

CHAPTER-I

INTRODUCTION

1.1.1 Background of the Study:

Nepal is located in the southern Asia region .it is landlocked between two large neighbors, India and china. It is a small country with a land area of 147181 km² inhabited by more than 23millions peoples. as per united nations criteria ,it is a least develop country with a gross national product(GNP) per capita of about \$210 in 1997 .The country is one of the poorest in the world. Eighty nine percent of the people lives in rural areas and agriculture engaging about 81% of the population contribute about 40% of gross domestic product (GDP).

Nepal can be roughly divided into three geographic ecoregions, each with its distinctive environment peoples, economy, custom, and culture. Different landscapes have shaped different lifestyles. The first geographic ecoregion, the terai region, is the narrow strip of flat land running along the southern border; it averages only 20 km in width and constitutes less than one- fifth of Nepal' s total area. Yet the flat, fertile terai contains virtually the only reasonable farmland in Nepal and supports nearly half of the population. Seventy percent of the country' arable land is in the terai; over 60% of its grain is grown here. The hot lowland terai is a geographic extension of the northern Gagetit Plain, and Indian influences have shaped its culture and societies. The second geographic ecoregion, the hill region is a rugged region with deep valleys and terraced ridges covering about half of its total area. The name is misleading since Nepal's hills would rank as mountains' anywhere else. About 45% of the population lives in this "up and down" region, farming terraced fields patiently crabbed out of the hill sides by generation of farmers

The third geographic ecoregion, the mountain region includes the Himalayan Mountains. This region welds the Indian subcontinents to Asia extending over 3800km in a great arc from the Hindu Kush range of Afghanistan to eastern Tibet. Twice the height of the alps, it is undisputed king of mountain ranges claming the world's 86 highest peaks before another rang manages to interject a contender.

Nepal's living standard survey (1996) showed that 42% of the people lives below the poverty line (npc1996). Moreover, the CBS agriculture census (1991) showed that 43.5% of the population holds less than 0.5ha of the land, indirectly endorsing the poverty estimate. Nepal, at present, has three attractive sectors to exploit for her development: first, agriculture, secondly water resources and thirdly tourism.

1.1.2 AGRICULTURE IN NEPAL IN GENERAL

Nepal is an agro based country where an agriculture alone contributes 36.54% (price in current Rs1563484 millions) to the GDP (2001/2002) provides employment to over 80% of the population and supplies about 80% industrial unprocessed materials of the nations. Although Nepalese economy relies heavily on agriculture, the low rate of investment output and income have resulted in low productivity in this sector, causing a gradual creeping down of economic growth.

The agriculture data over the last twenty years indicates that the overall AGDP growth has actually declined from 3.23% during 1980-90 to 3.3% during 1991-99. The growth in milk production during the last 10 years did not improve significantly and remained slow at 2.6% per year. Growth in the overall livestock sector GDP actually declined compared with the previous decade. The decline in agriculture growth is basically due to a fall in the growth in the cereal crop and livestock sector. In the cereal crop, the fall in growth is mainly due to the eroding supply of fertilizer inputs. Livestock sector growth slowed down because of its integrated relation with the cereal sector. Milk production growth stagnated also due to marketing problems. Recently, over the last two years, growth in agriculture has started picking up due to policy reforms and improved weather. Among the ecological belts, the Terai region has higher growth of AGDP and also the production of milk than in the hills because of its better infrastructure position.

Table – 1.1**Annual Growth Rates in Agriculture over Last two Decades**

Sub-Sectors	1980/81-1990/91(%)	1990/91-1998/99(%)
Field Crops	2.68	2.74
(Cereals)	2.30	1.73
Horticulture	4.90	4.70
Livestock	4.76	2.58
(Milk)	2.5	2.6
Fishery	16.88	8.10
Forestry	1.78	1.50
Total	3.23	2.28

Source: C.P. Pokahrel and R.N. Shrestha: Agriculture Statistics of Nepal – *Revised Crop Area Series 1994 and Economics Survey 2000*.

A dual Economic character has been emerging in the country. Though small, the urban sector has distinctly different economic pattern with fast increasing commercial characters. Almost all the facilities are concentrated mainly in the urban areas. Income and consumption pattern also are different. While rural area faces problem of the market for its products, urban area imports large amount of commodities both the modern as well as agriculture (such as fruits, fresh vegetables, milks powder, cheese, etc.) from abroad and this gap is widening.¹

A common feature of the many diverse system in the interaction of crop production, livestock and forestry, pastures is sustaining the rural household. The relative importance of crop production, livestock and forest/pasture differ among the agro-ecological Zones and sizes of holding. In the Terai, which has less population pressure and a food-grain surplus, crop residues represent the major sources of feeding the livestock. In the Hills, Most farms are too small to support the family with food grains and the livestock with crop residues. The

¹ *National Milk Marketing Strategy*, Final Report 2001, NDDB, Katmandu, P.2.

Mountains, have limited crop production and livestock is fed on pastures during summer and in lower altitude forests during winter .

1.1.3 LIVESTOCK AND DAIRY PROCESSING

Livestock holds a significant place in the economy accounting for almost 17.5% of the National GDP and 36.54% of agriculture output. Animal husbandry is popular among the people due to its multipurpose uses. It provides milk and meat for regular consumption, as well as the best alternative of chemical fertilizer.

National average of per farm family livestock holding is 3.6% cattle, 2.4% buffaloes, 4.1% goats and 8.8% poultry. More than three fourths of the farmers hold cattle and about half hold also buffaloes. The yearly productivity is however very low with 397kg and 830kg of milk per milking cow and buffalo respectively. Their productivities are several times lower (10 to 15) in case of milk compared to developed countries.

In the livestock sector, there is significant scope also for import substitution. Milk powder alone is improved worth Rs.1billion a year (study estimate). APP has considered livestock sector as demand driven product and aims at attaining annual growth of 5.5% in dairy sector during the next 10 year of APP.

1.1.4 THE DAIRY INDUSTRY IN NEPAL

Dairy development activities by His Majesty's Government (HMG) in Nepal began in 1952 with the establishment, under the department of agriculture, of small-scale milk processing plant on an experimental basis in Tusal, a village in the kabhrepalanchowk district. Yak cheese factories were also started in Langtang of Rashuwa district under Food and Agriculture Organization (FAO) assistance in between 1952 and 1953. In 1954, a Dairy Development Section was established under the Department of Agriculture (DOA). In 1956, a central Dairy plant with an average milk processing capacity of 500 lph was established in Lainchor with the financial assistance from New

Zealand and technical assistance from FAO. Around the same time, a second mini-milk processing plant was established at Khaivipati in Bhaktapur district. The plant started milk processing and marketing activities from 1958. In the process, prior to 1960, two additional cheese factories were also established under DOA. In 1960, a Cheese production and Supply Scheme (CPSS) was also launched.

Moreover, a Dairy Development Commission was formed in 1955 to guide the dairy development activities. The first five-year plan (1952-1957) had stressed the need for developing a modern dairy industry. The Dairy Development Commission was converted to the Dairy Development Board in 1962. In Order to meet the growing milk demand in Kathmandu, the Board was converted to Dairy Development Corporation (DDC) in July 1969 under the Corporation Act of 1964.

The DDC gradually established various milk supply schemes to meet the growing demand for the processed milk and milk products. The Biratnagar milk Supply Scheme (BMSS) was established in 1973, Hetauda Milk Supply Scheme (HMSS) in 1974, Kathmandu Milk Supply Scheme (KMSS) in 1978, the cheese Production and Supply Scheme (CPPS) in 1979 and Pokhara Milk Supply Scheme (PMSS) in 1980. The schemes were involved in milk collection and processing of milk products. In order to increase participation from milk producer farmers in an organized way, DDC initiated Milk Producer Association (MAP's) from Biratnagar in 1981. Later these MPA's were transferred into milk Producers Co-operatives (MPC's).

In 1989, many DDC schemes were rehabilitating under DANIDA assistance. After the rehabilitation, the plant capacities increased from about 74,000 to 180,000 liters per day.. In 1990, "Ten Year Dairy Development Plan" (1991-2000) (TYDDP) was designed and approved as blueprint for the dairy sector development in the country. As recommended by the TYDDP, a Skim Milk Powder (SMP) plant of 1,000 MT. per day capacity was established in Biratnagar in 1991. In its early years, the SMP plant relieved DDC from their problem of "Milk Holiday" (the word coined to refer the days on which milk

was not procured from the farmers by the process plants due to excess production) and also helped it to utilize the surplus milk of flush season to supplement the deficient in collection caused by less production during the lean season. But presently, the capacity of the SMP plants is too small to handle the surplus milk during the flush season.

In 1992, government established National Dairy Development Board (NDDB) for assisting dairy development in the country under a separate act. At present, the DDC has a milk collection network in 36 districts through out the country. The DDC and the private sectors are involved in collection and processing of milk supplied from the rural areas; their roughly shares are 50:50. The milk sheds have over 900 milk producers co-operatives (MPC'S) with approximately 1000 producers. There are as many as 75 thousand farm families supplying 214 thousand liters of milk/day to collection centers. Each farmer supplies about 3 liters of milk/day. Approximately 50% of the milk produced in Nepal is produced in districts within the existing DDC grid. Current chilling capacity in the milk grid is approximately 320 thousand liters/day. The formal sector collects about 20% of the milk produced in the existing four milk sheds.

Role of Dairy Sector in Economic Upliftment

89% of Nepal's population being rural and large percentage of it being poor, agriculture is pivotal for poverty reduction and economic upliftment. Even within agriculture, dairy sector is more attractive for the following reasons:

- I. The main vision is to provide large source of income for the farmers.
- II. Supply quality milk and milk products to the consumers.
- III. Employment is immediate and the sector has high employment content.
- IV. Weather has less negative impact compared to crops and if managed well, income is sustainable.
- V. This sector draws cash from urban areas, which are distributed, even to poorest of the poor in the rural areas

VI. .provide a guaranteed market for milk to the rural farmers with fair price.

1.1.5 GROWTH OF PUBLIC ENTERPRISES IN NEPAL

The strong urge on the part of Government of developing countries to develop and modernize their economies at a faster pace and more importantly on a rational and socially desired footing has made it necessary to take substantial initiative in promoting economic and social development through the planning and development of public sector activities, it is basically because of this that there has been enormous growth of PE's in Nepal after the advent of democracy in 1951. Lack of institutionalization on the one hand and stagnant private sector enterprises on the other contributed to the growth of PE's in a big way.²

The first enterprise to be turned as a public enterprise in 1954 was Nepal Bank Ltd., established in 1938 with both Government and private shareholding. Since then there has been spurious growth of PE's in different sectors during various plan periods. Dissemination of some government departmental activities and special character of foreign aided project further aided the growth of foreign aided project further aided the growth of PE's went on increasing up to the Fourth plan period and thereafter the pace of growth of PE's slowed down. However, a number of additional PE's appeared in the succeeding plan periods too particularly in manufacturing sector. At present there are 31 PE's.

1.1.6 DAIRY DEVELOPMENT CORPORATION

Distribution management of Dairy Development Corporation with special reference to Biratnagar Milk Supply Scheme is the focal point of our study, it has become necessary to furnish the details of DDC.

² Pushkar Bajracharya, *Management Problems in Public Sector Manufacturing Enterprises in Nepal* CEDA, Katmandu, 1983, P.2.

Dairy Development Board and the Dairy Development Section was dissolved and a Dairy Development corporation was constituted under the Corporations Act of 2021 B.S. (1964 A.D.). Government of Nepal announced the constitution of DDC through Nepal Gazette dated 2026. Kartik 18th (November 1969). The preamble says: "In order to maintain the health and well-being of the consumers and promote the economic upliftment of milk producers by bringing efficiency and providing prompt services in a modern. Scientific and co-coordinated way, for milk production, collection, processing, conserving and marketing of milk and milk products, a Dairy Development corporation has been constituted" DDC started functioning from 1st of Shrawan 2026 B.S. (16th July 1969) with its head office at Lainchour.

➤ **VISION OF ORGANIZATION**

1. Organize promote and expand milk collection, production to bring self-sufficiency in milk products in order to meet the local demand and substitute imports of dairy products.
2. .To provides a source of income to the farmers and supply quality milk and milk products to the consumers at a reasonable price. DDC on one hand is a commercial organization and on the other hand it is a development organization. Upon the request from Government of Nepal, it undertakes developmental and commercial activities, which are not always compatible with the operation of commercial dairy company, but may be justified by national, economic, and social development criteria.

DDC's occupations are organized regionally in 6 Milk Supply Schemes. The six milk supply schemes are as follows.

Table 1.2

Name of milk supply scheme in Nepal

S. N.	Name of supply Scheme	Established on:
1	Kathmandu Milk Supply Scheme(KMSS)	1956
2	Biratnagar Milk Supply Scheme(BMSS)	1973
3	Hetauda Milk Supply Scheme(HMSS)	1978
4	Dairy Products Production and sales and distribution Scheme*	1979
5	Pokhara Milk Supply Scheme(PMSS)	1980
6	Lumbini Milk Supply Scheme (LMSS)	1990
7	Mid-Western Milk Supply Scheme (MWMSS)	2000

The supply schemes are responsible for the following functions:

- ◆ Processing of raw milk into various dairy products.
- ◆ Milk collection centers (MCC) owned by DDC as well as support to Milk Producers Association (MPA) which are a single purpose co-operative societies undertaking milk collection.
- ◆ Extending services to dairy farmers to complement the services of Department of Livestock Services (DLS)
- ◆ Sale of dairy products within the scheme.

(See Appendix for Organization Chart of DDC Central Office)

PRODUCTION ASPECT

Dairy Development Corporation, during the last 30 years has expanded rapidly in terms of coverage areas, farmer's involvement, volume of milk collection, production capabilities and capacity and distribution network. It has established viable National Milk Grids System connecting various milk producing regions and milk consuming centers in the country extending from Surkhet to Ilam district.

Most of the Infrastructure facilities so created has been made possible by the assistance from the foreign countries. The countries like Switzerland

Netherlands, New Zealand and Denmark has provided bilateral assistance in the form of grants and loan to Government of Nepal, world Food Program and Food and Agricultural organization ha provided multilateral assistance in the form of loans and grants. At present DDC's infrastructure facilities are as follows,

- ❖ Six milk supply schemes and one milk production and supply Scheme located at major urban Centers of Nepal.
- ❖ Six dairy processing plant at Kathmandu, Hetauda, Pokhara, Lumbini and Biratnagar with capacity of processing 180,200 Liters per shift holding capacity of 306,000 liters.
- ❖ 42 milk chilling centers spread over 26 districts of Nepal from east to Mid-west.
- ❖ 13 cheese or butter processing plants with 26 Sub-centers.
- ❖ 939 number of milk producer are involved including 65,000 number of farmers.
- ❖ One Skimmed milk powder plant at Biratnagar with a daily capacity of producing 3 metric ton of skimmed milk powder by processing about 35,000 liters of skimmed milk.

The information regarding the variously supply scheme are shown in the below.

