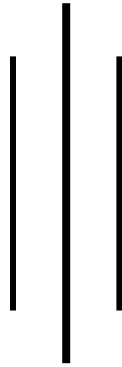


Marketing Strategies in Nepalese RMG Industries



A Thesis

Submitted by

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Exam Roll No. 592/064

Submitted to

Office of the Dean
Faculty of Management
Tribhuvan University

In Partial Fulfillment of the Requirements for the Degree of
Master's in Business Studies (M.B.S.)

Birgunj, Parsa, Nepal
March, 2009

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis
Presented by

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Entitled

“Marketing Strategies in Nepalese RMG Industries ”

It was found to be the original work of the student and written in the format required by the Institute of Management, T.U. We recommend the thesis to be accepted as partial fulfillment of the requirements of the degree of Masters in Business Studies (M.B.S).

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Acknowledgements

First of all, I wish to express my sincere and deep sense of gratitude to my supervisor associate lecturer Rajeshwar Pd. Acharya Thakur Ram Multiple campuse, TU, for his constant supervision, suggestions, enspiration, encouragement, painstaking, effort, effectionate and scholarly guidance for supervising my research work. He has been, in fact, a key person to me in completing the research work at this shape. The pleasure that I got during his supervision can hardly be exaggerated.

I am grateful to lecturer Dr. Deepak Shakya faculty of management Thakur Ram Multiple Campus, for there encouragement and valuable suggestion. I express my gratitude to lecturer Sanjay Shrestha and K.K.Sah Thakur Ram Multiple Campus, T.U. for their advice, suggestion and co-operation. I take opportunity to express gratitude to all the chief executives, marketing managers and concerned executives of ten RMG industries, which have been selected for the studies, for providing necessary data and useful information and for their valuable time they have spared me for the purpose of interviews and filling out the questionnaires.

I am thankful and acknowledge the credit to those writers, researcher's scholars for using their views and works in the study.

I also express my cordial thanks to the officials and staff of library of Thakur Ram Multiple Campus. I am thankful to my friends Mr. Surya Bahadur Thapa, Kedar Gautam, Jay Prakash Narayan Yadav, Jagat Kushwaha, Ram Pravesh Prasad Sah and all my Classmates and friends who directly or indirectly supported, encouraged and helped me during my research work.

Last the talented staff at Multitake Computer, Bhojpur, deserve praises for their nice computer typing and also for their patience with the last minute modification.

March 2009

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LIST OF ABBREVIATION

AGOA	:	African Growth and opportunity Act
ATC	:	Agreement On Textile and Clothing
CBI	:	Caribbean Basin Initiatives
CEO	:	Chief Executive Officer
CMT	:	Cut make Trim
FY	:	Fiscal Years
EU	:	European Union
GAN	:	Garment Association Nepal
GDP	:	Gross domestic Product
eg.	:	As for example
GNP	:	Gross National Product
GSP	:	General system of preferences
IBM	:	International Business Machine
IMF	:	International Monetary fund
L/C	:	Letter of credit
i.e.	:	That is
Int'l	:	International
Ltd.	:	Limited
No.	:	Number
PEs	:	Public Enterprises
Pvt.	:	Private
Rs.	:	Rupees
T.U.	:	Tribhuvan University
%	:	Percent
&	:	And
RMG	:	Readymade Garment

USA	:	United State of America
WTO	:	World Trade organization
MIS	:	Marketing Information System

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CHAPTER - 1

INTRODUCTION

1.1 Background

Nepal, the Himalayan Kingdom of Asia, has its border with China in the north and India in the Southeast and west. It is located between latitude 26022' north to 30027' north and longitude 8004' east to 88012' east having a total area of 147, 181 sq. km with a population of around 23.21 million (TPC, 2005:1). Nepal is a predominantly agricultural country. 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)

Nepal is a least developed country. It remains one of the poorest countries in the world, with a per capital income of about Rs. 20, 527 (equivalent to US\$276) in F.Y.2003/04. The GDP at current producer's price is estimated to increase by Rs. 39.95 billion and has reached Rs. 494.88 billion in F.Y. 2003/04 compared to Rs. 454.93 during F.Y. 2002/03. In F.Y. 2003/04, growth in per capital income is estimated to have increased by 6.4 percent after the adjustment of 2.2 percent growth rate of population (TPC, 2005:2).

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 9 five year plan and now nearing the end of 100 five year plans. Various efforts are being put on to attain a faster growth rate. Nepal's economic growth through expansionary fiscal policies led to considerable macroeconomic instability.

The history of garment industry in Nepal is as old as 25 yrs. Nepalese garment has occupied the 1st position in term of overseas. Garment sector has made a significant contribution to the National economy of the country. It accounts for around 18% of the total export and 40% of foreign exchange among the

overseas export earnings. This sector has provided employment to about 100,000 Nepalese people which is 12% of total industrial employment. About 350,000 people, including the family members of the employers, have benefited from this industry (TPC, 2005:4)

After entering the WTO and phasing out the quota system under the WTO provision, Nepalese Ready made Garment (RMG) industry faces the cut throat competition in international market with strong competitors. In the current situations, RMG industry faces the severe threats and challenges the technologically advanced countries. Nepal loses the huge amount of market share which she got from the U.S. market under the MFA. Budhathoka (2001) found, Due to very reason, "95 percent of industries have been closed down the rest of the industries are operating with lower capacity"(p.4).

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 withhold 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.

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 an 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 produced 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 developed direct with the perspective buyers. Till now most of the Nepalese garment producers depends upon Indian agents for their market aboard.

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 for 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 customer and the firms as entities of a greater society rather than only as economic factors (Shuptrine and Osmanski, 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 every day due to its effectiveness on the success or failure of an enterprise. The reason for attracting increasing attention by marketing is not due to its inherent

influence on the success or failure of an enterprise but also due to its increasing dimensions and scope.

Production without marketing is a waste of time, money and energy. The realization of the importance of marketing is to identify customer's requirements and to satisfy them. Though Nepal is one of the developing countries, it can't 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 requirement 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 though 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 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 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 strategies in view of substantial growth in the level of competition.

1.2 A Brief History of RMG Nepalese industries

"Clothing", in Nepal, in the past was done by a group of people known as "Damai" a tailoring cast 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 areas or the vicinity, scarcity, poverty and 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 (Budathoki, 2003:10)

The history of garment industries in Nepal is not very old. It was instated about two decades ago. Though there were handfuls of garments trader in the middle of 1970s, the business really pick up exporting sector has been magnificent. At present, garment industry is the second largest currency earner, after woolen carpet industry,. Besides, it had also played an important role in employment generations. Initially, the industry was dominated by the India 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)

This 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 once in a while. Signals are being noticed in the country's export industries following the change in the world's trade and global shift to liberalized economic policy. Since the garment industries being export based and has 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.gansso.org>).

The statistical record of Nepal's garment export are 3.96 billion rupees in 1992-93; 5.48 billion rupees in 1993-95; 5.41 billion rupees in 1995-96 and in 1998 and in 1998-99 it was wired up to 8.37 billion. This also indicates the urgent need to promote and consolidate this industry (<http://www.gansso.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 financiers 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 to production lines can help transform their social and economic status. This flush can be used not only\ for industrial advantage by countries (<http://www.gansso.org>).

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

The garment sector expanded unprecedentedly 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 1,067 in 1994-95. Since then there has been a continuous decline in the number of operation industries 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 number of unemployed population and by helping reduce trade deficit to a certain extent.. The garment industry provides direct and indirect 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

Income generation this industry faces the critical situations and time has come to save the existence of this industry on the shoulders of entrepreneur. To overcome copes the threats and challenges, CEO or entrepreneurs must take

the rational decision making by implementing the effective and pertinent marketing strategy.

Problem confronting this industry are: supply side constraint, heavily depend on US market, foreign labor, high cost, poor logistic, non conductive government policies, poor R & D support, difficulty of access of foreign market, Demand constraints. 2002, pant, 2003; & GAN, 2001)

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 buyer. 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 1 1/2 decade, it was the enough time for Nepalese entrepreneurs to get international marketing experience and to build its competitive positions. But nobody has taken care about the matter. As a matter of fact this industry lies inside between the neck as a bone whether to throw or swallow.

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 labors a 'sweatshops and compulsion to adapt eco-labels, will be some of the key drivers and trade parameters determining exports of textile and apparels after 2004.

Not only the macro economic analysis (Particularly in domestic environment) but also the marketing strategy is the crucial factor for any business entities 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't 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 trade will not be regulated by quantitative restriction (QRs) , there will be intense competition in the market to the US, Canada, Europe and Japan, But

at the same time, there will be many markets in the south east Asian countries and the developing countries. Nepalese apparel producers can concentrate on these new markets through deliberate marketing strategy implementation. Thus entrepreneurs should become proactive in nature rather than reactive.

The research questions posed in this research are:

- a. What are the appropriate marketing strategies and how they should be implemented?
- b. How can RMG entrepreneurs develop the competitive strategy?
- c. What are the determinants factors those help the garment industry to implement the export marketing strategy effectively?
- d. How can the garment industry and concerned organizations develop a strategic approach plan to tackle the possible challenges?
- e. Do th Nepalese RMG entrepreneurs use "The Fit" – a new ITC tool - to benchmark with competitors in other countries?
- f. Do the RMG entrepreneurs implement the efficient sourcing strategy to get inputs a cost – effective rate?
- g. How can the Nepalese RMG industry increase productivity and develop new products as well as create niche markets in new markets.
- h. Do they adopt e-application to sell and to exchange information?

1.4 Objective of the study

Objective of the study is to "analyze the marketing strategies to find out the pertinent marketing strategies for suggesting the entrepreneurs and for trying to seek out the ways of saving the existence and increasing the competitiveness of Nepalese RMG industry". Its specific objectives can be pointed as below:

- a. To analyze the view of entrepreneurs, CEO or marketing managers about the strategic marketing concept.
- b. To analyze the present condition of industry in terms of marketing strategies.

- c. To know how executives understand competitors and choose competitive position.
- d. To know how effectively the RMG entrepreneurs have planning and implementing the marketing strategies in present situation.
- e. Make recommendation for effective management of threats and challenges faces by RMG industry in present situation.

1.5 Hypothesis

To make the research specific, precise and objective, hypotheses have been posed related to the dependency of entrepreneur's preferential category and increasing the competitive position and of their rated mean score among industries (i.e. Large, Medium & Small)

Entrepreneurs preferential category has been categorized as appropriate marketing strategy and conducive government policy (massive support from the government) for the sake of hypothesis, entrepreneurs have two options either marketing strategy or conducive government policy – they are mutually exclusive and their attitude towards increasing of competitive positions either choosing the marketing strategy or choosing the conducive government policy will have been taken for hypothesis testing.

Garment industries have been categorized in three sizes (i.e. Small, medium and large) for the sake of hypothesis. The hypotheses will be tested to know whether the mean range' of different scale industries is significantly different or not. .

Hypothesis I

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

H1: There is significant relationship between the entrepreneur's preferential category and increasing of competitive position. In other words

entrepreneur's preferential category and increasing of competitive position are dependent.

Hypothesis 2

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

or

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

H1: The differences in 'range of mean' within different scale of industry are independent. In other words, three scale of industry have same 'range of men'.

or

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

Hypothesis 3

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

H1: There is no significant difference between the scale of industry (i.e large medium) and their rated mean score.

Hypothesis 4

H0: There is no significant difference between the scale of industry (i.e large medium) and their rated mean score.

H1 : There is no significant difference between the scale of industry (i.e large medium) and their rated mean score.

Hypothesis 5

H0 : There is no significant difference between the scale of industry (i.e large medium) and their rated mean score.

H1: There is no significant difference between the scale of industry (i.e large medium) and their rated mean score.

1.6 Rationale of the study

Although some of the research works on RMG industry had been done by previous researchers, this topic called "marketing strategies in Nepalese RMG industry" is almost virgin, as not enough research has been undertaken on it. Almost all of the research works was focused on the topics of socio economic, problem and prospects. WTO and its impact to RMG industry and Nepalese RMG industry in changing global trading environment. But none of the research works has been basically focused on 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 following points of view.

- a. In provides the data and information of entrepreneurs' point of view about the marketing strategies, which help to build and improve the pertinent marketing strategies for further period.
- b. This study id not only beneficial for RMG industry but also to other exporting industry.
- c. In provides the insight of the concerned study. So Nepalese trade policy maker, teachers and students of any university and the persons who are interested to seek the knowledge about the topic can be benefited.
- d. It helps and guide s the entrepreneurs, CEO and marketing mangers to strengthen the competitive position of the RMG industry.
- e. The present study will serve as the foundation for further research works on specialized on the concerned subject matter.

1.7 Limitation of the Study

The study is carried out within the following limitations.

- a. The study is concerned with marketing concept rather than trade concept.
- b. only limited studies and surveys are available in this area
- c. The study has focus only on marketing aspect of the industries. It doesn't vigorously consider the macro economic aspects of the industries. The study of WTO's provision has not been mentioned here.
- d. The use of questionnaire and personal visits was made to acquire necessary data for the study. Lack of appropriate database, inability of performance data and poor response in some cases were the principal problems encountered in the course of study. The result may be constrained by these limitations.
- e. Samples have been taken within the Kathmandu valley. They don't represent the whole nation.
- f. Most of the questions are, an attitudinal rating scale type, so personal bias might be happened.

1.8 Organization of the Study

This thesis will be divided into five chapters. There are as follows:

- a. **Introduction:** Background, A brief history of Nepalese RMG industry. Statement of the problem, objective of the study, hypothesis, Rationale of the study, Limitation of the study and organization of the study.
- b. **Review of Literature:** Conceptual/ Theoretical Review and Review of Related studies.
- c. **Research Methodology:** Introduction, Research design, source of data, population and samples, Data collecting instruments, Components of Questionnaire, Data Processing & Tabulations, Data Presentation and Analysis & Statistical Analysis.

- d. **Presentation of the data:** Introduction, Data presentation & Analysis, analysis of Hypothesis Test and the major findings of the study.
- e. **Summary and conclusion:** Summary Conclusion and Recommendation.

CHAPTER-II

REVIEW OF LITERATURE

This chapter consists of two parts: Conceptual/Theoretical review and review of related studies. In conceptual review, it reviews the concepts concerning the subject matter that are written on related journal, magazines and concerned books while in review of related studies, it reviews the previous the previous studies which are related to the subject matter of this study. Review of related study further divided into theme paper and maters of degree and PhD theses.

2.1 Role of Marketing in Industrialization

Marketing plays a very significant role in acceleration the pace of industrialization which, in turn, aims at making the most important multiplier of economics development. The development of marketing makes possible economic already possesses. It mobilizes latent economic energy and finally contributes to the greatest needs that for the rapid development of entrepreneurs and manager. Ultimately, the development of entrepreneurs and managers help in managing industrial activities in a country. It is evident that the industrially development countries are developed in the area of marketing too.

Marketing plays important role 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, Procter 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 Food (Rara Noodles) and Panch Kanya Iron in Nepal Marketing in this sense has made the producers as well as the costumer more conscious towards comparative services, values, safety, satisfaction and convenience (Sharma, 1999:4).

Sherbini (1955) 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 new ideas of social relations. Kelly (1965) is of the opinion that it helps to arraign 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, preserve 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 aggregative 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 institution; it strives to secure the satisfaction of the public which is the primary recipient of national development. Antony (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.

Marketing irony of cultural values is the next pivotal element to an industry's survival prosperity or quite from a particular market. Campbell soup withdrew from markets in Brazil because housewives believed they weren't fulfilling homemaker's role if they served canned soup. 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 marketing threats or opportunities for industries also differ in these countries to the great extent, differing in product, distribution, pricing, promotion and control strategies.

2.2 Concept of Marketing

Along with opportunities, today's business (marketing) environment is full of threats and challenges. Among such kind of complicated environments 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, and it influences the marketing activities of the business organization. Seller of one corner of the world can sell 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 becomes a hot subject for every business organization in this fast changing world.

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

- Globalization: Global Corporation are present in most of the markets, no domestic market is safe from competition.
- Technological change: Technological advances have shortened time and distance. New products appear worldwide in a short time. Consumers are using Internet and computers for shopping propose.
- Liberalization: Deregulation has brought competition everywhere. Public enterprises are being privatized (P.1).

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 (Kotlets, 2003:9). The above definition outlines that marketing is not only the art of selling products out also the integrative activities of marketing where the selling is the part of marketing activities.

Prof. Agrawal (2001) identifies it in this way:

To the general public, marketing is selling through advertising and sales promotion. However, selling and sales promotions are only parts of marketing. Marketing success belongs to those who can create, promote and deliver products that customers are able and willing to purchase (Pp.1-2).

For our every day-to day life, what we used are affected, concerned and influenced by marketing activities.

Prof. Dr. E. Jerome Mc Carthy & Dr. William D. Perrault (1990) argue the affects of marketing in almost every aspect of our daily life are as fallows:

When it’s time to roll out of bed in the morning; does your general eclectic alarm make you with a buzzer of 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 your Nikes, or does the day call for your brooks brothers suit? Will breakfast be Kellogg’s corn from American’s heartland-or some “extra large” egges and Hormel bacon cooked in a Panasonic microwave imported from Japan? Will it be Maxwell house coffee-grown in Colombia- or some minute made as orange juice? May be you’re late and plan to get an egg Mc Muffin at the Mc 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 does for you. It affects every aspect of our Lives-often in ways we don’t ever consider (p.3).

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, it also helps to decide what products to offer to satisfy customer's needs and wants. The ultimate achievement of the marketing is to win the large marketing share, heart share and mind share of the customers. Marketing requires separate work and a first a central dimension of the entire business. It is the Whole business seen from the point of view of its final result that is from the customer's point of view (Cravens, Hill & Woodruff, (1988:4).

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

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

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

Prof, Philip Kotler (2003) in his famous book marketing management defines marketing as, "a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others" (P.9).

The above definition outlines the some core marketing concepts like needs, wants and demand; products & services; utility, value and satisfactions; exchange, transaction and relationship; social & managerial process; markets, marketing and marketers and individual-single buyer and group- institutional buyers.

According to American marketing association "marketing is the process of planning and executing the conception, pricing promotion and distribution of ideas, goods and services to create exchange that satisfy individual and

organization objectives." This definition focuses on the following aspects of marketing (Koirala, 2000:1):

It recognizes marketing as a process, such as conception, pricing, promotion and distribution of product (ideas, goods and services)

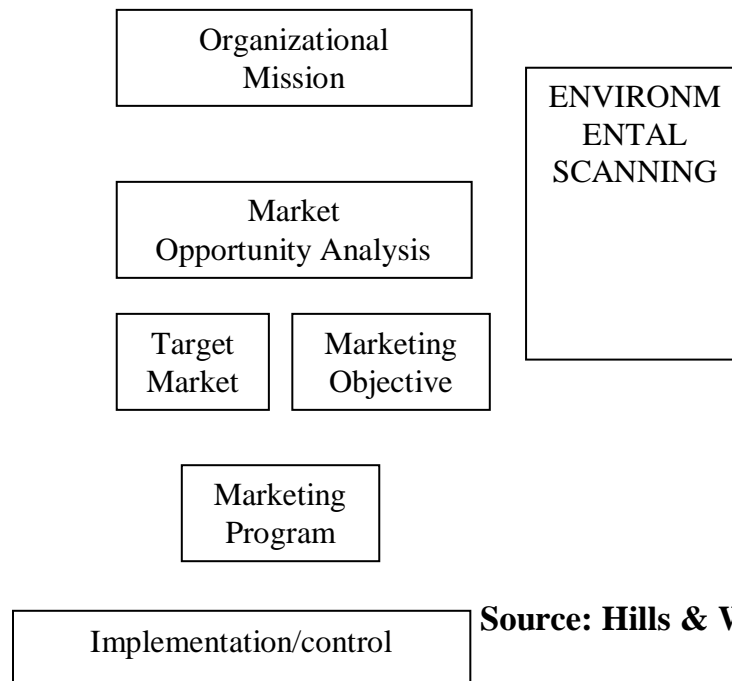
These marketing activities are undertaken to create exchanges that meet individual and organizational goals. The individual goals include profit and long terms survival of the organization.

2.3 Marketing Management

Marketing management involves several activities, including environment scanning, market opportunity analysis, marketing strategy programming, and implementation and control. An overview of the basic components of marketing management and their interrelationship are follows (Cravens, Hills & woodruff, 1988:14-24):

Fig. 2.1

Marketing Management in Action



Source: Hills & Woodruff, 1988:15

a. Organizational Mission

The mission of an organization defines the organization's basic purpose and what the organization wants to accomplish.

b. Environmental Scanning

Environmental scanning is information collection and interpretations concerning outside forces, events and relationship as they affect or may affect the future of the organization. It helps identifying market opportunities and threats and provides guidelines for the design of marketing strategy. Environmental Analysis concentrates environments- the economic, governmental, technological, social, and natural environments.

Environmental forces are changes emanating from the environment with the potential of impacting organization's market opportunities and strategies.

Building adaptive strategies requires an understanding of both the nature and the rate of change And extremely few environmental forces are easy to predict. So management should consciously aware of environmental forces.

c. Market opportunity Analysis

MOD is the by step process of defending, describing and estimating the size and characteristics of each product market of interest to a company, as well as the way and the extent to which each product market is served by competition. It can be used to investigate a potential market opportunity or better understand a market already served. A precise description of the size and characteristics of a target market can show how a firm's marketing approach can be improved.

Knowledge of markets and competitors is essential in designing and managing marketing strategy.

d. Marketing Strategy

Marketing strategy is the set of guidelines and policies used for effectively matching marketing programs (product, price, and distribution) with target market opportunities in order to achieve organizational objectives.

Marketing cannot fulfill its managerial (or social) role unless customer needs and wants are understood and satisfied. The development of an overall marketing strategy helps ensure the mutually beneficial exchange occurrence (part of the definition of marketing). It is oriented towards the long run, comprised of fundamental decision (not day to day adjustments), and developed with an eye to competition as well as markets. Developing marketing strategy includes deciding which customers to target and how to position products (and the organization) relative to competitors in the minds of existing and potential customers.

Describing market program involves identifying alternative combinations marketing variables and then variables and then judging how well these combinations match the market the mix of marketing variables. Then, the program with the greatest potential is implemented.

e. Target Market Selection

A target market may consist of end or one or more sub-groups in a product market. Making decision about target markets is one of management's most important tasks.

Target market selection is guided by an organization's mission and objective, so target market decision must be properly positioned within this larger context and their strategic implications assessed. Once selected , the gargetet market provides the focus for setting marketing objectives and designing the marketing objectives and designing the marketing programs.

f. Marketing Objectives

Marketing objectives should be consistent with corporate objectives and should be stated for each target market in terms in terms of sales, market share, profit contribution and other qualitative aims, such as strengthening a brand image. Objectives are sometimes divided into two groups: market support objectives. The formers are specific outcomes such as sales and profits. The latter pertain to tasks that precede the final performance outcome and may include building customer awareness, engaging in educational efforts, and creating a brand image.

Objectives help shape the marketing mix for each target market. A firm seeking to increase in a target market by 6 percent for the coming year would properly make only limited changes in the existing marketing programs. Alternatively, striving for a substantial sales increase, say 20 percent could require major changes in the composition of the marketing program, including increasing in the marketing budgets for elements of the program (e.g. size of the sales force).

Objectives must, at least to some degree, be measurable; otherwise, identifying progress toward their achievement is impossible. In marketing, measurability is no easy order. A support brand image in the minds of potential customers and progress towards that objective could be measured by surveying customer perceptions. This is often done. Objective should be worded very carefully, with the intention of developing measurable and attainable standards.

g. Marketing program

A firm's marketing must consist of an integrated strategy aimed at providing customer satisfaction. To develop such a strategy, a firm uses demand influencing variables that together constitute the marketing mix, like a puzzle, has numerous pieces that must be appropriately combined for a successful end result. It includes the product (or service) offered by the firm, the distribution channel it uses (wholesalers, distributors, retailers) to make the product available to customers, the price it charges for the product, and promotion (advertising, personal selling, sales promotion and publicity). Other terms often used to describe the components of the marketing mix are the marketing program, the marketing offer, and the 4-ps (product, place, price & promotion). These variables must be consistent with one another, and ideally, they complement one another for a synergistic result. Building a quality prestige product and combining it with inconsistent mix ingredients such as heavy price discounting would be like a poorly integrated, internally inconsistent marketing program. The mix ingredients would conflict with one another in the mind of customers.

