The questionnaire

included three types of questions closed ended scales (schematic rating scale) and preferential rating. In closed ended question, appropriate alternatives were given to enable the respondents to make simple but correct choices. In the scaled questionnaire, five point scale was given in ranging from 1 (most favorable) & in the preferential rating questionnaire, number 1 was given for most preference, number 2 for second most preference and so on. The questionnaires were included in the annex.

### **3.6 QUESTIONNAIRE ADMINISTRATION**

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

### **3.7 DATA PROCESSING & TABULATIONS**

Primary data were processed & tabulated as per the need of the study. The computed mean scores (M.S) could range from 1 to 5 has been interpreted as favorable & 5 as unfavorable. However the score range from 1-5 was given. The range has been interpreted in the following ways: 1.0 to 2.5 favorable (maximum) 2.5 to 3.5 indifferent (moderate), & 3.5 to 5.0 unfavorable (minimum) Percentages of response were also incorporated.

### **3.8 DATA PRESENTATION & ANALYSIS**

#### **3.8.1 SURVEY**

The information received is described in the study. Percentage & mean scores- were-computed & the results interpreted.

#### **3.8.2 STATISTICAL ANALYSIS**

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

## **CHAPTER –IV**

## **PRESENTATION AND ANALYSIS OF DATA**

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

### **4.1 ANALYSIS OF SURVEY DATA**

The basic objective of this study is to "Find out the problem faced by the garment industry right at the moment and contribution made by this sector to the economic development of the country.

#### **4.2 Export of Nepalese Readymade Garment**

Respondents in the questionnaire survey included especially economically active age group people. The following table and bar diagram depicts that the respondents classification according to age group.

Table No:4.1

## WAGE AND SALARY STRUCTURE

S .N	Job Title	Wages and salary structure Per month (Rs.)
1	Sewing / Stitching	4200-6000
2	Administration	7000-8500
3	Buttoning	4000-5000
4	Cutting & Designing	10000-12000
5	Checking	4000-6000
6	Thread Cutting	3500-4500
7	Ironing	4000-5000
8	Packing & Marketing	3500-4500
9	Helpers & Others	3000-4000

Source : Field Survey

Regarding the wage and salary structure, it depends upon the type and skill. The highest paid job in the readymade garments industry is that of cutting and designing. The cutter cum designer receives on an average Rs.11000 per month along-with other facilities, such as provident fund, house rent, medical facilities, high rate of payment for the overtime, fooding charges and transportation. It is seen that most of the cutting cum designer men are Indian Nationals, Besides, other higher paid jobs are of sewing and stitching, checking, ironing and administration. The sewing & stitching and checking job is paid up Rs.6000 per month, the job of a press man costs up to Rs.5000 while in the administration salary amounts up to Rs. 8500 apart from the benefits including timely bonuses, travelling allowances and the like.

Table No. : 4.2  
BASIS OF EMPLOYMENT ACCORDING TO NATURE OF JOB

S.N.	Job Title	Basis of Employment
1	Sewing/ Stitching	Monthly/ Daily
2	Administration	Monthly
3	Buttoning	Monthly
4	Cutting & Designing	Monthly
5	Checking	Monthly/ Daily
6	Thread Cutting	Daily
7	Ironing	Monthly
8	Packing & Marketing	Daily
9	Helpers & Others	Daily

Table No.: 4.3

JOB DISTRIBUTION OF EMPLOYEES IN THE SAMPLED READYMADE GARMENT INDUSTRIES ON THE BASIS OF SEX

S.N	Job Title	Total no. of Employees	% Among Job Specification	Total no. of males	% Among males	Total no. of Females	% Among Females
1.	Sewing/Stitching	510	55.61	495	61.03	15	14.15
2.	Administration	40	4.36	40	4.93	-	-
3.	Buttoning	22	2.39	22	2.71	-	-
4.	Cutting & Designing	11	1.19	11	1.35	-	-
5.	Checking	60	6.54	45	5.54	15	14.15
6.	Thread Cutting	96	10.46	78	9.61	18	16.98
7.	Ironing	44	4.79	22	2.71	22	20.75
8.	Packing & Marking	38	4.14	33	4.06	5	4.71
9.	Helpers others	96	10.46	65	8.01	31	29.24
	TOTAL	917		811		106	