Table-1.3 Name of various supply scheme in Nepal

(Metric Tonne)

	KMSS	BMSS	HMSS	MPPSS	LMSS	MWMSS	Total
Milk Processing (2065/066)(Litters/Shift)	47973	10627	5800	-	1742	-	66106
Milk Collection in (2065/66) L/d	30367	10060	4646	2800	4975	1216	54064
Milk Production(2065/66)	471687	1589.6	144374.3	69217	8196.5	-	695064.4
MPAs and entres	475	116	187	100	90	25	993
Chilling Centres	15	11	8	3	6	3	46
No. of districts covered for coll.	7	6	4	11	8	7	43
Technical Employees	203	88	80	83	25	14	493
Administrative Employees	127	48	54	48	16	2	295

Source : Dairy Development Corporation, Annual Report of 2065/066

MARKETING ASPECT

The marketing of DDC's milk products has been based solely on production concept and it is still following the same concept. The market mix of DDC under various milk supply scheme are as follows.

1. Product Strategy

In keeping with the corporation objective of diversifying and producing different dairy products to the consumer of the country, DDC manufactures and markets dairy products such as standardized pasteurized milk, pasteurized whole milk, yogurt, ghee, butter cream processed cheese (yak, cow, buffalo) , ice-cream and panner, skimmed milk powder.

Table -1.4

Milk & Dairy Products produced under various schemes

Supply Scheme	Product Name
Kathmandu Milk Supply Scheme	Milk, Butter, Ghee, Yogurt, Ice-cream, Lalmohan, Fresh Milk
Biratnagar Milk Supply Scheme	Milk, Whole Milk, Skimmed Milk, Butter, Ghee, Yogurt, Ice-cream, Fresh Milk
Hetauda Milk Supply Scheme	Milk, Whole Milk, Butter, Ghee, Yogurt, Ice-cream, paneer, Fresh Milk
Lumbini Milk Supply Scheme	
Pokhara Milk Supply Scheme	Milk, Butter, Ghee, Yogurt, Ice-cream, paneer, Cheese, Fresh Milk
Dairy Product Production and Distribution Scheme	Cheese (yak, Kanchan, Buffalo) Butter, Ice-Cream, Paneer, Ghee, Yogurt, Fresh Milk

2. Distribution Strategy:

The DDC distributes liquid milk such as standardized pasteurized milk and pasteurized whole milk through a network of milk parlor run by DDC itself and milk booths operated by milk vendor on commission basis in urban areas. At present there are about 1342 milk booths located at various strategic in urban areas of Kathmandu, Biratnagar, Hetauda, Narayanghat, Birgunj, Dharan, Pokhara, Bhaktapur, Kritipur, Damauli, Syanjha. The milk is made available in such milk booths for few hours during the early morning and

afternoon, while in case of milk parlor; it is open throughout the day and sells both milk and milk product. There are in total 7 milk parlors operated by DDC. The milk booths operated are provided with a fixed commission based on the quantity of milk sold.

The other strategy undertaken by DDC for its distribution of various milk products is "Dealership". Dealership may be either sole distributor or only authorized dealership without any sales territory demarcation. Dealership are provided with a fixed commission based on the dairy products they have purchased but there is one condition attached to the dealership holder to purchase minimum quantities of milk products per month. Some of the dealership also undertakes distributing fluid milk under the same commission basis as applicable to milk booth. In some exceptional cases DDC resorts to global tender to dispose off excess surplus of butter and ghee and that is applicable for external consumption only. (i.e. export)

3. **Pricing strategy:**

DDC fixes price for raw milk-to-milk producing farmers and standardized pasteurized milk for general public. This fixing of price are subject to approval by Government of Nepal. proposal to revise prices are prepared by Ministry of Agriculture (MOA) in consultation with DDC, Private dairy representative, National Dairy Development Board (NDDB), farmers representative organization, consumer forum, etc and submitted to the cabinet. In 1987, MOA instituted a permanent body, Milk Pricing Policy Review committee (MPPRC) to review the prevailing milk pricing on a regular base and to make appropriate recommendations to the government.

The main approach used by MPPRC in formulating its price recommendation is cost plus pricing. But this approach is constructed by lack of reliable data on farm's milk production cost and difficulty in ascertaining the opportunity cost of various input and output factors in milk production. In any way assessment of demand and supply situation does not come into play any role in fixation of the milk price.

The price paid for raw milk by DDC to milk producer farmer are based on composition of milk such as milk fat and milk solid non-fat (MSMF) and total solid (TS). The price per unit of milk fat and milk solid not fat is same for all farmers of a particular supply scheme. But the price paid per unit of total solid varies from place to place within the same supply scheme depending upon the distance it is located from the main processing plant, local topography structure, mode of transport system available and prevailing opportunity cost for various factors involved. In order to encourage farmers to produce more milk during lean season, farmers are paid extra rupees @ 0.50 paisa per litre of milk beside the price paid as per the pricing structure. The price per unit of fat and milk solid non-fat differs from milk supply scheme to milk supply scheme

4. **Promotion Strategy**

DDC does not include any regular or target oriented promotional program in its yearly plan and program. There is a fixed sale target set for each dairy product to be achieved by its supply schemes but it is salient on its promotional strategy to achieve these sales target when there is stock build up personal contract approach is most frequently in application to ward off the situation. Only in few occasional cases it resorts to advertising through TV, radio and national daily newspapers for the promotion of its products. The budget allocated in this is very meager in contrast to the total revenue involvement in milk and milk product business.

Some of the promotional activities undertaken by DDC in on and off basis though very insignificant in comparison to its scale of operation can be summarized as follows.

- ◆ Organization of observation tour to farmers and consumer representation to make them aware about DDC activities operation and limitations.
- ◆ Time to time interaction program and workshop with consumer forum, milk booth operator and farmers for back lining the arising problem.

- ◆ Some documentary film on TV and some special issue in national daily newspaper get feature on regular basis on the occasion of its anniversary day.
- ◆ Yearly progress report bulletin is being circulated free of cost to milk producer association, various donor agency and different government institution and NGO's and INGO's attached to its activities
- ◆ Advanced order acceptance facilities for a few of its daily products.
- ◆ Discount pricing for factory delivery.
- ◆ Cash prize and medal distribution to its milk booth operator on the basis of milk transaction to induce them to sell more milk and to exceptional re-forming milk producer association.
- ◆ Hoarding and advertisement in its milk transport tanker and milk distribution vehicle.
- ◆ Participation and establishment of its stall in almost all exhibitions conducted in urban areas.
- ◆ Credit sales to institutional members such as schools. Hospital, hostels and government institutions like army and police on revolving security deposit.
- ◆ Training program conducted from time to time to farmers, milk booth operator to its senior level.

1.1.7 BIRATNAGAR MILK SUPPLY SCHEME

Biratnagar milk supply scheme was establish in 1973 at kanchanbari, biratnagar,in eastern development region of Nepal by the assistance of the government of Neitherland.after the establishment of BMSS,the milk producers of Morang ,Jhapa Illam ,Sunasri Saptari.,Dhankutta and Terathum districts have got a regular market and the consumers of urban areas of Morang and Sunsari districts are getting hygienic pasteurized milk and milk products regularly. The main objectives of this Scheme are:

1. to develop marketing network of milk produced by rural milk producers.

2. to uplift the economic status of rural milk producers by providing a remunerative price for their produce and
3. to supply fresh, wholesome and processed milk and milk products to the urban consumer at reasonable price.

The table below shows the places and number of chilling centers,. Center under BMSS ,district from which it collects milk ,number of MPCs associate with it, capacity of each chilling centre and daily average milk collection (in litres).

Table-1.5

Name of BMMS chilling centres, their location and capacity.

SN	Name of chilling centre	District	No. of chilling centre	No. of MPCs	Capacity	Daily average milk collections
1.	Fikkal	Illam	1	19	6000	4000
2.	Tinghare	Illam	1	14	5500	5000
3.	Biblyate	Illam	1	19	3500	2000
4.	Kutidadha	Illam	1	11	3000	2500
5.	Pulwahola	Illam	1	14	5500	3000
6.	Laxmipur	Illam	1	13	3000	2000
7.	Hile	Dhankuta	1	12	3000	2500
8.	Chitre	Therathum	1	21	7500	3000
9.	Budhaware	Jhapa	1	3	2000	1500
10.	Kanchanpur	Saptari	1	11	1000	300
11.	BMSS Plant	Morang	1	-	-	7000
	Total	6	11	137	37,000	32,800

Source: DDC Report 2008/2009.

ORGANIZATIONAL ASPECT OF BMSS

The project Manager is the senior most officer under whose management the BMSS functions. There are 3 departments namely Quality Control, Marketing and Computer Development under him and Assistant Project manager is also under him. The Assistant project Manager guides and controls the activities of the administrative, accounts, processing, production, collections, engineering, chemical and Biological Testing Laboratory and Distribution Department. (see Appendix for Organization Chart of BMSS)

PRODUCTION ASPECTS OF BMSS

The capacity of BMSS at present is 5000 liters/hour i.e. 15000 liters/shift of 5 hours. The infrastructure facilities associated with BMSS are that there are 11 chilling centers with holding capacity 90000 liters per day spread over 6 Districts of Eastern Development Region. To make up the milk supply to the chilling centers a network of 137 co-operative has been established.

Under this milk supply scheme, there is a cheese production center at Pashupatinagar, Ilam establishment in 1986, which turn 2500 liters of fresh cow milk into semi-hard cheese. Under BMSS, skimmed milk powder plant is currently running at Kanchanbari, Biratnagar. This SMP plant started its commercial production the Dec 1994 and was inaugurated on 26th Feb 1995. The production capacity of this plant is 2000 liters of skim milk per hour or 176 kg of skimmed milk powder per hour or a maximum of 40000 liters per shift of milk processing with an output of 3 M.T. of skimmed milk powder.

In keeping with the DDC's objectives of diversity and providing different milk and milk product to the consumer, BMSS produces the following:

Table-1.6

BMSS milk production and sales (In Metric Tones)

S.N	particulars	FiscalYear2063/064		FiscalYear2064/2065		FiscalYear2065/2066	
		Production	Sales	Production	Sales	Production	Sales
1	Milk Collection	8478	-	8427	-	10060	-
2	Processed Milk	10955	3115	10010	3277	10627	4491
3	Skim Milk Powder	505	-	426	-	343	-
4	Ghee	389	127	232	113	176	92
5	Butter	325	8	245	8	212	118
6	Yogurt	815	812	983	983	833	831
7	Panner	10	10	13	13	23	24
8	Ice-Cream	0.58	0.54	1	1	2.6	2.6
9	Cheese	-	3	-	3	-	3.6
10	Lalmohan	-	5	-	4	-	2707
11	DDC fresh	-	6	-	4	-	3600

The marketing network of BMSS consists of 2 sales counter at Kanchanbari and Mahendra Chowk, Biratnagar, and 30 dealers in altogether.

DISTRIBUTION OF MILK BY BMSS

The loading of milk in the delivery van start at 10:00 pm the previous day and the delivery van start leaving the factory gate at 3:30 am early in the morning. The delivery van that has to go to distant route leaves the factory premises first followed by the nearer booths van. The exit of delivery van from the factory premises is maintained in such a way that its objective of delivery the milk at the last milk both of each route

By 5:30 am in the morning is achieved. Depending upon the route and the road network the delivery van begins to pick up unsold milk, damaged packet, damaged milk and empty crate either from the last point or from the first drop point after the elapse of the set time duration.

The delivering van is provided with two staff for taking care of delivering the milk at each booth as per the dispatch format. They pick up the unsold milk packet, damaged milk and milk and milk packet, received the cash from the milk booth operator for the milk sold after deducting their commission per packet . The milk operator sells milk on cash basis. There in no provision to sell milk on credit, BMSS guarantee to take back unsold milk packet and damaged milk packet. At present KMSS sells two types of milk in the market. Such as standardized pasteurized milk and pasteurized whole milk.

The current daily dispatch of milk to different milk booths and dealers in around 16000 liters out of which 10000 liters are distributed in Biratnagar, 4000 liters in Dharan, 2000 liters in Inaruwa and negligible quantity in Duhabi and Ithari.

PRICING STRATEGY OF BMSS

BMSS being the part of DDC, the pricing strategy for BMSS is as per the price fixed by DDC under approval of Government of Nepal, the detail pricing strategy has been explained earlier in the pricing strategy.

1.1.8 STATEMENT OF THE PROBLEM

It observed the most of the PE's in Nepal do not have sufficient information about the factors that are essential in managing distribution system effectively and efficiently and BMSS is no exception. It is therefore, quite likely that a lack of understanding of relevant aspects could lead to appropriate design of channel for a new company and non-adaptability of channel system to changing conditions for a running company. It might result in loss of market share, product failure and loss of contribution so far as output is concerned..

It is believed that most of the PE's are facing similar types of problems due to inappropriate channel systems both in terms of design and design implementation. The present study is an effort to explore and appraise the various facets of distribution management of Biratnagar Milk Supply Scheme. Further the terms and conditions devised by BMSS for the channel members and support provided to them have also been examined. The selection of channel members is an important job in distribution channel management. Therefore the recruitment procedure also been analyzed.

Similarly development of channel member's capability is an integral part of distribution channel management. Effort therefore, has been made to explore the nature and extent of distribution development activities conducted by BMSS. The procedures and practices followed by BMSS in this regard have also been investigated. Finally, the system and procedures relating to physical distribution of goods have also been covered. A channel system cannot claim to be effective and efficient so long as it does not insure smooth movements of goods and services from the producer to the consumer.

In brief, the present study is an effort to investigate the policies, strategies, procedures and practices adopted by BMSS for managing their distribution channels. An appraisal of the distribution system has also been done accordingly.

1.1.9 OBJECTIVES OF THE STUDY

The specific objectives of the study are stated below:

1. To explain the design of distribution system adopted by BMSS.
2. To identify the problem that the company faces in the way of distribution system.
3. To analyze the strength and weakness of the present distribution system.
4. To suggest measures for improvement of the distribution policy of BMSS.

1.2.0 IMPORTANCE OF THE STUDY

The study focuses on the distribution aspect of dairy products with reference to BMSS .Nepal has followed the mixed economy. Accordingly both public and private enterprises have been given opportunity to participate in the industrialization of the country up on the nature of industry.

Dairying is a part and parcel of Nepalese way of life. People of all categories to benefit from its nutritional values consume milk and its allied dairy products. BMSS has been significantly contributing to the growing needs of the consumer of this region. In this modern age when the level of consumer awareness is increasing, the purchasers considers it as their right to demand for high quantity products at a reasonable price, which can be purchase conveniently. As BMSS, a part of DDC is a public Enterprises wholly owned and managed by the government the marketing and distribution management does not seem to be significant. Till, recently, BMSS enjoyed complete monopoly but nowadays private dairy entrepreneurs have also started marketing milk and dairy products in this region. In view of the past insignificant marketing strategies adopted by BMSS and the recent advancement of private diary entrepreneurs in the markets of this region, the study of the distribution management of milk products of BMSS will surely play a vital role.

Developing countries like Nepal are characterized with the problem of low level of output aggravated further by insufficient distribution mechanism.