The creative role that management must play in moving from knowledge of the market to the formulation of marketing programs is both a major challenge and an opportunity.

h. Implementation and control of marketing strategy

Marketing implementation is the execution of marketing practices, consistent with marketing programs and strategies.

Good marketing strategies too often fail due to poor marketing implementation. poor implementation can also make it difficult to judge whether or not a marketing strategy is itself appropriate. For this reason, it is usually best to first consider making adjustments in marketing implementation. Marketing implementation brings us to level of marketing, the actual day to day execution of marketing tactics and . The finest marketing will fail unless the implementation link that makes the contact with customer is strong.

Marketing control is the setting of standard and the monitoring of marketing performance to keep performance in line with objectives.

The purpose of evaluation and control is to bring the result of the firm's marketing efforts as close as possible to its marketing objectives. Control accounts for a large portion of the marketing manager's daily activities in , most companies, whereas planning is more demanding/ during the early stages of a new business venture. Control determines whether modifications are needed in marketing strategies.

Control is an integral part of marketing management.

2.4 International marketing

International marketing is the performance of business activities designed to plan, piece, promote and direct the flow of a company's goods and services to consumers or user in more than one nation for profit. The only difference between the definition of domestic marketing and international marketing is that in the latter case marketing activities take place in more than one country. This apparently minor difference, "... in more than one country," accounts for the complexity and diversity found in international marketing operations. Marketing concepts, processes, and principles are universally applicable, and the marketer's task is the same whether doing business in Dime box. Texas, or Dar es Salaam, Tanzania. Business's goal is to make a profit by promoting,

pricing and distributing, products for which there is a market (Cateora & Granam, 2002:7-8).

The international marketer's task is more complicated than that of the domestic marketer because the international marketer's must deal with at least two levels of uncontrollable uncertainty instead of one. Uncertainty is created by the uncontrollable elements of all business environments, but each foreign country in which a company operates add its own unique set of uncontrollable factors (Cateora & Granma, 2002:8).

Levels of Environment in Domestic Marketing:

a)

- i) Business location
- ii) Financial position
- iii) Organizational manpower and their working skill.
- iv) R & D activities
- v) Production & marketing facilities.
- vi) Company image in the market.

b) Domestic Uncontrollable

- i) Economic environment
- ii) Soci-culture environment
- iii) Political-legal environment
- iv) Demographic environment
- v) Competitive environment
- vi) Technoligical environment
- vii) Natural environment

c) Levels of environment in Int'I marketing

- i) Domestic
- ii) Domestic uncontrollable

d) Foreign Uncontrollable, which includes

- i) Economic environment
- ii) Soci-Cultural environment
- iii) Political-legal environment
- iv) Demographic environment
- v) Competition environment
- vi) Technological environment
- vii) Natural environment

e) International Environment

- i) Inter regional forces, including regional cooperation groups and their regulations;
- ii) International org., including IMF, UNCTAD, ITC, World Bank, WTO, etc.
- iii)

Though the trade terms 'Int'l trade' and 'Int'l marketing' look like same, they are different from one another in several cases, which is mentioned below:

Dimension	Int'l Trade	Int'l Marketing
a. Actor/parties	Nations are the business Partners	Individual firms and companies are the business partners.

b. Goods move Across frontiers	Yes goods and services move across Frontiers	Goods and services need not move across the frontiers, the marketer can establish plants in the host country to distribute them in that country
c. Impetus/Export Motivation	Comparative advantage is the main reason behind the trade between two Countries	It depends upon the company decision, it is usually profit motive
d. Information Source	The main information source of international trade is the nation's balance of payments	the main information source of international marketing includes individual company records
e. Marketing information:		
Buy and sell	Yes, there should be buying and selling activities	Yes, there should be selling and buying activities
Physical Distribution	Yes, there should be distribution of goods and Services	Yes, there should be distribution of goods and Services
Pricing	Yes, price should be determined for the products	Yes, price should be determined for the

	or services	products or services
Market Research	Generally, a country does not involve in market	Yes, individual firms or companies involve in
Product Development	Generally, a country does not involve in developing products for export purpose	Yes, individual firms or companies involve in developing new products for export purpose
promotion	Generally, a country does not involve in promoting goods and services in foreign countries	Yes, individual firms or companies involve in promoting goods and services in foreign countries
Distribution Channel Management	No, a country does not involve in managing distribution channel	yes, individual firms or companies involve in managing distribution channel

source: Shrestha, 2003;5

2.4.3 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 so very essential for the development of a country.

Export marketing means selling our products successfully overseas. It implies marketing our products abroad. This type of marketing. There are a number of

distortions in such a type of trade flows. These have emerged due to certain policies pursued and institution developed to regulate their trade by certain countries. These distortions are in the form of (a) Import Restriction, (b) Trade Agreements and (c) Regional Grouping/Trade Blocs (Kslkundrikar & wali, 1993:7).

2.4.4 Marketing Research

Market research assumes great importance in the context of competitive export marketing. In the modern days, export marketing is not mere trading. It is something more than trading. The success in the competitive export markets depends on suggestion strategies and systematic plan. It is necessary to have positive dynamic marketing through a proper plan. Any marketing plan can be formulated only with the help of facts. Market research supplies these facts. Marketing research strictly depends on reliable information.

cateora & Graham (1999) state

Information is the key component in developing successful marketing strategies and avoiding major marketing blunders. Information needs large from the general data required to assess market opportunities to specific market information for decision about product, promotion, distribution, and price. Sometimes the information can be bought from trusted research vendors or supplied by internal marketing research staff. But sometimes even the highest level executives have to "get their shoes dirty" by putting in the miles and talking to key customers and / or directly observing the market place in action. As an enterprise broadens its scope of operations to include international markets, the need for current, accurate information is magnified. Indeed, some researches maintain that entry into a fast developing; new-to-the-firm foreign markets, is one of the most daunting and ambiguous strategic decisions an executive can face. A marketer must find the most

Marketing research is traditionally defined as the systematic gathering recording and analyzing of data to provide information useful in marketing

decision-making. While the research processes and methods are basically the same whether applied in Columbus, Ohio or Columbus, Sri Lanka int'l marketing research involves two additional complications. First, information must be communicated across cultural

question into terms that consumers in can understand. Then the Chinese answer must be put into terms (i.e. reports and data summaries) that American managers can comprehend. Fortunately, there are often internal staff and research agencies that are quite, experienced in these kinds of cross-cultural communication tasks (Cateora & Graham : 192)

2.5 Marketing information system

Marketing information system (MKIS) is the mechanism for providing decision-making information and data to the marketing manager. MKIS is "a set of procedures and methods for the regular and planned collection, analysis and presentation of information for use in marketing decision." MKIS provides a continuous flow of information about prices, advertising, sales, competition and distribution. It is the major tool for scanning and monitoring the external environmental forces of marketing. MKIS collects vital information from various sources, analyze and synthesize them and supply to the marketing decision makers (Koirala, 2002:4)

Prof. Koltler (2005) defines the MKIS as " A marketing information system consists of people, equipment and procedure to gather, sort, analyzem evaluate and distribute needed, timely and accurate information to marketing decision makers (P.123)

Prof. K.D. Koirala (2002) beautifully highlights the above definition characteristic as follows:

- MKIS consists of people working for the organization as managers, supervisors, salespersons, and intermediaries who provide vital information about the market and environment.

- The system is based on communication equipment and computers that help in the collection, classification, analysis and dissemination of information.
- The system is designed to provide essential, reliable and prompt information feed-back to marketing decision makers.

Marketing information has become very important in the current marketing decision process due to the following factors:

- Information of geographical market coverage from local to national to international markets.
- Extension of marketing goals from understanding and satisfying customers needs to want creation and delivery which requires a deep probing into customers' buying decision.
- Diversion from price to non-price competition requiring a variety of information on product positions, effectiveness of promotional tools, produce differentiation etc.

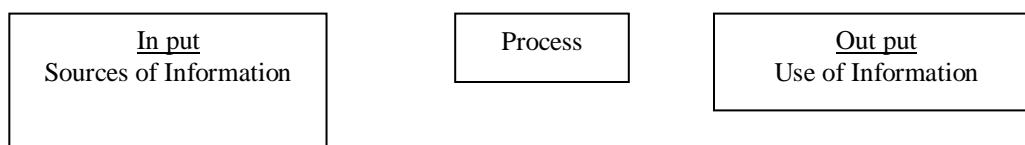
Information demand has been growing in the business sector in Nepal although many businessmen still prefer to use hunches and institutions in business decisions. The information supply side however is growing slower than the demand side thus, creating a service information glut in the country (p. 5)

For the marketing manager with a multinational responsibility, accurate information on a global basis is the necessary pipeline for the effective performance of his decision making function.

Marketing information system consists of three components the sources of information, processing of information and use of information for decision making.

Fig 2.2

International MKIS



Source: Shrestha, 2003:114

prof. kotler (2005) defines the marketing

"A marketing intelligence system is a set of procedures and sources used by managers to obtain everyday information about development in the marketing environment (p.125).

intelligence is the inevitable part of modern org to exploit the opportunities and to overcome the threats.

2.6 Concept of Corporate Strategy

No enterprises, either big or small, safe from threats and challenges in a present today is the age of globalization. Intense competition is everywhere, and it faces every organization to scanning the environment and to adopt the strategies.

prof. Agrawal (2004) states

Modern business organization is facing significant challenges. Environmental changes are taking places due to globalization, advance information technology, political economic groupings, and social culture shifts, Globalization has brought competition everywhere. The world is becoming one big market. Increasing size of organization has increased complexity and diversity.

Such changes are having for searching impact on business organization. They are creating condition of hyper competition that creates constant disequilibrium and change (p.1).

Only appropriate strategy can help the organization to operate in a dynamic environment. So every organization must concern about strategy. To achieve the desired objectives, every organization must need a strategic orientation for a long term future direction. It shows an organization a way to move long term means five years or more. Strategy is a broad game plan and action plan for achieving organization objectives. Every activity influenced by strategy is concerned with organizational goals. So strategy means to achieve organizational objectives.

The thrust of strategy is to search for competitive advantage for the organization. It is a means to achieve organizational objectives. It focuses on matters of strategic importance. It is a broad indicator of the direction to achieve objective (Agrawal, 2004:1).

Some useful definition of eminent writers retrieved by prof. Agrawal (as cited in Chandler, 1962; Jauch & Glueck, 1988; & Johnson & Scholes, 2002)

According to Alfred D. Chandler (1962).

"Strategy is the determination of basic long term goals and objectives of an enterprise and the adoption of the course of action and the allocation of resources necessary for carrying out these goals."

According to Jauch and Glueck (1988)

A strategy is unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of environment.

According to Johnson and schools (2002)

Strategy is the direction and scope of an organization over the long term, which achieves advantages for the organization through its configuration of resources within a changing environment and to fulfill stockholder expectations.

2.7 Concept of Business strategy?

prof. David A. Aaker (2001:4-6) has defined and described the business strategy in six elements and dimension, which are as follows:

a. The product market in which the business is to compete

The scope of a business is defined by the products and chooses not to offer, by the markets it seeks to serve and not serve, by the competitors it chooses to compete with and to avoid, and by its level of vertical integration. Sometimes the most important business scope decision is what products or segmentations to avoid because such a decision, if followed by discipline, can conserve resources needed to compete successfully elsewhere.

b. The level of investment

Although there are obvious variations and refinements, it is useful to conceptualize the alternative as

- i. Investment to grow (or enter the product market).
- ii) Invest only to maintain the existing position.
- iii) Milk the business by minimizing investment.
- iv) Recover as many of the assets as possible by liquidating or divesting the business.

The specific way to compete will usually be characterized by one or more function strategies, such as a

- i) product line strategy
- ii) communication messaging strategy
- iii) pricing strategy
- iv) Distribution strategy
- v) Manufacturing strategy
- vi) Information technology strategy
- vii) Segmentation strategy

Fig. 2.3

A Business Strategy

A Business Strategy

Product-market investment-decision

- Product-market scope
- Investment intensity
- Resources allocation over business unit

Functional Area Strategies

- Product
- Price
- Distribution
- ETC

Basic of SCAs

- Assets/compenatencies
- Synergies

Sources: Aaker, 2001:6

All six elements of the strategy concept can be capsule into three core elements:

- The product market investment decision that encompasses the product market scope of the business strategy, its investment intensity, and the resources allocation over multiple business.
- The functional area strategies-what you do
- The basis of a sustainable competitive advantage (SCA) the assets, competencies, and/ or synergies matched with functional area strategies.

2.8 Strategic Market management

2.8.1 A Historical perspective

The process of developing and implementing strategies has been described over the years by various terms, including budgeting, long range planning, strategic planning, and strategic market management. All these terms have similar meanings and are often used interchangeably. however, when they are placed in a historical perspective, some useful distinctions emerge (Aaker, 2001: 9-12).

a.

The development of budgeting management system can be roughly associated with early 1900s. The emphasis is on controlling deviations and managing complexity. An annual budget is set for various departments, and deviations from that budget are carefully scrutinized to find explanations and determine whether remedial action is appropriate. The basis assumption is that past will repeat itself.

b. Long Range planning

The second management system is long range planning, the development of which logf Ansoff, on anticipating growth and management complexity. The basis assumption is that past trends will continue into the future. The Planning process typically involves projecting sales, costs, technology, and so into the future using data and experience from the past. The planning task is then to develop human resources and facilities to accommodate the anticipated growth or contraction. The time frame is not necessarily as limited as in the budgeting system and can anticipate two, five or ten years, depending on the context.

Included under long range planning is gap analysis. A gap occurs of the projected sales and profits do not meet the organization goals. Changes in operation, such as increasing the sales force and or plant capacity, are then considered to remove the gap.

c. Strategic planning

Strategic planning the emergence of which is associated with the 1960s, 1970s, and 1980 is concerned with changing strategies thrusts and capabilities. The basic assumption is that past extrapolations are inadequate and that discontinuities from past projections and new trends will require strategic adjustment. An adjustment in strategic thrust or direction could involve moving into a new product market. The enhancement of research and development competence could represent an adjustment in strategic capability.

Strategic planning focuses on the market environment facing the firm. Thus, the emphasis is not only on projection, but also on an in-depth understanding of the market environment, particularly the competitors and customers. The hope is not only to gain insight into current conditions, but also to be able to anticipate changes that have strategic applications

One characteristic that strategic planning shares with budgeting and long range planning management system is that is largely based on a periodic planning system, usually an annual system. Typically, an organization will develop a strategic plan in

the spring and summer and then, during the fall, will use the plan as a base for developing the annual operating plans and budget for the next year. The periodic planning cycle does provide a time in which manager must address strategic questions. Without such a device, artificial though it may be, even managers who realize the importance of strategic thinking might find their time absorbed by day-to-day operations and crises.

The difficulty with the periodic planning process is that the need for strategic analysis and decision-making does not always occur on an annual basis. The environment and technology may change so rapidly and environmental shock may occur so unexpectedly that being tied to a planning cycle can be disadvantageous and even disastrous. If the planning process is allowed to suppress strategic response outside the planning cycle, performance can suffer, particularly in dynamic industries.

A study of managers making strategy decisions in a simulated business focused on the impact of planning. The study found that when the environment was made more turbulent (by reducing product life cycle and increasing product change), those businesses that were asked to plan formally (by projecting performance using planning forms) had performance inferior to those that did not plan. Planning enhanced those in a less turbulent environment, however.

d. Strategic Market Management

Strategic market management, or simply, strategic management, is motivated by the assumption that the planning cycle is inadequate to deal with the rapid rate

of change that can change occur in a firm's external environment. To cope with strategic surprises and fast developing threats and opportunities, strategic decisions need to be precipitated and made outside the planning cycle.

Recognition of the demands of a rapidly changing environment has stimulated the development or increased use of method, systems, and options that are responsive. In particular, it suggest and need for continuous, real time information system rather than, or in addition to, periodic analysis more sensitive environment scanning, the identification and continuous monitoring of information need areas, efforts to develop strategic flexibility, and the enhancement of the entrepreneurial thrust of the organization may be helpful. A information need area is an area of uncertainly that will affect strategy, such as an emerging consumer interest area. strategic flexibility involves strategic options that allow quick and appropriate responses to sudden changes in the environment.

Strategic market management is proactive and future oriented. Rather than simply accepting the environment as given, with the strategic role confined to adaptation and reaction, strategy may be proactive, affecting environmental changes. Thus, governmental policies, customer needs, and technological developments can be influenced-and perhaps ever controlled-with creative, active strategies. Gary Hamel and C.K Prahalad argue that managers should have a clear and shared understanding of how their industry may be different in 10 years and a strategy for competing in that world. They challenge manger to evaluate the extent to which

- i) Management has a distinctive and farsighted view, rather than a conventional and reactive view, about the future.
- ii) Senior management focuses on regenerating core strategies rather than on reengineering core processes.
- iii) Competitors view the company as a rule market rather than a rule follower.
- iv) The company's strength is in innovation and growth rather than in operational efficiency.

- v) The company is mostly out in front rather than catching up.

Strategic market management actually included all four management systems: The budgeting system, the projection based approach of long-range planning, the elements of strategic planning and the refinements needed to adopt strategic decision making to real time. In strategic market management a periodic planning process is normally supplemented by techniques that allow the organization to be strategically responsive outside the planning process.

of the term market in the phrase "strategic management" emphasizes that strategy development needs to be driven by the market and its environment rather than by an internal orientation. It also points out that the process should be proactive rather than reactive and that the task should be to influence that environment as well as respond to it.

2.8.2. Why strategic market management

Strategic market management is often frustrating because the environment is so difficult to understand and predict. The communication and choices required within the organization can create strain and internal resistance. The most valuable organization resource, management time is absorbed. The alternative of simply waiting for and reacting to exceptional opportunities often seems efficient and adequate.

Despite these costs and problems however strategic market management has the potential to

- a. Precipitate the consideration of strategic choices. What is happening externally that is creating opportunities and threats to which a timely and appropriate reaction should be generated? What strategic issues face the firm? What strategic options should be considered? The alternative to strategic market management is usually to drift strategically, becoming absorbed in day-to-day problems. Nothing is more tragic than an organization that fails because a strategic decision was not addressed until it was too late.
- b. Force a long-range view. The pressures to manage with a short-term focus are strong and frequently lead to strategic errors.

- c. Make visible the resource allocation decision. Allowing allocation of resources to be dictated by the accounting system, political strengths, or inertia(the same as last year) is too easy. One result of this approach is that the small but promising business with "problems" or the unborn business may suffer from a lack of resources, whereas the larger business areas with "problems" may absorb an excessive amount.
- d. Aid strategic analysis and decision - making. Concepts, models, and methodologies are available to help a business collect and analyze information and address difficult strategic decisions.Strategic management and control system. The focus on assets and competencies and the development of objectives and programs associated with strategic thrusts provide the basis for managing a business strategically.
- e. Provide both horizontal and vertical communication and coordination system. Strategic market management provides a way to communicate problems and proposed strategies within an organization; in particular, its vocabulary adds precision.
- f. Help a business cope with change. If a particular environment is extremely stable and the sales patterns are satisfactory, there may be little need for meaningful strategic change-either in direction or intensity. In that case, strategic market management is much less crucial. However, most organization now exists in rapidly changing and increasingly unpredictable environments and therefore need approaches for coping strategically(Pp. 15-16)

2.8.3 An overview of strategic market management

Strategic market management is a system designed to help management both precipitate and make strategic decision, as well as create strategic vision. A strategic decision involves the creation, change, or retention of a strategy. In contrast to a tactical decision, a strategic decision is usually costly in terms of the resources and 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 strategic decision has a

time frame greater than one year; sometime decades are involved (Aaker, 2001: 18).

An important role of the system is to precipitate as well as make strategic decision. The identification of the need for a strategic response is frequently a critical step. Many strategic blunders occur because a strategic decision was made. Furthermore, the role of strategic market management is not limited selecting from among decision alternatives, but it includes. Brief overviews of its three principal elements are as follows.

External Analysis

External Analysis an examination of the relevant elements earned to an organization. The analysis should be purposeful, focusing on the identification of opportunities, threats, trends, strategic uncertainties, and strategic choices.

Fig.2.4

Overview of Strategic Market Management

Strategic Analysis

External Analysis	Internal Analysis
<p data-bbox="331 1444 618 1478">Customer Analysis</p> <p data-bbox="331 1524 870 1604">Segments, motivations, unmet needs</p>	<p data-bbox="894 1444 1227 1478">Performance Analysis</p> <p data-bbox="894 1524 1435 1856">Profitability, sales, shareholder value analysis, customer satisfaction, product quality, brand associations, relative cost, new products, employee capability and performance, product portfolio analysis.</p>

<p>Competitor Analysis :</p> <p>Identity, strategic groups, performance, image, objectives, strategic, culture, cost, structure, strength, weakness.</p>	<p>Determinants of strategic options:</p> <p>past and current strategic, strategic problems, organizational capabilities and constraints, financial resources and constraints, strengths and weakness.</p>
<p>Market Analysis</p> <p>size, projected growth profitability, entry barriers, cost structure, distribution systems, trends, key success factors.</p>	
<p>Environmental Analysis:</p> <p>Technological, governmental, economic, cultural, demographic, scenarios, information-need areas.</p>	

Opportunities, threats, trends
problems and strategic uncertainties

Strategic strength, weaknesses,
constraints and uncertainties

Strategy identification and selection

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

Source: Aaker, 2001:19

One output of external analysis is an identification and understanding of opportunities and threats, both present and potential, facing the organization. An opportunity is a trend or events signifying upward change in sales and profit patterns given the appropriate strategic response. A threat is a trend or event that will result, in the absence of a strategic response in a significant downward departure from current sales and profit patterns. For example, consumers concern with high quality and fashion apparels with minimum price & time delivery represents a threat to the Nepales ready mode garment industry.

Another output is the identification of strategic uncertainties regarding a business or its environment that have the potential to affect strategy. If the uncertainly is important and urgent, an in depth analysis leading to a strategy decision may be needed, otherwise, an information gathering effort is usually appropriate.

External analysis is divided into four section or components; customer analysis, competitor analysis, market analysis and environmental analysis.

i) Customer Analysis

Customer analysis involves identifying the organization's customer segments and each segment's motivation and unmet needs. Segment identification defines alternative product markets and thus structures the strategic investment decision (what investment levels to assign to each market). The analysis of customer motivation provides information needed to decide whether the firm can and should attempt to gain or maintain a sustainable competitive advantage. An unmet need (a need not currently being met by existing products) can be strategically important because it may represent a way to dislodge entrenched competitors.

ii) Competitor Analysis

Competitor analysis starts with the identification of competitors, current and potential. Some competitors compete more intensely than others. Although intense competitors should be examined most closely, all competitors are usually relevant to strategy development.

Especially when there are many competitors, it is helpful to combine those with similar characteristic (e.g., size and resources), strength (e.g., brand name, distribution), and strategies (e.g. high quality) into strategic groups.

To develop a strategy, it is important

- Performance

What do this competitor's sales, sales growth and profitability indicate about its health ?

- Image and personality

How is the competitor positioned and perceived?

- Objectives

It this competitor committed to the business? Does this competitor aim for high growth?

- Current and past strategy

What are the implications for future strategic moves?

- Culture

What is most to the organization cost control, entrepreneurship, or the customer?

- Cost structure

Does the competitor have a cost advantage?

- Strength and weakness

Is the brand name, distribution or R&D strength or a weakness?

Of special interest are the competitor's strength and weakness. Strategy development often focuses on exploiting a competitor's weakness or neutralizing or bypassing a competitor's strength.

iii) **Market Analysis**

Market analysis has two primary objectives. The first is to determine the attractiveness of the market and submarket. On average, will competitors earn attractive profits or will they lose money? If the market is so difficult that everyone is losing money, it is not a place in which to invest. The second objective is to understand the dynamics of the market so that threats and opportunities can be detected and strategies adopted. The analysis should include an examination of the market size, growth, profitability, cost structure, channels, trends and key success factors.

- Size

A basic characteristic of a market (or a submarket) is its size. In addition to current sales, the analysis should consider the market's potential, that is, the additional sales that could be obtained if new users were attracted, new users were found or existing buyers were enticed to use the product or service more frequently.

- Growth prospects

The analysis needs to assess the growth trend and product life cycle stage for the industry and its submarkets. An investment in a declining industry is not always unwise, but it would be if the strategic held the erroneous impression that it was a growth situation. Conversely, it is important to recognize growth contexts even though they will not always be attractive investments for a given firm.

