CHAPTER- 1

INTRODUCTION

1.1 BACKGROUND.

Nepal, the Himalayan kingdom of Asia, has its boarder with China in the North and India in the South East and West. It is located between latitude $26^{0}22'$ North to $30^{0}27'$ North and longitude $80^{0}4'$ East to $88^{0}12'$ East having a total area of 147,181 with a population of around 23.21 million(TPC,2005:1). Nepal is a predominantly agricultural country. Life expectancy at birth rate is estimated at 58.9 years, and infant mortality rate is 79 per 1000. Nepal's population is growing rapidly at 2.37 percent a year and the population density of around 600 persons per square kilometer of arable land is one of the highest in the world. The resulting pressure on Nepal's limited natural resources base contributes to low productivity, poverty and denudation of forest (Shrestha, 2001:1).

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

Nepal's history of economic development is relatively short. Planned economic development started only since 1956 A.D. Nepal has accomplished 9 five year plan and now nearing the end of 10^{th} five year. Various efforts are being put on to attain a faster growth rate. Nepal's economic growth during the 1970s barely kept up with the population growth. The efforts in the early 1980s to accelerate economic growth through expansionary fiscal policies led to considerable macro-economic instability. In 1993/94, Nepal experienced its best macro-economic performance in the decade of nineties. In 1991/92 and early 93, Nepal undertook a series of reforms aimed at economic liberalization. These reforms have improved economic performance in a number of areas while they have been less satisfactory in other areas. The growth rate reached 5.79 percent in 1995/96 and 6 percent in 1999/2000 while it was low during 1994/95 and 1998/99. In 1993/94, it is estimated that domestic savings and investment increased to 14.7 percent and 22.4 percent of GDP respectively, widening the resources gap and requiring foreign financing for nearly 8 percent of the GDP. Export growth after recorded steady growth thereafter. Exports increased by about 8.55 percent in 1991/92 and are expected to grow at 19.8 percent in 1999/2000. Growth of imports declined in 1997/98 and 1998/99 mainly due to decline in imports of gold (Shrestha, 2001:1-2).

The history of sugar industry in Nepal is as old as 64 years. With a view of promoting industrial growth, industrial council was constituted in 1935. The first Company Act was enacted in 1936 and consequently the first modern industry, Biratnagar Jute Industry was established at Biratnagar of Morang District in 1936. On the event of second Second World War Nepal tried to develop many industries such as jute, sugar, cotton, etc to fulfill the need of country (J.Lokollo, 1998:13). The initiation of Sugar Mill in Nepal was with the establishment of Morang Sugar Mill in 1944.

Sugar has an important position in the world. Trend of sugar consumption in the world shows increments, which reflects the progress and growth in method of production and at the same time, as increased appreciation of the benefits of the sugar in the diet by the consumer. The increment in the consumption of sugar has several reasons.

. Sugar contributes energy and enters directly into the health and an economic life of the individuals.

Sugar is not only are of the most productive of agricultural products.

In Nepal at present it is estimated that about 130,000 tones of sugar is consumed per year. About 70 percent is contributed by the domestic production and the rest is imported from the third countries. This fact proves the need of sugar factories in Nepal. Sugar industry as agate in the basic need programmed and five- year plan is one of the main food industries and enlistment of the same deserves a special priority in this context. Sugar groups being lifeblood of the sugar industry is of almost importance.

In Nepal sugarcane as traditional cash crop has been cultivating since the ancient time. It was grown partly for family consumption and partly for sale and used to be converted into sakkhar by traditional method. It was been referred that raw sugar production in Nepal is as much better quality than refined in Bengal. The farmers are recently realizing commercial farming of sugarcane after the establishment of Sugar Mill. Sugarcane cultivation is becoming more and more attractive to farmers. Its importance lies in the fact that out of 75 districts, 60 districts produce sugarcane. Major districts producing sugarcane are located mostly are around sugar factories. The intensive and commercial farming of sugarcane is confined in 10 major districts of Nepal namely Morang, Sunsari, Shiraha, Bara, Rauthat, Rupendehi, Nawalparasi and Kapilbastu.