The concerned manager has to work in a very difficult and sometimes conflicting situation. He/She is expected to distribute the goods and services at the lower costs with highly satisfactory level of service. Similarly, distribution network have to reach for and wide, yet a close control of these activities is desirable. It becomes therefore a difficult task to make a balance between such conflicting considerations and come up with optimal distribution arrangement.

Distribution, a part of marketing is not a single element but a mixture of various consolidated function whose proper use determines the success of business. Proper utilization of the various channels of distribution and forms of physical distribution will help in decreasing the distribution cost which will increase the profitability of the products. The study matter of this research the distribution management of milk products of DDC, with special reference to BMSS is an important one as it will be beneficial to understand the distribution system PE's in Nepal. There has been little systematic study made previously regarding distribution management of public Enterprises in Nepal. Therefore, the study will be helpful to be used as reading material in the Nepalese context especially for all marketing personnel and student of research. The analysis of data available and the interpretations for effective solution of the distribution problems will surely help DDC/BMSS to aggressively market their products and challenge their competitors.

All of the above mentioned facts make this study important.

1.2.1 FOCUS OF THE STUDY

In Nepal there has been enormous growth of Public Enterprises (PE) during the past plan periods and they have contributed in various ways in the development process of the country. Despite the pronounced role of PE's indications, however, suggest the low performance of PE's in terms of their capacity. Numerous factors may be responsible for unsatisfactory performance of PE's but weakness in marketing management is also considered as one of the prominent ones contributing to inefficiency. It is strongly held that distribution channel management decision is accorded least priority in Nepali PE's.

The activity of DDC/BMSS involves the collection of raw milk from various dairy farmers, its processing and distribution to the end consumers. BMSS does not only supply pasteurized milk but the surplus are converted to various dairy products like Yogurt, ice-cream, butter, cheese etc. and marketed for consumption. The focus of the study of this research is only concerned with the distribution management of milk and its allied dairy products to the consumers after the raw milk collected from the former is processed. The focus area for the research of this study concentrates only on Biratnagar and Dharan.

1.2.2 LIMITATIONS OF THE STUDY

The marketing activity of DDC is spread throughout the country encompassing various territorial regions. This study is only related to one scheme of Dairy Development Corporation i.e. Biratnagar Milk Supply Scheme and it does not cover all the aspects of marketing but focuses only on the distribution management of milk and other dairy products. The major limitation of the study is as follows:

- a. This study does not consider the inputs but only the outputs or sales distribution in Biratnagar and Dharan.
- b. In the study the distribution aspect has been followed with the DDC view point and the non-availability of comprehensive data was the limitations in the collection of data.
- c. The opinions, attitudes and recommendations of all the officers' employees, the booth men, the dealers and the consumers could no be ascertained. Hence a selected few was only taken into consideration which was another limitations of the study.
- d. Lack of proper literature and studies about the distribution aspect of DDC was a limitation towards extensive research and review.
- e. The study of the distribution management did not take into account the disruptions that may occur in the proper distribution of milk and milk products due to irregular power supply, strikes in the factory or during transportation, collapse of existing laws and treaties, which has been a limitation to the study

CHAPTER-II

CONCEPT OF DISTRIBUTION

2.1.1 CONCEPT OF DISTRIBUTION

Distribution decision is the most critical decision facing the marketers. Distribution is the process through which the final product and services reaches to the ultimate consumers. But the movement of goods and services to the ultimate customers quite difficult and ineffective without proper distribution channel. When product is ready for the market, the need for the channel arises to bring the product in the hand of final consumers. It is the route taken by the right of ownership of goods as they move from producers to consumers. If the proper channel so distribution is not selected the expenses of producers will increase and hence, the effort of the manufacturer will be wasted .so there is need to pay more attention to the distribution management so as to utilize the channel operation more satisfactory and effective way.

"A marketing channel is identified as involving a series of Relationship among organization and final users to whom marketing effort directed."³

Goods that are produced by a manufacturer are often not sold directly to the end users. Most producers work with marketing intermediaries to bring their products to the market. Intermediaries smooth the flow of goods and services from producers to the consumer. "Within the scope of marketing, distributing is concerned with all the business activities centering on the problem of getting merchandise from the producer to the final consumer."⁴ Distribution may be defined as on operation or a series of operation, which physically brings the goods, manufactured or produced by any particular manufacturer into the hands of the final consumer or users."⁵

³ J. N. Seth and D.E. Garet, Marketing Management, A Comprehensive *Reading Journal of Advertising Research*, 1986, P.25.

⁴ K.D. Koirala- *Marketing Decisions*, MK Publishers & Distributor, Kathmadu, 1995, P.146.

⁵ Rustam S. Daver, *Modern Marketing Management*, Bombay Progressive Corporation (P) Ltd., Bombay, 1977, P.400.

After determining the product policy and strategies and setting the price of the product, the next step involved in the marketing is establishment of distribution channels. Distribution deals with two aspects of products movement:

1. Distribution Channel and

2. Physical Distribution or Distribution Logistics.

DISTRIBUTION CHAIN

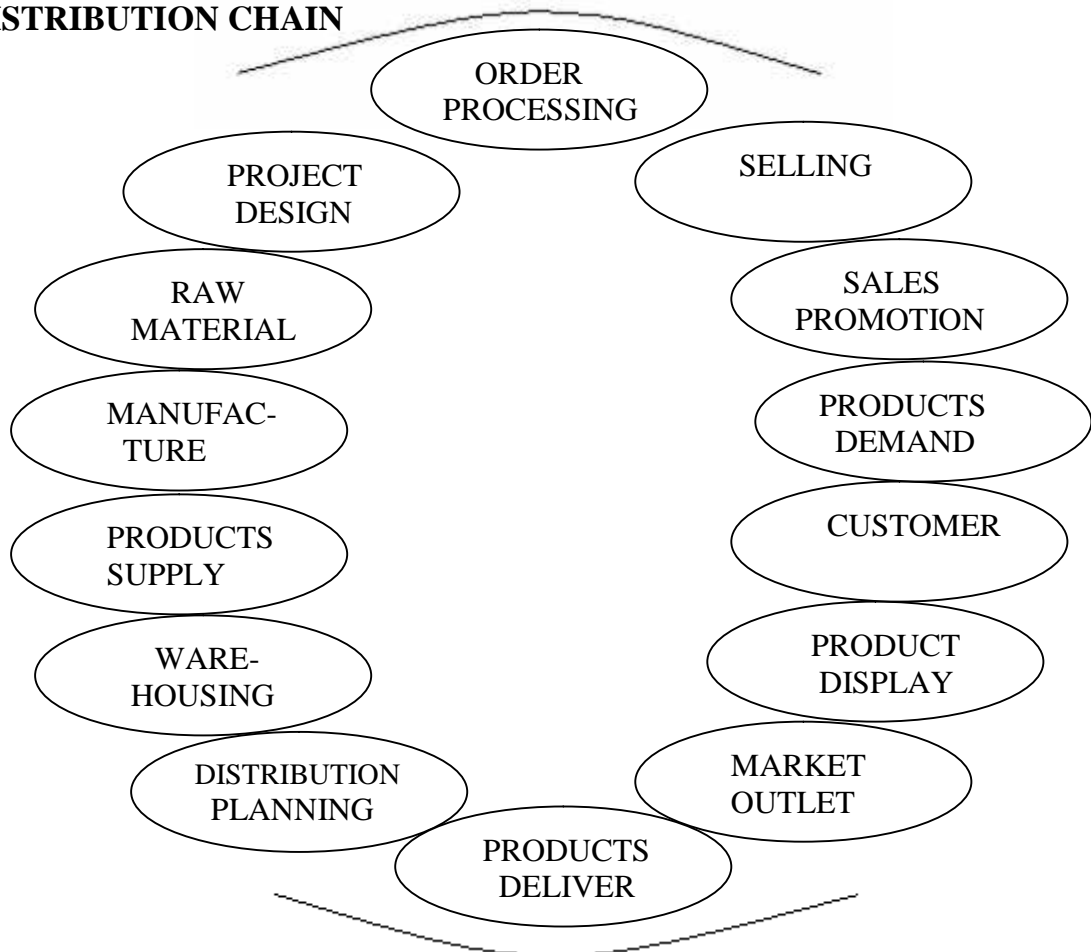


Fig:2.1

Source : Peter R. Attwood, *Planning and Decision System*, Grower Press Ltd, London, 1971. P.2.

2.1.2 DISTRIBUTION CHANNEL

A distribution channel is the link between producer and consumer and it indicates routes or pathways through which goods and services flow. Distribution channel mainly focus the process of ownership transfer of goods and services. Marketing of output is not possible without marketing channel as it plays a vital role in making the products available in the right time at the right place and in the right quantity. The use or importance of marketing intermediaries which make up the distribution channel is highlighted as they communicate information, create utility, save time and labor, promote indirect allying and produce specialization.’’ Intermediaries smooth the flow of goods and services from the producer to the consumer. This procedure is necessary in order to bridge the discrepancy between the assortment of goods and services generated by the consumer. The discrepancy results from the fact that manufacturer typically produce a large quantity of limited variety of goods whereas consumer usually desire only limited quantity of a wide variety of goods’’.⁶

In today's economy most producers do not sell their goods directly to the final users, between them and the final users stand a host of marketing intermediaries performing a variety of functions and bearing a variety of names. The marketing institutions considered as channel components are:

1. All kinds of agent middlemen, such as commission agents, brokers, manufacturers representative etc who search for customer and may act on their behalf.
2. All other facilitating agency such as transportation companies, independent warehouse, banks, advertising agencies, etc, who assist in the performance of distribution but neither take title to goods nor negotiate or sales.

The above mentioned channel are linked in the marketing system by one or more of the marketing flows or movements such us forward flow, backward flow and Two-way Flow:

⁶ K.D. Koirala, *Marketing Strategy*, MK Publisher & Distributor, Kathmandu, 1995, P. 148 .

1. **Forward Flow** includes Physical flow, Title flow and Promotion flow. A physical Flow result from movement of raw material, supplies and finished products. Most of the channel members participate in the Physical Flow. The Title Flow results out of the actual transfer of ownership from one channel member to another. The Title Flow in many instances may take a different route from the Physical Flow. The Promotion Flow represented by the dissemination of persuasive communication, such as advertising and sales promotions between the channel members.
2. **Backwards Flow** includes ordering Flow and Payment Flow. Ordering flow is represented by the back ward communication of buying intentions by the channel members. Payment flow is represented by a flow of money from sales from the channel members to the manufacture.
3. **Two-Way Flow** includes Negotiation Flow and Information Flow. In Negotiation Flow the channel members negotiate and bargain over prices, delivering terms and delivery dates. Information Flow is represented by he marketing information flowing backward from the market to the manufacturer through the channel members and the flowing forward from the manufacturer to the market the channel members.⁷

In the field of marketing channel of distribution indicated routes or pathways through which goods services flow or move from producer to costumer and in this route various individual and intuitions are appointed to perform marketing task. These intermediaries or channels of distribution tend to be used for several reasons such as:

1. The number of sellers and buyers and the distance of product movement are relatively large;
2. The frequency of purchase is high.
3. The lot sizes needed by end users are small.
4. Markets are decentralized.

⁷ K.D. Koirala, *Fundamental of Marketing Decision*, 5/e, M.K. Publishers & Distributor, Kathmandu, 1997, P.147.

Middlemen in distribution channel facilitate the process of exchange and create time, place and possession utilities through matching and sorting process. Sorting enables meeting or matching the supply with consumer demanded.⁸

Distribution has so many methods and ways to perform its functions and is critical task. It is not only simply a matter of moving products in to the hands of consumers; it involves a products movement through out all stages resources pronouncement to final sales. Intermediaries may generally perform these functions more effectively. So, the manufacturer's first and most basic distribution problem is to decide, if he should use intermediaries or middleman or not. The outcome of this decision depends upon the firms marketing plans. The marketing oriented firms design its products to fit the needs of a particular group of potential customers. The distribution system must efficiently implement this marketing planning. The producers present the product differently to different market segments. The different market segment programmed is concerned with the availability of product to potential customer. The producers would like to establish a distribution system that will achieve the optimal marketing programmer in each market segment so that he will generate the maximum profit. The system should include middleman whenever they can increase the manufactures profitability by performing distribution function at lower cost.

2.1.3 FUNCTIONS OF DISTRIBUTION CHANNELS

The main function of distribution is as follows:

1. Information: The gathering of information necessary for planning and facilitation exchange.
2. Promotion: The development and dissemination of persuasive communication about the offer.
3. Contact: The searching out and communicating with prospective buyers.

⁸ Shyam K. Shrestha, *Marketing Strategy and Management*, Padma Educational Traders, Kathmandu, 1992, P.133.

4. Matching: The shaping and fitting of the offer to the buyer's requirements. This includes such activities as manufacturers, grading, assembling and packaging.
5. Negotiation: The attempt to reach full agreement on price and other terms of the offer so that transfer of ownership or possession comes to be effected.
6. Physical distribution: The transporting and storing of the goods.
7. Financing: The acquisition and dispersal of funds to cover the costs of the channel works.
8. Risk-taking: The assumption of risks in connection with carrying out the channel work.

All the above function needs to be undertaken in any market .the question is who perform them and how many levels there need to be in distribution channel in order to make it cost effective. The issue of who should perform various channel tasks is one of relative efficiency and effectiveness. Middlemen aid the producer in reaching the target consumers, their advantages”⁹

A channel structure is an organized activities involved in order performing the related jobs. The channel structure is a highly complex mechanism and its nature is dynamic. The channel of distribution is the means to bring the product from the producer to the ultimate consumer or industrial user, through a suitable way and a series of function must be performed in order to keep the product in a market effectively.

The channel levels can characterize marketing channels. Each middleman that performs some work in bringing the product and its title closer to the final buyer constitutes a channel level. Since the producer and the final consumer both perform some work, they are part of every channel. We will use length number of intermediary level to designate the length of the channel.¹⁰

⁹ Govind Ram Agrawal, *Marketing for Small Business*, CEDA, Kathmandu, 1982, P.529.

¹⁰ Phillip Kotler, *Principles of Marketing*, 7/e, Prentice Hall of India Pvt. Ltd., New Delhi, 1997, P. 529.

The figure below illustrates several marketing channel of different length for consumer products.