- Market profitability

The profitability of the market depends on five factors the number and vigor of existing competitors, the threat of new competitors, the threat of substitute products, the profit impact of powerful suppliers, and the power of customers to force price concessions. Important structural components are the barriers to entry that must be overcome by potential competitors are the barriers to entry that must be overcome by potential competitors entering the industry.

- Cost structures

One issue is what value added stage represents the most important cost components. Achieving a cost advantage in an important value added stage can be crucial. Another cost issue is whether the industry is appropriate for a low cost strategy based in the experience curve model.

- Distribution channels

An understanding of the alternative distribution channels and trends can be of strategic value.

- market trends

Trends within the market can affect current or future strategies and assessments of market profitability.

- Key success factors

A key success factor is any competitive asset or competence that is needed to win in the marketplace, whether it is an SCA (actually representing a sustainable point of advantage) or merely a point of parity with the company's competitors.

iv) Environmental analysis

Important forces outside an organization's immediate market and competitors will shape its operation and trust. Environmental analysis is the process of identifying and understanding emerging opportunities and threats created by these forces. It is important to limit environmental analysis to what is manageable and relevant, because it can easily get bogged down by expensive

scope and volume. It is helpful to divide environmental analysis into five components: technological, governmental, culture, economic and demographic.

A technological development can dramatically change an industry and create difficult decisions for those who are committed to profitable, old technologies. For example, the microprocessor, the Internet, and wireless communication have changed a host of industries. Information technology has created a significant advantage for those hotels able to develop and exploit systems that allow them to service customers more efficiently and with a personalized touch.

The governmental environment can be especially important to Multinational Corporation that operates in politically sensitive countries.

Strategic judgments in many contexts are affected by culture environment. For example, the key success factor for many clothing industries is the capability to be in tune with current fashion.

Knowledge of the economic environment facing a country or an industry helps in projecting that industry's sales over time and in identifying special risks as threats.

Demographic trends are important to many firms. Age patterns are crucial to those whose customers are in certain age groups, such as infants, students, baby boomers or retirees.

A strategic uncertainty stimulated by any external analysis component can generate an information need area, a strategically important area for which there is likely to be a continuing need for information. Special studies and ongoing information gathering might be justified.

A strategic uncertainty can be used to create two or three future scenarios, a relatively comprehensive view of the future environment. One scenario might be optimistic, another pessimistic and a third in between.

- b. **Internal analysis** aims to provide a detailed understanding of strategically important aspects of the organization. In particular, it covers performance analysis and an examination of the key determinates of strategy, such as

strength, weakness and strategic problems. Internal analysis, like external analysis usually has an SBU as a frame of reference but can also be productive at the level of aggregations of SBUs, such as divisions of firms.

i) Performance analysis

Profitability and sales provide an evaluation of past strategies and an indication of the current market viability of product line. Return on assets (ROA), the most commonly used measure of profitability, needs to be compared to the cost of capital in order to determine if the limitations of accounting measures- in particular; it ignores intangible assets, such as brand equity. Sales are another performance measure that can reflect changes in the customer base that have long term implications.

Shareholder value analysis is based on generating a discounted present value of the cash flow associated with a strategy. It is theoretically sound and appropriately forward looking (as opposed to current financials that measure of rather than on other indicators of strategic performance. Developing the needed estimates is difficult and subject to variety of biases. Other, non-financial performance measure often provides better measures of long term business health:

- Customer satisfaction/brand loyalty- How are we doing relative to our competitors at attracting customers and building loyalty?
- Product/service quality-Is our product delivering value to the customer and is it performing as intended?
- Brand/firm Associations -What do our customers associate with our business in terms of perceived quality, Innovativeness, product class expertise, customer orientation and so on ?
- Relative cost-Are we at a cost disadvantage with respect to materials, assembly, product design, of wages?
- New product activity- Do we have a stream of new products or product improvements that have made an impact?

- Manager/employee capability and performance-more we created the type quantity, and depth of personal dedeed to support projected strategies?
- Product portfolio analysis- This analysis considers the performance strength of each business area in which it competes. One goal is to generate a business mix with an appropriate balance between new and mature products. An organization that lacks a flow of new products faces stagnation of decline. A balance must also exist between products that generate cash and those that use each.

ii) **Determinants of strategic options**

Internal analysis should also review characteristic of the business that will influence strategic options. Five areas determine the strategic options are past and current strategy, strategic problem, organizational capabilities and constraints, financial resources and constraints, and strength and weaknesses.

- **Strategy Review**

The past and current strategy provides an importance reference point and should be understood. Has the strategy been some one of milking maintenance, of growth? Has it involved differentiation or low cost? What are its target segments? What is the sustainable competitive advantage?

- **Strategic problems**

A strategic problem is one that, if uncorrected, could have damaging strategic implications. A weakness is more a characteristic, such as a bad location, that the organization may have to endure. Of course a weakness can often be corrected; a organization's location can be changed. In general, however, problems are corrected, and weaknesses are neutralized by a strategy of overcome by strengths.

- **Organizational capabilities and constraints**

Internal analysis includes an examination of the internal organization its structure systems, people, and culture. The internal organization can be important strategically when it is a source of

A Strength- The culture in some firms can be so strong and positive as to provide the basis for a sustainable competitive advantage.

A Weakness- A firm may lack the marketing personnel to compete in a business in which a key success factor is marketing.

A Constraint- A Proposed strategy must fit the internal organization. A realistic appraisal of an organization may preclude some strategies.

- **Financial Resources and Constraints:**

An analysis of the financial resources available for investment, either from planned cash flow or from debt financing helps determine how much net investment should be considered.

- **Strength and weakness**

Future strategies are often developed by building on strengths and neutralizing weaknesses. Strength and weaknesses are based on assets, such as brand name, or competencies, such as advertising or manufacturing.

c) Strategy identification and

The purpose of external analysis and internal analysis is twofold: to help generate strategic alternatives and to provide criteria for selecting from among them.

i) Identifying strategic alternative

There are three ways to identify strategic alternatives. The first is selecting the product markets in which the firm will operate and deciding how much investment should be allocated to each; the second is developing the functional areas strategies; and the third is determining the bases of sustainable competitive advantage in those product markets.

ii) Product market investment strategies

- **Product Definition**

As practical matter, many strategic decisions involve products- which product lines to continue which to add and which to delete.

- **Market definition**

Business needs to select markets in which they will have a competitive advantage.

- **Growth directions**

It is crucial in strategy development to have a focus that is dynamic f\rather than static. The concept of product mix matrix is helping is helping for identifying options and encouraging a dynamic perspective.

In the product market, four growth options are considered. The first is to penetrate the existing product market; A firm may attempt to attract customers from competitors of increase usage by existing customers. A second option involves product expansion while remaining in the current market.

- **Investment Strategies**

For each product market, four investment options are possible. The firm could invest to enter of grow; invest to hold the existing position, Milk the business avoiding any investment, of exit. The exit option might arise if prospects become extremely unattractive or if the business area becomes incompatible with the overall thrust of the firm.

- iii) **Functional area strategies**

The development of a business strategy involves the specification of the strategies in functional areas such as sales, brand management, R & D, manufacturing, and finance. It can be difficult to coordinate various functional area strategies so that they don't work at cross purpose. The role of strategic objectives is to help in that task.

- iv) **Bases of sustainable competitive advantage**

To be effective over time, a strategy needs to involve assets and competencies or synergies based on unique combinations of business. Thus, identifying

which assets, competencies and synergies to develop or maintain becomes a key decision.

- **Strategic positioning**

Strategic positioning specifies how the business is to be perceived relative to its competitors and market by its customers and employees/partners. It represents the essence of a business strategy.

v) **Selecting among strategic Alternatives**

Consider scenarios- A future scenario can be stimulated by strategic uncertainties or environmental opportunities or threats. It is useful and prudent to evaluate strategic options in the context of any major scenarios identified.

- **pursue a sustainable competitive advantage**

A useful operational criterion is whether a sustainable competitive advantage exists as part of the strategy. Unless the business unit has or can develop a real competitive advantage that is sustainable over time in the face of competitor reaction an attractive long term return will be unlikely. To achieve a sustainable competitive advantage, a strategy should exploit organizational assets and competencies and neutralize weakness.

consistent with organizational vision and objective of an organization's vision what future strategy should be-and objectives is to help make strategic decision. Thus, it is appropriate to look forward them for guidance. They can be changed, of course, if circumstances warrant. An explicit decision to change a strategy is very different from ignoring it in the face of a tempting alternative.

Be feasible-A practical criterion is that the strategy be feasible. It should be within the resources of the organizational. It also should be internally consistent with other organizational characteristic, such as structure, systems, people and culture.

- **Consider the relationship to other firm strategies**

A strategy can relate to other business units by balancing the sources and uses of cash flow. Some business units should generate cash and others should provide attractive places to invest that cash.

Enhancing flexibility- Flexibility is generally reduced when heavy commitments are made in the form of fixed investment, long term contracts, and vertical integration.

Exploiting synergy- A firm that does not exploit potential synergy may be missing an opportunity.

vi) Implementation

The implementation stage involves converting strategic alternatives into an operating plan. If a new product market is to be entered, then a systematic program is required to develop or acquire products as an entry vehicle. If a strong R&D group is to assemble a program to hire people, organize them, and obtain facilities, will be needed. The operating plan may span more than one year. It might be useful to provide a detailed plan for the upcoming year that contains specific short-term objectives.

vii) Strategy Review

One of the key questions in a strategic market management system is to determine when a strategy requires review and change. It is usually necessary to maintain a limited number of key measures of strategy performance and the environment. Thus sales, market share, margins, profit and ROA may be regularly reported and analyzed. Externally, the process is more difficult, requiring an effective information scanning system. The heart of such a system will be an identified set of strategic uncertainties or issues that need to be continuously considered.

2.9 Identifying Competitive Position

Competition can be in terms of product class, brand, generic or geographic. Organizations face competition when they all are engaged in satisfying the same customer needs. Competitors on key strength factors (Agrawal 2004:72).

He further argue that the forces in the external environment, the pressure of competition, the strength of organization's resources and competencies and the market factors influence the competitive position of a business organization (p72).

Following area the steps to identify an organization's competitive position:

- a. competitor analysis
- b. Strategic group analysis
- c. Market analysis
- d. Market attractiveness and business strength analysis.

competitor Analysis

Prof. Agrawal (2004) identifies competitor analysis, as competitors are rival organizational with similar products aimed at the same customer groups.

Organizational must identify and analysis their current and potential competitors.

Competitor's analysis consists of (Agrawal, 2004: 73-75).

- i) Identification of competitors
 - ii) Evaluation of competitors
 - iii) Anticipating future moves of competitors
- i) Identification of competitors: who is the competitor?

This task consists of preparing a profile of key competitors. They can be at local, national or global levels.

They can be competing at product class, brand, generic product, and price and non-price levels. Their identification can be based on:

- Customer- based approach: This grouping of competitors is based on competitions for customer's choice. For example, coke with pepsi.
- Strategic group approach: A strategic group consists of organization with similar competitive strategies, similar characteristics and similar image in a given industry.

ii) Evaluation of competitors: What is the competitor doing?

Competitors can be evaluated in terms of:

- Objectives and strategies: objectives are desired result in terms of profit, market share, leadership, image etc. They drive the competitors.

Strategies are broad action plan to achieve objectives. Current and past strategies of competitors should be studied. They can be leader, challenger, and follower or nicher strategies. Their competitive approaches and action should be watched.

Objectives and strategies of competitors should be continuously monitored.

- Strength and weakness : They should be assessed by gathering information about their:
 - Resources and capabilities: Resources can be people, money, technology and information. Performance track record is capability.
 - Vulnerability to competitive pressures.
 - Share of target market served by the competitor's current position in industry.
 - Share of mind and heart of customer for competitors. Share of mind is image of competitor in customer's perception. Share of heart is preference by customer to buy the product of competitor.

iii) Anticipating future moves of competitors: what the competitor can do next?

The future moves and reaction patterns of competitors should be carefully estimated. They can be:

- Laid back reaction: Slow reaction to rival's moves
- Selective reaction: Attacking selective moves of the rivals.
- Tiger reaction: Reacting swiftly to all the rival's moves
- Stochastic reaction: No predictable reaction to rival's moves

Organization should search for competitive advantage through competitor analysis. They should design and manage their competitive strength.

b) Strategic group analysis

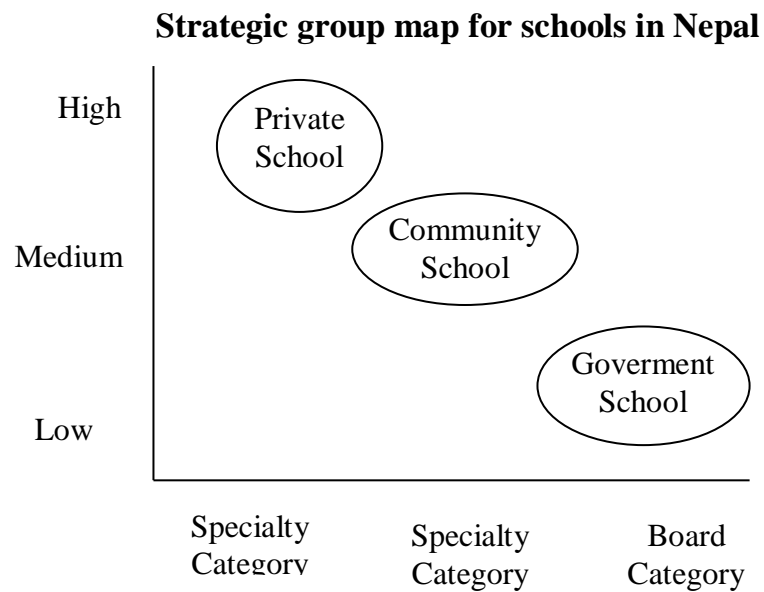
Prof. Michael E. Porter has defined, "A strategic group is the group of firms in an industry following the same or a similar strategy along the strategic dimensions." A strategic group is a set of business units or firms, which adopt similar strategies with similar resources. It is very useful to set the strategic groups categorizing business units from an industry in order to understand better competitive environment because a company's structure and culture belong to particular strategic group within the same industry which tends to strong rivals and more similar to each other than the competitors in other strategic groups within the same industry (Gautam, 2002:72).

Prof. Agrawal (2004:77) points out the steps for constructing strategic groups maps are:

- i) Identify competitive characteristic that differentiate firms from one another in an industry.
- ii) Plot firms on a two variable map using at least two differentiating characteristics.
- iii) Having common competitive characteristics to a strategic group.

- iv) Draw circles around each group. The size of circle should indicate market share of each group.

Fig 2.5



Product/Geographic

Sources: Agrawal, 2004:78

The concept of strategic group is useful in the following ways:

- To understand direct competitors of an org.
- To identify the basis of competition within each from and between groups.
- To assess possibility of mobility from one group to another.

c. Market Analysis

To identify the competitor's strength and weakness, the organization should gather relevant information on each competitor business including data of sales, market share, profit margin, and return on investment, cash flow, new investment and capacity utilization. The strength and weakness of competitor can be learned through secondary data, personal experience, hearsay, primary research and collection of feedback from customers, suppliers, dealers etc. All these information help the organization to identify the competitive position (Gautam, 2002:73)

Market analysis for identifying an organization competitive position is concerned with how well customer needs are satisfied. prof. Agrawal (2004:78-81) points out that:

i) Market power

It is the capacity of the organization to influence the behavior of competitors in the market. Such organization tends to be leaders in their chosen market segments. Market power is based on market share and market growth in chosen segment.

ii) Market share

There is important relationship between market share and market power. Organization aims to capture the largest share of the market.

Market share of a specific organization is the share in total sales of product during a given period in a specific market. It can refer to industry, segment or area. Market share can be measured in three ways:

- Overall market share: It is the sale of a specific organization expressed in percentage of total market sales.
- Served market share: It is the sales of a specific organization expressed as percentage of the total sales.
- Served market share: It is the sales of a specific organization expressed as percentage of the total sales in served segments.

- Relative market share: It is the sales of a specific organization expressed as a percentage of the sales of its key competitors. Relative market share is the key source of market power. It should be more than 100% to make a market leader.

Organization should protect and expand their market share to improve their competitive position.

" Products have greatly been influenced by technology, changing business environment, changed customer needs, so we must understand the situation before forming any kind of strategy."

For effective sale, emphasis should be given on the need to identify relevant change at first and evaluate changes as threats or opportunities define the sales goal and evaluate alternatives before going for sales (p.58).

iii) Market Growth

Market growth is an indication of market power. Market growth refers to all round annual growth rates in sales, market share and profits. It should be analyzed in relation to key competitors.

Opportunities in the environment and unique resource and competencies provide potential for market growth. An organization must have high rate of market growth. An organization must have high rate of market growth to maintain and improve its competitive position.

iv) Methods of increasing market power

Market power should be increased to sustain competitive advantage for improving competitive position of an organization. The methods can be:

- Improving customer value: Value represents ratio of benefits to costs perceived by the customer. Organization can add value for customers. This helps attract value conscious customers.

- Offering New products: new products can be product innovation, modification or invitation. They are new to the organization and the market. New products serve as the source of market power. "First in the market product" also gives market power.
- Competitive Market position: Positioning describes how an organization's brand differs in relation to the brands of its competitors in the minds of customers. It can be based in quality, price, technology, service, benefits and product attributes. Competitive positioning position products as better than that of key competitors. This increases market power by improving the image of organization.
- Latest marketing practices. They can consist of e-commerce and virtual marketing. Internet is used to eliminate middlemen and reduce distribution and promotion costs. This enhances market power.
- Customer satisfaction - An organization should effectively satisfy the needs of its customers. It should build long terms customer relationships to ensure their loyalty. Loyal customers add to market power.

Market attractiveness and business strength analysis

Prof. Agrawal (2004) identifies, as an organization to be successful should

i. Enter attractive markets

ii. Possess business strength to success in those markets.

i. Market Attractiveness

The factors of market attractiveness are:

- Market size
- Annual market growth rate

Prof Agrawal (2004:18-120) has identified that the strategic advantage of an organization is relative to its competitors. It implies performing better than competitors. It is the ability to meet and beat the performance of competitors.

He further has found that comparative analysis is concerned with assessing the performance of an organization from a comparative perspective. The comparative can be done by three methods.

- a) Historical comparison
- b) Industry Norms
- c) Benchmarking

a) Historical comparison (Historical Analysis)

It looks at performance of an organization in relation to previous year to identify significant changes. The analysis is internal to the organization. It assesses performance improvement over a period of time. Common parameters are used for analysis.

Area having consistently good performance represents. Areas of consistently bad performance represent weakness.

Weaknesses of Historical Analysis are:

- i) It does compare performance improvement with the competitors.
- ii) It does not indicate the reasons for bad performance for taking corrective actions.
- iii) It can lead to complacency. Measurement of performance based on a small base can show dramatic improvements.

b) Industry Norms

Industry norms are agreed standards of performance in a given industry. The performance of an organization is compared with industry norms. It can also be compared with the performance of strategic group members in the same industry. It is benchmarking within a given industry.

Industry norms help organization to locate their strength and weakness. They can identify areas where they excel and areas where they need improvements.

- i) Industry norms are based on average. They could lead to erroneous conclusions about capability.
- ii) Not all organization in an industry are of similar nature. Aggregated figures of diverse nature of organization may not be meaningful for comparison.
- iii) The overall performance of an industry can be bad in comparison to other industries. This makes industry norms inappropriate for comparison.
- iv) The convergence of industry is blurring the boundaries of industries. This poses difficult for setting industry norms.

c. Bench marking

It is comparing with the best practices of organizations within and outside the industry that produce superior performance. It serves as a reference point for comparing performance. Its purpose is to meet and beat the performance of the best.

Objectives of benchmarking:

The objectives of benchmarking are to:

- i) Understand the best practices in performing an activity.
- ii) Determine efficiency of activities performed by the organization compared to the best performers.
- iii) Learn how to lower costs to improve cost competitiveness.

2.10.1 Type of Benchmarking

Benchmarking can be of the following types:

- a. Performance benchmarking: It compares one's own performance with that of best performance. It can be best in class benchmarking. Comparison is made with the best practice wherever it be found.
- b. Process benchmarking and practices with that of best process and practices.
- c. Strategic benchmarking: It compares organization's strategic decision and actions with the best strategic decisions and actions of other organizations.

2.11 Sourcing Decisions and the value chain

A global business strategy has six legs: Marketing, research and development, engineering and design manufacturing or sourcing, and human and financial resources.

Without a competitive global manufacturing or sourcing strategy even the most brilliant global marketing strategy is doomed to failure (keegan, 200:326).

a) The sourcing Challenge

The challenge of sourcing is to materialize the value that will meet customer needs. This requires a decision on whether to make or buy and then a decision about where to make you buy. The aim in reaching this decision should be to achieve a quality cost combination of value that maximizes both customer benefits and company profits.

Value

Customer value is defined by the following equation:

$$V = \frac{Q + F}{P}$$

Where,

V= customer value

Q= product features valued by the customer

P= Price of product to the customer.

An increase in the numerator factor of quality and features (as defined by the customer) will increase value. Similarly a decrease in the denominator factor of price.

d. The value chain

Firms create value for their buyers by the activities they perform. The measure of the value of these activities is the price the firm's customers are willing to pay for its product or services. If these prices are greater than the total cost of all the activities the firm performs, the firm makes a profit (Keegan, 2000:327)

Mr. Shakaya (2004) states:

Chinese textile industries are changing the entire value and supply chain from textile design, to planning, production and pricing. Big Chinese factories are creating a "Supply-chain city", having engineers, fabric experts and technicians, production staff and everyone in between who can get together with buyers to supervise and operate the entire supply-chain process in one location. That would allow Chinese manufactures to dominate global textile trade not only on the basis of price and quality, but also in terms of "time to-market" resulting from great control over the entire production chain (p.11).ⁱ

Primary Value Activities

- Inbound logistic Material handling and warehousing.
- Operations- Transforming inputs into the final product.
- Outbound logistic- Order processing & distribution.
- Marketing and sales- communication, pricing and channel management.
- Services- installation, repair and parts.

Secondary Value Activities

- Procurement- procedure and information systems.
- Technology development- improving the product and processes/ systems.
- Human resource management- hiring, training, motivation and compensation.
- Firm infrastructure- generally management, finance, accounting, movement relations, and quality management.

The sourcing decision is really decision about where and how to position an company on the value chain. The first decision is whether to make or buy, and the second is where to make or buy. The ultimate purpose of all value chain activity of the

2.12 The value chain and strategic roles global marketing

Prof. Keegan (2002) identifies the value chain and three strategic roles of global marketing as follows:

The value chain exposes three roles for marketing in a global competitive strategy. The first relates to the configuration of marketing. While many marketing activities must be performed in every country, advantage can be gained by concentrating some of the marketing activities in a single location.

A second role for marketing is the coordination of marketing activities across countries to leverage a company's know-how. This integration can take many forms including the transform of relevant experience across national boundaries in areas such as global account management and the use of similar approaches of methods for marketing research, product positioning or other marketing activities.

A third critical role of marketing is its role in tapping opportunities for upstream advantage in the value chain (p331).

2.13 Competitive analysis & Strategy

A firm's competitive strategy consists of the ways and means by which it intends to win in the marketplace. What we want to isolate are the distinctions of differences that set our business apart from its competitors and which are also meaningful to customers, economically sustainable and difficult

to match, Given this understanding we are well on the way to making the crucial judgment as to whether our firm has or could develop a sustainable competitive advantage (Fry & Killing, 1969:10).

Industry Analysis: Forces influencing competition.

Working definition an industry can be defined as a group of firms that produce products that are close substitutes for each other. In any industry, competition works to drive down the rate of return on invested capital toward the rate that are greater in the economist's "Perfectly competitive" industry. Rates of return that are greater than this so-called competitive rate will stimulate an inflow of capital either from new entrants or from existing competitors making additional investment. Rate of return below this competitive rate will result in withdrawal from the industry and a decline in the levels of activity and competition (Keegan, 2000:370).

Harvard professor Porter's five forces model to gain insights into the competitiveness of the firm's industry are as follows:

Threats of new Entrants

New entrants to an industry bring new capacity, a desire to gain market share and position, and every often new approach to serving customer needs. The decision to become a new entrant in an industry is often accompanied by a major commitment of resources. New players mean that price will be pushed downward and margins squeezed, resulting in reduced industry profitability (Porter, 1980:7-33).