Due to suitable location with regard to raw materials, transport facilities, labour supply and market a large number of industries were located in different parts of country, especially in Terai belt. Similarly, the location pattern of the sugar industry is also greatly influenced by the character of local distribution of sugarcane within a country.

Sugar industry is very important to Nepalese national economy because of its multiple contributions in the shape of employment and provision of raw materials to other industries. Further, it accounts for providing employment in the sugar trade, transport of sugarcane and sugar, etc. Its byproducts are used as raw materials in industries such as alcohol, plastics, synthetic rubber, fiber board, pharmaceuticals, paper, etc. Beside this, sugar industries also substitute's imports by meeting internal requirements. Considering these many facts of importance of the industry, it ranks first among the agro- based industry. Up to Mid April 1991 there were six sugar industries in Nepal. Five were in operation and one was under construction. Among the operating five units, one was in Eastern Development Region, two in Central Development Region and two were in Western Development Region. In western development region one was under construction (Industrial Statistics, 1991/92:47). Recently there are 11 sugar industries in Nepal which are shown in the table below:-

Table 1.1

List of Sugar Industries in Nepal.

S.N.	Name Of Sugar Factory	Production Capacity Metric Tone/Year	Sector
1	Lumbini Sugar Mill Pvt. Ltd.	10,800	Private
2	Birgunj Sugar Mill Pvt. Ltd.	13,500	Private
3	Morang Sugar Mill Pvt. Ltd.	50,000	Private
4	Mahendra Sugar and General Industries Pvt. Ltd.	7,000	Private
5	Shree Ram Sugar Mill Ltd.	27,750	Private
6	Indhshankar Sugar Industries Ltd.	24,000	Private
7	Mahalaxmi Sugar Mill Ltd.	22,200	Private
8	Basking Sugar and General Industries Ltd.	37,400	Private
9	Eastern Sugar Mill Ltd.	27,200	Private
10	Everest Sugar and Chemical Industrie Ltd.	28,000	Private
11	Tribhuan Sugar Mill Ltd.	11,000	Private

Source: - Ministry of Industry/Department of Industry.

The above table shows that the total production capacity of 11 sugar factories is 213,850 metric tones of sugar. On the other hand total demand of the sugar is only 130,000 metric tones per year. But actual production of sugar is of about 70,000 metric tones to 85,000 metric tones in previous 5 years times. The above presentation shows that the sugar industry is operating about 50 to 60 percent of its capacity. The capacity utilizing trend is decreasing year by year. About 40 percent to 50 percent of nation demand has to be imported from the third countries although the internal sugar industry has 164.5 percent production capacity of the national demand of sugar now.

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

It is obvious that no business can flourish without the application of appropriate marketing tools and strategies. In the competitive market, marketing plays a key role to boost up industrial production and attain success.

Marketing is an attempt to produce the desired response by creating and offering values to the market (Kotler 1972:50). The role of marketing must be attained to social improvement rather economic gain, human aspiration rather than merely human needs, conservation rather than consumption, intrinsic worth rather than price and the consumer and the firm as entities of greater society rather only economic factors (Shuptrine and Osmanski, 1975:65). Marketing has been an indispensable factor for all kinds of products. Marketing focuses on making the products available at the right place at the right time and at a price that is acceptable to the consumers and on informing customers in a way that helps them determine if the products is consistent with their needs. Infact, the importance of marketing has been growing every day due to its effectiveness on the success or failure of an enterprise. The reason for attracting increasing attention by marketing is not only due to its inherent influence on the success or failure of an enterprise but also due to its increasing dimensions and scope.

Production without marketing is a waste of time, money and energy. The realization of the importance of marketing is to identify consumer's requirement and to satisfy them. Though Nepal is one of the developing country, it can't stay away from adopting sound marketing strategies. Stated in simple terms, marketing strategy is the complete and unbeatable plan designed specifically for attaining the marketing objectives of the firm. The marketing objectives indicate what the firm wants to achieve; the marketing strategy provides the design for achieving them (Ramaswamy Namakumari, 1999:38). Because of increasing international competition, Nepal; despite being basically a product oriented country, has not been able to fulfill production and demand requirements of the people. The industrialists today have realized that top priority should be given to marketing. It has been understood from study or contact with industrialists that though they have known the importance and influences of marketing in business, they still do not seem to be fully employing it. Many factors have been responsible for it. Reportedly, the industrialists have been unable and in some cases even unwilling to fully adopt marketing strategies in their business (Shrestha, 2001:4).