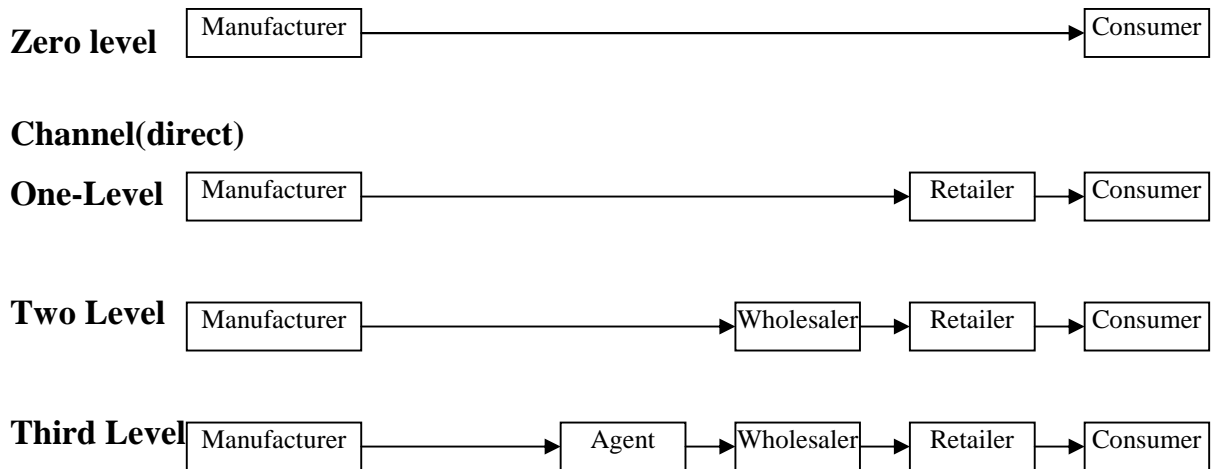


Fig. 2.2, Marketing Channels

When product is of high monetary value, perishable, technically very complex or very large in volume and when the buyers are few in numbers. Zero level or short channels are suitable and vice-versa. In the above figure channel one contains one intermediary. In consumer market this is typically a retailer. The consumer electric goods market in which the arrangement where by producers produce sells their good to large retailers which then sells goods to the final consumers. Channel two contains two intermediaries level a wholesaler and a retailer. A wholesaler typically buys and stores large quantities of several products and then breaks into the bulk deliveries for small retailers with limited order quantities. This arrangement tends to work best where the retail channel is fragmented i.e. not dominated by a small number of large, powerful retailers who have incentive to cut out the wholesaler. Channel three consists of three intermediaries i.e. a wholesaler, retailers and agent as well to make the product reach to the ultimate consumer.

The marketing channels for industrial goods are as follows:

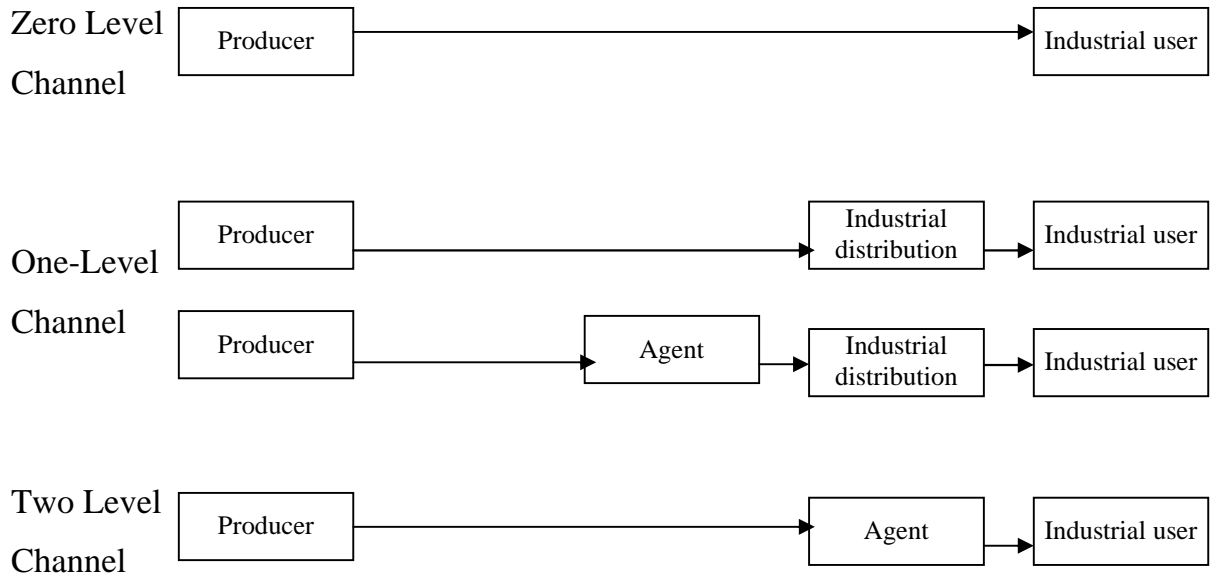


Fig2.3

Examples of different-level channel for service product

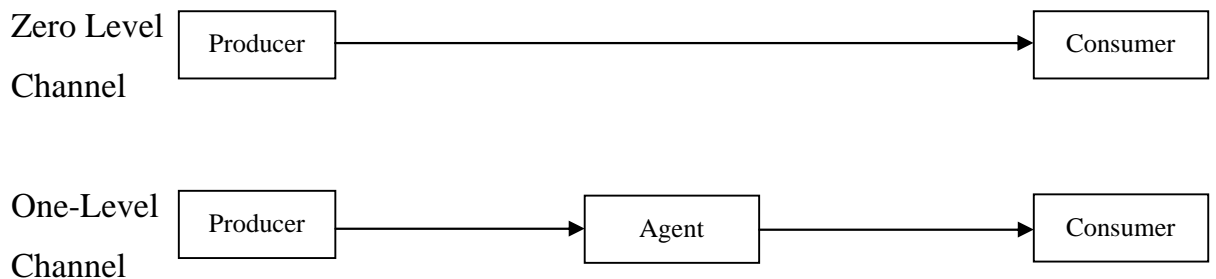


Fig. 2.4

The use of different channel for each segment might be called by:

- 1) The availability accomplishing different segment marketing plan.
- 2) The availability, willingness and ability of channel members.
- 3) The compensation required by channel members if they are to perform the desired functions.

Normally, the manufacturers attempt to design a distribution structure that maximizes his profit.

DISTRIBUTION INTENSITY

After selecting their distribution channel manufacturer should next decide upon the number of middlemen-the intensity have distribution to be employed at the wholesale and retails levels.¹¹ Generally three forms of action are available namely: a) Intensive distribution b) Selective distribution and c) Exclusive distribution.

- a. Intensive distribution aims to provide saturation coverage of the market using all available outlets .For many products, total sales are directly linked to the numbers of outlets used .Intensive distribution is usually required where the customer have a range of acceptable brands to choose from. In other words if one brand is not available, a customer will simply choose another one.
- b. In selective distribution, the marketer will have only a few outlets in a particular market. An advantage of this approach is that the producer can choose the most appropriate or best performing outlets. Selective distribution is used for consumer shopping and specialty goods, industrial accessory equipment for which most customers have brand preference.
- c. Under an exclusive distribution strategy, the supplier agrees to sell only particular wholesaling middlemen or retailer in a given market. It is an extreme form of selective distribution in which only one wholesaler, retailer or distributor is used in specific geographical area. Exclusive dealership is frequently used in the marketing of consumer specialty products such as expensive units, when it is essential that the retailer carry a large inventory when the dealer or distributor must furnish installation and repair service.

¹¹ William J. Stanton and Charles Futrell *Fundamentals of Marketing*, 5/e, McGraw Hill Kagakusha Ltd. Tokyo, 1988, P. 313

INTENSITY OF DISTRIBUTION

Intensive

Selective

Exclusive

Many Limited One

NUMBER OF WHOLESALERS OR RETAILERS USED	
Intensive:-	Sell your product in every outlet, where final customer might reasonable look for it.
Selective:-	Use a limited number of wholesalers and/or retailers in a given geographical area.
Exclusive:-	Use only one wholesaler a retailer in a given market.

Fig. 2.5

Source: William j. Stanton and Charles Futrell, *Fundamentals of Marketing*, McGraw Hill, 1988, P.377.

While selecting a channel of distribution the company should conduct a study and examine the legal formality and rules and regulations of the concerned territory or government regarding channels of distribution, if the legal formality is softer, in such a situation, the company may enjoy great freedom in selection of the desired channels of distribution.¹²

A middleman is an independent business concern that operates as a link between producers and ultimate consumers or industrial users. Middlemen render services in connection with the purchase and or sale of products moving from producers to consumers. Middlemen take title to the merchandise as it flows from producers to consumer or they actively aid in the transfer of ownership.

The essence of middlemen is their active and prominent role in negotiating involving the buying and selling of goods. Their income arises directly from the proceeds of those transactions. Their involvement in the transfer of ownership is what differentiates middlemen from other business institution, such as banks, insurance companies and transportation firms. The

¹² K.N. Shrestha, *Statistics for Quantitative Technique for Management*, 3/e, Valley Publishing House, Kathmandu, 2056, P. 139.

other institution helps in the marketing process, but they do not take title and are not actively involved in purchase and sale negotiation. A middleman may or may not actually handle the products. Some middlemen store and transfer merchandise while other do not physically handle it at all.¹³ Estate broker and manufacturer agents are two examples of agent middlemen. The two major groups' merchant middlemen are wholesaler's retailers.

Middlemen are very important in many cases in fact in virtually all cases where consumers are involved. That is an old saying in marketing that "you can eliminate their function (activities) but you cannot eliminate them". Someone has to perform those activities, if not the middlemen then the producers or the final customers. Middlemen serve as purchasing agents for their customers and as sales specialists for their supplies. Middlemen frequently provide various financial services for both their suppliers and their customers. The storage services of middlemen, their bulk breaking activities (dividing large shipment into smaller quantities for resale), and the market information, they provide benefit to supplier and the customer alike.¹⁴

The retailers provide services for customers on one hand, and for producers and wholesalers on the other.

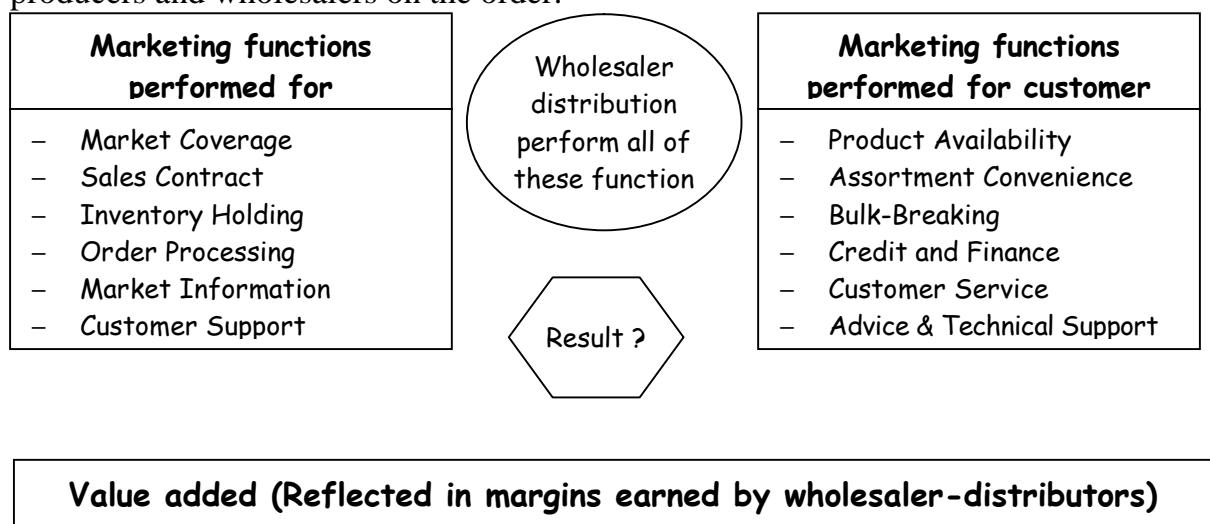


Fig. 2.6

¹³ Stanton and Futrell, op. cit., P. 314.

¹⁴ Stanton and Futrell, op. cit., P.314.

Source – William J. Stanton and Charles Futrell, *Fundamentals of Marketing*, McGraw Hill, 1988, P.315

2.1.4 SELECTION OF CHANNEL MEMBERS

Selection of channel members is an integral part of distribution

Channel management. Need for channel member selection could arise in case:-

- I. Setting up an entirely new channel,
- II. Opening of new markets,
- III. Inadequate coverage of existing market,
- IV. Replacement of existing channel members for a variety of reasons, and
- V. Major policy changes in company distribution set-up e.g. dropping and adding of a new type of intermediaries in the existing channel.

The first step in selecting procedure of channel members is the generating of interested dealers. There are different sources that can be used for generating them. The important sources, however, are members of the sales organization, existing members in the distribution channel inquires from potential candidates, advertisement by the companies and telephone directories.¹⁵

The second step in the selecting procedure of channel members is evaluating criteria's to be used for selection. The general criteria which could be useful in the selection of channel members are:-

- (i) coverage strength,
- (ii) product line handled,
- (iii) sales strength,
- (iv) ability to perform task,
- (v) sales strength,
- (vi) inventory and warehousing,
- (vii) management ability and succession,
- (viii) reputation, and
- (ix) attitude

Motivation of channel members and developing of channel member's capabilities:-

¹⁵ A.K. Jain and M.N. Vora, *Note of Management of Distribution Channels*, Indian Institute of Management, Ahmedabad, 1980, P. 7.

Middlemen must be continuously motivated to do their best job. The terms that lead them to join the channel provide some of the motivation, but continuous supplement these. The producer must sell not only through the middle men but also to them. Stimulating channels members to top performance must start with the manufacturers attempting to understand the needs and wants of the particular middlemen.

Development of channel members capabilities is no less an important aspects of the distribution channel management. Needs for developing one or more dealers could arise because of variety of changes. The first such change could be in the realignment of task to be handled by dealers for which they are not capable. The second could be change in management (succession, etc). A third and probably the most important reason could be deterioration in managerial practices. A company could easily stop major changes, which require it attention for drawing up a dealer development program.

The important area in which the dealers need development help are buying and selling practices, management of working capital, management of their staff and office and promotion planning for their sales . In order to assess dealer's capabilities and identify development needs, their operational problems have to be diagnosed. The dealers have to be persuaded for diagnosis of their operations in the light of the hope that if such investigation is carried out, they would be able to improve upon their performance. Further, dealer development activities can be conducted in various ways, the important ones on the job training by company staff, training in vocational schools, counseling by company staff, organizing short term workshops, conference and specialized training, the program for development conducted by the companies has to be further evaluated and controlled in order to asses its effectiveness as well as for improving the development of such program in future.

2.1.5 EVALUATING CHANNEL MEMBERS

The producer must periodically evaluate middlemen's performance against such standards sales quota attainment, average inventory levels,

customer delivery time, treatment of damaged and lost goods, cooperation in company promotional and training programs, and middlemen services owned to the customer.¹⁶

The producer typically sets sales quotas for the middlemen. After a period, the producer should check the sales quota performance of each middleman. Diagnostic and motivational as well as developmental efforts should then be focused on the under achieving middlemen.

A channel system actually is together to achieve common goals. In channel system, there is high degree of mutual dependence among the channel members. The channel members benefits only when they perform their role in a co- operative atmosphere. However conflict often arises within channel members.¹⁷

No matter how well channels are designed by the marketer, there may exist some conflicts among the channels. There are several reasons for channel conflicts some of the major are as follows.¹⁸

- i. Difference in goals of channel members such as profit margin, goodwill.
- ii. Poor communication between the channel members;
- iii. Unclear roles and rights of channel members ;
- iv. Differences in purchase terms and conditions ;
- v. Lack of knowledge regarding the level of channel control.