The most common barriers to entry are:

- i) Economies of scale- These are cost advantages that occur through having large-scale operations.
- ii) The existence of considerable cost benefits to be gained from experience. Here the advantage stems not from large-scale facilities but from the experience gained through repeatedly producing the product or service many times.
- iii) Brand preferences and customer loyalty making it difficult for a new entrant to price customers away from their existing suppliers.

"A product is something that is made in a factory; a brand is something that is bought by a customer. A product can be copied by a competitor; a brand is

unique. A product can be quickly outdated; a successful brand is timeless." – Stephen WPP Group, London

- iv) Cost disadvantage independent of size- This might be done, for example, to access to cheap labor or raw materials.
- v) Access to distribution channel- If you cannot reach the customer as effectively as the incumbent firm's then it will not be your products or services that is sold.
- vi) Government actions and policies: Legislation, tariff and non-tariff barriers, patents etc.

b. Threats of substitute products

A second force influencing competition in an industry is the threat of substitute product. The availability of substitute products places limits on the prices market leaders can charge in an industry; high price may induce buyers to switch to the substitute. (Keegan, 2000:373).

If substitutes pose a credible threat, then, firms in the industry will be prevented from raising their prices or from failing to develop and improve their product/services (Bowman, 1996:29)

The competition from substitutes is affected by the ease with which buyers can switch to a substitute; A key consideration is usually the buyer's switching costs (the costs facing the buyer in changing from one product to a substituted product).

C. Bargaining Power of buyers

The ultimate aim of industrial customer is to pay the lowest possible price to obtain the products or services that it uses inputs. Usually, therefore the buyers' best interests are served if they can drive down profitability in the supplier industry. To accomplish this the buyers have to gain leverage over firms in the supplier industry. One way they can do this is to purchase in such large quantities that supplier firms depend on the buyers business for survival. Second when the supplier's products are viewed as commodities, that is, as standard or undifferentiated, buyers are likely to bargain hard for low prices, since many firms can meet their needs, Buyers will also bargain hard when the supplier industry's products or services represent a significant portion of the buying firm's costs. A fourth source of buyer power is the willingness and ability to achieve backward integration (Keegan, 2000:373)

D) Bargaining power of Suppliers

Supplier power over industry firms is the flip side of the coin to buyer power. If suppliers have enough leverage over industry firms, they can raise prices high enough to significantly influence the profitability of their organizational customers. The ability of suppliers to gain leverage over industry firms is determined by several factors. Suppliers will have the advantage if they are large and relatively few in number. Second, when the supplier's products or services are important to industry firms, or are differentiated by carrying switching costs, the suppliers will have considerable leverage over buyers. Suppliers will also enjoy bargaining power if their business is not threatened by alternative products. A fourth source of supplier power is the willingness and ability of suppliers to pursue a strategy of forward vertical integration and develop their own products if they are unable to get satisfactory terms with industry buyers (Keegan, 2000:374)

E) Rivalry among competitors

This is the most obvious form of competition: the head-to-head rivalry between firms making similar products and selling them in the same market. Rivalry can be intense and cut-throat or it may be governed by unwritten rules: gentlemen's agreements which help the industry to avoid the damage that excessive price-cutting, advertising and promotion expenses can inflict on profits. Competition can be restricted to one dimension (e.g. price) or many (e.g. service, product quality, retail outlets, advertising, product innovation, credit).

Prof. Bowman (1996) points out that rivalry is usually intense where some of the following conditions are evidence:

- I. As the number of competitors increases and as they become equal in size and capability.
- II. When demand for the product is growing slowly.
- III. When demand is tempted by industry conditions to use price cuts or other competitive weapons to boost unit volume.
- IV. When competitors' products and services are so similar that customers incur low costs in switching from one brand to another.
- V. When it costs more to get out of business than to stay in and compete.

- VI. Rivalry becomes more diverse competitors.
- VII. When strong companies outside the industry acquire weak firms in the industry and launch aggressive, well funded moves to transform the newly acquired competitor into a major market contender (p.28)

2.14 Competitive Advantage

Competitive advantage exists when there is a match between the distinctive competencies of a firm and the factors critical for success within its industry that permits the firm to outperform competitors (Bennet, 1988:35)

There are two basic ways to achieve competitive advantage. First, competitive advantage may be achieved when a firm pursues a strategy of low costs, which enables it to offer products at lower prices than competitors. Competitive advantage may also be gained by a strategy of differentiating product so that customers perceive unique benefits that justify a premium price (Keegan, 2000:375).

The quality of a firm's strategy is ultimately measured by results-sales, profits, or some other measure. Results, in turn, depend on the level of value created for some customers: the greater the perceived consumer value, the better the strategy. A firm may market a better mousetrap, but the ultimate success of the product depends on customers deciding for themselves whether or not to buy it according to the perceived value that it offers them. Value is like beauty it's in the eyes (and the pocketbook) of the beholder. In sum, competitive advantage is achieved by creating more value than the competitors, and value is defined by the customers (Keegan, 2003: 375).

a. Generic strategies for creating

Competitive Advantage

Porter's major contribution was to point out that there are only two routes to superior performance: you either become the lowest cost producer in your industry, or you differentiate your product/service in ways that are valued by

the buyer to the extent that he or she will pay a premium price to get these benefits. Firms can choose to apply either of these strategies to a broad market, or to a narrow focused market.

Fig. 2.6

Generic Competitive advantage

		Competitive advantage	
Competitive Scope	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Cost Focus	Focus Differentiation

Sources: Bowmn, 1996:51

i) Overall Cost Leadership

Cost Leadership advantage is based in a firm's position as the industry's low cost producer in broadly defined markets or across a wide mix of products. This strategy has become increasingly popular in recent years as a result of the popularization or the experiences curve concept. Basically, a firm seeking to base its competitive strategy on overall cost leadership must aggressively pursue a position of cost leadership by construction the most efficient scale facilities and obtaining the largest share of market so that its cost per unit is the lowest in the industry. These advantages, in turn, give the producer a substantial lead in terms of experience, with building the product. Experience then leads to more refinements of the entire process of production, delivery, and service, which leads to further cost reductions (Keeagan, 2000:376)

Mr. shakya (2004) found:

"..... But relatively lower unit prices for some products exported to the US had indicated favorable position to Nepalese exporters. As for example, for some cotton categories, like men's and boy's shirts, exported to the US in 2000, The Chinese unit value exceeded that of Nepal by 32-115% while these differences might reflect variations in quality to some extent, they do suggest

and ability of Nepalese producers to compete in the US market. The unit values for Nepal's export of these products were also lower than those of India and Srilanka. For two of the four categories of men's shirt, unit values were lower than those of Bangladesh, while the unit values for the other categories were close. Only Vietnam's US exports had unit values consistently below those of Nepal (P2)

ii) Differentiation

Just being different is not a differentiation strategy. Offering the most unreliable and mechanically unsophisticated cars in the industry is not going to lead to superior performance. The key to a successful differentiation strategy is to be unique in ways that are valued by buyers. If buyers are willing to pay for these unique features. Through higher prices, and if your costs are under control, then the price premium should lead to higher profitability (Bowman, 1996:53).

When a firm's product has a actual or perceived uniqueness in a broad market, it is said to have a differentiation advantage. This can be an extremely effective strategy for developing market position and obtaining above average returns; the uniqueness often allow company to charge premium price for its products.

In the manufacturing of garments, emphasis is placed on the quality and price of raw material used but the consumers may be more concerned with the styling fitting and brand name (TPC, 1986:4.3)

iii. The narrow focus advantage

Overall cost leadership and differentiation has considered only the impact on broad market. By contrast, strategies to achieve a narrow focus advantage target a narrowly defined market/customer. It is an advantage based on an ability to create more customer value for a narrowly targeted segment and results from a better understanding of customer needs and wants. A narrow focus strategy can be combined with either cost of differentiation advantage strategies. In other words, while a cost focus means offering a narrow target market low price a firm pursuing focused differentiation will offer a narrow

target the perception of product uniqueness at a premium price (Keegan, 2000:377).

Niche is a narrow price of the total market. It is identified by dividing a market segment into sub segments. It consists of fairly small group of customer whose needs have not been well served (Agrawal. 2004:139)

Focused strategies aim to serve buyers better in the market niche than the competitors. Such strategies can be of two types (Agrawal, 2004:139).

- Focused low cost: Lower costs than competitive in serving the market rich. Cost advantage is sought.
- Focused differentiation Differentiated product attributes that niche members perceived as better suited to their unique tastes and preferences. Special product attributes and new value.

v. Stuck in the middle

Porter suggests that the firm that has not made a choice about either being low cost or differentiated runs the risk of being 'stuck in the middle'. These firms try to achieve the advantage of low cost and differentiation but in fact achieve neither. Poor performance result because the cost leader, differentiators or focuses will be better positioned to compete in any segment. A firm that is stuck in the middle will earn attractive profits only if the structure of its industry is highly favorable or if the early stages of the industry life cycle can allow these firms to earn good returns, but as maturity sets in and competition become more intense, those firms that have not made a choice between the generic strategy alternatives will be exposed.

Sustaining one or other the generic strategies requires that the firm have some barriers that make imitation of the strategy difficult. Since barriers to imitation are never insurmountable though, it is usually necessary for a firm to offer a moving target to its competitors by continually investing and innovating in order to improve its position.

12.15 Market Logistics

Physical distribution starts at the factory. Managers choose a set of warehouse (stocking points) and transportation carries that will delivers the goods to final destination in the desired time to or at the lowest total cost. Physical distribution has now been expended into the broader concept of supply chain

management (SCM). Supply chain management starts before physical distribution: It involves procuring the right inputs (raw materials, components, and capital equipment); converting them efficiently into finished products; and dispatching them to the final destinations. An even broader perspective calls for studying how the company's suppliers themselves obtain their inputs. The supply chain perspective can help a company identify superior suppliers and distributors and help them improve productivity, which ultimately brings down the company's costs (Kotler, 2003:551)

Market logistics involves planning the infrastructure to meet demand, then implementing and controlling the physical flows of materials and final goods from points of origin to points of use, to meet customer requirements at a profit. Market logistics planning has four steps (Kotler, 2003:551)

- a. Deciding on the company's value proposition to its customers. (What on-time delivery standard should be offered?) What levels should be attained in ordering and billing accuracy?
- b. Deciding on the best channel design and network strategy for reaching the customers (Should the company serve customers directly or through intermediaries? What products to source from which manufacturing facilities? How many warehouses to maintain and where should they be located?)
- c. Developing operational excellence in sales forecasting, warehouse management, transportation management, and material management.
- d. Implementing the solution with the best information system, equipment, policies and procedures.

Management has become concerned about the total cost of market logistics, which can amount to 30 to 40 percent of the product's cost (Kotler, 2003:553). Transportation costs account for almost 50% of physical distribution cost (Agrawal, 2001:366).

Professor Kotler has found four major decisions with regard

- I. How should orders be handled? (Order processing)
- II. Where should stock be located? (Warehousing)

III. How much stock should be held?(Inventory)

IV. How should good be shipped?(Transportation)

2.16 E- Marketing

Prof. Kotler (2003:629) has described the e- marketing as follows:

the newest channels for direct marketing are electronic E business describes as wide variety of electronic platforms, such as the sending of purchase orders to supplier via electronic data interchange (EDI) or external; as use of fax and e-mail to conduct transactions; the use of ATMs, EFTPOS, and smart cards to facilitated payment and obtain digital cash; and the use of internet and online service. All of this involve doing business in a "market space "as compared to physical "Market Place".

The Internet today function as an information source, an entertainment source, a communication channel, as even a distribution channel. One can use it as a shopping mall, a TV set, a newspaper, a library, or a phone. Users can send email, exchange views, shop for products, and access news recipes, arts, and business information.

The internet provides marketers and consumers with opportunities for much greater interaction and individualization. Companies in the past would send standard media-magazine, newsletter, and ads- without any individualization or interaction. Today these companies can send individualized content and consumers themselves can further individualize the content; and today companies can interact and dialogue with much larger groups than ever in the past.

2.17 Strategic marketing Planning

The Strategic marketing plan develops broad marketing objectives and strategic. It is based on an analysis of the current market situation and opportunities in the environment. The aim is also shape and reshape marketing mix to realize target profits and growth to keep healthy in the long run (Agrawl, 2001:226).

Marketing plan consist of; managing a company's business as an investment portfolio; assessing each business's strength by considering the marketing growth rate and the company's position and fit in that market; establishing a strategy.

Prof Kotler (2003:900) State that most large companies consists of four organizational levels; the corporate level, the business until level, and the product level.

The marketing plan operates at two levels: strategic and tactical. The strategic marketing plan lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities. The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and services.

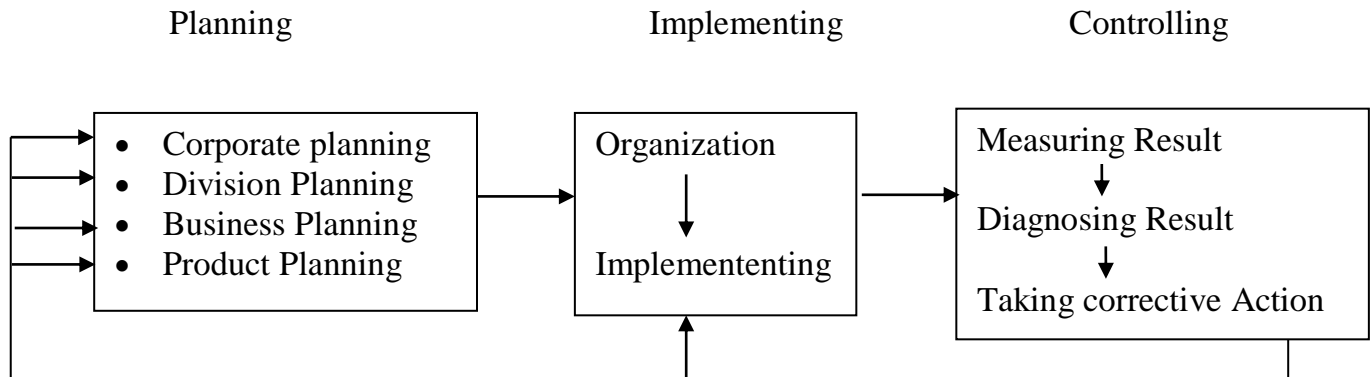
The marketing plan is the control instrument for directing and coordinating the marketing effort. Today, the marketing department does not set the marketing plan by itself.

Plans are developed by teams, with inputs and sings-offs forms every important function. These plans are then implemented at the appropriate levels of the originations. Results are monitored, and corrective action is taken when necessary.

Here we only discus the business and product planning strategy.

Fig.2.7

The strategic planning, implementation, and control processes



Source: Kotler, 2003:102

Business unit strategic planning

Prof. Kotler (2003) points out the

The business

The business unit strategic-planning processes in seven steps are as fallow:

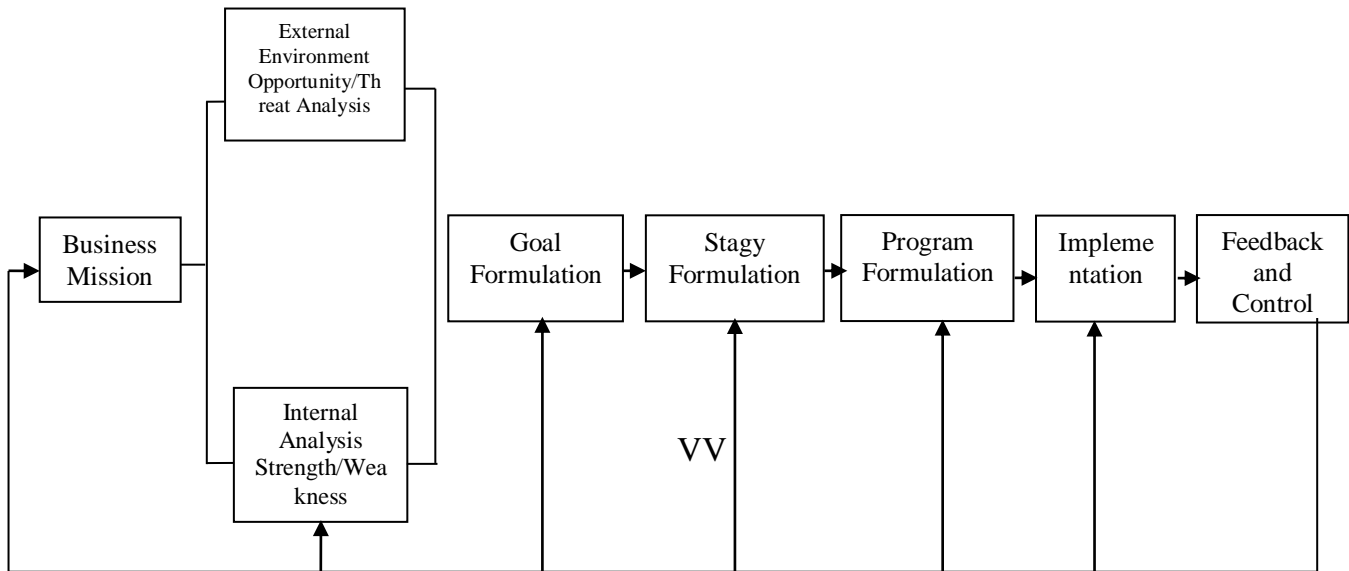
- a) Business mission
- b) SWOT analysis: External Environment, Internal Environment
- c) Goal F ormulation
- d) Strategy Formulation
- e) Program Formulation
- f) Implementation
- g) Feedback and control

Business Mission

Even business unit need to define its specific mission within the broader company mission. It should define the major competitive scopes within which marketing will operate.

Fig.2.8

The Business Strategic Planning Process:



Source: Kotler, 2003:102

b. SWOT Analysis

The overall evaluation of a company's strengths, weakness, opportunities, and threats is called SWOT analysis.

External environment

External environment consists of macro-environment forces (demographic-economic, technological, political-legal and social cultural) and a significant micro environmental factor (customers, competitors, distributors, suppliers) that affects its ability to earn profits. The business unit should set up a marketing intelligence system to track trends and important developments. For each trend or development, management needs to identify the associated opportunities and threats. (Kotler, 2003:102)

A major purpose of environmental scanning is to discern new marketing opportunities. A market opportunity is an area of buyer need or potential interest in which a company can perform profitably (Kotler, 2003:104).

i. Internal Environment Analysis (Strength/weakness Analysis)

Strength and weakness analysis is performed to evaluate the firm's internal capabilities. The strength and weakness of a firm is evaluated by marketing factors, finance factor, manufacturing factors and organizational factors (Koirala, 2000:164).

A firm or SBU may not be strong or weak in all areas. The strength and weakness analysis helps the firm in the following decisions (Koirala, 2000:165)

- Should the firm maintain its current strength and weakness status and try to capitalize on the new opportunities?
- This is a high risk strategy. Competitors may be stronger and affect the firm's profitability from the new opportunity by attacking the firm's weakness factors.
- Should the firm rectify its current weakness and capitalize on the opportunity with a higher confidence level? This is a medium risk strategy. Competitors are unlikely to attack the weakness factors after their rectification.
- Should the firm work for further consolidating its strength factors and capitalize the opportunity more aggressively than its competitors.

This is a low risk strategy. The firm can build its market share on the strength factors. Still there is a high change of being attacked on its weakness factors.

c. Goal Formulation

Once the company has performed a SWOT analysis, it can proceed to develop specific goals for the planning period. This stage of process is called goal formulation. Managers use the term to describe objective that are specific with respect to magnitude and time (Kotlar, 2003:105).

Most business units pursue a mix of objective including profitability, sales growth, market share improvement, risk containment, innovation, and reputation, goals or objective should be (Kotler, 2005:106).

- i. Arranged hierarchically from the most to the least important.
- ii. Objectives should be started quantitatively whenever possible.

- iii. Goals should be realistic. They should arise from an analysis of the business unit's opportunities and strengths, not from wishful thinking.
- iv. Objectives must be consistent. It is not possible to maximize both sales and profits simultaneously.

d. Strategy formulation

Goals indicate what a business unit wants to achieve, strategy is a game plan for getting there. Every business must design a strategy for achieving its goals, consisting of a marketing strategy, and a compatible technology strategy and sourcing strategy (Kotlar, 2003:106).

Marketing strategy can be

- i. Porter's generic strategy- overall cost leadership differentiation and focus.
- ii. Operational effectiveness and strategy
- iii. Strategic alliances
- iv. Market alliances

e. Program Formulation

The program formulation is based on the marketing strategies. The marketing department formulates supporting programs that help the firms to achieve its corporate and business goals. The marketing programs also support the marketing strategies. The marketing department formulates detailed program for new product development, market research, new marketing network development, and human resource development. Such program can also formulate for special advertising campaigns, public relations, and market development. The marketing program must be supported by a cost estimate for launching the program. It should also present the financial and sales benefits together with the risk involved in each program (Koirala, 20020:167)

f. Implementation

A great marketing strategy can be sabotaged by poor implementation. The marketing program should be carefully implemented.

Feed back and control

As it implements its strategy the firm needs to track the results and monitor new development. Some environments are fairly stable form year to year. Other environment evolves solely in a fairly predicable ways. Still other environments change rapidly in major and unpredictable ways. Nonetheless, the company can count on one thing. The market place will change; and when it doses, the company will need to review and revise its implementation, programs, strategies, or even objectives (Kotler, 2003:110)

Product planning: the value and contents of marketing plan

Marketing plans are become more customers and competitors oriented and better reasoned and more realistic than if the past. The plans draw more inputs forms all the functions and are team-developed. Planning is becoming a continuous process to respond to rapidly changing market conditions. The trends we have discussed so far are in full force in the world of marketing (Kotlet, 2003:115).

Marketing planning procedure and content vary considerably among companies. The plan is variously called a “business plan”, a “marketing plans”, and sometimes a “batter plan”.

Contents of the marketing plan

Prof. Kotler (2003:115-116)has found out the marketing plans as:

a. Executive summary and table of contents:

The marketing plans should open with a brief summary of the main goals and recommendations. The executive summary permits senior management to grasp the plans the plan’s major thrust. A table of contents should follow the executive summary.

b. Current marketing situation:

This section present relevant background data of sales, cost, profits, the market, Competitors, channels and the forces in the macro environment. This information is used to carry out on a SWOT analysis.

c. Opportunity and issue analysis:

Here, management reviews the main opportunities found in the SWOT analysis and indentifies the key issues likely to affect the organization’s attainment of its objectives.

d. Objectives:

here, the products manager outline the plan's major financial and marketing goal, expressed in sales volume, market share, profit and other relevant terms.

e. Marketing Strategy:

Here, the product manager defines the target segments, namely, those groups and needs the market offering are intended to satisfy. The manager then establishes the product line's competitive positioning, which will inform the "game plan" to accomplish the plan's objectives. All this is done with inputs from other organizational areas, such as purchasing, manufacturing, sales, finance and human resource, to insure that the company can provide proper support for effective implementation.

f. Action programs:

The marketing plan must specify the actual marketing programs, derived from the marketing strategy, to be used in achieving the business objectives. Each marketing strategy element must be elaborated to answer these questions. What will be done? When will it be done? Who will do it? How much will it cost? How will progress be measured?

Projection: Action plans allow the product manager

Supporting budget. On the revenue side, this budget shows the forecasted sales volume in units and average price. On the expense side, it shows the expected cost of production, distribution, and marketing, broken down into finer categories. The difference between revenues and sales is projected profit. Once approved, the budget is the basis for developing plans and schedule for material procurement, production scheduling, employee recruitment, and marketing operations.

g. Implementation control:

The last section of the marketing plan outlines the controls for monitoring and adjusting implementation of the plan. Typically, the goals and budget are spelled out for each month or quarter so management can review each period's results and take corrective action as needed. Some organizations include contingency plans outlining the steps management would take in response to specific environment developments, such as price wars or strikes.

2.19 Implementation of the strategic plan

Prof. Agrawal (2001) identifies that implementation means assignment and direction of personnel and resources to carry out the marketing strategic plan in coordinated manner. He points out that a strategic plan can be meaningful only when it is implemented effectively:

- a. Strategy address the “what and why” of marketing activities.
- b. Implementation addresses the “who, where, when, and how” of marketing activities. It is action assignments. Strategy and implementation are closely related.