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

1.2 **An Introduction to Lumbini Sugar Mill Pvt. Ltd**.

Industrialization is a key factor in the process of economic development and its importance as a means of achieving, economic growth. But industries appeared in Nepal's national scheme relatively late. It was being seriously affected mainly due to global economic depression of 1930s and the unprecedented earthquake of 1934 A.D in Nepal. The government was completed to intervene in the economy and they started to establish many enterprise in the public sector to fulfill the stable the social responsibilities and to establish the stable economic administration and sustainable economic condition. Lumbini Sugar Mill Ltd is one of them.

Lumbini Sugar Mill is an agro-based industry which lies in Sunwal VDC that extends from $27^0$35' north to $27^0$4' North latitude and $83^0$37' east to $83^0$42' East longitude covering the 114.28 kilometer. About 53 percent of the total land of this VDC is supported to be covered by forest. This VDC has the temperature from 17^0C to 40^0C and faces the rainfall of about 275 centimeter annually. The attitude of Sunwal VDC ranges from 138 meters to 1023 meter from the sea level [VDC report: 2055:1-16].

Lumbini Sugar Mill is situated in the western part of Nawalparasi district of Lumbini zone, Nepal and is located at the northern corner of the cross-formed by the east-west highway and a brim chord leading to Parasi.

Lumbini Sugar Mill is one of those big industries of Nepal established in 1988 by the government initiation and foreign aid under the industrial policy 1981. The industrial policy of 1981 has been formed with a view to encourage the growth of healthy industrial environment by providing more facilities to agro-based, export promotion and employment generation industries as well as industries opened in less developed regions [Pradhan, R, 1984:97].

In pursuance of the agreement between the government of Nepal and the government of the People's Republic of China, signed on 1st October 1978. The contract was signed on 9th January, 1982 between government of Nepal's department of industry and China national complete plan Export Corporation to established Lumbini sugar mill at Sunwal, Nawalparasi district. Lumbini sugar mill was built accordingly to the contract signed by both friendship countries. The main objectives to establish Lumbini sugar mill is to help in making self- sufficient economy in sugar and industrial alcohol. Its trial production was start in a 22nd March, 1989 and commercial or regular production in December 1989[Upadhaya; 1990:63].

The construction work of sugar mill was completed at a cost of Rs 400 million. Out of 400 million, Rs 300 million was provided by the government of the People Republic of China for the factory. The factory has an installed capacity of crushing 1000 tons of sugarcane per day to produce 10,000 tons of sugar per day.

The factory has got location advantages like transportation facilities, raw materials, electricity, cheap labour, market, etc. Raw materials (sugarcane) are being produce in Nawalparasi district where mill is situated. The important and notable aspects of Lumbini sugar mill is providing employment opportunities to near about 1193 employed [LSM, 1998:1]. Among them 500 workers were permanent working for all seasons, 475 seasonal permanent workers and 218 daily wise workers. A few of them were local inhabitants and rests were from different parts of the country. Lumbini sugar mill covers an area of 88 bigas of land in which the factory complex is made boundary within 55 bigas and staff quarter are outside the boundaries in 33 bigas.

The government of Nepal was able to run the factory till 2061/62, but sue to poor management the factory has to incur heavy loss every month. So, it was privatized in 2062 B.S.

After privatization in 2062 B.S the trial production of sugar was carried out for 2 years. Till now the factory has completed 15 successful commercial crushing seasons.

This factory is now fully owned by the single owner named Mr. Manish Agrawal. He has purchased the plant and machinery where as the land and buildings are on lease. The contract has been made for 25 years between and owner. Recently, under new management system, there are only 300 employees working in this factory. Sugarcane is the main raw material of the factory. Some 6000 hectors of land under sugarcane cultivation comprising both the natural sugarcane belt and mill gate in the vicinity.

1.3 **Statement of the Problem.**

Income generating this industry faces the critical situations and due to which it has been privatized to save the existence of this industry. To overcome and copes the threats and challenges the proprietor and the government must take the rational decision making by implementing the effective and pertinent marketing strategy.