2.1.6 CHANNEL CONFLICTS

Channel conflicts arises within the channel, conflict is viewed as a situation in which one member of a distribution channel perceives another member as an adversary engaged in behavior designed to injure, or gain scarce resources at its expense.

I Horizontal conflicts: Horizontal conflict occurs between intermediaries at the same level such as conflict between two or more retailers, conflict

¹⁶ Kotler, op. cit. P.539.

¹⁷ Koirala, op.cit. P.157.

¹⁸ Shrestha. op. cit. P140.

between two or more wholesalers who handle the same type of products or similar products.

- II. Vertical conflict:** Vertical conflict occurs between channel members at different levels such as conflict between manufacturers and wholesalers, between wholesalers and retailers, between retailers and manufactures, who handle similar products.

Conflict management:

When a conflict situation arises within a channel system, some channel members must take a leadership role to resolve the conflict. Functional conflicts based on channel-related issues can be constructive, they lead to behavioral dynamism if managed properly. Dysfunctional conflicts is unhealthy and should be avoided. The various method of conflict management are.

1. Persuasion: Under persuasion method, a powerful channel leader persuades the dissident channel members to work for the benefits of the channel.
2. Conciliation: Bargaining, mediation and arbitration are use to resolve conflict. The members in conflict negotiate with each other to arrive at a new agreement.
3. Expansion of resources: Financial resources are expanded to manage conflict .Discount to retailers may be increased; cooperative promotion may be done.
4. Politics: Several channel members from an association with a view to change the current channel power structure.
5. Improved communication: Better communication is a good for conflict management .It should be two way.

All channel members have the same general objectives, profitability access to products and services, efficient distribution and customer loyalty. The quest of every firm is to maximize its own profit and control its strategy.

However, the successful channel members will be able to expand their co-operation and minimized conflicts.

2.1.7 PHYSICAL DISTRIBUTION

Physical distribution is concerned with the management of physical flow of goods from the points of supplies to the points of purchase. Stanton defines physical distribution as “the activities concerned with the movement of the right amount of the right product to the right place at the right time.”¹⁹

Physical distribution involves handling and moving of raw materials and finished products from producer to consumer. It comprises the set of tasks involved in planning, implementing and controlling the physical flow of materials and final goods from points of origin to point’s fuse or consumption to meet the needs of the consumers at a profit.²⁰ Physical distribution creates time and place utility, which maximizes the value of products by delivering them to the right customer at the right time and right place.

In other words, its objectives is to “put the products within an arms length of desire,” by administering its physical flow from the organization to the customers at the time and place where they want them at the reasonable cost.²¹ Management of physical distribution is equally important in the distribution channel management. Distribution has to be planned effectively and efficiently in such a manner that it can ensure the continuous flow of goods and services from the point of origin to the consumption and the cost of distribution can be kept at the minimum possible level.

The channel-designed management is considered to be one of the most difficult problems faced by the management. The design of distribution channels is closely related to a firm’s corporate and marketing objectives. Channel objectives, strategies and structure of an enterprise are therefore set in tune with its corporate and marketing objectives. Channel objectives are

¹⁹ Stanton and Futrell, op. cit., P.387.

²⁰ Kotler, op. cit., P.449.

²¹ C.B. Mamoria and Satish Mamoria, *Marketing Management*, 1/e, Allahabad Kitab Mahal, 1984, P.337.

spelled out in various ways. They may be cost minimization i.e. economic, control on channel members, independence, image building and retaining customer loyalty. Channel objectives must be stated in specific operational terms which can be used to identify and select among alternative channel structures, such as

- i. expected sales and profitability by period
- ii. desired market coverage
- iii. required sales and support service support
- iv. required physical distribution support and
- v. Desired return on investment.

CHANNEL STRATEGIES, STRUCTURE AND ITS OBJECTIVES

Channel strategy is the basic plan for achieving channel objectives. Strategy has been defined as the schemes whereby a firm's resources and advantages are managed in order to surprise and surpass competitors or to exploit opportunities. The major activities for gaining desired intermediaries in each geographic area and finally implementation of those decisions. Different alternative strategies may be employed simultaneously to achieve the channel objectives. However, the most commonly used channel strategies are (i) Pull (ii) Push (iii) Functional Spin Off and/or Absorption and (iv) Distribution Expansion.

The main objective of physical distribution is getting the right products safely to the right places at the right time at the least possible cost. More specifically, the objective of physical distribution is²²

- i. To provide customer service
- ii. To distribute goods more safely
- iii. To minimize the total costs, and
- iv. To supply goods to the right largest market.

²² Shrestha, op. cit., P.144.

Philip Kotler: – “Physical distribution involves planning implementing and controlling the physical flows of materials and final goods from points of origin to points of use to meet customer needs at a profit.”²³

Efficient physical distribution can lead to:

- a) Cost saving: Heavy cost of distribution can be reduced.
- b) Consumer satisfaction: This be improved
- c) Competitive Effectiveness.

A physical distribution system consists of a set of interrelated functions with specific boundaries. The interrelated functions include the following elements:

- 1) **Transportation:** Transportation is the element of the physical distribution system that links geographically separated markets and facilities. Markets need to take an interest in their company’s transportation decisions. The choice of transportation carries will affect the pricing of the products on time delivery performance and the condition of the goods when they arrive, all of which affect customer satisfaction. A firm has three alternatives in the establishment of a transport capability. First it can have its own private fleet of equipment. Second, specific contract may be arranged with firms and individuals who are transport specialist to provide a contract movement service. Third, it can use the common carrier that offers point-to-point transfer at specified charges. Four important factors in the establishment of the transport capability are : 1) cost of service 2) speed of service 3) consistency of service, 4) security.
- 2) **Warehousing :** Every company has to store its goods while they wait to be sold. A storage function is necessary because production and consumption cycle rarely match. Many agricultural commodities are produced seasonably while demand is continuous. The storage function overcomes discrepancies in desired quantities and timing. Warehousing

²³ Kotler, op. cit., P.585.

decision determines the number, size and location of storage facilities needed to service customer demand. Developing effective warehousing strategy includes the decisions regarding the following elements:

- Determining the type of warehouse i.e. private or public warehouse
- Evaluate developments in warehousing

3) Inventory management and control : Inventory management is one of the risky decision areas in the modern business enterprise. Inventory planning is critical to manufacturing operations shortage of raw materials can disrupt the production schedule and shortage of finished product may force the sellers to turn down their customers. On the other hand, excessive and over stocked inventories increase cost and reduce profitability as a result of added cost of warehousing, capital tie-up, product deterioration, excessive insurance and product obsolescence. Therefore, the inventory management seeks to achieve a balance between a shortage of stock and an excess of stock.

Inventory decision-making involves knowing when to order and how much to order. As inventory draws, management must know at what stock level to place a new order. This stock level is called the order or reorder point. The order point should be higher than the order lead time the usage rate and the service standard. Re-order point can be computed by using this formula

$$\text{Re-order level} = \text{Safety stock} + (\text{lead time daily consumption})$$

The other decision is how much to order. The larger the quantity ordered the less frequency an order has to be placed. The company needs to balance order processing costs and inventory carrying costs because if ordering cost increase the carrying cost decrease and vice-versa.

The EOQ (Economic Order Quantity) model is helpful to answer how much to order. EOQ means the size of the order that will result in the lowest total of order cost and carrying cost for an item of inventory. The cost required from goods ordering to goods receiving is known as ordering costs and the carrying costs are the cost which is required for holding an inventory for specified period of time i.e. warehousing expenses, interest on investment, losses due to spoilage and pilferage, inventory taxes and so on.

The EOQ can be determined by using the formula:

$$EOQ = \sqrt{\frac{2AO}{C}}$$

The EOQ = Economic Order Quantity
A = Annual requirement
O = Ordering cost per order
C = Carrying cost per unit

EOQ is the size of an order of an item to be placed in inventory that results in minimum total cost, taking into account the ordering costs and the costs of carrying the item in inventory.²⁴

- 4) **Order Processing:** Still, another part of the physical distribution System is a set of procedures for handling and filling order. This should include provision for billing, granting credit, preparing invoice and collecting past due account. Consumer ill will can result if a company makes mistakes or is slow in filling orders. As information demands become more complex companies are increasingly turning to computers to implement their order processing activities.

²⁴ E. Jeorme and D. William, *Basic Marketing*, 9/e, universal Book stall, New Delhi, P. 438.

The cost company and customer benefits when these steps are carried out quickly and accurately. Ideally sales representatives send in their orders, which are processed and dispatched as early as possible. Bills go out as soon as possible.²⁵

- 5) **Material Handling :** Material handling also called the physical handling of goods is an activity that is important in inventory, warehousing and transportation. The characteristics of a product determine to a large extent how it will be handled. The selection of the proper equipment to physically handle products is an important aspect of physical distribution management. Proper equipment can minimize losses from breakage, spoilage and theft. Efficient equipment can reduce handling costs as well as the time required for handle.

2.1.8 ROLE OF MARKETING IN INDUSTRIAL DEVELOPMENT

Marketing has a critical role in the economic development of a nation. Therefore, the development of an efficient marketing system is essential for rapid industrialization. Marketing can accelerate the pace of industrialization in various ways. Without a marketing system, which facilitates the mass distribution of goods and services, it is indeed very difficult to reach the stage of development. Without high mass consumption, a developing country can never hope to achieve the high standards of living. High mass consumption acts as a powerful catalytic force for mass production.

The benefits of better distribution and advertising are manifested in various other ways. By collectively creating large markets these activities encourage manufacturers to concentrate on developments of new products or modification of existing products in order to better serve the needs of their customer. The spirits of innovation and willingness to invest in research and development is promoted considerably. This transformation from a production oriented to customer orientation is a crucial step in the process of

²⁵ Kotler, op. cit., P.589.

industrialization.²⁶ Further, underdeveloped economics are characterized by the inability to organize economic efforts and energies to bring together resource, wants and capacities and to convert a self limiting static system into a creative, self-generating organic growth. Marketing plays a significant role in this context and convert a self-limiting static system into a creative, self-generating organic growth. Marketing plays a significant role in this context and can quicken the process of development considerably. It has both multiplier and motivational effects.

2.1.9 MARKETING OF DAIRY PRODUCT

DDC and to some extent private dairies have in the past given negligible attention to the marketing and distribution of their dairy products. As the demand for their products in most periods have exceeded the available supply they have not felt it necessary to invest in marketing and distribution. The consumers have to come to the sales outlets, usually in the early morning and queue up in order to get their milk. DDC often sets an upper limit on how much milk an individual consumer can buy at a time. Thus, buying of pasteurized milk is often time consuming exercise for the urban consumers.

The supply in particular of pasteurized milk is subject to a considerable seasonal variation following the seasonal fluctuation in raw milk intake and sales promotion campaign would therefore be futile as dairies in the lean season would not be able to satisfy demand. With the establishment of SMP production in Biratnagar, the seasonal fluctuation has been reduced to the benefit of consumer and processors.

Government has so far not supported the export of dairy products. DDC has, with the exception of few minor contracts for export of butter not been involved in any export. The major export has so far been done by the informal sector, which exports ghee, and khuwa to India. There is probably a relatively

²⁶ Peter F Drucker, *Marketing & Economic Development* in S. Neelimegham(ed), *Marketing Management & Indian Economy*, Vikash Publishing House, New Delhi, 1979, P.8.

large export potential for DDC cheese and butter and for the informal sector ghee and khuwa, which is not being utilized.

DDC in the early 1990's started to plan the establishment of a proper marketing division. The role purpose of this division is to develop and improve the marketing and distribution of DD's dairy products. While establishment of DDC's marketing division will improve the marketing and distribution of DDC's basic product i.e. pasteurized milk DDC will consider to contract private companies to undertake the marketing of some of the more specialized products, such as ghee, cheese and butter.²⁷

2.2 DISTRIBUTION ASPECT OF DDC

There exists much confusion in the PE's as regards their channel objectives and therefore, they are not clearly spelled out in operational terms. As the case of other PE's of Nepal, the old concept of marketing prevails in DDC where sales and marketing are interchangeably used.

The marketing channel for fluid milk is fairly short for DDC. It mainly markets pasteurized milk through the booths appointed by the individual schemes and some through its sales centers. DDC has an extensive network of 1438 sales booths in 15 districts. In addition DDC also supplies processed milk through its 7 sales centers for milk and milk products. Most of the sales centers are located in close proximity to the schemes. Milk and milk products also reach consumers through dealers appointed by DDC. Additionally, an informal channel also exists between DDC sales centers, booths and retail shops. Retail shops buy milk packet in bulk from booths or sales centers and supply to ultimately consumers. The larger institutional buyers buy loose milk or packaged milk in bulk directly from the processing plant.

²⁷ 10 Year Dairy Development Plan – 1990–2000, Vol. I, Executive Summary Final Draft, MOA-HMG/N, P.34

CHAPTER III

RESEARCH METHODOLOGY

In this study and the following methodology have been used.

3.1.1 RESEARCH DESIGN

The design of the study is descriptive cum analytical type. Due to the need of conducting empirical study, the investigation of different opinions of the management, dealers, booth men and consumers of BMSS have been done.

3.1.2 POPULATION

All the individuals and institutions who are engaged in the distribution system of BMSS are the population of this study i.e. producer (especially the marketing department of BMSS), dealers, booth men and consumers.

3.1.3 SAMPLE

Sample is only a portion of subset of the universe or the population. Since it is neither feasible nor desirable to conduct a census, different group of samples have chosen. For the purpose of opinion survey, this study divides the population in two groups. In the first group, the BMSS organization is included and the dealers, booth men and consumers are taken into consideration in the second group. For the purpose of study, to select the sample from both the group, a judgmental sampling method has been followed.

➤ Sample Size

100 consumers and 80 middle persons (Booth persons/ dealers) selected for this study. Consumer of Biratnagar and BMSS dealers & Booth persons are selected to collect required primary data. Altogether 100 questionnaires were distributed and were filled up by the middleman and consumers at researcher's own presence. So the response are assumed true. Maximum attention has been given while filling up the

questionnaire. The respondents were supported by oral explanations in case of their confusion or inability to understand any content in the questionnaire.

3.1.4 NATURE AND SOURCE OF DATA

Mainly the research is conducted through the information and data collected from both primary and secondary sources. However, the use primary sources were predominant. Primary information and data were generated through questionnaire and interviews and informal discussions with concerned parties (DDC staffs, MPCs and farmers) while secondary data were gathered from official records and publications. The main sources from which the data were collected are as follows:-

- a. Records of DDC/BMSS.
- b. Books related to the marketing and distribution system.
- c. Journals, magazines, reports and research papers available in National Dairy Development Board, Katmandu.
- d. Previous studies and reports
- e. Opinions of the personnel of related field i.e. marketing and dairy product.

3.1.5 COLLECTION OF DATA:

Collection of data has been made on the basis of the Structure questionnaire, interviews and observations.