Action Assignment:

The action assignment for the marketing mix can be:

h. Product: it may consist of

- Developing new product.
- Differentiating and positioning of existing product.
- Managing market strategies in life cycle stages of the product.
- Designing and implementing product support services, etc.

ii. Price: it may consist of

- Selecting pricing objectives
- Selecting pricing method, etc.

iii. Place: it may consist of

- Designing and selection of channel structure.
- Logistics management actions

iv. Promotion: it may consist of

- Selecting the promotion mix

- Assigning promotion budget
- Evaluating impact, etc.(Pp233-234).

20. Elements of successful implementations/ business practices

Prof. Kotler (2003:109) has argued that according to McKinsey & company, strategy is only one of seven elements in successful business practices. The first three elements- strategy, structure and system- are considered the “hard-ware” of success. The next four-style, skills, staff, and shared values are the “soft-ware”.

Again he argued that the first “soft” element, style, means that company employees share a common way of thinking and behaving. MC Donald’s employees smile at the customer, and IBM employees are very professional in their customer dealing. The second, skills, means that the employees have the skill needed to carry out the company’s strategy. The third, staffing, means that the right job. The fourth, shared value means that the employees share the same guiding values. When these elements are present, companies are usually more successful at strategy implementation (Pp. 109-110)

2.21 Review of related studies

This section consists of theme paper & previous masters of degree & Ph .D theses. In the process of reviewing literature, different theme papers were also analyzed. Some important related parts of such studies were mentioned and explained as under:

Nepalese garment industry under changing global trading environment

This study was the 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. This paper was prepared by Bijendra M. shakya on behalf of WTO cell-GAN on the date of 26 Dec. 2001 (<http://www.gnasso.org>).

Some of the extremely related parts of the study were included as fallows

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

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

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

Non-conducive government policies: Exporters must 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.

Difficulty of access to foreign markets: Nepalese garments are subject to tarots 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 sometimes.

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

Changing pattern in international trade: The pattern of international trade in textiles and clothing has been changing due to the elimination of the MFA quotas. Nepalese exporters are accepted to face extensive use of non-tariff barriers in the post 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) (Pp.5-6)

b. A major threat:

A part from the implication of the WTO provisions 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 and Caribbean basin (see annex to learn more about AGOA & CBTPA). The United States, the single largest importers of garments, has announced a preferential treatment to clothing imports from the developing countries of sub-Saharan African and the Caribbean basin under the US trade and development act (USTDA) of 2000. Apparently, the Caribbean nation, such as Honduras, El Salvador, Dominican Republic and Jamaica, are among the faster growing suppliers of clothing to the US, after Mexico. Countries like the Dominican Republic, Costa Rica, Honduras and Guatemala are among the top ten exporters of clothing items that are of interest to Nepal exporters. In fact, the united status is clearly favoring suppliers the US hemisphere and 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 exporters to the American market, and would future marginalize Nepal's position in the international clothing trade (p.22).

c. Diversity markets and procedures:

Despite permission, liberalization of quota offer good opportunities to Nepalese garment exporters in developing likely that they will be one to diversity their products 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, and 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 the development of own design and brand 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 textiles and clothing trade. Asian market can be important because of a demographic status and rise in their per capita income moreover, intra Asian trade in textiles and clothing is the second largest after Europe. Nepal should eye on the Indian market as an immediate market diversification goal. HMG should focus in the possibility of the

Indian market for Nepalese garment while dealing with the Nepal -India trade arrangements (pp. 36-37).

Nepal's apparel sector at crossroads: Assessments of adjustment problem and preparing 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), dec. 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 apparel produces in the liberalized system. However, lower worker will offset the advantage of low wages. The labor productivity in industry in Nepal is about 60-70% that of Chinese workers, who are the most productive in the world. That suggest for investment in enhancement with application of latest technology and fashion urgently. Same time it is also requiring to overcome the internal bottlenecks, related to apply constraint, high to sustain 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 and the minuscule export shares by the other two major export destinations: Canada and the EU, had subject 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, and has been at increasing rate in later years, which could be mainly because of the duty free market access to Nepalese apparels under the generalized system of preference (GSP), under 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 exports under the GSP scheme. Unlike that the export to Canada does not look that encouraging, despite the GSP privilege (Pp. 4-5).

c. Changing patterns of apparel trade:

Bearing the production efficiency and policy flows, Nepalese traders should perceive the changes taking place in the global trading

environment if they wanted to retain their position even in post MFA, which is going to be one of the biggest transformations in the US will perish, and that will apparently turn into a tough competition. Since the country has never faced the quota constraint, the determining factors for its survival in the quota free trade will be the competitive product pricing with the efficient delivery system. If that would be a decisive factor, Nepal has nothing to gain from 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 and 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 (P.6)

d. 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 to offset other costs disadvantages relating to producing 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 exiting 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 cost is 50% of the total costs as against less than half in Portugal, and only one-third in china." Even with customs levies and transport the shirt from china would therefore, cost little more than half the shirt made in France (p.9).

e.

Post MFA preparation: Keeping all these possibilities aside, it is 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 requirement. 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 depends not just on cheap labor, but on a workforce that is both relatively cheap and technology skilled, seeking increased investment in training and skill development for the future and drawing on the latest information technologies 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 require for them to develop their own supply chain to improve their competitiveness in the future. It would be important for Nepalese manufacture to have flexibility in sourcing for securing fabrics from the cheapest source with the quality and design, meeting the buyers' expectation. Such kind of practice will gain momentum in sourcing of materials for optimization. Even 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 Indian."

On the other hand, the distribution channel in the post MFA will be shorter. That means Nepalese exports 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, provides a full package of manufacturing and . Although most of these activities are directly concerned to individual industries, the stable government policy is indispensable to consolidate 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 (p.22).

2.21.2 Review of Unpublished Literature (Unpublished Theses)

Several theses works have been conducted by various students regarding the various aspects of Nepalese RMG industry. Some of the relevant studies are mentioned herewith:

- Pushpa Raj Adhikari (1995) has conducted a study entitle "ready made garments industry in Nepal ("past, resent and future") with the objectives of:

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

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

The study was carried out by the following methodology

The study was based on survey method. It was primarily descriptive one.

Data collection: Both primary and secondary sources of data have been used. For the primary data, field survey has been done and fore the secondary data, publication of different governmental and non-governmental institution was used.

Out of 100 operating units, 50 units were selected as sample size. Among 50 units, only 30 units i.e. 60% of sample industry responded. Purposive sampling has been used for the study.

The major findings of the study are as following

- Foreign currency earner this industry, occupied second position in the overseas export, was initiated in Nepal a decade ago by Indian exporter was primarily based in 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 produced. to the demand of buyers because of poor product specialization.
- Indian employers, highly paid and skilled person 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 with main buyers i.e. lack of marketing tie-ups, most of the Nepalese entrepreneurs could not transform the piece rate system, i.e. production process, into assembly line or chain 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 garment entrepreneurs were not satisfied with government policy.
- Garments entrepreneurs were very much serious about the impact of GATT's new provision of phasing out of multi fiber arrangement (MFA) with a period out of 10 yrs starting from 1st Jan 1995. Joint effort should be made immediately between the government and the entrepreneurs sector to minimize the impact or gain as more as possible from the GATT's new provisions.

The problems faces by this industry were as follows

- a. Problems regarding labors
 - i. Lack of skilled manpower
 - ii. lack of proper labor law to regulate production process
- b. problem regarding import or raw materials

i. Government policy, i.e. Fabrics must be imported under letter of credit, was of credit, was not favorable to Nepalese entrepreneurs because they couldn't use the credit facility from the fabric supplier. Under this policy, commission should be given to basic which automatically increase the cost product.

ii. Swatches matching system of custom was . This system sometimes created great problems due to misplacement or mishandling of the swatches by which entrepreneurs had to pay the import duty of fabrics with penalty.

iii. Release of bank guarantee taken for the import of fabric is impractical.

iv.

v. Valuation process of custom department for the import or third country raw materials is impractical and lengthy process.

vi. There is no provision of L/D in US dollars for the import of raw materials from Indian. If Nepalese exporter could give L/D in US dollar for the import of raw materials then Indian raw materials supplier could offer cheaper price compared to L/C in Indian currency. This was because; Indian supplier can get incentive from their government for the export in US dollars, which ultimately reduce the cost of product.

c. problems regarding the use of Nepalese fabrics

i. There was no needed supply and variety in colors and quality of fabrics to be used in garment industry. The cost of local fabrics was high compared to imported fabrics. Government had imposed various taxes and duties to Nepalese textile industries by which their product was costlier compared to imported fabrics.

d. problems regarding policy and tax

i. Lack of clear-cut government policy regarding garment industry.

- ii. Time to time changing policy for quota distribution creates the uncertainty for the production of garments.
 - iii. lack of clear-cut tax policy, which sometimes creates harassment of the entrepreneurs.
 - iv. Provision of high rate of export duty and high rate of visa fees.
 - v. Provision of sales tax on local fabrics and other raw materials.
 - vi. There is no needed representation from the private sector in framing the policy and program of the government.
 - vii. There is no up to date profile of RMG of Nepal.
- e. problems regarding export procedures
- i. No clear-cut fixation of working hour in custom office was created very serious problems. This creates sometimes the refusal of consignment from the buyers showing the cause of late delivery.
 - ii. Previous of royalty to be paid to RNAC in case of freighter service by foreign airlines for the delivery of cargo.
 - iii. Lack of promotional activities for the export of RMG abroad.
- f. problems regarding technology
- i. Production system was still based on traditional Indian technology.
 - ii. There was the production of basic garments.
 - iii. There was no product specialization for the production of quality garment.
- g. problems regarding dry port or container service

i. Till now there was no provision of dry port or container in Nepal's land because of which shipment of goods by land & sea is not reliable and prompt that raises the cost of product and timely delivery remains unfulfilled.

h. Problems regarding finance

i. There was no proper financing in this sector. Till now there was no provision for long-term credit (loan) facility for the promotion of the RMG industry.

i. problems regarding marketing of the producer

i. Most of the garments exporters did not have direct contact with potential buyers abroad. Marketing of product is mostly done through Indian agents.

j. problems regarding impact of GATT (WTO)

i. Till now no precautionary action or activity had been done to minimize the impact of GATT's new provision (i.e. phasing out of MFA) on RMG industry.

a. Regarding labor

i. There should be the establishment of training institute to train the manpower according to the need of the garment industry.

ii. There should be the provision of 'on the job' training also.

iii. There should be the provision of proper punishment for the labor that hampers the production process.

b. Regarding import of raw materials

i. There should not be compulsory provision of L/C to import raw materials under bonded warehouse facility.

ii. Swatch matching system of customs should be based on quality of fabrics rather than color wise.

iii. Release of bank guarantee should be based on export of imported fabrics rather than to base on payment receipt from abroad.

iv. There should be the immediate provision for the revolving bank guarantee for the import of raw materials.

v. There should be the provision of bonded warehouse facility for all kinds of raw materials imported from India and third countries.

vi. There should be the provision of time L/C (90 days, 60 days) for the import of raw materials from India and third countries.

c. Regarding use of Nepalese fabric

i. To make competitive in price there should be the provision of exemption in income tax, sales tax and excise duty for Nepalese fabric be used in garment making.

d. Regarding policy and tax

i. There should be the clear-cut policy regarding garment industry.

ii. Abolishment of export duty and reduction in visa fees are needed.

iii. There is the need of proper representation from the private sector in framing the policy and program of the government.

iv. There should be the publication of up to date profile of RMG industry in Nepal.

v.

vi. Implementation of the policy and program regarding the establishment of a separate export promotion zone and rehabilitation of the export oriented RMG industry units within that zone.

e. Regarding exports procedures

i. In view of sensibility of apparel business, custom clearance should be easy and prompt.

- ii. Abolition of royalty to be paid to RNAC in case of freighter service by foreign airlines is essential for the export promoting and timely delivery of the consignment.
 - iii. Establishment of dry port or container service available in Nepal's land is essential for the shipments of goods by lands and sea.
- f. Regarding technology
- i. Production system should be changed from piece rate systems to assembly line system.
- g. Regarding finance
- i. Financial institutions should support this industry.
- h. Regarding marketing of product
- i. To make the marketing strategy effective there should be a proper market information system.
 - ii. Market should diversify from US to other countries.
 - iii. Product designing should be based on the demand of the participate in the international textiles and garment fair.
 - iv. GAN should lead as an advertiser.
 - v. Nepalese entrepreneurs should be provided opportunities to participate in the international textiles and garment fair.
 - vi. Arrangement should be made for the trade visit to the Nepalese entrepreneurs for the direct contact with the potential buyers abroad.
 - vii. Feasibility study should be conduct b experts for the market diversification.
 - viii. Joint ventures with foreign investors to top efficiently.

- i. Regarding ancillary industry
 - i. There should be the encouragement for the establishment of ancillary industries for producing quality raw materials required for garment in the country.
- j. Regarding textile industry
 - i. Nepal should take initiation for the establishment of modern textile industry, which can product suitable cloth required for garments export. This can be done in collaboration with India or Pakistan or any other friendly country and all garments industries of Nepal should be made shareholders of the textile industry.
- Marina Adhikari (1999) has conducted a study entitled "Integration of MFA into WTO: its implication on Nepalese Readymade Garment Industry" with the objectives of:
 - a. Examine the status of garments industry in Nepal.
 - b. Analyze the different facets of multi-Fiber arrangement (MFA)
 - c. Assess the factors affecting comparative advantage of garment industry.
 - d. Identify major problems of Nepalese garment industry and to develop appropriate measures to survive in the competitive market.
 - e. Examine the major implications of integration of MFA into WTO on Nepalese garment industry.

The study was carried out by using the following methodology

The study has based on survey method to attain defined objectives. It was primarily descriptive one.

Date collection: Both primary and secondary sources of data have been used in the study. Questionnaire ad interview (top level manager and employers) were the tools used to connect data the primary sources while data from the secondary sources were us follows:

- Ministry of Finance (MOF), Trade promotions centre (TPC) Nepal Rastra Bank (NRB), Garment association Nepal (GAN), Federation of Nepalese chamber of commerce and industry (FNCCI), Central Bureau of statistic (CBS) and Ministry of Commerce (MOC)

Out of total 50 operating units, only 30 unites were selected as a sample size. Among 30 sampled unites only 20 units i.e. 67 percent sample industry responded.

The major finding of the study were as follows

- USA is the major importer of Nepalese RMG with 90 percent of share.
- The integrating of MFA into the WTO can result in significant net trade wins for developing countries including Nepal. Elimination of the 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 integrating into MFA, Nepalese government has to improve its comparative competitiveness among other competitors.
- The number of registered are decreased from 1400 units. (1995) to only 300 units in 1998. Out of them only 70-80 units are running its business regularly.
- 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.

The problems and constraints regarding the growth and promotion of the RMG as pointed out by this study are

- Insufficient incentives and facilities.

- Lack of skilled labor and technicians.
- Lack of qualitative and other raw materials.
- Lack of conducive government policies for supporting the garment industry.
- Absence of direct contact of the Nepalese entrepreneurs with the buyers/importers of the third countries.
- Lengthy bureaucratic procedures and delay in customs clearance.
- High transport cost and problems in seaport.
- Lack of dry port facility.
- Indifferent and uncooperative attitude and behavior of the concerned authorities as well as unwillingness on the part to render service to the industries.

Finally, the study recommends that if this industry is to continue as one of the leading sectors of export trade, a substantial incentive package has to be provided to promote this industry and policies have to be formulated accordingly. The industry is already in a critical situation because of phasing out of MFA. If we cannot improve our garments, that it will be collapsed. Following measures are suggested in the study:

- Improvement in labor laws and provision for skill development.
- Need for a clear and consistent government policy.
- Improvement in transportation facilities.
- Incentives to indigenous producers to establish textile industry.
- Need for improvement in Technology.
- Establishment of fashion school.
- Improvement in marketing facilities.

Dr. Ram Krishna Shrestha (2001) has conducted a study entitled "marketing strategies in textile industry of Nepal" with the objective of:

Basic objectives

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

The study was carried out by using the following methodology

Research Design

The study was based on survey and analytical design to attain defined objectives.

Inferential and statistical analyses are done to support the survey.

Data Collection

Both primary and secondary sources of data used in the study. Questionnaire and interview were the tools used to collect data from the primary sources while data from the secondary sources were as follows:

- i. Office records, publication, annual report, economics survey, journals and magazines and both published and unpublished books/report.
- ii. Reports and studies related to concerned industries
- iii. Records and Reports of Ministry of Finance, HMG/N.
- iv. Various publication, books, journals, newspapers and Report

Out of the total 134 textile industries of spinning weaving category, 44 textile industries were selected as sample size. These 44 textile industries represent small, medium and large scale textile industries.

Major findings of the study were deduced from the study

a. Goals

i. Most of the enterprises have myopic vision and do not consider broad industrial and national perspectives.

ii. The enterprises have given high performance to profit and low importance to service to the consumers. It future shows the lack of proper concern of the textile industry in Nepal towards the consumers and the market.

iii. The enterprises did not give much priority to build up sound organizational capabilities. Their management also was not good and effective.

b.

i. Most of the responding enterprises have short term planning only. They may be conveniently termed as shortsighted.

ii. The enterprises did not evaluate their competitor's plans and policies. Factors of marketing mix were not found to be adequately considered.

c. Strategies

i. The enterprises were found to be engaged in the strategies and policies, which were in general, rated not very satisfactorily. Strategy formulation, further, was not rated to scientific and satisfactory. The total strategy formulation exercise was lacking. It appeared to be inefficient not transparent.

ii. Review of strategy and policy were found to have been done regularly. The enterprises were found analyze their strength and weaknesses annually but in showed lack of clarity. Market competition is strong but strategy did not appear to be capable enough to meet the situation.

- iii. Marketing management may not be systematic and effective in Nepalese textile industry because of the implementation part of poor marketing strategies and policies in the view of General Manager.
- iv. The general manager observed that the production capacity was reported to be strong but agreed that their marketing aspect was weak. It reveals that the enterprises have not due attention to marketing markets.

d. Environment

- i. Political and economic environments were not rated to be favorable Technology has not been accord high priority. Competition has not been considered as major issue.
- ii. Employed technology was not compatible with market.
- iii. The prevalent market situation was reported to be very competitive.

e. Human Resources

- i. The enterprise was reported to be deficient in professionals. The implementation of the plans and program was generally found to be ineffective. It indicated that management was industry of Nepal

f. products

- i. The enterprise appeared to be adopting trial and error approach to introduce new products. They did not appear to have made adequate market studies.
- ii. They did not have proper system of keeping information and evaluating it about the products.
- iii. They did not have any strategy to improve technology to produce quality produce.
- iv. The enterprises did not appear to know the market and real market to fulfill the product need.
- v. They apparently had not developed any mechanism to understand and assess the market demand.
- vi. They did not have strategy for introduction of new products nor for withdrawing the old ones.
- vii. The did not appear to be adopting any branding strategy.

vii. Consumers were perceived as highly conscious of price and quality of the products, but the enterprise did not appear to have any concrete strategy to meet them.

g. Price

i. The enterprises did not appear to give due importance to other pricing strategies rather than cost-plus. Their pricing strategy may not be appropriate as per the market situation. The enterprise have concentrated or given emphasis on cost only.

ii. Competitors and consumers influenced pricing decisions. It showed that enterprise undermined the internal factors that affect pricing of the products. They were found to be reviewing pricing annually but were not able to satisfy consumers.

iii. The enterprises have adopted mixed pricing strategy, i.e. higher pricing for new products, moderate price for established provides and low pricing for declining products, to suit different kinds of consumers but did not seem to have worked properly in this direction.

iv. The enterprises have not adopted appropriate pricing policy strategy to face competitors pricing strategy.

v. Pricing policies adopted by the enterprises may not be suitable and functional.

h.

i. The enterprises, found to consider control in market and access to market while selecting the market, have appointed dealers for distribution of their products. The channel costs were to be satisfactory and effective.

ii. Available channel has been rated to have access to total potentials market for their products. Still the market is not found to be good.

iii. The products were also directly distributed by the enterprises. It showed competition with distributors. It may not be considered a good proactive.

vi. Distribution strategies in the industry were poor.

v. The textile industry did not appear to segment market properly. It also showed that they do not seem to understand the benefits and significance of market segmentation.

i. promotion

i. The enterprises did not use the most powerful tools of promotion advertising and sales promotion, radio, TV, door to door campaigning were major promotional tools to have been used by enterprises.

ii. The promotional tools being adopted by the enterprise were rated to be effective. It indicates that they may not have understood the market and the textile products as the industry appears to be fast declining.

iii. Majority of the enterprises did not at all allocate budget for promotion. It showed that they did not understand the importance and effectiveness of market promotion.

iv. Most of enterprises undermined the importance of training of their sales force.

v. The enterprises received market information from middlemen and customers. They did not conduct market research nor did they appear to have understood its importance.

vi. The General Manager observed that customers were poor in product knowledge. It further proved that they were not effective in market promotion and may have probably not understood their customs.

vii. The enterprises did not have promotion strategy as such, and marketing and promotions appeared to be the weakest areas.

j. Conclusion

i. The marketing strategies of the industry were found to be weak in view of the existence of difference in the views of the general managers and the marketing managers in key areas.

ii. 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.

Recommendation of the study as follows

- a. The textile industry should clearly identify its goals and formulate strategies in accordance with the changing environment and market.
- b. Goals and objectives must be reviewed and evaluated periodically in order to ascertain whether or not they are properly defined and suited to the changing market environment and competition. If necessary, modifications and amendments must be made in good time.
- c. The enterprises should give more emphasis on marketing strategy to meet the complex situation.
- d. R & D should be conducted on a continual basis to understand the market. Competitors' plans and programmes should be studied before formulating own plans and policies.
- e. SOT analysis should be regularly done.
- f. The technology should be appropriate to meet market needs and competition. It should focus on how to improve and meet the market needs.
- g. Professionals and expertise should be used for designing marketing policies, strategies, and programs. There is a big gap in understanding the customers and the markets.
- h. Market surveys should be done before the introduction of new product in the market. The changing consumer needs should be identified for proper designing of production. Market needs must be assessed regularly, not on an ad-hoc basis.
- i. Both national and int'l competitors' marketing strategy should be studied and monitored.
- j. Pricing strategy must adopt marketing oriented pricing strategies, which should be reviewed and adjusted according to the change in the market.

K.

Corrective measures should be taken if needed. Appropriate channels suitable to the product and markets should be appointed in order to supply

products regularly and effectively. The channels must be changed if they do not work effectively.

I.

Appropriate promotion tools should be used and they should be evaluated periodically. The enterprises must design appropriate promotion tools, methods and media to promote product.

M.

Market segmentation should be appropriately and timely done to capture the market. Market segmentation should be done *on the basis of consumer diversity, market structure, price, income level, and sociological characteristics and versus rural consumer behavior.

MKIS should be adopted to know customer's feedback and to position the products properly. The MKIS should concentrate on market situation, competitors' position and marketing strategy.

2.22 Research Gap (Difference between the current Research and previous Research)

There is gap between the present research and the previous researches. Previous researches conducted on the topic concerning on the macro economic aspects. 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 didn't disclose what kinds of 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 of research. It is completely based on the primary sources of data. It examines the view of entrepreneur 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 topics regarding on Nepalese RMG industry.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

In the chapter, efforts have been made to present and explain the specific research design for the sake of attaining the research objective; it includes research design, source of data, population and sample data gathering procedure and data processing procedures.

3.2 Research Design

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

3.3 Sources of Data

Data were mainly collected from primary sources. Primary data were collected through questionnaire, interview and discussions.

Population and sample size

There were total of 155 (according to GAN) garment units. Among them, more than 90% were operating in Katmandu valley. Out of them only 25-35 were 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 operating units only 10 units (3 units from small scale, 4 units from medium scale and 3 units from large scale) were selected as a sample size. Purposive or judgmental (non probability sample) was followed to find out the fact and to analyze the marketing strategies of Nepalese RMG industry.

3.4 Data collection instruments

Primary data was collected by using the questionnaire. The set of questionnaire was distributed to CEO, MD and marketing manager or entrepreneurs of the selected order to acquire in depth information and support the survey for the study.

3.5 Components of Questionnaire

The questionnaire prepared for data collection contained questions related marketing strategies. They also inquire about the background information of industries, objective, business policies, market situations for the product, organizational and managerial competitive strategies, external and internal business environment and planning and implementation of the industry. The questionnaire included three types of questions, closed ended scaled (schematic rating scale) and preferential rating. In closed ended questions, 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) to 5 (most unfavorable) and 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 interviews were also taken for clarification. Personal visits also made during the study periods. Personal visit was made to have direct contact with the interviewees so that more information and data could be collected and relative accuracy ensured.