Source : Field Surveys

Table No. : 4.4

JOB DISTRIBUTION OF EMPLOYEES IN THE SAMPLED READYMADE GARMENT  
INDUSTRIE OF THE BASIS OF NATIONALITY AND SEX

S.N.	Job Title	Total no of employees	Indian Employees			Nepalese Employees		
			Total	Male	Female	Total	Male	Female
1	Sewing/Stitching	510	320	320	-	190	169	21
2	Administration	40	9	9	-	31	31	-
3	Buttoning	22	-	-	-	22	22	-
4	Cutting & Designing	11	10	10	-	1	1	-
5	Checking	60	9	8	1	51	8	43
6	Thread Cutting	96	-	-	-	96	-	96
7	Ironing	44	-	-	-	44	44	-
8	Packing & Marketing	38	-	-	-	38	8	30
9	Helpers & Others	96	14	17	3	82	56	26
	TOTAL	917	362	364	4	555	339	216
	PERCENTAGE	100%	39.48%			60.52%		

Source : Field Survey

Table No. : 4.5  
EMPLOYEES BY AGE & JOB SPECIFICATIONS IN THE SAMPLED READYMADE GARMENT INDUSTRIES

S.N	Job Title	Total no of employees	Age Group Of			
			(18-25)Yrs	(25-35)Yrs	(35-45)Yrs	(45-55)Yrs
1	Sewing/ Stitching	510	250	180	80	-
2	Administration	40	15	8	10	7
3	Buttoning	22	10	5	5	2
4	Cutting & Designing	11	6	2	3	-
5	Checking	60	40	10	10	-
6	Thread Cutting	96	33	44	16	3
7	Ironing	44	18	9	11	6
8	Packing & Marketing	38	6	11	14	7
9	Helpers & others	96	64	14	18	-
	TOTAL	917	442	283	167	25
	PERCENTAGE	100%	48.20%	30.87%	18.21%	2.72%

Source : Field Survey

The table no 4.2 also displays the basis of payment in the garment industries. It Was found that the thread cutting, Packing making and Helpers are paid on a daily basis, so are some doing the checking and sewing & Stitching jobs. The daily wage earners can earn up to Rs 45,000per and the manpower employed monthly earns up to Rs 12,000 per month.

A majority is employed for sewing and stitching job in a garment factory. Out of 917 employees surveyed,510of them are employed for the skilled job of stitching and sewing. The table no 4.3 shows, in column 4, that the percentage of employees engaged in the job of sewing and stitching is 50.82% followed by unskilled work force categorized as helpers and others at 10.46% and thread cutters at 10.46% the participation of female workforce is about 1:4 to their male counterparts.

The table no 4.4% showing nationality and sex data displays the fact that 39.48% of employees in the sampled garment industries are Indian nationals. Nepalese empl0yees amount to 71.10% of which 61.08% are males and 38.91% are females.

It was found that the labour force engaged in readymade garments industry consisted of fairly young persons. Nearly 89% of labour force is of the age group of 18-35 years. and the maximum age of the employees was found not to exceed 55 years and the age group of 45-55 years constitutes 2.72% of the work force. The table no 4.5 present these facts.

## **CHAPTER-V**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

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

#### **5.1 SUMMARY**

Nepal's history of economic development is relatively short. Planned economic developments started only since 1965 A.D. though earlier attempt was made in 1948 A.D. various efforts are being put in to attain a faster growth rate. In 1994/95, Nepal experienced its best macro economic performance in the decade of nineties. The history of garment industry in Nepal is as old as 25 year. Nepalese garment industry had occupied the 1 position in terms of overseas exports. Garment sector has made a significant contribution to the national economy of the country. It accounts for around 18 % of the total export and 40 % of foreign exchange among the overseas export earning. This sector has provided employment to about 100000 Nepalese people which is about 12 % of total industrial employment. In the current situation RMG industry faces the severe threats and challenges with technologically advanced countries because of WTO's provision. A massive fall down in export growth rate since the second half of 2001 has forced many industries to withheld production and some to close down. Nepal may have to face not only difficult adjustment problems but also risk collapse of the industry as a result of intensified international competition and its inability to cope with the change situation in this product line. The vulnerable situation of Nepalese garment sector is due to the internal constraints from outdated manufacturing process to the logistic system and non-conducive government policy and attitude to the geographical disadvantage of being landlocked country. The cost of production and the further lead time from the date of order to date of shipment of the goods are 25 % higher than other South Asian countries and three times longer compared to India respectively.