- I. Questionnaire:** A structured questionnaire has been developed to explore different aspects of distribution management of BMSS. Different questionnaires were prepared for different channel members. The questionnaire was blended with a mix, closed as well as open ended questions. The crux of the questionnaire as a whole was to investigate the various facts of distribution management.
- II. Interview with Personnel of BMSS:** To make the data more verifiable interview with the concerned personnel of BMSS has been

conducted to extract useful information pertaining to distribution management. Interviews were conducted with the Project Manager , Officers and Non-officers of various departments. At the period of interview information relation to different aspect of distribution management were desired to explore. Such aspects were related to channel structure and strategies, selecting procedure of channel member, practice for developing channel members capabilities, procedure for working with channel members, procedure for milkmen's evaluation and control and management of different components of physical distribution. The interviews were however, in structured and conducted personally.

Data and information were organized, tabulated and presented in table forms according to the requirement of the study. In many cases averages are used to make data more proper. Analyze have been done with the help of descriptive analysis as well as some statistical tools have been used. In most cases, data and information are given and interpreted.

The processed data have been analyzed within the scope of the study for the purpose of the analysis of data collected for the study various statistical and non-statistical tools have been used. In descriptive analysis, secondary data have analyzed and interpreted using primary data of cross section response of consumers. Dealers, booth men and management of DDC on the questions asked have been analyzed by computing weighted average for each response.

III. Analysis Techniques

In order to accomplish the objectives of study, various analysis regarding purchasing strategy and consumer preference have been applied. The result of analysis has been properly compared, analysed and interpreted.

CHAPTER – IV

ANALYSIS AND INTERPRETATION

An attempt has been made to analyze the collected data on the basis of the purpose of the study.

The types of distribution network of BMSS are as follows:

- 1) Distribution through own network or self-distribution
- 2) Distribution through others network or through middlemen

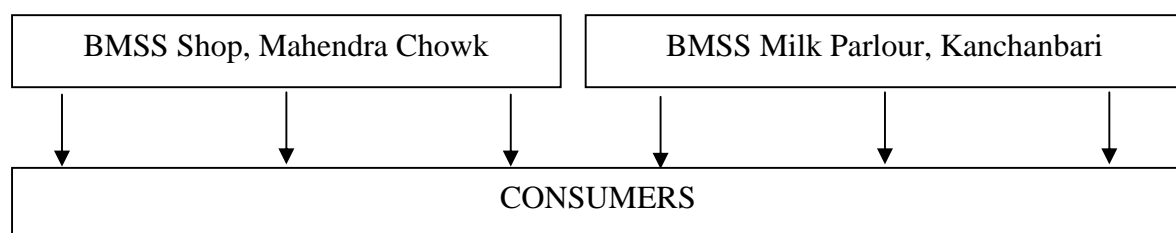
4.1.1 DISTRIBUTION THROUGH OWN NETWORK OR SELF-DISTRIBUTION

For the supply of milk products, the status of BMSS's own shop is as follows:

Table – 4.1
Name list of BMSS's own shop

Phase	Place	Year of Operation	Year of Closing
I	Mahendra Chowk	2048/2049	Running
II	Jaljala Chowk	2048/2049	2049/2050
III	Kanchanbari	2048/2049	2049/2050
IV	Jaljala Chowk	2051/2052	2052/2053
V	Kanchanbari	2053/2054	Running

The above status can be diagrammatically shown as under:

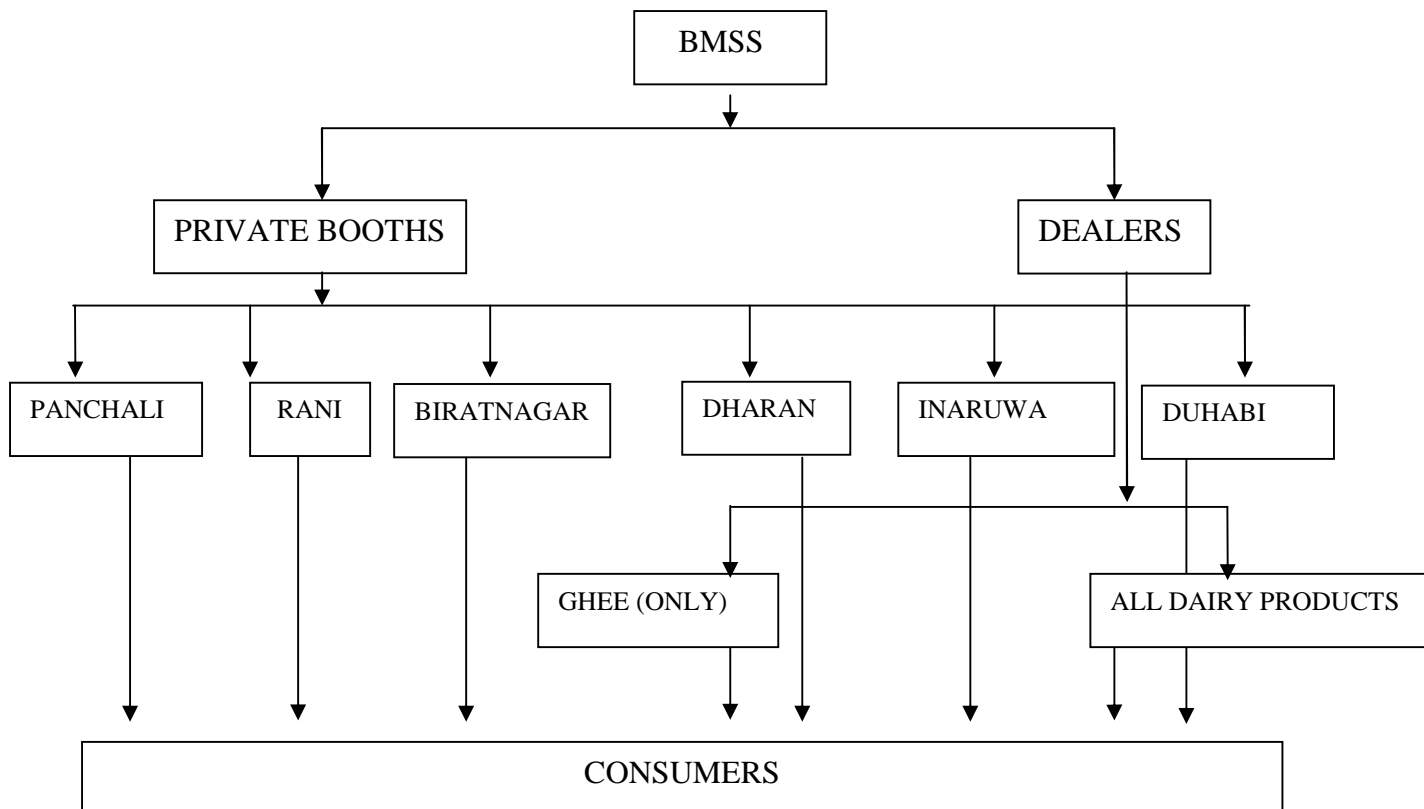


According to the above table and diagram, BMSS has adopted self-distribution through its own shop and milk parlour which is zero level channel or direct channel.

4.1.2 DISTRIBUTION THROUGH OTHERS NETWORK OR THROUGH MIDDLEMEN

At present there are a total of 250 booth man and 30 dealers. The understand diagram (2) below indicate the distribution through booth men and dealers according to their geographic location.

Diagram No. 2



According to the above chart, BMSS has appointed booth men (250) to sell milk only and dealers (30) to sell milk and other dairy products. Thus, it has adopted one-level and two-level channel of distribution or the indirect channel.

4.1.3 PHYSICAL DISTRIBUTION

1) **TRANSPORTATION OWNERSHIP STATUS**

Table – 4.2 Name list of BMSS own vehicles

Vehicle Type	No.	Status	Capacity
Truck	1	Own	14000 packets
Mini Van	3	Own	8000 packets
Truck	1	Hired	14000 packets

According to the above table (4), BMSS has a total of 5 vehicles to distribute milk and milk products, where 1 truck and 3 mini van are self own, whereas 1 truck has been hired.

2) **WAREHOUSING FACILITIES**

Table – 4.3 Name list of BMSS storage plants

No. of Storage Plant – 3		
Product	Capacity	Storage time
Milk	30 MT.	12 hours
Butter	30 MT.	12 hours
Curd	10 MT.	12 hours
Ghee	30 MT.	12 hours

According to the above table, there are 3 storage plants, where 30 MT. of milk, 30 MT. of butter, 10 MT. of curd and 30 MT. of ghee can be stored. A storage of time of 12 hours is maintained for all products.

The warehousing facilities with 3 storage plants at present and with storage time of 12 hours is sufficient for the products that are manufactured and distributed.

3. INVENTORY MANAGEMENT & CONTROL

Table – 4.4 Total demand as per season.

Product	Quantity	Remarks
Milk	70,000 – 1,00,000 liters	During festival season
Ghee	5,000 – 15,000 Kg	–
Curd	–	As per demand
Paneer	–	As per demand

According to the above table, milk is stored as per the demand, whereas during festival season 70,000 – 1,00,000 liters of additional milk is stored. The storage of ghee is between 5,000 – 15,000 kg at all times. Curd, Paneer and other dairy products are stored as per the demand of the market.

The returned milk are re-pasteurized for distribution in the market unsold re-pasteurized milk are discharged. However this situation prevails rarely.

4. ORDER PROCESSING

Table – 4.5

Order processing.

Particulars	Order time
Booth men	12 hours prior every day
Dealers	12 hours prior every day
Customer (Direct)	3 days in advance for large quantities and anytime for small quantity

According to the above table, a booth men's order accepted 12 hours before delivery every day and the same rule follows for the dealers also. If a consumer wants to purchase milk and any other dairy products directly through its own shop or milk parlour, he/she has to do so 3 days in advance for the bulk quantities, whereas order is accepted and processed immediately for small quantities.

5. MATERIAL HANDLING

Table – 4.6

Material Handling

Particulars	Packaging	Remarks
Milk	Plastic pouches & crates (Food grade)	a. Processing done automatically b. Distribution (Loading, Unloading) done manually
Other dairy products	Plastic pouches, Plastic Jars, Cups (Food grade) Paper Packaging, Crates and Cartoons	c. Processing done automatically d. Distribution (Loading, Unloading) done manually

According to the above table, BMSS has been packaging milk in food grade plastic pouches and dairy products like ghee and ice-cream are packed in plastic jars, pouches and cups. The material handling process for all processing and packaging is done automatically, whereas the loading and unloading are done manually. The earlier losses that used to occur due to breakage and spillage of glass bottles has been relived after the introduction of plastic pouches and at present there is negligible loss due to spillage.

4.1.4 Analysis of purchasing strategy

To ensure long-term availability of critical material and components at competitive the firm should analyze risk and complexity of supply market and should adopt appropriate supply strategy as per kraljic(1993) a company's need for a supply strategy depends upon two factors(1)Strategic importance of purchasing(2)Complexity of supply market. So here first we want to discuss importance of purchasing of milk product and complexity of milk supply market for BMSS.

I) Importance of purchasing:

Milk is basic raw material for BMSS from which it produces pasteurized milk and other milk products. Out of total cost of processed milk of BMSS about 63% is cost of raw milk so it show the high percentage of raw materials in totalcost.On the other hand if we look at profitability profile about 80 to90% of income out of total income is from sell of pasteurized milk which also shows the relative importance of purchasing of milk to BMSS is very high.

II) Complexity of supply market:

MPCs are main supplier of milk to BMSS but increasing external uncertainties supply risk of milk is gradually increasing .As per Kraljic(1983) complexity of supply market is gauged by supply scarcity, pace of technology and /or materials substitution, entry barriers, logistics cost or complexity and monopoly or oligopoly conditions. If we see the present supply market of milk supply scarcity is not so extreme but the production capacity of MPCs is very low although they are many in number, which indicates low level of availability. On the other hand technology used in supply market of milk is not changing rapidly. As milk is natural raw material there is no possibility of materials substitution for BMSS. If we look at the entry barriers there are no entry barriers from the side of government policy as they adopt liberalization and privatization policy after restoration of democracy in Nepal. But the increasing instability, strike, low profit margin, government intervention and shifting in profession people are not encouraged to enter in the milk supply market.

Moreover if we look at the logistic cost and complexity, about 15% of the total cost is transportation and storage cost which is caused by locations of MPCs. Most of the MPCs are located in hilly area and distance between BMSS and MPCs is about 52 to 396 km and no third party logistics are available. This

phenomenon also shows the high level of logistics cost and complexity. Although at present supply market of milk seems to be oligopoly condition as there are few buyers and many suppliers but in reality having small scale capabilities of MPCs it seems to be bilateral oligopoly or supply-side monopoly.

With this analysis of importance of purchasing and complexity of supply market we can categorized milk product as strategic product. If we look at the supply market of milk it does not seem to be supply risk is in extreme position. With view of this situation of changing supply market complexity, it is difficult to categorize one product exactly in one quadrant as suggested by Kraljic (1983). So we categorized milk product as leverage product forwarding towards strategic product.

4.1.5 ANALYSIS OF CONSUMER PREFERENCES OF MILK

The preference analysis indicates that the mode of retail purchase is preferred by largest section (40%) followed by home delivery (31%) milk from DDC leads the brand choice, which is preferred by 42% followed by milk, by farmers (36%). Although the brand of private dairies milk, which is a new entrant is preferred but is very less at preferred mode of purchase, brand, packaging and size the present but is rising steadily. The plastic pouch packing used by most of the dairies is the preferred packaging and the half liter size is considered optimum with very few responding wanting 1 liter packaging.

A trend which has been rising, is the shift in the place of purchase by consumers. Earlier, consumer bought their milk in DDC booths/sales centers. Nowadays, majority consumers purchase often from booth men/vender of retail shops the nearest convenient place for both DDC milk and private sector dairies.

Consumption and utilization preference

Milk consumption in this region is not limited to single purpose. The uses of milk order of importance are: milk for tea, to drink plain milk, dahi/yogurt and milk mixed with other foods like rice. It has been found that nearly all households use boiled milk the seasons being better taste by majority safety reason and longer shelf life by about a third, indigestion of raw or cold milk and traditional habit by about 15%.

Perception of Better Quality and Ranking to Major Attributes

On the basis of indicators of good quality reported, the fat content and good taste was the attribute desired by more than two thirds of the consumers. Pure unadulterated milk was the attribute given by half and freshness by two fifths of the consumers.

The rankings for other attributes other than good taste and fact context, like stuff life, availability and hygienic quality supplied were also determined. It was fixed that farmers milk was ranked good in terms of taste and hygienic quality by a majority of the consumers but if only directly supplied and unadulterated. DDC's milk was also given high priority by the consumers but the milk of private dairies was being purchased with great caution. Ranking good on availability was only about 35% in case of farmers and DDC alike. The overall perception regarding the quality of milk supplied and the sources of supplies by DDC and private dairies did not appear good.

While analyzing, it was found that about two fifties reported preferring high fat milk while the health conscious type preferred low fat milk. Those consumers preferred with high fat context were even willing to pay higher prices to farmers who supplied them.