3.7 Data processing and Tabulations

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

1.00 to 2.5 Favorable (maximum)

2.5 to 3.5 Indifferent (moderate) and

3.5 to 5.0 Unfavorable (minimum)

Percentage of response was also incorporated.

3.8 Data presentation and Analysis

3.8.1 Survey

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

3.8.2 Statistical Analysis

Chi-square (χ^2) test was used to measure the degree of relationships and differences in the relevant sections of the primary data.

CHAPTER - IV

PRESENTATION AND ANALYSIS OF SURVEY DATA

4.1 Introduction

The basic objective of this study is to "analyze the marketing in Nepalese RMG Industry to find out the pertinent strategies for suggesting the entrepreneurs and trying to seek out the way of saving the existence and increasing the competitiveness of Nepalese RMG industry." Hence, in order to identify the nature of marketing strategies, the existing status of marketing and their attitude toward market, a survey of RMG industry

was made. In each RMG industry, the CEO, MD, marketing manager, export managers or entrepreneurs were interviewed using structures questionnaire include in the appendix 'A'. The result of the srvey is presented hereunder:

Table: 4.1

Effectiveness of marketing strategies and polices

S.N.	Factor	mean
1.	effectiveness of marketing strategies and policies	2.9

Source: Field survey

An attempt has been to rate the effectiveness of marketing strategies and policies. The assessment of effectiveness of strategies and policies help an enterprise to take necessary steps to further develop or rectify them. The executives rated the effectiveness of their strategies at the men score lf 2.9. It shows that effectiveness of marketing strategies and policies is neither very satisfactory nor of much consequences. Moreover the study reveals that the executives did not give due attention to proper formulation of their marketing strategies and policies. It is ironic that they do realize the limitation of their strategies but have not initiated effort to correct them.

Table: 4.2

Timing of Analysis of marketing strategies

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

Source: Field survey

Generally business organizations analyze their marketing strategies time to analysis of marketing strategies of an organization is

conducted to compete the competitors and to increase the competitive position of the organization. 20 percent respondents started that they analyzed the marketing strategies annually. 10 percent of the respondents stated that they analyzed the marketing strategies at the time of formulation pan. 70 percent of the respondents stated that they analyzed it any time. it shows that analyzing the marketing strategies is neglected by Nepalese RMG industrialists. They don't have any rule of frequently reanalyzing the marketing strategies. Due to very reason, except the WTO provision, sales of Nepalese RMG industry might be decrease by 41 percent in present time.

Table 4.3

Achieving the desired objectives only through the marketing strategies

5	Factor	No of Respondents	percentage	mean
1	No	4	40	-
2	Yes	6	60	2.83
	Total	10	100	-

Source: Field survey

Without proper and appropriate marking strategies, no organization can achieve the desired objectives. Despite other factors, marketing strategy is one of the important factors for any business organizations. Out of 10 respondents, 4 respondents or 40% are not agree to achieve desired objective only through marketing strategies but 6 respondents or 60 percent are agree to achieve desired objectives only through marketing strategies and they have rated it at the mean score of 2.83. Although most of them are agree with the above statement, they have not give more emphasis about the marketing strategies only. It is inferred that other factors (e.g. conducive govt. policy, attitude of buying countries, WTO provision and competitors activities etc.) have played the crucial role whether to achieve the desired objectives or not.

Overcoming almost all the problems that industry faces in the quota free market

Table 4.4
By pertinent marketing strategies

S.N.	factor	mean
1	Overcoming almost all the problems that industry faces in the Quota free marking by pertinent marking strategies	3.0

Source: Field survey

Business organization is a dynamic entity and it is existed in a rapidly changing and increasingly unpredictable environment. Static approaches or only one approach cannot be suitable for today's vast environment. So, for thriving and surviving in today's rapidly unpredictable business environment strategically. The executive rated it at the mean score of 2.4. It shows that they have quite positive attitude towards the above statement. They feely the necessities of effective strategies in today's business environment.

Table 4.5
Product strategies

S.N.	factor	no. of respondents	percentage
1	Product expansion with increasing product	1	10

2	product expansion with decreasing product	-	-
3	product contraction with increasing product	-	-
4	product contraction with decreasing product	-	-
5	none of the above (as per the buyers requirement)	9	90
Total		10	100

Source: Field survey

Pricing is one of the critical variables in the marketing mix. Many regard pricing decision as one of the most critical decision. The role of pricing may often depend upon how other marketing mix variables are used (Cravens, 1982:307). Organization should consider the other marketing mix variables and the situation of market and the sensors of customer to adapt the pricing respondents didn't adopt the price adaptation strategies. The study shows that they don't have any price adaptation strategies. This implies that they have poor market power in terms of price.

Table 4.6

Distribution strategies

S.N.	Factor	No. of respondents	percentage
1	Exclusive Distribution	1	10
2	Selective Distribution	1	10
3	Intensive Distribution	-	-
4	Distribution through Agents	-	80

Total	10	100
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Source: Field survey

Distribution is to get the products in adequate quantities in accessible location at the right time when customers desire them. Distribution is also to link producers with ultimate consumers. Marketing channels are the paths, goods and title link producers with ultimate consumers. The pathways consist of intermediaries. Distribution is a very important function which helps the ultimate arraignment of the purpose of production by linking the producers with the consumers. Products can be distributed by extensively, selectively or intensively. Regarding this, 10% stated that they distributed extensively, 10% stated that they distributed selectively. No one stated that they distributed intensively. But, 80% stated that they distributed through the agents. The study shows that very few industries have distributed the products through their own effort. But, the large numbers of industry have distributed their products through the agents. It reveals that they don't have market power in terms of distribution.

Table 4.7

Promotion strategies

S.N.	Factor	No. of responds	Percentage
1	Consumer promotion (pull strategy)	2	20
2	dealer strategy (push strategy)	5	50
3	None of the above	3	30
Total		10	100

Source: Field survey

Of promoting is to make consumers aware about the products. Promotional efforts include activities such as advertising, personal selling, publicity and a multitude of other such as fairs, sampling, contests and coping. Anonymous (1977) defines promotion as "the function of information, persuading and influences the consumer's

purchase decision." Anonymous (1981) in this connection opined that "marketing must speak to the consumer's rationale side about product advantages. They must cater to the consumer's emotional side and drive home the sale through the physiological senses. The goal is to make the consumer happy through the purchase of his product. Among the promoting strategies, there are two promotion strategies i.e. consumer promotion and dealer promotion. Out of 10, 2 or 20% industries have adopted consumer promotion strategies, 5 or 50% industries have adopted dealer promotion strategies and 3 or 30% industries have not adopted any promotion strategies. The study shows that few industries have direct contact with consumer and which may be beneficial for their business in future. The large numbers of industries are promoted through dealers (Agents). It implies that they don't have adequate market power in terms of promotion. Remaining industries don't have any promotion strategies. They have poor market power in terms of promotion.

Table 4.8

Evaluation of External environment for the operation, growth and expansion of Enterprises

S.N.	Factor	mean
1	Political	4.7
2	economic	4.1
3	Socio-Culture	2.3
4	Technology	2.7
5	Competitive	4.0

Source: Field survey

Expansion or enterprises. If external environment is not suitable and conduct organizational goals and objectives can't be fulfilled. Therefore, changes in the firm's environment must be constantly monitored and, if they suggest basic modification to policy, these should be given every careful consideration. Marketing environment is

important in that it provides the enterprise basic guidelines in the course of attaining conceived goals. The political environment is one of the components of marketing environment. The response to political environment has been rated to the mean score of 4.7 showing extremely unfavorable environment for the industry. Economic environment plays a vital role in designing marketing strategies. The executives rated the mean score of 4.1 showing extremely adverse environment for industry. Socio-culture environment include many aspects of society and its various constituents, such as attitudes, beliefs, desires, expectations, education, customs, demographic components, role of women and view towards themselves, society and Nation. The executives rated the mean score of 2.3 showing favorable environment for the industry. Technology brings innovativeness. Science has invented many sophisticated technologies. These technological environments were rated at the mean score of 2.7. This shows that industries have given high priority to it. Another crucial external factor is competition in the market is increasing at a phenomenal pace. The enterprise must always be able to go along with the nature and the level of competition. One can stand in the business world when it can meet the challenges. In this regard, the respondents rated response at the mean score of 4.0. It reveals that the strong competitors are existed in the market and rivalries among competitors are very high.

Table 4.9

Important strength weakness of enterprises

S.N.	factor	mean
Strength		
1	Production capacity	1.7
2	Manpower	2.4
3	Technology	2.5
4	Organization	2.5

5	Brand Name	4.2
6	Market Logistic	3.2
7	Marketing information System (MKIS)	3.6
Weakness:		
1	Financial position	3.5
2	Marketing problems	2.7
3	Skilled manpower	3.2
4	Capital	3.7
5	High cost of production	2.6
6	Slow distribution	3.1

Source: Field survey

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

Table 4.10

Preference given by industrialist or executives to cope the adverse effect existed through (USTAD 2000) providing duty free access to clothing made of Africa and Caribbean basin countries by USA

S.N.	Factors	mean
1	Pertinent marketing strategies	1.6
2	Conducive govt. policy	1.0
3	Lobbying the large importing countries (specially the USA)	1.0
4	Strategic alliances with other countries	1.9

Source: Field survey

To overcome the adverse effect existed in Nepalese RMG industry through the USTAD act 2000; the researcher has included the four major factors to know the preferential factors of executives or industrialist. In this regard, the executives rated the mean score of 1.6 for pertinent marketing strategies, 1.0 for conducive or favorable govt. Policy, 1.0 for lobbying the large importing countries and 1.9 for strategic alliance with other countries. The study shows that the industrialists have given top most preference to conduct govt. policy and lobby, second most preference has given to pertinent marketing strategies and the least preference has given to strategic alliances with other countries. It implies that they are surer of coping the problems through conducive govt. policy and lobby rather than implementing pertinent marketing strategies and strategic alliance with other countries.

Table 4.11

Need of changes in marketing strategies

S.N.	Factor	Present mean	Desired mean
1	Product Quality	1.4	1.0
2	Price Strategy	3.4	1.4

3	Extensive promotion	3.6	1.9
4	Extensive distribution	3.2	1.9
5	Market segmentation	3.2	1.6

Source: Field survey

The changing environment induces an organization to change their marketing strategies. The study asked the executives to give their option as to what kind of changes in marketing strategies are essential to attain what marketing strategies they have adopted and what they would like to adopt? The respondents were also asked to give their present status and desirable output or the marketing strategies. The response shows that a mean score of 1.4 has been given for the present marketing strategies and desired at least a mean score of 1.0 for product quality. The respondents awarded the mean score of 3.4 for the present marketing strategies and the desired mean score of 1.4 has been given for the present marketing strategies and desired at least a mean score of 1.0 for product quality. The respondents awarded the mean score of 3.4 for the present marketing strategies and the desired mean score of 1.4 for price strategies flowed by the mean score 3.6 for present and desired mean of 1.4 for price strategies flowed by the mean score of 3.6 for present and desired mean score of 3.2 and at the desired score of 1.6 for market segmentation. The prevailing product quality is highly satisfactory and executives want further improvement, than before. Price, Promotion, distribution and segmentation are below middle score. However, they desired signification improvement in these components, too.

Table 4.12

Focusing activities of industry

S.N.	Factor	mean
1	Heavily focusing their activities in international trade rather than international marketing	1.2

Source: Field survey

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

Table 4.13

Rating of understanding competitors when there are many

S.N.	Factor	mean
1	Similar characteristic (size and resources)	2.5
2	Strength (e.g. product quality distribution, low cost etc.)	1.6
3	Strategies into strategic group	3.0
4	Country wise product	2.3

Source: Field survey

Organization. These organizations who can understand the competitors can make the effective marketing strategies and also can win the large market share or make strong position in the battle field. The researcher found that mean score of 2.5 was rated for similar characteristic, 1.6 for strength factors, 3.0 for strategies into strategic group ad 2.3 for country wise product. Third most preference has given to similar characteristic and the least preference has given to the strategic group. It indicates that they have awareness of being understand the competitors, except similar characteristic and strategies into strategic group, in terms of strength factors and country wise product.

Table 4.14

Rating of understating the competitor's activities and status

S.N.	Factor	mean
1	Performance	1.5
2	Image and personality	2.2
3	Objectives	2.0
4	Current and past strategies	1.9
5	Organizational culture	2.7
6	Cost structure	1.2
7	Strengths and weaknesses	1.8

Source: Field survey

Before understanding the competitors, organization should understand their activities and status. After understanding their activities and status, organization can make the effective marketing strategies for being market leader, follower or nice marketer whatever is suitable. Hence, for long term survival and thriving, understanding the competitor's activities and status is must. In this regard, the executive rated this aspect at the mean score of 1.5 for performance, 2.2 for image and personality, 2.0 for objectives, 1.9 for current and past strategies. The study presents that they have give top most emphasis on cost, performance, strength and weaknesses, current and past strategies, objectives, image and personality and organizational respectively. It also indicates that what they have rated is quite consequences except organizational culture (moderately satisfactory).

Table 4.15

Affect of competitive situation in enterprises

S.N.	Factor	mean
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1	Affect of competitive situation in enterprises	1.9
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Source: Field survey

The executive rated the "Affect of competitive situation in enterprises" at the mean score of 1.9. It indicates that Nepalese RMG industry is extremely affected by the competition in the present time.

Table 4.16

Ranking of major competitors of Nepalese RMG industry

S.N.	Country	Rank													
		1	%	2	%	3	%	4	%	5	%	6	%	7	%
1	India	3	30	4	40	-	-	3	30	-	-	-	-	-	-
2	Bangladesh	2	20	1	10	5	50	1	10	1	10	-	-	-	-
3	Sri Lanka	-	-	-	-	-	-	2	20	1	10	6	60	1	10
4	China	3	30	4	40	2	20	1	10	-	-	-	-	-	-
5	East Asia	-	-	-	-	1	10	-	-	6	60	3	30	-	-
6	Africa & Sub-Saharan	2	20	1	10	2	20	3	30	2	20	-	-	-	-
7	other	-	-	-	-	-	-	-	-	-	-	1	10	9	90

Source: Field survey

According to the above table, biggest competitors of Nepalese RMG industries are India and China. Out of 10 respondents, 30%, 40% and 30% respondents ranked India as a major competitor by ranking 1, 2 and 4 respectively. Similarly, out of 10 respondents, 30%, 40%, 20% and 10% respondents ranked China as a major competitor by ranking 1, 2, 3 and 4 respectively. Bangladesh and African & Sub-Saharan countries are the major competitors after India and China. 20%, 10% 50%, and respondents ranked. Bangladesh as a major 3, 4 and 5

respectively. 20%, 10%, 20%, 30% and 20% respondents ranked African & Sub-Saharan countries as major competitors by ranking 1,2 ,3,4 and 5 respectively. Sri Lanka & East Asia are not the biggest competitors as China, India, Bangladesh and African & Sub-Saran countries. However, they might become the major competitors in future if Nepal couldn't implement the effective marketing strategies. 20%, 10%, 60% and 10% respondents ranked Sri Lanka as a competitor by ranking 4, 5, 6 & 7 respectively. 10 %, 60% and 30% respondents ranked East Asia as a competitor by ranking 3, 5 and 6 respectively. 10% and 90% respondents ranked other countries as competitors by ranking 6 and 7 respectively.

Table 4.17

Sources of getting information about the competitors

S.N.	Country	Rank							
		1	%	2	%	3	%	4	%
1	Website (WTO, ITC, FNCCI etc.)	1	10	3	30	3	30	3	30
2	Govt. Agency (MICS, TPC)	-	-	3	30	4	40	3	30
3	Garment Association Nepal (GAN)	7	70	2	20	1	10	-	-
4	Exports	2	20	2	20	2	20	4	40

Source: Field survey

Information has the greater role in business organization. One of the important functions of information is to understand the competitors. It

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

Table 4.18

Establishment of marketing intelligence Department to assess the competitor's activities and strategies

S.N.	Option	No. of Respondent	percentage
1	Yes	-	-
2	No	10	100%
Total		10	100%

Source: Field survey

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

Table 4.19

Adoption of the benchmarking type by the enterprises

S.N.	Factors	No. of Respondent	percentage
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1	performance benchmarking: It compares one's own performance with that of best performer	6	60%
2	process benchmarking: It compares process and practices with that of best process and practices	1	10%
3	Strategic Benchmarking: It compares organization's strategic decision and action with the best strategic decision and action with the best strategic decisions and action of other organization	-	-
4	All of the above	2	20%
5	None of the above	1	10%
	Total	10	100%

Source: Field survey

For improving the overall strategies, adoption of benchmarking is must. No organization can achieve the desired objective without comparing with the concerned competitors. Benchmarking is the activity which enhances the further movement of its business activities. 6 or 60% respondents have adopted the performance benchmarking type. 1 or 10% respondent has adopted the process benchmarking type. 2 or 20% respondents have adopted all of the benchmarking type and only 1 or 10% respondents have not adopted any benchmarking type. It shows that they have given more emphasis to performance benchmarking and other reaming is highly neglected by them.

Table 4.20

Using the FIT, an International Trade centre (ITC) benchmarking tool, for comparative with competitors

S.N.	Option	No. of Respondent	Percentage
1	Yes	-	-
2	No	10	100%
	Total	10	100%

Source: Field survey

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

Table 4.21

Existence of competitors

S.N.	Factors	mean
1	Internal competitors	3.5
2	Foreign competitors	1.3

Source: Field survey

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

Table 4.22

Rate of approaches to identify the competitors

S.N.	Factors	mean
1	customers based approach: This grouping of competitors is based on competitors for customers	1.9
2	Strategic group approach: A strategic group consists of organization with similar competitive strength, similar characteristic and similar image in a given industry	3.1

Source: Field survey

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

Table 4.23

Timing of monitoring the objectives and strategies of competitors

S.N.	Factors	mean
1	Monitoring the objectives and strategies of competitors	2.7

Source: Field survey

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

Table 4.24

Anticipating the future moves and reaction patterns of competitors after phasing out the Multi Fiber Arrangement (MFA) or Quota system

S.N.	Factors	No. of Respondent	percentage
1	No	4	40
2	Yes	6	60
	a. Laid back reaction (slow reaction) b. Selective reaction (attacking selective moves of the rivals) c. Tiger reaction (reacting swiftly to all the rival's moves) d. Stochastic reaction (no predictable reaction to rival's moves)		
	Total	10	100

Source: Field survey

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

Table 4.25

Competitive position of enterprises

S.N.	Factors	mean
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1	Competitive position of Enterprises	2.1
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Source: Field survey

The executives rated the mean score of 2.1 for competitive position of their enterprises. They are, till now, in competitive position rather than survival position. It can be seen that existing industry (remaining industry) of Nepal has satisfactory reputation among buyers (merchandisers, Agents).

Table 4.26

Satisfying the need and wants of customers

S.N.	Factors	mean
1	Satisfying the need and wants of customers	2.2

Source: Field survey

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

Table 4.27

Rating the market power, market share and market growth of enterprise

S.N.	Factors	mean
1	Market power	3.1
2	Market share	3.5
3	Market Growth	4.0

Source: Field survey

The main essence of marketing strategies is increase the market power, market share and growth of enterprises. The executives have rated the mean score of 3.1, 3.5 and 4.0 for market power, market share and growth respectively. The study reveals are highly dissatisfactory of their market share and market growth. It implies that their marketing strategies are quite poor.

Table 4.28
of executive's preference to increase market power

S.N.	Factors	mean
1	Improving customer value	1.7
2	Offering New product	2.0
3	Competitive market positioning and Brand	1.8
4	Latest marketing practices (E-commerce)	1.9
5	Customer satisfaction	1.2

Source: Field survey

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

Table 4.29

Allocation of resources to increase the business strength of enterprises

S.N.	Factors	mean
1	Allocating the resources to increase the business strength enterprises	2.2

Source: Field survey

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

Table 4.30

Allocation of resources to increase the business strength of enterprises

S.N.	Factors	mean
1	Market share and its growth	3.2
2	product Quality	1.8
3	Distribution Network	3.0
4	promotional Network	3.0
5	product capacity and efficiency	2.1
6	Unit cost	2.5
7	Customer service	2.2
8	R & D performance	4.0
9	Management competencies	2.5

Source: Field survey

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

Table 4.31

Ranking of Industry's preferential sourcing destination

S.N.	Country	Rank							
		1	%	2	%	3	%	4	%
1	China	6	60	4	40	-	-	-	-
2	India	3	30	5	50	2	20	-	-
3	East Asia	1	10	1	10	8	80	-	-
4	Others	-	-	-	-	-	-	10	100

Source: Field survey

The respondents have ranked china as a first destination of sources. 5 or 50% respondents have ranked India as a second sourcing destination. 8 or 80% and 10 or 100% respondents have ranked East Asia and other countries as third and fourth sourcing destination.

Table 4.32

Effectiveness of value china of company

S.N.	Factors	mean
Primary value Activities		
1	Inbound logistic: Material handling & warehousing	2.1
2	Operation: Transforming input into final product	1.9
3	Out bound logistic: order processing & distribution	2.4
4	Marketing sales: Communication, Price & channel management	2.9
5	Service: post sales services	3.6
Secondary value activities		
1	Procurement: procedure & information system	3.0
2	Technology development: Improving the product and process system	2.1
3	Human resources management: Hiring, Training, Accounting Govt. relations & Quality management	2.6
4	Firm structure: General management, Finance, Accounting Govt. Relations & Quality management	2.3

Source: Field survey

Firms create value for their buyers by the activities they perform. The measure of the value of these activities is the price the firm's customers are willing to pay for its product or services. If the price is greater than the total cost of all the activities the firm performs, the firm makes a profit (keegan, 2000:327). The ultimate purpose of all value china activity and the firm is to create value for customers. The greater the value, the greater the potential margin. The executives rated the mean score for 2.1, 1.9, 2.4, 2.9 and 3.6 for inbound logistic, operation, outbound logistic, marketing & sales and services respectively. It shows that their primary value chain is quite satisfactorily effective, except services and marketing, which are ineffective and moderately effective respectively. They rated the mean score of 3.0, 2.1, 2.6 and 2.3 ,

technology development, human resources infrastructure respectively. It reveals that their technology development activities and firm infrastrure are satisfactorily effective but procurement and human resources management of them are moderately effective.

Table 4.33

Evaluation of the competitive situation of industry

S.N.	Factors	mean
1	Threats of substitute product	2.8
2	Bargaining power of Buyers	1.3
3	Bargaining power or suppliers	1.3
4	Rivalry among competitors	2.4

Source: Field survey

The availability of substitute products places limits on price, market leaders can change in an industry; high price may induce buyers to switch to the substitute (Keegn, 2000:373). If substitute pose of credible threats, then, firms in the industry will be prevented from raising their prices or from failing to develop and improve their product services (Bowman, 1996:29). The executives rated the mean score of 2.8 showing the moderate of substitute product. The ultimate aim of industrial customers is to pay the lowest possible price to obtain the products or service that it uses as inputs. Usually, therefore, the buyer's best interests are served if they can drive down profitability in the supplier industry. The executives rated the mean score of 1.3 showing the storing bargaining power of buyers. Supplier's power over industry firms is the "flip side of the coin" to buyer power. If suppliers have enough leverage over industry firms, they can raise price high enough to significantly influence the profitability to their organizational customers. The executive rated the mean score of 1.3 showing the strong bargaining power of suppliers. The head to head rivalry between firms makes similar products and selling

them in the same market. Rivalry can be intense and cut throat or it may be governed by unwritten "rules" gentleman's agreements which help the industry to avoid the damage that excessive price cutting, advertising and promotion expenses can inflict on profit. The executives rated the mean score of 2.4 showing high rivalry among competitors.

Table 4.34

Adoption of Generic strategies by the industry

Competitive scope	Lower cost		No. of Respondents	%	Differentiation	No. of Respondents	%
	Broad Target	Cost Leadership	3	30	Differentiation focus	-	-
Narrow Target	Cost Focus	6	60	Differentiation	-	-	
None of the above			1	10		-	-
Total			10	100			

Source: Field survey

prof. porter pointed out that there are only two routes to superior performance: you either become the lowest cost producer in your industry, or you differentiate your product/service in ways that are valued by the buyers to the extent that he or she pay a premium price to get those benefit. Firms can choose to apply either of these strategies to a broad market or to a narrow followed market. Cost leadership advantage is based on a firm's position as the industry's low cost producer in broadly defined markets or across a wide mix of products. Key to successful differentiation strategy is to be unique in ways that are valued by buyers. The majority 60% respondent's adopted the cost focus strategy n broad target. But no industry adopted differentiation strategy only one industry didn't adopt any strategy.