Problem confronting this industry were weak management system, heavy loss, corruption, employment system on the basis of favoritisms, non- conductive government policies, poor research and development support, lack of quality control management, etc.

In addition, the most crucial challenges of Lumbini sugar mill are to compete with the technologically advanced countries. It is definitely sure that this industry will be collapsed if the effective and pertinent marketing strategy is not implemented to win the market share, heart share and mind share of the prospective buyers. In comparison to the other countries, Lumbini sugar mill entrepreneurs of Nepal lack the implication of the long terms strategic marketing management planning in their overseas business from the period of establishment, it was the enough time for Nepalese entrepreneurs to get international marketing experiences and to build its competitive matter. As a matter of fact this industry lies inside between the neck as a bone whether to throw or swallow.

Not only the macro economic analysis (particularly in domestic environment) but also the marketing strategy is the crucial factor for any business entities to survive and thrive, either big or small under the changing global trading environment. But the Nepalese RMG entrepreneurs are more concerned on government policy enterprises can't exploit the opportunities and copying the threats- even the government policy or environment is favorable to business- if they are not strategically ready to interact with the business environment.

Addressing these key issues, the present studies tried to analyze the following statements in order to save the existence and to build the competitive strength of the Lumbini sugar mill.

The research questions posed in this research are:-

i. What are the appropriate strategies for the growth of industry and how they should be implemented?

ii. How can this industry develop the competitive strategy?

iii. What are the determinants factor those help the sugar industry to implement efficient marketing strategies policy?

iv. How can the Nepalese industry increase productivity as well as create niche markets in new markets?

1.4 **Objectives of the study**.

The objective of this study is to analyze the marketing strategies of Lumbini sugar mill for trying to seek out the ways of saving the existence industry. Its specific objectives can be pointed as below.

i. To analyze the view of entrepreneurs about the marketing strategies of Lumbini sugar mill.

ii. To analyze the present condition of the industry.

iii. To know how effectively the proprietor is planning and implementing the marketing strategies in present situation.

iv. Make recommendation for effective management of threats and challenges faces by industry in present situation.

v. To know about the economic strength in case of marketing strategies.

1.5 **Rationale of the study.**

Although some research works on Lumbini sugar mill has been done by previous researchers, but the research has not be done on marketing area. All of those researches are held on financial field. This topic called "marketing strategies of Lumbini sugar mill" is almost virgin, because none of the research works has been basically focused on marketing strategies to suggest and save the existence and to strengthen the competitive position of Lumbini sugar mill. So, the present study can be considered as worthy from the following points of view:-

i. It provides the data and information of entrepreneur's point of view about the marketing strategies which help to build and improved the pertinent marketing strategies for further period.

ii. This study is not only beneficial for Lumbini sugar mill but also to other exporting industry.

iii. It provides the insight of the concerned study so Nepalese trade policy maker, teachers and students of any university and the persons who are interested to seek the knowledge about the topic can be benefited.

iv. It helps and guides the entrepreneurs, chief executive officer and marketing managers to strengthen the competitive position of the Lumbini sugar mill.

v. The present study will serve as the foundation for further research works on specialized area on the concerned subject matter.

1.6 **Limitation of the study.**

The study is carried out with in the following limitations:-

i. The study is concerned with marketing concept rather than trade concept.

ii. Only limited studies and surveys are available in this area.

iii. The study has focused only on marketing aspect of the industries. It doesn't vigorously consider the macro economic aspects of the industries.

iv. The use of questionnaire and personal visits was made to acquire necessary data for the study. Lack of appropriate database, unavailability of performance data and poor response in come cases were the principal problems encountered in the course of study. The result may constrained by these limitation.

1.7 **Organization of the study.**

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

i. Introduction:- Background, a brief history of Lumbini sugar mill, statement of the problem, objectives of the study, hypotheses, rationale of the study, limitation of the study and organization of the study.

ii. Review of literature: - Conceptual/Theoretical reviews and review of related studies.

iii. Research methodology:- Introduction, research design, source of data, population and samples, data collecting instruments, components of questionnaire, data processing and tabulation, data presentation and analysis and statistical analysis.

iv. Presentation of the data: - Introduction, data presentation and analysis, analysis of hypothesis test and the major findings of the study.

v. Summary and conclusion: - Summary, conclusion and recommendation.