Price paid by Consumers

It has been found that the price paid by consumers varied between Rs. 25 and Rs. 32 per liter depending on the quality of milk sold. The consumers are at present paying Rs. 28 – Rs. 32 per liter (about 75% of consumers) for

milk purchased from dairies. Higher prices are being paid by the consumers for milk being bought from the informal sector.

Higher prices were paid for reasons like purity, higher fat. In the case of cow milk people are willing to pay higher price due to religions beliefs as it is used for offering during rituals and due to the feeling that cow milk is best suitable for children and old people.

Willingness to Pay

Many of the consumers do not wish to pay higher price at the present as they feel the price they are paying at the present should also be reduced. Very few people were of the opinion that they would pay a higher price if there was purity, quality improvement, added service like home delivery.

Institution customers are of the opinion that larger or bulk packaging would be cost effective but individual's customers are satisfied with the present ½ liter packing in plastic pouches as it is expansive.

4.1.6 THE MILK MARKET OF BMSS

BMSS mainly caters its milk and milk products to middle and high income-level segment of urban centers like Biratnagar, Itahari, Dharan and Inaruwa. Most of its consumers comprise of general household segment and the hotels. Almost all the product being produced is targeted for mass consumption and there is no product differentiation as regard to the different segments.

The estimated sale per day of milk is around 10000 liters, of which 8000 liters is consumed in Biratnagar, 1600 liters is Dharan, 400 liters in Inaruwa and negligible amount in Itahari and Duhabi.

THE SOURCES OF SUPPLY OF MILK THE REGION AROUND BIRATNAGAR

Two sectors namely organized and unorganized sector are the sources of supply in the region around Biratnagar and Dharan.

ORGANIZED SECTOR

BMSS and Nobel Dairy in Biratnagar, Ram Janaki Dairy in Duhabi, Kamdhenu in Tarhara, Sunsari, Namo Dairy in Dharan, Shree Krishna Gaushala in Biratnagar and the various milk cooperative established in Biratnagar, Itahari, Dharan and the adjoining regions are the organized sector of the dairy industry. The private dairies have HTST (high temperature short time) pasteurization plant that meets the norms and standard set.

UNORGANIZED SECTOR

The unorganized sector of the dairy industry mainly constitutes the farmer selling milk to households and hotels. These farmers reside in the rural areas, own livestock and sell a larger portion of the milk produced to DDC and other private dairies. However, they are also involved in selling the raw milk to the consumers of urban areas through personal contacts.

As regards to the hygienic standards, the farmers do not adhere to the norms as their milk containers are either aluminum tins, galvanized iron or plastic which are hard to clean. However, in the recent years due to the rise in the formation of milk products association and milk products co-operative (MPC) the hygienic standards have improved and so has the bargaining power of the farmers.

4.1.7 BMSS: ASSESSMENT ON THE BASIS OF STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT ANALYSIS)

A) STRENGTHS

- 1) BMSS is the market leader and price setter among other dairy industry in this region and staff with organizational and managerial capabilities in running the industry.
- 2) It has a large team of technical manpower.
- 3) The milk collection and distribution network is the best among

all others. It has a large infrastructure facility and a state of the art skimmed milk powder plant, which provides an opportunity to process excess milk during surplus season for use in the scarce season.

- 4) BMSS enjoys the trust, faith and goodwill of the public as it is the oldest and a reputed public enterprise.

B) WEAKNESS

- 1) BMSS's sales are declining whereas it should be increasing due to the rise in urban population. Thus, it has not been able to cater to the growing milk market.
- 2) BMSS, being a part of DDC has to follow its direction, which is contradictory. DDC lacks corporate vision and its management is unstable due to frequent appointments and removal.
- 3) Large number of low producing animals, problem in disposal of unproductive cattle on religious ground.
- 4) Weak in implementation of policy provisions. Lack of human resource and technology support in private sector.
- 5) BMSS lacks proper marketing department and an effective and consistent marketing strategy is not formulated.
- 6) Advertisement and promotional activities is very less compared to the newly entered competitors.
- 7) Very poor in R & D activities and product spread is small and there is over staffing compared to production and sales.

C) OPPORTUNITIES

- 1) The dairy sector is one of the priorities sectors of Nepal Government. National Dairy Development Board (NDDDB) has been formed in this regard and various research works has been performed.
- 2) The demand for homogenized and pasteurized milk and other milk products is on the rise due to the increase in the level of consumer awareness.

- 3) The constant rise in urban population and their indifference towards livestock farming has added an advantage for milk market boom.
- 4) There is export potential to neighboring country for milk and other allied milk products.

D) THREATS

- 1) Private and co-operative dairies with substantial investment have been established around this region that will surely create competition and provide an alternative choice to the buyer.
- 2) The bargaining power of milk farmers has been increased due to organizations and establishment of other private dairies that demand higher price for milk.
- 3) Political instability and indecision in regard to privatization of DDC or autonomy to the milk supply scheme.
- 4) Highly skilled manpower attracted by private dairies.

4.1.8 MILK PRODUCTION AND SUPPLY STATUS

Nepal produces 1.07 mt. of milk or approximately 2.8 million liters per day. Approximately 50% of the milk produced is in the districts within the existing DDC grid. Current chilling capacity in the milk grids is approximately 3,00,000 lpd. The formal sector (private and public) collects about 10% of the milk produced in the existing for milk sheds namely East (EMS), Central (CMS), West (WMS), and Mid-West (MWMS). The milk sheds have about 900 milk producer co-operatives (MPC) and 100 milk producers association (MPA) with approx. 1,00,000 producers. There is many as 75,000 farm families supplying 214,000 lpd to chilling centres through co-operatives. Each farmer supplies about 3.4 lpd.

The DDC has an installed processing capacity of 182000 lpd. and processes in the peak season with an average processing of 173 thousand lpd. The private sector including co-operatives has installed capacity of 399,200

lpd. (twice as DDC) but is utilizing 174,000 lpd. in peak season with average processing of about 156,000 lpd. Processing capacity in the private sector is not being utilized fully. This is due to various reasons, firstly, DDC does not have aggressive marketing program to maintain the leadership, is enjoyed until a few years ago. Secondly, DDC's equipment are not constantly upgraded to keep up with increasing demand of market and thirdly, the private sector with its modern equipment and aggressive marketing is increasing its market share rapidly.

4.2 FLUID MILK PURCHASING BEHAVIOUR OF HOUSEHOLDS IN URBAN AREAS

Households Consuming Fluid Milk in the Urban Areas

In Nepal, about 88% of the urban households consume fluid milk regularly and 7% occasionally and the Eastern region also follows somewhat the national trend. The percentage of household consuming fluid milk has increased by 6% over the last decade, non purchasers of the fluid are mostly the dairy animal owners.

Purchase Quantity and Distribution Pattern of Milk Consumption

The average quantity purchased is 1.03 liter per day per household with 1.1 liters in hills and 0.9 liters in the Terai. The distribution pattern of milk consumption indicates that about a third purchase only half liter and three fourth consume only up to one liter a day in a family size of 5.96. A disturbing fact is that the milk consumption per household has remained stagnant over the last decade.

Habit of Drinking Milk Regularly

The habit of drinking milk regularly has not yet been developed in the urban cities of Nepal. The households using milk for regular drinking by the family members has not exceeded 20% as yet. Even among the children under 6, the regular consumer of milk is as low as 18%.

Uses of milk for various purposes, the use of the milk for tea is very popular in the urban areas of about 94% of households and for plain drinking about 60%. The other usage of milk is very small.

Mode of Purchase

Consumer purchase milk from multiple sources as the availability is not smooth. The popular purchase sources are DDC, private dairies farmers and tea shops. The estimated market share in terms of the regular purchases is about 85% and 15% are swing buyers.

4.3 MAJOR FINDINGS OF THE STUDY

The overall marketing strategy of DDC is solely based on production concept and BMSS follows the same till today. The market mix is explained as follows:

1) PRODUCT STRATEGY

In keeping with the corporation objectives of diversifying and producing different dairy products to the consumer of the country, DDC/BMSS manufactures and markets dairy products such as standardized pasteurized milk, pasteurized whole milk, skimmed milk, butter, ghee, yoghurt and Ice-cream.

2) DISTRIBUTION STRATEGY

The DDC/BMSS distribution liquid milk such as standardized pasteurized milk and pasteurized whole through a network of milk shops run by BMSS itself and milk booths operated by milk venders on commission basis in Biratnagar, Duhabi, Itahari, Dharan and Inaruwa.

The milk is made available in such milk booths for few hours during the early morning, and afternoon. The milk shop is open throughout the day and sells milk products. There are 2 milk shops run by BMSS.

The other strategy undertaken by BMSS for its distribution of milk and milk products is “Dealers”. Dealers may be either sole distributor or

only authorized dealership without any sales territory demarcation. Dealership are provided with fixed commission based on the dairy products they have purchased but there is one condition attached to the dealership holder to purchase minimum quantities of various milk products per month. Some of the dealership also undertakes distributing fluid milk under the same commission basis as applicable to milk booth. The skimmed milk is distributed only to other milk supply schemes. Any individual or business who wishes to become dealer of DDC/BMSS has to deposit a certain amount of earnest money which is as follows:

Table – 4.7
Name of dairy products and minimum earnest deposit

S.N.	Name of dairy products	Earnest deposit money
A	Milk(booth man)	1000
B	Milk Products(dealer)	3000
C	Ghee + Makhan	5000
D	Total	9000

3. PRICING STRATEGY

BMSS being the part of DDC, the pricing strategy for BMSS is as per the price fixed by the DDC under the approval of Government of Nepal. Proposal to revise prices are prepared by Ministry of Agriculture (MOA) in consultation with DDC private dairy representative, National Dairy Development Board (NDDB), farmer's representative organization consumer's form, etc and submitted to cabinet. In 1987, MOA instituted a permanent body, Milk Pricing Policy Review Committee (MPPRC) to review the prevailing milk pricing policy on a regular basis and to make appropriate recommendation to the government.

The main approach used by MPPRC in formulating its price recommendation is cost plus pricing. But this approach is constrained by lack of reliable data on farmer's milk production cost and difficulty in

ascertaining the opportunity cost of various input and output factors in milk production. In any case, assessment of demand and supply situation does not come to play any role in fixation of the milk price.

Pricing strategy have been directed to satisfy conflicting and contradictory objective of

- # providing remunerative prices to milk producers farmers to encourage them for more milk production and adoption of commercial dairy farming.
- # To make available to general public milk and milk products at a reasonable price.

These opposing antagonistic approaches to each other have been balanced to some extent leaving very limited margin or no margin to DDC to cover up its operational cost.

The price paid for raw milk by DDC to milk producer farmer are based on composition of milk such as milk fat and milk solid non fat (MSNF) and total solid (TS). The price per unit of milk fat and milk solid non fat is same for all farmers of a particular supply scheme. But the price paid per unit of total solid varies from place to place within the same supply scheme depending upon the distance, it is located from the main processing plant, local topography structure, mode of transport system available and prevailing opportunity cost for various factors involved. In order to encourage farmers to produce more milk during lean season farmers are paid extra rupee 0.50 per liter of milk beside the price paid as per the pricing structure. Price fixation of other dairy products such as cheese, yogurt, ghee, butter, ice-cream, paneer etc. is now within the jurisdiction of internal management of DDC. But DDC's flexibility in setting the price of these dairy products though free from government influence is indirectly controlled by the government since its price fixation derives heavily on the price fixation of the raw milk.

The booth man and dealers sell product on a commission basis which is as follows:

Table – 4.8

Rate list of DDC products and its comission.

	Product	Quantity	Rs	Commission
1	Packet Milk(std)	500ml	21	Rs 0.75
2	Whole Milk(red)	500ml	23	Rs 0.75
3	Fresh Milk	150ml	25	Rs 1.50
4	Yogurt (Cup)	200ml	20	Rs 1.50
5	Yogurt (Litre)	1lt	60	Rs 3.40
6	Ghee (1 Kg)	1kg	460	Rs 15.00
7	Ice-Cream (cup)	1cup	20	Rs 3.00
8	Butter	100gm	50	Rs 3.00
9	Cheese	1kg	570	Rs 18.75
10	Paneer	500gm	360	Rs 19.50

4. PROMOTION STRATEGY

DDC does not include any regular or target oriented promotional program in its yearly plan and program. There is a fixed sale target set for each dairy product to be achieved by its supply scheme but it is silent on its promotional strategy to achieve target. When there is stock build up, personal contact approach is most frequently in application to ward off the situation. Only in few occasional cases it resorts to advertisement through TV, radio and national daily newspaper for the promotion of its products. The total budget allocated is meager in contrast to the total revenue involvement in milk and milk product business.

Some of the promotional activities undertaken by DDC in on and off basis though very insignificant in comparison to its scale of operation can be summarized as follows:

- * Documentary of overall activities on TV and special feature on the occasion of anniversary day.

- * Interaction programme and work shop with farmers, milk booth owners, dealers and consumer for problem solving.
- * Publication of yearly progress report and its free distribution.
- * Establishment of stall in Dashain bazaar in BRT.
- * Advanced order acceptance of its product.
- * Manage and run own shop.
- * Cash prize and medal distributed to outstanding performance booth men, dealers and milk producers.
- * Product advertisement in its milk transport tanker and delivery vehicles.
- * Credit sales to institutional members such as school, hospitals, hotels and government institutions like army and police on revolving security deposit.

CHAPTER – V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

BMSS was established in 1973 A.D. with the objective of developing marketing network of milk produced to supply fresh, wholesome and pasteurized milk to the urban consumer at reasonable price. It is the pioneer in the field of milk production and distribution in this region. However, it is still facing multiple challenges in marketing of milk and other dairy products effectively and efficiently. The present study has been conducted with the objective of pointing out the existing distribution channel strategies and structures put into practice by BMSS and to suggest effective distribution management.

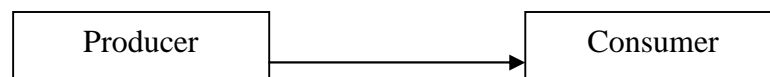
Primary sources such as questionnaire, personal interviews and observation method were used and secondary sources like published materials were used to gather necessary information and data, which were categorically tabulated under various heads to derive conclusions. Unstructured interviews were also taken to derive useful information especially focusing on distribution management.

5.2 CONCLUSION

According to the aforesaid analysis and interpretation of data, the following conclusions have been drawn.

1. The marketing channel for fluid milk is fairly short for BMSS as is the case with overall DDC policy. BMSS has been practicing three level of channel structure, viz.

a. Zero Level



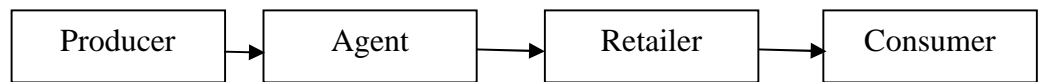
The zero level channels is directly supplying goods to the consumer through its own shop and milk parlor. Its overall sale in comparison to the one level channel for milk and two level channels for other dairy products is relatively small.

b. One Level:

The one level channel structure comprises of the booth men who sell milk and their share as regards the selling is the highest.



c. Two Level



The two level channel structures comprises of the dealers who sell dairy products and it also has the highest market share in regard to its category of products.