Table 4.35

Kinds of periodic plans

S.N.	Factors	No. of Respondents	Percentage
1	Short Term	5	50
2	Medium Term	1	10
3	Long Term	1	10
4	Perspective plan	-	-
5	No fixed period	3	30
Total		10	100

Source: Field survey

Marketing planning is very important to determine volume for production. It is also equally important for the proper and effective use of resources. Its absence in an organization leads to directionless nests. Anonymous, 1984 have rightly stated that "Market planners often need to forecast product demand at various alternative price levels to develop pricing strategies and set sales goal for their firms." There are usually adequate historical data that can be used to project future market behavior. Majority 50% respondents maintained that they formulated short term plans. 10% indicated that they designed medium term plans and also 10% stated that they practiced long term planning. 30% stated that they formulated plan in anytime. And, no one formulated perspective plan. The study shows that most of the enterprises do not have long term planning. They extremely believe in short term planning. It also indicates that the entrepreneurs of this category of industry do not have a long term development program and not do they have appropriate plans and strategies from a longer term perspective.

Table 4.36

Evaluation of company's formulation the marketing plan

S.N.	Factors	mean
1	Formulating the goal after assessing the SWOT analysis	1.9
2	Formulating the strategies after assessing the SWOT analysis and formulating the goal	2.2
3	Formulating the program according to the strategies	2.2

Source: Field survey

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

Table 4.37

Consideration and evaluation of the rival's plans and policies while formulating own plans and strategies

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

Source: Field survey

Business is very and policies according to their own mature of business. No company formulates its plans and policies without a deep study rather keep their eyes and ears open all the time on rival's business plans and policies. In references to this, it was found in this study that the substantial majority of 80% stated that they evaluated their rival's plans and policies before formulating their own plans and strategies while 20% did not think it was necessary. The study reveals that the executives are well aware of the importance of the study of the competitor's marketing plans and strategies.

Table 4.38

Ranking of the considering factors while developing marketing plan

S.N.	Factors	Rank													
		1	%	2	%	3	%	4	%	5	%	6	%	7	%
1	Consumers	3	30	4	40	1	10	2	20	-	-	-	-	-	-
2	Competition	5	50	2	20	2	20	1	10	-	-	-	-	-	-
3	Gov. policy	-	-	1	10	2	20	3	30	1	10	2	20	1	10
4	Firm's strength & weaknesses	-	-	-	-	2	20	-	-	2	20	4	40	2	20
5	Economic	1	10	2	20	2	20	2	20	3	30	-	-	-	-
6	Technological Development	-	-	-	-	1	10	1	10	4	40	3	30	1	10
7	Political Condition	1	10	1	10	-	-	1	10	-	-	1	10	6	60

Source: Field survey

The above table shows that the majority 50% of the respondents ranked the competition as a number 1 considering factors. 40% respondents ranked the consumers as a number 2 considering factors 20%, 30% 40% and 60% respondents ranked the factors economic, Govt. policy, Technological development, Firm's strength and weakness and political condition as a number 3, 4, 5, 6 and 7 considering factors respectively.

Table 4.39

Timing of evaluating the implementation or marketing plan

S.N.	Factors	mean
1	Timing of evaluating the implementation of marketing plan	2.9

Source: Field survey

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

Table 4.40

S.N.	Factors	mean
1	Implementation of company's program according to market plan	2.7

Source: Field survey

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

Table 4.41

Timing of evaluation the feedback (result) and control of enterprises

S.N.	Factors	mean
1	Evaluating the feedback (result) and control of enterprises	2.4

Source: Field survey

The executives rated the mean score of 2.4 for the above statement. It stated that they evaluated the feedback and control of enterprises satisfactorily (frequently). In other words, they gave enough time to evaluate them. But, it can be implied, by considering previous table, that

the effectiveness of evaluating the feedback and control of enterprises is poor because of not taking into careful consideration the implementation of industry's program according to market plan

2x2 contingency table

Executive's Preferential Category	Increasing of Competitive Position		Total
	Yes	No	
Marketing Strategy	0.5(a)	2.5(b)	r1=3
Conducive Govt. Policy	1.5(c)	5.5(d)	r2=7
Total	C1=2	C2=8	N=10

$$\begin{aligned}
 x^2 &= \frac{N \left[(ad - bc) - \frac{N}{2} \right]^2}{r_1 r_2 \times C_1 \times C_2} \\
 &= \frac{10 \left[(0.5 \times 5.5 - 2.5 \times 1.5) - \frac{10}{2} \right]^2}{3 \times 7 \times 2 \times 8} \\
 &= \frac{10 [(2.75 - 3.75) - 5]^2}{336} \\
 &= \frac{10(-6)^2}{336} \\
 &= \frac{360}{336}
 \end{aligned}$$

$$x^2 = 1.071$$

$$\text{Degree of freedom (d.f)} = (r-1) (c-1) = (2-1) (2-1) = 1$$

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

Result:

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

Hypothesis 2

Table of Rated mean score among three scale of industries

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

So in:

Null Hypothesis H_0 : The differences in 'range of mean' within different scale of industry are independent. In other words, three scale of industry have the same 'range of mean'.

Or

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

Alternative Hypothesis H_1 : The differences in 'range of mean' within different scale of industry are dependent. In other words, three scale of industry have not the same 'range of mean'.

Or

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

Test statistics under Ho is

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

Where,

O= Observed Frequency

E= Expected Frequency

RT= Row Total

CT= Column Total

N= Grand Total

Calculation of χ^2

O	$E = \frac{RT \times CT}{N}$	O-E	(O-E) ²	$\frac{(O - E)^2}{E}$
62	51.33	10.67	113.84	2.21
24	27	-3	9	0.33
10	17.67	-7.67	58.82	3.32
56	51.33	4.67	21.80	0.424
23	27	-4	16	0.592
17	17.67	-0.67	0.4489	0.0254
36	51.33	-15.33	235.008	4.578
34	27	7	49	1.814
26	17.67	8.33	69.38	3.926
				$\sum \frac{(O - E)^2}{E} = 17.2194$

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

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

Tabulated value of χ^2 at 0.01 for 4 d.s. 13.277

Result:

Since the calculated χ^2 is greater than tabulated χ^2 at 1.01 level of significance, the null hypothesis H_0 is reject or alternative hypothesis H_1 is accepted. Therefore, we conclude that is significant difference between the scale of industries and their rated mean score.

Hypothesis 3

Table of Rated mean score between large and medium scale industries

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

Soln:

Null Hypothesis H_0 : There is no significance difference between the scale of industry (i.e. large & medium) and their rated mean score.

Alternative Hypothesis H_1 : There is significance difference between the scale of industry (i.e. large & medium) and their rated mean score.

Calculation of χ^2

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

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

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

Tabulated value of χ^2 at 0.01 for 2 d.s. 9.210

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

Hypothesis 4

Table of Rated mean score between medium & small scale Industries

Frequency of scale of Industry	Range of Mean			Total
	1.0-2.5	2.5-3.5	3.5-5.0	

Large	56	23	17	96
Medium	36	34	26	96
Total	92	57	43	192

Sonl:

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

Alternative Hypothesis H1: there is significant difference between the scale of industry (i.e. medium & small) and their rated mean score.

Calculation of X^2

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

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

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

Tabulated value of χ^2 at 0.01 for 2 d.s. 9.210

Result:

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

Hypothesis

Table of Rated mean score between medium & small scale Industries

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

Sonl:

Null Hypothesis H_0 : There is no significant difference between the scale of industry (i.e. medium & small) and their rated mean score.

Alternative Hypothesis H_1 : there is significant difference between the scale of industry (i.e. medium & small) and their rated mean score.

Calculation of X^2

O	$E = \frac{RT \times CT}{N}$	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
62	49	13	169	3.45

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

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

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

Tabulated value of χ^2 at 0.01 for 2 d.s. 9.210

Result:

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

Major Finding of the study

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

- The enterprises were found to be engaged in the evaluation of the strategies and policies, which were in general, rated not very satisfactorily. It showed that strategies and policies of RMG industry may not be sound or effective. Analysis of marketing strategies, further, was not a satisfactory level. Analyzing the market strategies was neglected by Nepalese RGM industrialist. They dint have any rule of frequently analyzing them for evaluating the effectiveness of their marketing

- strategies. Due to Very reason, ignoring other factors (e.g. ETO provision etc.) sales of Nepalese RGM industry might be decreased by 41%.
- 40% respondent didn't accept the statement (achieving the desired objective only thought the marketing strategies). It showed that they were pessimistic about the marketing strategies 60% respondents accepted then given statement but they rated it moderately. It showed that they were considered the other determining factors (e.g. Govt. policy, WTO Provision, competitive Situation etc) their view about the marketing strategies is not adequately considerable.
 - The most of the executives are disagree with the statements (i.e. overcoming almost all the problems that industry faces in the quota free market by pertinent marketing strategies). It showed that other determining factors (e.g. Govt. policy, WTO provision, Competitive situation etc.) play the crucial roles in term of their view. Their view about the pertinent marketing strategies is also not adequately considerable.
 - The industrialist / CEO / manager's view about the "need approaches for coping strategically the existed rapidly changing and increasingly unpredictable environment" is quite positive. They felt the necessary ness of effective strategies in today's business environment.
 - Because of heavily dependent on merchandiser (agents) requirement instead of direct buyers. So it has poor market power in terms of product strategy. It didn't adopt the price adaptation strategies. It has adopted the negotiation price with buyers (agents). It stated that the industry has poor market power market power in terms of prices strategies. Very little industry has distributed their product through their own effort but must of them distributed through agents (especially India). The industries have poor market power in terms of distributions strategies. Very few industries have direct promotional activities to ultimate consumers but most of them have dealer 'promotion strategies'. The industry has poor market power in terms of promotional strategies regarding to the ultimate customers.
 - Marketing environment plays a vital role for smooth operation, growth and expansion of enterprises. Political and economics environment were

not rated to be favorable. Socio-cultural factor was rated to be satisfactory. Technology has not been accorded high priority. Competitive has not been considered as a major issue. The enterprises have not taken any steps or measure to solve it. They have just blamed the government policy.

- Every business organization must its strength and reduces its weaknesses for long term survival and flourishing. It can exploit the opportunities and overcoming or neutralizing the threats and challenges through its strength and by reducing or neutralizing the threats and challenges through its strength and by reducing its weaknesses. Product capacity and manpower (managerial) were rated to be satisfactorily strength factors. Technology, organization and market logistic were rated to be moderately strength factors. These factors have not been accorded high priority. Brand name and Market information system (MKIS) were rated to be the least (unsatisfactorily) strength factors. They extremely didn't take into consideration on these factors. Marketing, production cost and distribution were rated to be highly weakness factors. Skilled manpower (labor) was rated to be moderate weaknesses factor, and the least weaknesses factors were financial position and capital.
- The executives rated the man score of 1.6, 1.0, 1.0 and 1.9 of pertinent marketing strategies, conductive government policy, lobbying the large importing county and strategies, alliances with other countries respectively to cope the adverse effect existed through (USTAD ACT 200) providing duty free access to clothing made of African and Caribbean basin by USA. It showed the they have bee given to most policy and lobby rather than person arthritic alliances with other countries.
- Although the prevailing product quality was rated to be highly satisfactory, the executives wanted further improvement than before. Price, promotion, distribution and market segmentation were rated to be dissatisfactory. However, they desired signification improvement in these components too.
- The executives were highly agreed with the statement (i.e. heavily focusing their activities in int'l trade rather than int'l marketing). It

showed that int'l marketing practices were the neglected part of their business activities.

- Similar cartelistic (size & resources etc.) and strategies into strategies were rated to be moderately satisfactory to understand competitors when there are many groups. It showed that they didn't take into careful consideration in these factors. Strength factors (brand name, distribution, low cost etc.) and country wise products were rated to be satisfactory. It revealed that they have taken into careful consideration in these factors.
- Performance, image and personality, objective, current and past strategies, cost structure, strength and weakness of the competitors are the major factors which were rated to be satisfactory to understand the competitor's activities and status. Organizational cultural factor was rated to be moderately satisfactory. It showed that what they had rated was quite consequences except the factor which were rated to be satisfactory to understand the moderately satisfactory. It showed that what they had rated was extremely affected by the competition in present time.
- The affect of competitive situation in enterprise was rated to be maximum. It indicated that RMG industry was extremely affected by the competition in present time.
- China and India are the biggest competitors of RMG industry. They were ranked number 1 and 2 respectively. Bangladesh, African & sub-Saharan countries and fourth competitors of Nepal respectively and followed by East Asia and Srilanka and are the fifth and sixth competitors of Nepal. Other countries are the least of Nepal which were ranked number 7.
- Association Nepal is the main sources of getting information about the . They ranked it as a number 1 source. Website (WTO, ITC etc.) is the number 2 source of information, and followed by Govt. agency (MICS and TPC etc.) the expert are the number 3 and 4 source of getting information respectively.
- .It impaled that they have poor marketing types (i.e. performance benchmarking, Process Benchmarking and strategic Benchmarking),

most of them have been adopted the performance benchmarking and very few industry have been adopted strategic Benchmarking.

- No industry use the FIT (i.e. FIT is the benchmarking tool developed by international trade centre). In spite of recommending using this tool by ITC for the developing and the least developed countries in quota free market, Nepalese executives didn't use this tool.
- The numbers of foreign competitors are very high and those of domestic competitors are quite low. The domestic competitors don't have to seriously compete with each other.
- The industry has given high priority to customer based approach (i.e. this grouping of competitors is based on competitors for customers) and moderate priority to strategic group approach (i.e. A strategic group consists of organization with similar competitive strategies, similar characteristic and similar image in a given industry) for identifying the competitors.
- The executives have been moderately monitoring the objectives and strategies of competitors. In other words, they have been monitoring the objectives and strategies of competitors neither continuously nor discontinuously. During the interview, the researcher found that usually monitor them annually.
- 40 % respondents didn't anticipate the future moves and reaction pattern of competitors. It implies that they are unaware of competitor's reaction pattern, 60 % respondents anticipated them. In their view, competitors will highly and moderately react to. "All of their moves" respectively. Competitor's reaction will also be moderately slow and unpredictable in the future.
- The existing industries are in competitive position, and they have been fulfilling the customer's desire satisfactorily. But, during the interview, the researcher found that they have been able to satisfy the merchandiser (agent) desire instead of the ultimate customers.
- The excuses have given high preference to concerned factors (i.e. improving customer's value, offering new product, competitive market positioning and brand, latest marketing positioning and customer's

satisfaction). But, during the discussion with the respondents, the researcher found that they didn't use it in practice. Anyway, they have positive attitude about these factors.

- The industry's business strengths in the factors of unit cost, management competencies, distribution and promotional network are neither satisfactory nor dissatisfactory. Its business strength in the factors of market share growth and R & D performance is in dissatisfactory level. They have been allocating their resources to enhance the market department and R & D and also to increase market power, share and its growth.
- The executives ranked the china and India as a number 1 & 2 and followed by East Asia and other countries as the third and fourth rank for sourcing destination to increase the customer value and industry's profit.
- The industry's primary value chain activities are quite satisfactorily effective except service and marketing which are ineffective and moderately effective respectively. In secondary value chain activities, technology development activities and firm infrastructure are moderately effective.
- The industry has moderate threats of substitute products. Both the buyers and supplies have strong bargaining power. Rivalry among competitors is also very high in this industry.
- The majority 60% executives adopted cost focus strategy in narrow target and the least 30% executives adopted the cost leadership strategies in broad target. But no industry adopted the differentiation strategy. Only one executive didn't adopt any generic strategy.
- Most of the industries do not have long term planning. They extremely believe in short term planning. The study also indicates that the executives of this category of industry do not have a long term development program and nor do they have appropriate plans and strategies from a longer term prospective.
- Marketing plan by the industry is in satisfactory level. But, during the discussion, the researcher found that what they have formulated the marketing plan is in short term.

- The majority (80%) of the executives stated that they evaluated their rival's plan and policies before formulation their own plans and strategies while 20% of the executives didn't think it was necessary.
- The majority (30%) of the executives ranked 'competition' as a number 1 considering factors while developing factor. 20%, 30%, 40%, 40%, & 60% of the executives ranked 'economic', Govt. policy. 'Technological development', 'Firm's strength and weakness' and 'political condition' as a number 3, 4, 5, 6, & 7 considering factors while developing marketing plan respectively.
- The executives evaluated the implementation of marketing plan moderately. In other words, they didn't give enough time to evaluate it even though they have been facing the tough market condition. 'Implementation of industry's program according to market plans is neither excellence nor poor. It implies that they didn't take into careful consideration the above statement very much even though they have been facing the tough market condition.
- The executives evaluated the feedback and control of enterprise satisfactorily (frequently). In other words, they have given enough time to evaluate them. But, it can be implied, by considering previous table, that the effectiveness of evaluating the feedback and control of enterprise is poor because of not taking into careful consideration the implementation of industry's program according to market plan.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Summary

Nepal, the Himalayan kingdom of Asia, has its border with china in the north and India in the south east and west having a total area of 1,47,181 sq. km. with a population of around 23.21 million. Nepal is a lowest developed agricultural country with a per capita income of about Rs. 20,527 (equivalent to UA \$ 276) in FY 2003/04.

Nepal's history of economic development is relatively short. Planned economic development started only since 1956 A.D. though on earlier attempt was made in 1948 A.D. Nepal has accomplished 9th five ears plans and is now nearing the end of 10th five years plan. Various efforts are being put in to attain a faster growth rate. In 1993/94, Nepal experienced its best macro economic performance in the decade of nineties. Export growth after recording negative in 1994-1995 has recorded steady growth there after.

The history of garment industry in Nepal is as 25 yrs. Nepal garment has occupied the 1st position in terms of overseas exports. Garment sector has made a significant contribution to the national economy of the country. It accounts for around 18% of the total export and 40% of foreign exchange among the overseas export earning. This sector has provide employment to about 1, 00,000. Nepalese people which is 12% of total industrial employment. About 3,00,000 people, including the family members of the employees have benefited from this industry.

In the current situation RMG industry faces the severe threats and challenges with technologically advance countries because of WTO's provision. A massive fall down in export growth since the second half of 2000 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 an 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 outdate manufacturing process to the logistic system and none 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.

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. The realization of importance of marketing is to identify consumer's requirement and to satisfy them. Though Nepal is one of the developing countries, it cannot stay away from adopting sound marketing 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 enterprises 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 strategies in view of substantial growth in level of competition.

The main objective 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 (i.e. small, medium & large) are made. Questionnaires were distributed and table discussions were made to gather information. Information was tabulated as per the requirement of the study.

The study has tried to analyze the marketing strategies in Nepalese RMG industry. The study revealed that executives have position 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 agent. They have not

Effective outward looking marketing policy. Therefore the whole industry appears to be deficient in formulation and adoption of effective marketing strategies. In addition, traditional ways of doing business and poor management have not helped. The executives have not enough ability to understand competitors. They couldn't put their industry in a competitive position. Even though they have a good marketing plan, it is ineffective because of not taking into careful consideration of implementing it.

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

5.2 Conclusion

Following conclusions are deduced from the study.

- The executive have realized the lamination of the strategies but they have not initiated effort to correct them. Thus, their marketing strategies & policies are ineffective.
- The executive feel the necessary ness of effective strategies in today's business environment. They have positive attitude about the need of change in marketing strategies.

- The industry has poor marketing mix. The executives have not taken any steps or measure to solve the marketing environment problems. They have just blamed the government policy.
- The executives have not adequately the marketing strategies. In their view, other determining factor (eg. Govt. Policy, WTO Provision,
- They didn't invest their money to increase brand name and to establish marketing department (MKIS, Marketing intelligence department) even though, they have good financial position and enough capital. It is inferred that they don't want to take risk. In their view, invest on them is wasting of money.
- They heavily focus their activates in international trade rather than international marketing. International marketing practices are the neglected part of the business activates.
- They don't open their watchful eyes to watch the strategies of competitors within the strategies group. They even ignore the characteristics (size and resources) of competitors which are similar to them. But they have taken into careful consideration the strength factors of competitors and country wise product of other countries.
- They have awareness f being understand the competitor's activities and status.
- India, China, Bangladesh and African & Sub-Saharan countries are the biggest and the major competitors of Nepal respectively. Nepalese RMG industry is extremely & adversely affected by the competition in present time.
- The executive are highly dependent on GAN only for getting the information about the competitors. They didn't give many emphases on their source of information. They also didn't establish the marketing intelligence department, so it is inferred that they have poor marketing strategies.
- The executives have given more emphasis to performance benchmarking. Other benchmarking types (i.e. process & strategic

benchmarking) are highly neglected by them. It is very difficult for them to understand competitor's overall activities.

- The industry has to severely compete with the foreign competitors but not with the domestic competitors. The executive have less awareness of competitor's strategies.
- The executive didn't monitor the objectives and of competitors frequently. They have fixed time (i.e. they usually monitor them annually).
- The executive don't seriously anticipate the future of competitors after phasing out the MFA. It inferred that their competitive strategies are ineffective.
- The existing industries are in competitive position rather than survival position because of satisfactory reputation among buyers (agent of merchandiser). But they have poor proximity to unlimited consumers.
- The industry has poor market power, market share and market growth rate. It also inferred that their marketing strategies are ineffective. The executive have awareness to increase the market power but in practice they don't apply the contemporary or latest marketing techniques.
- They don't allocate the resources to establish and enhance the marketing department. Moreover their business strength is in poor condition
- China and India are the most preferential sourcing destination of Nepalese RMG industry.
- The industry's value chain activities are moderately effective.
- Competitive situation of industry is not so favorable.
- Most of the industries adopt the lower cost strategy. No industry adopts the differentiation strategy. It is very difficult for the industry to compete by applying the lower cost strategy only.

- Planning is important for effective use of resources. Most of the responding enterprises have short-term planning only. They didn't appear to be running their industry with long-term perfective plans. They said they prepared short-term only. Hence, they may be conveniently termed as short sighted.
- The enterprises did evaluate their formulating the marketing plan. They have also god marketing plan. But it is found that they have involved in short-term marketing plan only.
- Most of the executives are well aware of being considering the marketing strategies and plans of rival's while formulating their own strategies and plans.
- While developing marketing plans, the executives have given much emphasis to h factors of competition, consumers, economics and government policy.
- The executive don't give enough time to evaluate the implementation of marketing plans even thought the industry has been facing though condition.

They

have poor marketing actives.

- The effectiveness of evaluating the feed back and control of enterprises is poor because of not taking into careful consideration the implementation of industry's program according to market plans.
- The executives have given much emphasis to the conducive govt. policy to cope of the present problem rather than applying the effective marketing strategies. Hence, it can be concluded, they are pessimistic towards the marketing strategies to over come the present challenge and threats.
- In comparison to large, medium & small scale industry, large industry has slightly effective marketing strategies than medium & small industry. Similarly, medium industry has slightly effective marketing strategies than small industry.

5.3 Recommendation

Till now marketing strategies is the neglected part of the garment industry. Lack of proper vision, mission and objectives, this industry goes behind in terms of competition. China, African & Caribbean basin countries as well as neighboring South Asian countries have their own marketing and exporting strategies. They have market development policy and long term as well as short term strategies vision, missing and objectives to become the market leader or follower. But Nepal is in survival position instead of competitive position. One should not fill up the water without increasing the capacity of own vessels. Nepalese entrepreneurs are very much concerned about government policy (massive support form the government) instead of strengthening its own international marketing strategy.

As Nepal is one of the members of WTO, RMG industry should fit with the global environment. Best fit marketing strategies should be developed and enhanced. Managers should think in as global perspective. Information should be update. For better utilization of the limited resources and achieving goal through cutthroat competition, application of effective strategies can be of great help. Thus the following recommendations based on the finding of the research study are:

- The RMG industry must clearly identify its goals and formulate strategies with the changing environment and market.
- Marketing strategies must be reviewed and evaluated periodically in order to ascertain weather the effectiveness of marketing strategies are good or not suited to the changing market environment and competition. If necessary, modification and amendments must be made in good time.
- The business environment has become very complex and the strategies must be well designed and developed to meet the changing situation. the enterprises should give more emphasis on marketing strategies to meet the complex situation.
- The industry should not be over dependent on agent. They should make their own trustful relationship with ultimate consumer. They

should make their effective marketing mix strategy to the belief of ultimate consumer rather than agent or merchandiser.