CHAPTER - II

REVIEW OF LITERATURE

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

2.1 Role of Marketing Industrialization

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

Marketing plays important role in the process of industrialization. The proceeds of industrial activity are passed on to the society through the process of marketing.

Hence, the success or failure of business largely hinges upon the art and science of marketing which is composed of explorative knowledge, tact and talent of veteran practitioners. In the global market, the multinational companies like Sony, Hitachi, Toshiba, Philips, Procter and Gamble, Johnon and Nicholson and many others have been permeating throughout the world with the help of modern marketing practice and methods. So are Tata, the Birala, the Bajaj India, and the STC, Thai Food (Rara Noodles) as well as the customers more conscious towards comparative services, values, safety, satisfaction and convenience (Sharma, 1999:4).

Sherbini (1955) has contended that marketing is instrumental for industrial development. He also observes that marketing problems could be more obtrusive that many other deterrents to the process of industrialization. The growth of marketing attributes to disseminate new ideas favorable to economic growth. Hirch (1961) pointed out that growth in marketing could help disseminate new ideas favorable to economic growth, new pattern of consumption, possible new techniques and new ideas of social relations, Kelly (1965) is of the opinion that it helps to attain the end-purpose of business enterprises. Lazer (1969), while discussing the need for broadening the social role of marketing argues that it can help reduce and eliminate poverty, preserve, and natural resources and stimulate economic growth. Slater (1976) mentions that it has become an article of faith among preachers of the 'gospel' that marketing has something vital and constructive to add to developmental efforts. Kicker (1982) asserts that marketing enhances potential aggregate demand, which further aids to enlarge market, and accelerate economic development. Rao (1982:60) opines that it plays the role of an educator, it cultivates charges in public attitudes, it brings about changes in the 'quality of life', it encourages a modern way of living, it increases the standards of living; it strives to build efficient economic and social institution; it strives to secure the satisfaction of the pubic which is the primary recipient of national development. Antony (1984) adds that marketing has cost reducing dimensions. Effectives marketing not only create new and bigger markets, thereby helping to activate production, it enables industries to reduce cost, create further demand and ensure further production increases.

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

Marketing threats or opportunities for industries also differ in their countries to the great extent, differing in product, distribution, pricing, promotion, and control strategies.

2.2 Concept of Marketing

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

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

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

For a managerial definition, marketing has often been described as "the art of selling product," but people are surprised when they hear that the most important part of marketing is not selling! Selling is only the tip of the marketing iceberg (Kotlers, 2003:9). The above definition outlines that marketing is not only the art of selling products but also the integrative activities of marketing where the selling is the part of marketing activities.

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

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

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

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

> *When it's time to roll out of bed in the morning; does your general electric alarm make you with a buzzer or playing your favorite radio station? Is the station playing rock, classical or country music? Will you slip into your Levi's, your shirt from L.L. Ben, and your Nikes, or does the day call for your brooks brothers suit? Will breakfast be Kellogg's corn flakes- made with corn from American's heartland- or some "extra large" eggs and Hormel bacon cooked in a Panasonic Microwave imported from Japan? Will it be Maxwell house coffee-grown in Colombia or some Minute Maide as orange Juice? May be you're late and plan to get an egg Mc Muffin at the Mc Donald's drivethru. When you leave home, will it be in a Toyota, on a huffy bike, or on the bus that the city bought from General Motors?*

It means that most of the human and social needs are extremely related with marketing activities. An organization can achieve its goals by fulfilling the customer's need or satisfying them through proper marketing activities. Marketing helps organization to find out what their customer needs and wants. After identifying the customer needs and wants, it also helps to decide what products to offer to satisfy customer's needs and wants. The ultimate achievement of the marketing is to win the large marketing share, heart share and mind share of the customers.