The main objectives of the present research is to analyze the marketing strategies to find out the pertinent marketing strategies for suggesting the entrepreneurs and trying to seek out the way of

saving the existence and increasing the competitiveness of Nepalese RMG industry. As per the nature of the study, survey type research design is followed with descriptive and analytical approach. Surveys of different scale industries were made. Questionnaires were distributed and the table discussions were carried out to gather information. Information thus acquired was tabulated as required by the study. The study was focused on analyzing the marketing strategies of Nepalese garment industries. It revealed that executives have positive attitude about the marketing strategies but they are pessimistic in practices. They preferred more on conducive-government policy rather than marketing strategies. They have not formulated proper marketing strategies to cope the present situation. The enterprises have mostly depended on Indian agents. They have not been able to adopt effective outward looking marketing policy. Therefore the whole industry appears to be deficient in formulation and adoption of effective marketing strategies. The traditional ways of doing business has not helped. The executives could not put their industry in competitive position by making good marketing plans and implementing them .

**From the hypothesis tests, they are found that;**

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

## Conclusion

The major Finding related to the main objectives of the study are presented as follows:

1. This industry has used Indian technology and piece rate system in garment marketing. Industry has produced and exported the basic garments only instead of high fashion product/products were made according to the demand of buyers because of poor product specialization.
2. Indian employers highly paid and skilled persons not easily available in Nepal, were more efficiency and productive than those of Nepalese employees. They were very much sincere about their work and were very much discipline and didn't create problem by labour unionism.
3. Due to lack of capital and direct contact i.e. lack of marketing most of the Nepalese entrepreneurs couldn't transform the piece rate system. Risk taking ability was lacked in Nepalese entrepreneurs couldn't transform the piece rate system. Risk taking ability was lacked in Nepalese entrepreneurs. By using the assembly line production system which could make high quality and quantity of high fashion garments could minimize over dependency upon India.
4. Foreigner currency earner this industry occupied second position in the overseas export, was initiated in Nepal decade ago by Indian exporters was primarily based on imported raw materials and covered 90% share in quantity and value of export. Most off the ready made garment export is done through agents with none or very little direct contact with the main buyers.
5. Most of the entrepreneurs were not satisfied with government policy.
6. Although the international market for readymade garments is unlimited the Nepalese garment industry has not been able to fulfill even a limited number of us quota allocated to Nepal. The production of Readymade Garment mostly depends on the demands of the Indian Middlemen.
7. Garments entrepreneurs were very much serious about the impacts of GATT's new provision of phasing out of multi fiber arrangement(MFA) within a period out of 10 years starting from 1<sup>st</sup> January 1995. Joint effort should be made immediately between the government and the entrepreneurs sector to minimize the impact or to gain as more as possible from the GATT's new provisions.
8. Raw materials used almost all comes from India despite of so many mills and textile produce cotton fabrics in Nepal.

## Recommendations:

Considering the industry's present situation, few suggestions and recommendations have been made as follows.

1. Government should take a liberal tax and policy planning attitude. The present quota system is being abolished. So Nepalese garments are out there to compete on merit. This fact has to be understood by the Government.
2. A special consideration to the fact that a policy once made would not be changed for a long period of time. The changing policies confuse the entrepreneurs.
3. The first generation labour needs proper on-the-job training to serve to the best of their ability.
4. A special labour law for the garment industry should be enacted owing to the unique requirements of this industry. This law should provide immunity from the labour hassles and feed the production process. The labour law should include provision for recruiting seasonal labour and equip the entrepreneur with the power of hire and fire as and when required. The law should facilitate the entrepreneur in timely delivery the major concern for any garment industry.
5. Production system should be made from traditional and outdated piece wise system to the more advanced, systematic and highly efficient assembly line format.
6. Transparency should be maintained in quota allocation. Some significance should be assigned to the daily transactions and the advantage to those industries that also export non quota items should be given.
7. Government should provide incentives to the entrepreneurs to facilitate greater all round development of the sector as done by India, and Bangladesh.
8. Garment entrepreneurs should visit countries and tap markets with their merits. Thus, They can expand their horizon by reaching previously unexplored territories. This will need viewing positive demand for the product, incorporating physical features that provide opportunities to differentiate the product and design the product to meet the demand of a people.
9. Establishment of dry port or container service available in the country is essential for the shipment of good by land and sea. For the long term development of this industry and to make it competitive in international market the dry port and the railway at Birgunj should begin working immediately. Alongside the dry port at Birgunj those those at Biratnagar and Bhadrapur ought to begin functioning as soon as possible.