- Every RMG industry should establish the marketing department. They have to update the information. In this purpose, they should apply the MKIS. To know the competitor's activities and strategies, they should establish marketing intelligence department. If it is not feasible for them, they can manage it by taking service of fee based consultants or experts.
- Products of the industry have not any brand name, so they should create their own brand. They should seriously consider about the brand name.
- Till now Nepalese RMG industry have heavily focus their activities in international trade only. But now, they should focus their activities in international marketing also.
- Competitor's plans and program should be studied before formulating own plans and policies. Enterprises should study and analyze market situation. R & D should be conducted on a continual basis to understand the market.
- Periodical evaluation of strategies and policies should be done to assess their effectiveness and take necessary measure for further importance. Marketing environment must be monitored continuously to be able to formulate timely appropriate strategies. Strength, weaknesses, opportunity and threats (SWOT) analysis should be done regularly.
- The technology should be approached to meet needs competition. It should focus on how to improve to meet the market needs.
- Professionals and expertise should be used for designing marketing policies, strategies and programs. There is a big gap in understanding the customers and the markets.
- Market survey should be done before applying marketing mix strategy. The changing consumer's needs should be identified for

proper designing of production. Market needs must be assessed regularly, not on an ad-hoc basis.

- To increase the market power, market share and market growth rate, the executives should apply the latest marketing techniques.
- Customer value should be increased to survive in long-term. The executives should make much effort to increase its effectiveness.
- Differentiation strategy can increase the customer perceived value by which they will pay premium price to get these benefits. So, the executives should apply this strategy. They should not over dependent on lower cost strategy because, in comparison to other countries, we have less ancillary industries and infrastructures of our country are not adequate to reduce cost.
- The executives should make their plan in long term rather than only short term. They should also give much effort to implement it according to plan and program. They should frequently watch the feedback of the result whether they are done according to the plan and program or not. If the negative feedback is found, they should assess their plan and program as well as to monitor the implementation phase.
- Good marketing strategies too often fail due to poor marketing implementation. Poor implementation can also make it difficult to judge whether or not a marketing strategy is itself appropriate. The finest marketing strategies will fail unless the implementation link that makes the contact with customer is strong. For this reason, the performance is poor, they should consider making adjustment in marketing implementation.

Recommendation for Further Research

Following areas need further research

- The Study of sourcing destination: comparative analysis to buy the raw materials to reduce the cost.
- Feasibility of differentiation strategy

- Separate marketing mix strategy (i.e. product, price, place & promotion) should be done.
- Determination of competitive advantage of Nepalese RMG industry
- Marketing Economics of the industry
- Impact of WTO's provision on Nepalese RMG industry with special respect to marketing aspects.
- Importance of brand strategies in Nepalese RMG industry under the changing global environment.

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TO

The CEO/M.D./Marketing Manager

Dear Sir,

As a student of MBS of Thakur Ram Multiple Campus, T.U., I would like to inform you that I am writing a thesis entitled, "Marketing Strategies in Nepalese RMG Industries." For this purpose, I have taken your enterprise as one of the samples, and it is obvious that I shall never be able to complete my research without your kind cooperation. I would also like to assure you that information obtained from your enterprise will be used only for academic purpose in this thesis and not other wise.

I, therefore, request you to furnish the following information as per the questionnaire. Please tick (✓) where necessary.

QUESTIONNAIRE

Name of Industry:.....

Name of CEO/M.D./Marketing Manager:.....

Established Year:.....

ISO No. (If the industry has):.....

Scale of Industry:

Cottage () Small () Medium () Large ()

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

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

Annually ()

At the time of formulating plans ()

No fixed period ()

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

Yes () No ()

If Yes, What extent

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

Highly Agree	1	2	3	4	5	Highly Disagree
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5. Do you agree that _____ in rapidly changing and increasingly unpredictable environment and therefore need approaches for coping strategically?

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

Note: RMG=Read Made Garment

6. Which of following product strategies do you adopt in quota free marker?

Product expansion with increasing product item ()

Product expansion with decreasing product item ()

Product expansion with increasing product item ()

Product expansion with decreasing product item ()

7. Which of the following price adaptation strategies do you adopt in quota free market?

Geographical pricing ()

Promotional pricing ()

Discriminatory pricing ()

Negotiating price with buyers ()

8. Which of the following distribution strategies do you adopt in quota free market?

Exclusive Distribution ()

Selective Distribution ()

Intensive Distribution ()

Distribution through Agents ()

9. Which of the following promotion strategies do you adopt in quota free market?

Consumer promotion (pull strategy) ()

Dealer promotion (push strategy) ()

None of the above ()

10. How do you rate your external environment for the operation, growth and expansion of your enterprise?

Political & Legal	Highly Favorable	1	2	3	4	5	Not Favorable
Economic	Highly Favorable	1	2	3	4	5	Not Favorable
Soci-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
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11. How do you rate the important strength and weakness

Strength of Enterprises							
Production Capacity	Max.	1	2	3	4	5	Min.
Man power	Max.	1	2	3	4	5	Min.
Technology	Max.	1	2	3	4	5	Min.
Organization	Max.	1	2	3	4	5	Min.
Brand Name	Max.	1	2	3	4	5	Min.
Market Logistic	Max.	1	2	3	4	5	Min.
Marketing Information System (MKIS)	Max.	1	2	3	4	5	Min.
Others	Max.	1	2	3	4	5	Min.
Weaknesses of Enterprises							
Financial position	Max.	1	2	3	4	5	Min.
Marketing problem	Max.	1	2	3	4	5	Min.
Skilled Manpower	Max.	1	2	3	4	5	Min.
Capital	Max.	1	2	3	4	5	Min.
High Cost of Production	Max.	1	2	3	4	5	Min.
Slow Distribution	Max.	1	2	3	4	5	Min.
Others	Max.	1	2	3	4	5	Min.

12. Providing duty free access to clothing made of African and Caribbean basin by the USA is adversely influenced the exports of Nepalese RMG industries. What extent do you give preference to cope this problem?

Pertinent Marketing Strategies	Max.	1	2	3	4	5	Min.
Conducive Govt.policy	Max.	1	2	3	4	5	Min.
Lobbying the large importing countries(specially USA)	Max.	1	2	3	4	5	Min.
Strategies Alliance with other Countries	Max.	1	2	3	4	5	Min.
	Max.	1	2	3	4	5	Min.

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

Present								Desire							
Product Quality	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low	
Price Strategies	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low	
Extensive Promotion	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low	
Extensive Distribution	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low	
Market Segmentation	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low	
Any Other	High	1	2	3	4	5	Low	High	1	2	3	4	5	Low	

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

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

15. Entrepreneurs can save the existence and nearest through the pertinent marketing strategies or the conducive government polices support from the government) in present situation which of the following statement do you prefer. (Tic preferred one)

i. Marketing strategy: Nepalese RMG industry can cope the present challenges and threats through the implementation of appropriate marketing strategies.

() to question 'a' below.

ii. Conducive government policy: Nepalese RMG industry can cope the present challenges and threats through the conducive government policy (Massive support form the government).

() to question 'b' below.

a) Do you agree that implementation of pertinent marketing strategy (with out conducive government policy) only can increase the competitive position of Nepalese RMG industry ?

Yes () No ()

b) Do you agree that receiving massive support form the government (without appropriate marketing strategies) only can increase the competitive position of Nepalese RMG industry?

Yes () No ()

16. How do you rte to understand competitors when there are many?

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

17. How do you rate to understand the competitors' actives and status?

Performance	Max	1	2	3	4	5	Min
Image and Personality	Max	1	2	3	4	5	Min
Objective	Max	1	2	3	4	5	Min
Current and Past strategy	Max	1	2	3	4	5	Min
Organizational Culture	Max	1	2	3	4	5	Min
Cost Structure	Max	1	2	3	4	5	Min
Strength and Weaknesses	Max	1	2	3	4	5	Min

18. To what extent has competitive situation affected your enterprises?

Extremely	1	2	3	4	5	Not at all
-----------	---	---	---	---	---	------------

19. Which countries are 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 and Sub Saharan Country () Other()

20.

most and the second most and so on.

Web sites (WTO, ITC, etc) ()

Government agencies (MICS,TPC) ()

Garment Association Nepal (GAN) ()

Experts ()

All the above ()

If other, Please Specify ()

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

Yes () No ()

If No, which department has taken the responsibility?

22. Which of the benchmarking type does your company follow/adopt?

- Performance benchmarking: it compares one's one performance with that of best performer. ()
- Process benchmarking: It compares process and practices with that of that of best process and practices. ()
- Strategic benchmarking: It compares organization's strategic decision and action with the best strategic decisions and actions of other organization. ()
- All of above. ()
- none of above. ()

If other, Please specify.....

23. Do you use the Fit, an International Trade Centre (ICT) benchmarking tool, for comparative analysis with competitors?

Yes () No ()

24. Rate the competitors of your company?

International Competitors	Max	1	2	3	4	5	Min
Foregin Competitors	Max	1	2	3	4	5	Min

25. How do you rate to identify the competitors?

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

Max	1	2	3	4	5	Min
-----	---	---	---	---	---	-----

- Strategies group approach; A strategic group consists of organizations with similar competitive strategic, similar characteristic and similar image in a given industry.

Max	1	2	3	4	5	Min
-----	---	---	---	---	---	-----

26.

Max	1	2	3	4	5	Min
-----	---	---	---	---	---	-----

27. Do you anticipate the future moves and reaction pattern of competitors after phasing out the Multi Fiber Arrangement (MFA)?

Yes () No ()

If yes,

To what extent have your competitors reacted?

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

28. How do you rate that competitive position of your enterprises?

Highly Competitive	1	2	3	4	5	Highly Survival
--------------------	---	---	---	---	---	-----------------

29. How do you rate that your enterprises has satisfied the need and wants of customers?

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

30. How do you rate your enterprises?

Market Power	High	1	2	3	4	5	Low
Market Share	H.S.	1	2	3	4	5	H.D.S.
Market Growth	High	1	2	3	4	5	Low

H.S.=Highly Satisfactory

H.D.S.=Highly Dissatisfactory

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

improving Customer Value	Max	1	2	3	4	5	Min
Offering New Product	Max	1	2	3	4	5	Min
Competitive Market Positioning & Brand	Max	1	2	3	4	5	Min
Latest marketing Practices (E-commerce)	Max	1	2	3	4	5	Min
Customer Satisfaction	Max	1	2	3	4	5	Min

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

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

33.

Market Share and Its Growth	Max	1	2	3	4	5	Min
Product Quality & Brand Reputation	Max	1	2	3	4	5	Min
Distribution Network	Max	1	2	3	4	5	Min

Promotional Network	Max	1	2	3	4	5	Min
Product Capacity and Efficiency	Max	1	2	3	4	5	Min
Unit Cost	Max	1	2	3	4	5	Min
Customers Service	Max	1	2	3	4	5	Min
R&D Performance	Max	1	2	3	4	5	Min
Management Competencies (The ability to do well management)	Max	1	2	3	4	5	Min

34. To increase the customer's benefits and company's profit, which countries are suitable to make a sourcing destination? (Give 1 to the most preference, 2 to the second most preference and so on)

China ()

India ()

East-Asia ()

Others ()

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

PRIMARY VALUE ACTIVITIES:							
Inbound Logistics: Material Handling & Warehousing	Max	1	2	3	4	5	Min
Operations: transforming inputs into the final product	Max	1	2	3	4	5	Min
Outbound Logistic: Order Processing & distribution	Max	1	2	3	4	5	Min
Marketing & sales: Communications, Pricing & Channel Management	Max	1	2	3	4	5	Min
Service: Post Sales Service	Max	1	2	3	4	5	Min
SECOANDRY VALUE ACTIVITIES:							

Procurement: Procedure & Information system	Max	1	2	3	4	5	Min
Technology Development: Improving the product and process/system	Max	1	2	3	4	5	Min
HRM: Hiring, Training, Motivating & Compensation	Max	1	2	3	4	5	Min
Firm Infrastructure: General mgmt., Finance, Accounting, Government Relation & Quality Mgmt.	Max	1	2	3	4	5	Min

36. How do you rate about?

The threats of substitute product	Max	1	2	3	4	5	Min
The bargaining power of buyers	Max	1	2	3	4	5	Min
The bargaining power of Suppliers	Max	1	2	3	4	5	Min
The rivalry among competitors	Max	1	2	3	4	5	Min

37.

Competitive Scope	Board Target	Lower Cost	Differentiation
		Cost Leadership ()	Differentiation Focus ()
	Narrow Target	Cost Focus ()	Differentiation ()

None of the above

38. What kind of periodic plans do you formulate?

- Short term (up to 1 year) ()
- Medium term (1 to 3 years) ()
- Long term (5 years) ()
- Perspective plan (10 years & more) ()

Other, please specify

39. How do you rate about your company formulation?

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

Notes: SWOT: Strength, Weakness, Opportunity, Threats

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

yes () No ()

41. What factors do you consider while developing marketing plans? (Give 1 to the most preference and 2 to the second most preference and so on)

- Consumers ()
- Competition ()
- Government policy ()
- Firm's strength & weakness ()
- Economic ()
- Technological Development ()
- Political condition ()
- Any other ()

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

Frequently	1	2	3	4	5	Last Frequently
------------	---	---	---	---	---	-----------------

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

Excellence	1	2	3	4	5	Poor
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44. How do you rate the evaluation of feedback (result) and control of your company?

Frequently	1	2	3	4	5	Last Frequently
------------	---	---	---	---	---	-----------------

Thank you very for your kind cooperation.

Appendix B

LIST OF SAMPLE UNITS

S.N.	Industry	Scale of Industry
1	Cotton Comfort P. Ltd.	Large
2	Momento Appare P. Ltd.	
3	Rara Apparels P. Ltd.	
4	Binita Fashion Industries P. Ltd.	Medium
5	Destination Apparels P. Ltd.	
6	Luxury Fashion P. Ltd.	
7	Classic Casual P. Ltd.	
8	Blue Bird Garment Industries	Small
9	Plus Point Trading P. Ltd.	
10	Laxmi Garment P. Ltd.	

Appendix C

Member Directory of Nepalese RMG Industry

A.C. Garments Contact person: Ashok Agrawal Lalitpur, Nepal Tel : 5530335 Fax: 977-1-5537921 poudel E-mail: chainshok@wlink.com.np	Agrawal Nawalparashi, Nepal Tel : 056-523746 Fax: 977-56-522085 E-mail: arihantapri@wlink.com.np	Fax: 977-14474826 Email: navrng@ccsl.com.np Binita Fashion ind. Ltd. contact person : Kedar Pd. Kathmandu, Nepal Tel: 4473934 Contact person: Binod E-mail: binita@wlink.com.np ISO9001/2001 & SA 8000
Adam & Eve Boutique Contact person: Chhote L. Rauniyar Shrestha Kathmandu, Nepal Tel: 4270074, 4276194 Approved Fax: 977-1-42781523 E-mail: adameve@mos.com.np	Aseatic Fashion Industries Kathmandu, Nepal Tel: 4410595 Fax: 977-1-4473570 E-mail: speedway@mos.com.np Website: speedwqayeargo.com	Blue Bird Garments P.Ltd. contact person: Pradeep Upreti Kathmandu, Nepal Tel: 4489323 Kathmandu, Nepal E-mail: Body Fashion Industry Contact person: Dilip swar, Malla Kathmandu, Nepal Tel: 2100394 Fax: 977-1-4488348, 4479226 Fax: E-mail:
Akash Garment Industries Contact person: P.B. singh Lalitpur, Nepal Tel: 5544678, 5544679, 5544680 Fax: 977-1-5544618 E-mail: Sherpa@akashinc.com.np bluebird@aahana.wlink.com.np	Ashian Fashion Contact person: Bhaskar Sharma Kathmandu, Nepal Tel: 445844 Fax: 977-1-4273961 E-mail: bhaskar@wlink.com.np /asianfash@wlink.com.np	
Akash Incorporates P.Ltd Contact Person: B.B.Singh Madan Lalitpur Nepal Tel: 5544678, 5544679, 5544608 Fax: 977-1-5544681 E-mail: Sherpa@akashinc.com.np	Atharai Garment P.Ltd. Contact Person: Chaitanya Sitaula Kathmandu, Nepal Tel: 4445844 E-mail: devrajsedai@yahoo.com	
Amar deep Garment Industries P.Ltd. bdyfashion@mos.com.np Contact Person: Iman Singh lama Lalitpur, Nepal Tel:5580026 , 5580027, 5580028	P. Ltd.	

Fax: 977-1-5580025	Contact Person: Bijaya Jajodia	Kathmandu, Nepal
E-mail: amardeep@wlink.com.np	Kathmandu, Nepal	Tel: 4354944, 4221825,
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Contact person: Ashish k. sengopta	E-mail: jajodia_bijay@hotmail.com	Casual comfort Apparens
Ind.		
Kathmandu, Nepal	Website: pashminapassion.com	Contact person: Amar Roka
Tel: 4255536, 4241437	Baba Apparels Pvt. Ltd.	Kathmandu, Nepal
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Appendix D

The Fit

Performance benchmarking for SMEs in the clothing sector

What is it?

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

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

Who is it for?

TGE Fit is targeted at SMEs through a network of textiles and clothing manufacturing association's operation in various countries. ITC provides training to these partner associations in preparing and interpreting 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 exercise, help SMEs analysis the result and the arrange for related consulting or training services. This tool has been pilot tested by companies from Cambodia, India, Lesotho, Nepal, Sri Lanka, Thailand,

Mauritius and Turkey. It is now ready for implementation worldwide. National textiles and clothing associations should contact ITC to participate.

Retrieved November 11, 2005 from
<http://www.intracen.org/textile&clothing/fit.eng.pdf>

Appendix E

African Growth Opportunity Act (AGO A)

President Clinton signed the African Growth and Opportunity Act (AGOA) into law on May 18, 2000 as Title 1 of the Trade and Development Act of 2000. The Act offers tangible incentives for African countries to continue their efforts to open their economies and build free markets.

AGOA provides reforming African countries with the most liberal access to the US market available to any country or region with which the United States does not have a free Trade Agreement. It supports US business by encouraging reform of Africa's economies and commercial regimes, which will build stronger markets and more effective partners for US firms.

Country Eligibility

The US Government intends that the largest possible number of Sub Saharan African countries is able to take advantage of AGOA. President Clinton issued a proclamation of October 2, 2000 designating 34 countries in sub Saharan Africa as eligible for the trade benefits of AGOA. The proclamation was the result of a public comment period and extensive interagency deliberations of each country's performance against the eligibility criteria established in the Act. On January 18, 2001, Swaziland was designated as the 35th AGOA eligible country. The US Government will work with the remaining 13 sub Saharan Africa countries to help them achieve eligibility.

The Act authorizes the president to designate countries as eligible to receive the benefits of AGOA if they are determined to have established, or are making continual progress toward establishing the following: market based economies; the rule of law and political pluralism; elimination of barriers to US trade and investment; protection of intellectual property; efforts to combat corruption; policies to reduce poverty; increasing availability of health care and educational opportunities; protection of human rights and worker rights; and elimination of certain child labor practices.

The eligibility criteria for GSP and AGO substantially overlap, and countries must be GSP eligible in order to receive AGOA's trade benefits including both expanded GSP and the apparel provisions. Although GSP eligibility does not imply AGO A eligibility, forty-five of the 48 sub Saharan African countries are currently GSP eligible.

AGOA extends GSP for eligible sub Saharan African beneficiaries until September 30, 2008, seven years longer than in the rest of the world. Sub Saharan Africa benefits available to beneficiaries in other regions.

Apparel provisions

The Act provides for duty free and quota free access to the US market without limits for apparel made in eligible sub Saharan African countries from US fabric, yarn and thread. It also provides for of duty free and quota free imports made from fabric product countries in sub Saharan Africa.

Special Rule

Under a special Rule for lesser Developed beneficiary countries, those with a per capita GNP under \$ 1,500 in 1998 will enjoy duty free access for apparel made from fabric originating anywhere in the world until September 30, 2004. Apparel imported under the special Rule is counted against the cap. The presidential proclamation of October 2, 2000, designated 28 countries eligible for the special Rule, once they have met the additional requirements for the AGOA apparel provisions.

Preferential treatment for apparel took effect on October 1, 2000, but beneficiary countries must first establish effective visa system to prevent illegal transshipment and use of counterfeit documentation, and that they have instituted require enforcement and verification procedures. Specific requirements of the visa system and verification procedures were promulgated to African governments via US embassies on September 21, 2000. The secretary of commerce is direct to monitor apparel imports on a monthly basis to guard against surges. If increased imports are causing or threatening serious damage to the US apparel industry, the president is to suspend duty free treatment for the article (s) in question. The US Government is now reviewing applications for approval of the require visa and enforcement mechanisms from AGOA eligible countries.

Sources: Shakya, B.M. (2001). "Nepalese Garment industry under changing global trading Environment." Kathmandu: WTO-cell, garment Association Nepal (GAN).

Caribbean Basin Trade Partnership Act (CBTA)

On May 18, 2000, President Clinton signed into law the Trade and Development Act 2000. The united states-Caribbean trade partnership Act, or CBTP A, was included in that legislation. The CBTP A provides additional

benefits above those currently provided to beneficiary countries under the Caribbean Basin Initiative, or CBI, CBTP A provides beneficiary countries certain trade benefits similar to Mexico's under the North American Free Trade Agreement (NAFTA).

Under CBTP A, apparel manufactured in eligible CBI countries from US yarn and fabric, well as non-textile products currently excluded from the CBI legislation, will enter the United States free of quota and duty. The eligibility criteria requires the president to take account of the beneficiary country's movement forward in a number of areas important to the United States, such as worker rights, intellectual property, environmental protections and cooperation against illegal drugs.

- Apparel provisions: Apparel manufactured in eligible CBI countries from US Yarns and fabric, which was excluded in the previous CBI legislation, will enter the United States free of quota and duty. CBTPA provides additional benefits beyond those provided in previous CBI legislation. Duty and free treatment will be extended to the following articles from CBTPA beneficiary countries:
 - Apparel assembled from US made and cut fabric, manufactured from US yarn that are entered under HTS 9802.00.80 or in HTS chapter 61 and 62 (which allows for certain processes such as embroidery and stone washing);
 - Cut and assembled from US fabric made with US Yarn, sewn in CBTP A countries with US formed thread;
 - Knit to shape (other than certain socks) from US yarns, and knit apparel cut and wholly assembled from fabric formed in one or more beneficiary countries or in the US. from US yarns, with the following caps:
 - 250 million square meter equivalents (SMES) for the first year, to be increased by 16 percent for each succeeding year through September 30, 2004; during the last four years of the program, the cap would remain at the 2004 amount unless modified by law.

T-shirts and underwear made from fabric formed in one or more beneficiary countries from US yarns, subject to the following Caps:

4.2 million Dozen during the first year, to increase by 16 percent for each succeeding year through September 30, 2004. During the last four years of the

program the amount entered would remain at the 2004 level, unless modified by law.

- Brassieres cut and sewn or otherwise assembled in the US or CBTPA beneficiary country (s) beginning in the second year of the program (October 1, 2001). Preferences in succeeding production during the previous year. If that amount falls below 75 percent of the prior year's level, preferences would be lost. Once preface's level, preferences would be lost. Once preferences are lost, a producer would have to bring use of US fabric up to 85 percent of the previous year's usage in order to regain them.
- Cut, knit to shape and sewn in CBPT A countries from fibers, fabric or yarn that is not available the US or in beneficiary countries in commercial quantities.
- Hand loomed or folklore articles so certified by CBTPA count government authorities.
- Textile luggage assembled from fabric wholly formed and cut in the US from US yarns under HTS 9802.00.80, or cut in region from fabric wholly formed in the US yarns.

CBTP A will enter into force on October 1, 2000 and continue in effect until September 30, 2008 or the date, if sooner, on which the FT AA or another free trade agreements as described in the legislation enters into force between the United States and a CBTPA beneficiary country.

There are currently 24 countries that benefit from CBI program and, therefore, may potentially benefit from CBTPA.

Sources: Shakya, B.M. (2001). "Nepalese Garment industry under changing global trading Environment." Kathmandu: WTO-cell, garment Association Nepal (GAN).