Marketing requires separate work and a distinct group of activities. But it is, first a central dimension of the entire business. It is the whole business seen from the point of view of its final results that is from the customer's point of view (Cravens, Hill and wood ruff, 1988:4)

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

According to Prof. Cundiff, Still and Govini (1982:5)
Marketing activities are those most directly concerned with the demand stimulating and demand fulfilling efforts of the enterprise. These activities interlock and interact with one another as components of the total system by which a company develops and makes its product available, distributes them though marketing channels, promotes them and prices them. From the above definition we can understand that the marketing is the combinations of 4 ps (i.e. product, place, price and promotions).

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

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

According to American Marketing Association “Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational objectives”. This definition focuses on the following aspects of marketing (Koirala, 2000:1):

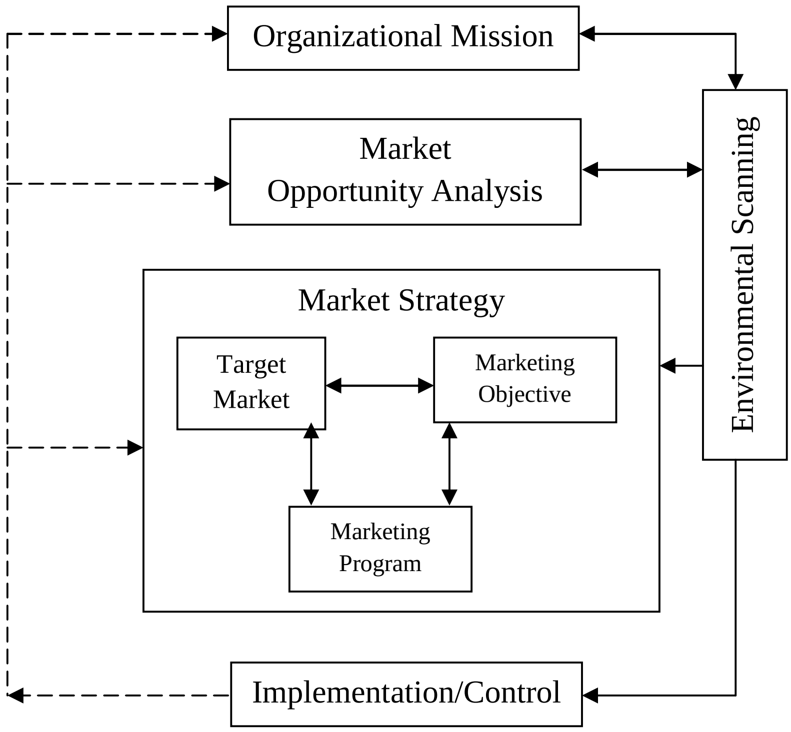
- It recognizes marketing as a process. The process involves planning and implementations of the marketing activities, such as conception, pricing, promotion and distribution of products (ideas, goods and service)
- These marketing activities are undertaken to create exchanges that meet individual and organizational goals. The individual goals include satisfaction and utility from the product. The organizational goals including profit and long terms survival of the organization.

2.3 Marketing Management

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

Fig. 2.1

Marketing Management in Action



Source: Cravens. Hills & Woodruff, 1988:15

a. Organizational Mission

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

b. Environmental Scanning

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

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

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

c. Market opportunity Analysis

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

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

d. Marketing Strategy

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

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

Developing market programs involves identifying alternative combinations of marketing variables and then judging how well these combinations match the market opportunity. The core of such matching is forecasting potential customers' response the mix of marketing variables. Then, the program with the greatest potential is implemented.

e. Target Market Selection

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

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

f. Marketing Objectives

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

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

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

g. Marketing Program

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

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

h. Implementation and Control of marketing strategy

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

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

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

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

2.4 Marketing Information System

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

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

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

- MKIS consists of people working for the organization as managers, supervisors, salespersons, and intermediaries who provide vital information about the market and environment.
- The system is based on communication equipment and computers that help in the collection, classification, analysis and dissemination of information.
- The system is designed to provide essential, reliable, and prompt information feed-back to marketing decision makers.