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## Appendix-A

TO The CEO/ MD/ Marketing Manager Dear Sir, As a student of MBS of Post Graduate Campus, Biratnagar. I would Like To Inform you that I am Writing a thesis entitled “ export marketing strategies of Nepalese RMG industries in Kathmandu”. For this purpose I have taken your enterprise as one of the sample and it is obvious that without your kind cooperation I would never be able to complete my thesis research. I would also like to assure you that the information obtained from your enterprise will be used only for the academic /research purpose in my thesis and not otherwise. I therefore request you to furnish the Fllowing information as per the questionnaire. Please tike ( ) where necessary.

### QUESTIONNAIRE

Name of the Industry:.....Name of  
CEO / MD/ Marketing

Manager:.....

Established Year :.....

ISD NO. ( f the industry has ): .....Scale of

Industry : Cottage ( ), Small ( ), Medium ( ), Large ( )

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

Highly Satisfactory	1	2	3	4	5	Not Satisfactory
---------------------	---	---	---	---	---	------------------

2. When do you analyze your export marketing strategies?

Annually ( )

At the time of formulating plans ( )

No Fixed period

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

Yes ( )

NO ( )

If yes, what extent,

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

Highly Agree	1	2	3	4	5	Highly Disagree
--------------	---	---	---	---	---	-----------------

Do you agree that Nepalese RMG industries now exist in rapidly changing and increasingly unpredictable environment and therefore need export marketing strategies to cope with the problems ?

Highly Agree	1	2	3	4	5	Highly Disagree
--------------	---	---	---	---	---	-----------------

6. Which of the following promotion strategies do you take in quota free market?

Consumer Promotion ( Pull Strategy) ( )

Dealer Promotion ( Push Strategy) ( )

None of the above ( )

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

Political and Legal	Highly Favorable	1	2	3	4	5	Not Favorable
Economic	Highly Favorable	1	2	3	4	5	Not Favorable
Social - Cultural	Highly Favorable	1	2	3	4	5	Not favorable
Technological	Highly Favorable	1	2	3	4	5	Not Favorable
COMPETITIVE	Highly Favorable	1	2	3	4	5	Not favorable

8. How do you rate to understand competitor when there are many?

Similar characteristic	Max.	1	2	3	4	5	6
Strength	Max.	1	2	3	4	5	6
Strategies into strategic group	Max.	1	2	3	4	5	6
Country wise Product	Max.	1	2	3	4	5	6

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

Externally	1	2	3	4	5	Not at All
------------	---	---	---	---	---	------------

10. Which countries are the major competitors of Nepalese RMG industry? Give your preference 1 TO the most and 5 to the Least.

India ( )

Bangladesh ( )

Sri Lanka ( )

China ( )

East Asia ( )

African & South Saharan Country ( )

Other ( )

11. Do you use the FIT, an international Trade Center benchmarking tool, for comparative analysis with competitors?

Yes ( ) No ( )

12. Rate the competitors of your company?

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

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

Max.	1	2	3	4	5	Min.
Max.	1	2	3	4	5	Min.

14. How do you rate the competitive positions of your enterprise?

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

Highly satisfaction	1	2	3	4	5	Highly dissatisfaction
---------------------	---	---	---	---	---	------------------------

16. To what extent have you allocated the resources to increase the business strength of your enterprise? More 1 2 3 4 5 Less.

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

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

Yes ( )

No ( )

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

Frequently	1	2	3	4	5	Less Frequently
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19. How do you rate your enterprise?

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

20. How do you rate about the implementation of your company according to marketing plan?

Excellence	1	2	3	4	5	Poor
------------	---	---	---	---	---	------

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

Highly Agree	1	2	3	4	5	Highly Disagree
--------------	---	---	---	---	---	-----------------

22. How do you rate the important strength and weakness of your enterprises?

**STRENGTH OF ENTERPRISE**

Product capacity	Max.	1	2	3	4	5	Min.
Man power	Max.	1	2	3	4	5	Min.
Technology	Max.	1	2	3	4	5	Min.
Brand Name	Max.	1	2	3	4	5	Min.
Market Logistics	Max.	1	2	3	4	5	Min.
Marketing information system	Max.	1	2	3	4	5	Min.
Other	Max.	1	2	3	4	5	Min.

**WEAKNESSES OF ENTERPRISES**

Marketing position	Max.	1	2	3	4	5	Min.
Skilled manpower	Max.	1	2	3	4	5	Min.
Capital	Max.	1	2	3	4	5	Min.
High Cost of production	Max.	1	2	3	4	5	Min.
Slow Distribution	Max.	1	2	3	4	5	Min.
Other	Max.	1	2	3	4	5	Min.

23. How do you rate about?

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

24. How do you rate about company formulation?

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

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

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

## Appendix- B

List of Sample units

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

## Appendix - C

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

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

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

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

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