2. Transportation facility plays a very vital role in the success of distribution management. At BMSS, vehicles used for collection exceeds the vehicles for distribution. At present the number of vehicle it owns is greater than it hires from time to time.
3. It mainly markets pasteurized milk through the various booths and dealers and some through its own shop. Booth holders are appointed on a route basis. A booth "may be just a fixed spot on the street, in front of a small shop, or in a small shop. Milk is delivered to the booth holder from about 5.00 a.m. to 6.30 a.m. in the morning and between 1:30-3.00 p.m. in the afternoon. The distribution truck drops off milk on a set route to the booth holders and at the end of its delivery returns over the same route and collects the empty crates and cash payment for milk. It also collects leaking packets and gives credit for these. In addition, BMSS has appointed a number of dealers who have a shop with refrigeration facility and they provide not only milk but other milk products also.

BMSS also operates its own shop where all DDC products are on sale through out the day.

BMSS has allocated specified different locations for its booth and dealers to sell the milk and milk products.

4. BMSS at the present produces around 10,000 liters of pasteurized milk per day. The actual production is less than the target or the installed capacity. The sales of BMSS in the study period's last year decreased by 3.29% due to various factors such as entry of private dairies, low commission to booth men and dealers, unattractive packaging and very less promotional activities as well as lack of consumer orientation.
5. BMSS has geographically short channel structure and it has market segmentation based on it's vicinity. Thus it has developed market according to city i.e. Biratnagar, Dharan, Inaruwa with sub-route in Biratnagar such as Panchali, Rani etc. At present there are 250 boothmen and 30 dealers but their appointment procedure is not well defined. BMSS is ignoring motivation of channel members. Development of the channel members' capabilities is not given any importance. The booth men and dealers do not give due attention to market development.
6. BMSS had been enjoying absolute monopoly until a few years ago but that scenario' is charging due to the advent of private dairies in cities like Biratnagar, Duhabi, Tarahara and Dharan and emergence of consolidated milk Producers Co-operatives in semi-urban and rural areas. The two major segments of milk market namely household customers and institutional buyers such as hotels, hospitals, restaurants, etc. are directly dealt with by the booth men and dealers.
7. In view of BMSS's attempt to face marketing challenges its distribution system is relatively satisfactory on various grounds. The order processing system is simple and has improved in the recent times. The booth men and dealers order the goods in advance but they do not

receive desired but in proportion. Direct order acceptance for bulk purchase is a positive factor.

8. Automatic machines do the process of pasteurizing and packaging but the material handling as regards to distribution is done manually.
9. The packaging of milk is satisfactory at the present with ½ liter plastic pouches. Leakages are negligible. The other dairy products are also well packaged but their labeling is unattractive.
10. The inventory management is based on demand basis. During festival reason the stock of milk is increased in anticipation of sale and transportation cost. Similarly ghee is also produced in excess and stocked.
11. The warehousing facility is satisfactory.
12. BMSS being part of DDC, a government undertaking, has no authority as regards to policy formulation. It requires to follow the set guidelines determined by the central office. The government determines the price of milk where as the price of other dairy products is determined by the central office and is followed by BMSS. Similarly, promotion strategy is all centrally determined. BMSS enjoys no freedom in this regard.
13. BMSS has been found to be running at a loss during the study period. Poor inventory management of milk and dairy products and high administrative, distribution, production and collection cost are among the major reasons for negative profitability.
14. The proportion of outlet in Biratnagar is higher than in Dharan. Similarly, there exists high milk consumption in Biratnagar exceeding than that of Dharan population. Thus, in the present context, the urban population is increasing but the sale of milk is constant.

5.3 RECOMMENDATIONS:

The following recommendations are made in order to ensure greater efficiency and effectiveness in the distribution performance of BMSS.

1. In addition for the distribution of milk products the channel structure of BMSS is short. BMSS also use most practically one level channel for the distribution of other dairy products.
2. The order processing function should be based on company's analysis of demand and also on the basis of the orders given be dealers, booth man and shop. The frequency of order placed by the dealer should also be considered in demand forecasting.
3. Although the overall policy as regards to pricing, promotion and distribution are centralize, BMSS should demand a certain degree of autonomy in order to develop and implement an appropriate marketing mix/distributing strategies on the basis of the local competition and the desire of the consumers.
4. BMSS must improve the middlemen capacity in order to strengthen and bring efficiency in the distribution network. Control such as financial capacity and distance etc. should be developed in choosing its middlemen like dealer or booth man should be taken into consideration. Other factors such as sales performance product handling ability, proximity to target consumers etc should also be considered when selecting them.
5. Financial and Non financial incentives are an essential part of motivation of distribution channel members but DDS should start activities and consider motivation of channel members. They should be assigned some role in sales promotion and should be actively involved by providing additional support in order to promote sales be it bulk discounts or cash discounts or organizing workshop, seminar on retailing and distribution.
6. BMSS should not increase direct commission but should provide incentives to the channel members such as contests conference, prizes, etc. A suitable promotion mix must be implemented. On the basis of minimum criteria of sale or other such conditions for promotion bulk

sale, incentives like providing refrigerators or cool box etc should be provided.

7. There should be optimum use of the vehicles, which it owns and hires so as to reach a wide region at the minimum cost. BMSS should make a comparatively analysis of the cost involved in owning and playing its own vehicles and the cost of hiring on tender basis. A scientific technique for improving logistic management should be done to ensure efficiency. If the market is being expanded the fleet of vehicles must be increased so that timely distribution can be achieved.
8. BMSS should introduce scientific inventory management to ensure regular and uninterrupted supply of raw materials as well as finished goods. The problem of over and under stocking can also be tackled if such technique are used.
9. BMSS should established warehouses in other cities also on the basis of demand so that the supply chain can be maintained even during adverse condition like strike, calamities etc.
10. BMSS being a public enterprises of Nepal Government should fulfill its social responsibility for example use of biodegradable plastic in its packaging, livestock fairs, veterinary check up, promotion of health benefits of milk etc.
11. BMSS is a pioneer in its field and consumers have trust in it. But as may be the case with other public enterprises like Janankpur Cigarette Factory it may soon loose its goodwill with the increase in competition from other private dairies. Thus it should create a distinct brand image which should also be extensively promoted so that people can easily identity.
12. The self owned BMSS's shops are costs disadvantageous in view of the commission given to booth man and others for the goods they sell. BMSS should establish milk parlor of it own not only to lessen the middleman exploitation but also to meet social obligations. However, the cost of running its own shop has to be drastically minimized.

13. BMSS should maintain a separate cost incurred in different activities of physical distribution, which helps to analyze cost and achieve total cost effectiveness.
14. BMSS should encourage free competition. A periodic SWOT analysis must be done to assess its performance and increase competency in milk marketing.

Further research suggested:

There are several further research opportunities in this field. The present study should not be taken as the first and final. There exist several areas for further research such as:

- a. Human Resource Management and Distribution Management in milk marketing.
- b. Financial Cost-Analysis and Cost of Distribution.
- c. Total quality management in distribution milk and milk products.
- d. BMSS's performance evaluation in comparison to other parallel organization.

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APPENDIX – A

Questionnaire format used for Middlemen (Boothman/Dealer)

Name :

Name of shop :

Address :

Q1. How long have you been selling milk and milk products as a dealer of BMSS?

- a. below 1 year []; b) 1-3 years [];
c. 3-5 years Above 5 year [];

Q2. On an average, how much quantity of milk and milk products do you sell?

- a. Milk [] packets per day b. Yougurt [] cups per day
c. Ice-cream [] cups per day d. Butter [] packets per day
e. Cheese [] kg. per day f. Paneer[] kg. per day
g. Ghee [] kg. per day

Q3. To whom you sell the products?

- a. Household consumer [] b. Hotels/Restaurants[]
c. Ten stall owners. [] d. Others [] specify.

Q4. What percentage of quantity you sell to.

- a. Household Consumers [] b. Hotels/Restaurants []
c. Tea stall owners [] d. Others []

Q5. How do you rate the demand situation of milk and milk products in you area.

- Very high []; High []; Average [];
Low []; Very Low []

Q6. How do you rate the appealing features and quality attributes of DDC milk product?

a. Quality & Standardization

- Very high []; high []; Average [];
Low []; Vary Low [];

b. Price

Very high []; High []; Average [];
Low []; Very Low []

c. Packing

Very attractive[]; Attractive []; Average [];
Unattractive []; Very unattractive []

d. Band name

Very reliable[]; reliable []; Average [];
Unreliable []; Very unreliable []

e. Supply status

Very good []; good []; Average [];
Not Good []; Poor []

f. Benefits and Perks

Very sufficient []; Sufficient []; Average [];
Not sufficient []; Poor []

Q8. How do you rate the quality of DDC products in comparison to

a. Import

Very good []; Satisfactory [];
Average []; Poor []

b. Other Private dairies/ Cooperative

Very good []; Good []; Satisfactory[];
Average []; Poor [];

c. Farmers

Very good[]; Satisfactory[];
Average[]; Poor [];

Q9. What do you think should be the basis of selecting channels of distribution?

Market access []; Good []; Satisfactory[];
Average []; Poor [];

Q10. How do you rate the distribution system of DDC?

Very good []; Good [];

Satisfactory[]; Average []; Poor [];

Q11. How do you rate the behavior and attitude of the employees of BMSS;

Very good []; Good []; Satisfactory[];

Average []; Poor [];

Q12. How do you rate the following distribution system of BMSS;

a. Transportation

Very good []; Good []; Satisfactory[];

Average []; Poor [];

b. Storage

Very good []; Good []; Satisfactory[];

Average []; Poor [];

c. Advertising & Promotion

Very good []; Good []; Satisfactory[];

Average []; Poor [];

d. Credit & Finance

Very good []; Good []; Satisfactory[];

Average []; Poor [];

e. Market Survey

Very good []; Good []; Satisfactory[];

Average []; Poor [];

f. Market exploration & expansion

Very good []; Good []; Satisfactory[];

Average []; Poor [];

g. What is the main problem faced while selling milk.

Q13. What suggestion would you like to give for further improvement in distribution system?

APPENDIX – B

Questionnaire format used for consumer

Survey of milk consumption habit.

Name:

Address:

Household Size:

Male []; **Female**[]

Children (10 years younger)

Household income

Below 2500 p.m. []; Rs. 2500-5000 []

Re 5000-10,000 [] Rs. 10,000 & above []

1. What are the different types of milk that you consume?
Liquid milk []; Powder Milk []; Condensed Milk []
2. If you consume liquid milk from market which type of milk do you consume?
DDC milk []; Private diaries [];
Farmers []; Co-operatives []
3. If not, please specify
Own Livestock []; Powder milk usage [];
4. What are the different sources from where you purchase milk?
DDC Outlets []; Private diary outlets []
Fresh milk from farmers []; Teashops []
5. How much milk do you buy in a day?
..... Liters
6. What time of the day do you usually buy the milk?
In the morning []; In the afternoon [];
In the evening []
7. What is your expenditure for milk and milk products in a month. Rs.
.....

If you consume DDC milk, fill in the questions from 8 to 20, or else go the question no. 21.

8. Which DDC milk do you prefer?

Standardized milk (Blue packet) : []

Whole Milk (Red packet): []

9. What quantity do you purchase?

Packets [] or Liters []

10. From where do you usually buy DDC milk

Private booth[]; Milk parlour (shop) []

11. What size of DDC milk do you prefer to buy ?

5 litres [] 2 lit[] 1 lit[] ½[]

12. If you pay higher price than normal price, Why?

Easy availability []; Home service [];

Premium for storage[]; Others []

13. Why do you buy DDC milk? (circle as many desired)

Pure []; Tasty [];

Hygienic []; Cheeper [];

Accurate Weight [];

14. Is the supply of DDC milk regular?

Very regular []; regular [];

Irregular[];

15. Do you get regular supply of desired milk and other milk products.

Yes []; No. []

16. If not, which product

Milk []; Butter []; Cheese [];

Ice-cream []; Yourt []; Paneer [];

Ghee [];

17. In the given scale, how do you rate the quality DDC milk in the following aspects.

Very good []; Good []; Average[];
Satisfactory []; Poor []; Rate [];
Flavored []; Thickness[]; Long-lasting[];
Adequate fat content[]; Nutritious []; Doesn't[]; need to
be boiled[];

18. How is the behavior/attitude of the boothmen/dealer who provides you milk & milk products?

Very good []; Good [];
Satisfactory[]; Bad [];

20. Do you have any specific complaint about DDC milk & milk products?

If you consume milk from private dairies or co-operatives, fill the question from 21 to 30 or else go to straight 31.

21. Which dairies milk is your priority?.....

22. Where do you buy the milk produced by private dairies/Co-operatives and what price do you pay.

Private booth []; Rs. [];
Sales Counter []; Rs. [];
Retail Shop []; Rs. [];
Others(Specify) []; Rs. [];

23. What size of milk packet/bottle produced by private dairies do you prefer to buy ?

5 ltr[]; 2 ltr[]; 1 ltr[]; ½ ltrs [];
¼ ltr[];

24. Why do you prefer private dairy milk?

Pure[]; Tasty[]; Hygenic[]; Cheeper[];
Accurate Weight[]; Easy Available[];

25. Is the supply of DDC milk regular?

Very regular[]; Regular[]; Irregular[];

26. Do you get regular supply of desired milk and milk products.
Yes[]; No. [];
27. Are you satisfied with the packaging of milk and milk products.
Yes[]; No. [];
28. If not, of which product
Milk []; Butter[]; Cheese[]; Ice-cream[];
Youhurt[]; Paneer[]; Ghee[];
29. In the given scale, how do you rate the quality of milk in the following aspects.
Very good[]; Good[]; Average[];
Satisfactory[]; Poor[];
- Rating:**
Tasty[]; Flavored []; Thickness[];
Long-lasting[]; Adequate fat content[];
Nutritious []; Doesn't [];
need to be boiled[]; Does not smell[];
30. How is the behavior/attitude of the boothman/dealer who provide you milk products.

If you consume farmers milk fill the questions from 31 to 35.

31. What price do you pay for 1 litre of milk supplied by farmers?
.....
32. How do you purchase farmers milk?
Farmer delivers at home ();
Have to go own self to farmer's house ();
Hired someone to collect milk from farmers place ();
Others (); specify.

33. Why do you buy fresh milk instead of pasteurized dairy milk?
Fresh milk is tastier than pasteurized milk [];
Fresh milk is cheaper than pasteurized milk [];
Fresh milk easily available than pasteurized milk [];
Supply of fresh milk is regular [];
34. Is the supply of farmer's milk regular?
Very regular []; regular []; irregular [];
- 3.5 Do you get regular supply of desired milk?
Yes []; No [];
36. How do you categorize the quality of milk produced by farmer?
Very Good []; Good []; Average [];
Satisfactory []; Poor []

Dairy Development Corporation Biratnagar Milk Supply Scheme