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

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

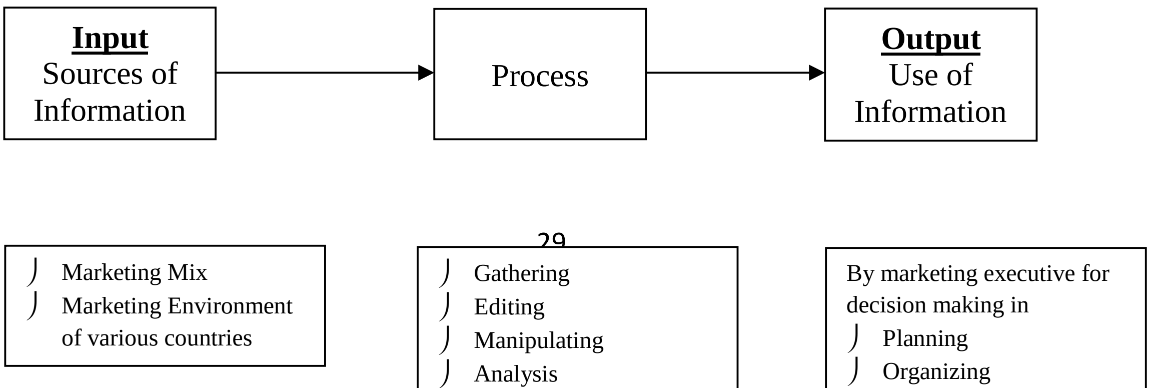
Information demand has been growing in the business sector in Nepal although many businessmen still prefer to use hunches and intuitions in business decisions. The information supply side, however, is growing slower than the demand side thus, creating a severe information glut in the country (p. 5).

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

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

Fig 2.2

International MKIS



Source: Shrestha, 2003: 114

Prof. Kotler (2005) defines the marketing intelligence system as follows:

“A marketing intelligence system is a set of procedures and sources used by managers to obtain everyday information about development in the marketing environment (p.123).

Marketing intelligence is the inevitable part of modern marketing philosophy. It helps an org. to exploit the opportunities and to overcome the threats.

2.5 Concept of Corporate Strategy

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

Prof. Agrawal (2004) states

> *Modern business organizations are facing significant challenges. Environmental changes are taking places due to globalization, advanced information technology, political economic groupings, and social cultural shifts. Globalization has brought competition everywhere. The world is*

becoming one big market. Increasing size of organization has increased complexity and diversity.

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

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

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

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

According to Alfred D. Chandler (1962)

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

According to Jauch and Glueck (1988)

A Strategy is unified, comprehensive and intergraded plan that relates the strategic advantages of the firm to the challenges of environment.

According to Johnon and Scholes (2002)

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

2.6 Concept of Business Strategy:

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

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

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

b. The level of investment

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

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

c. The functional area strategies needed to compete in the reputed product market

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

i. Product line strategy
ii. Communication messaging strategy
iii. Pricing strategy
iv. Distribution strategy
v. Manufacturing strategy
vi. Segmentation strategy
vii. Global strategy
viii. Internet.

d. The strategic assets or competencies that underlie the strategy and provide the sustainable competitive advantage (SCA).

A strategic competency is something a business unit does exceptionally well, such as manufacturing or promotion, which has strategic importance to that business. A strategic asset is a resource, such as a brand name or installed customers base that is strong relative to that of competitors. Strategy formulation must consider the cost and feasibility of generating or maintaining assets or competencies that will provide the basis for a sustainable competitive advantage.

Besides the above other remaining two are introduced when the business exists in an organization with other business unit, which are as follows:

e. The allocation of resources over the business units

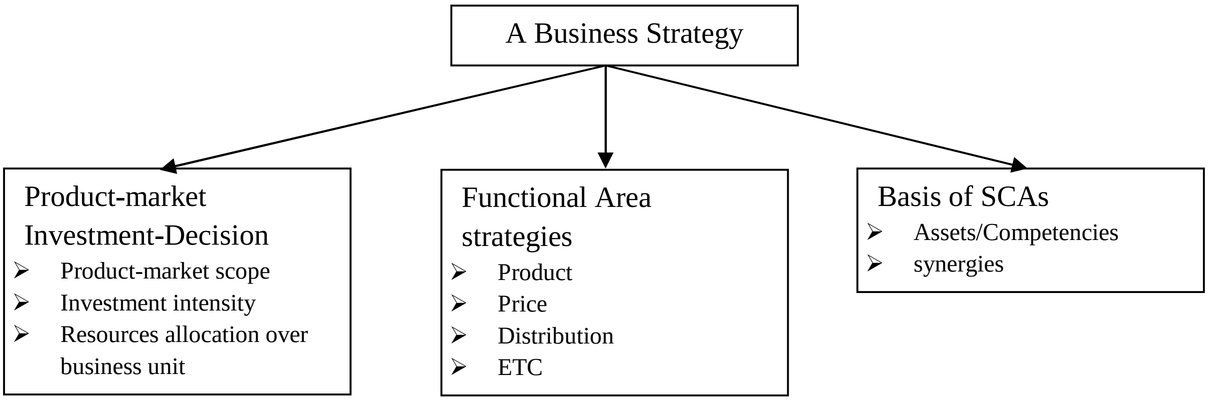
Financial resources, generated either internally or externally, plus non-financial resources such as plant, equipment, and people, all need to be allocated. Even for a small organization, the allocation decision is a key to strategy.

f. The development of synergistic effects across the business-the creation value by having business units that support and complement each other

It is only logical that multiple business organizations that can achieve synergistic effects will have an advantage over those that ignore or fail to achieve synergy.

Fig. 2.3

A Business Strategy



Sources: Aaker, 2001:6

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

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

2.7 Strategic Market Management

2.8.1 A Historical Perspective

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

a. Budgeting

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

b. Long-Range Planning

The second management system is long range planning, the development of which Igor Ansoff, long a leading strategy theorist, has associated with the 1950s and 1960s. its focus is on anticipating growth and managing complexity. The basic assumption is that past trends will continue into the future. The planning process typically involves projecting sales, costs, technology, and so into the future using data and experience from the past. The planning task is then to develop human resources and facilities to accommodate the anticipated growth or contraction. The time frame is not necessarily as limited as in the budgeting system and can anticipate two, five, or ten year, depending on the context.

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

c. Strategic Planning

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

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

One characteristic that strategic planning shares with budgeting and long-range planning management system is that it is largely based on a periodic planning system, usually are annual system. Typically, an organization will develop a strategic plan in the spring and summer and then, during the fall, will use that plan as a base for developing the annual operating plans and budgets for the next year. The periodic planning cycle does provide a time in which managers must address strategic questions. Without such a devise, artificial though it may be, even managers who realize the importance of strategic thinking might find their time absorbed by day-to-day operations and crises.

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

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

d. Strategic Market Management

Strategic market management, or simply, strategic management, is motivated by the assumption that the planning cycle is inadequate to deal with the rapid rate of change that can occur in a firm's external environment. To cope with strategic surprises and fast developing threats and opportunities, strategic decisions need to be precipitated and made outside the planning cycle.

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

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

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

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

The inclusion of the term market in the phrase “Strategic Management” emphasizes that strategy development needs to be driven by the market and its environment rather than by an internal orientation. It also points out that the process should be proactive rather than reactive and that the task should be try to influence the environment as well as respond to it.

2.7.2 Why strategic Market Management

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

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

a. ***Precipitate the consideration of strategic choices.*** What is happening externally that is creating opportunities and threats to which a timely and appropriate reaction should be generated? What strategic issues face the firm? What strategic options should be considered? The alternative to strategic market managements is usually to drift strategically, becoming absorbed in day-to-day problems. Nothing is more tragic than an organization that fails because a strategic decision was not addressed until it was too late.

b. ***Force a long-range view.*** The pressures to manage with a short-term focus are strong and frequently lead to strategic errors.

c. ***Make visible the resource allocation decision.*** Allowing allocation of resources to be dictated by the accounting system, political strengths, or inertia (the same as last year) is too easy. One result of the approach is that the small but promising business with "no problems" or the unborn business may suffer from a lack of resources, whereas the larger business areas with "problems" may absorb an excessive amount.

d. ***Aid Strategic analysis and decision-making.*** Concepts, models, and methodologies are available to help a business collect and analyze information and address difficult strategic decisions.

e. ***Provide a strategic management and control system***. The focus on assets and competencies and the development of objectives and programs associated with strategic thrusts provide the basis for managing a business strategically.

f. ***Provide both horizontal and vertical communication and coordination systems***. Strategic market management provides a way to communicate problems and proposed strategies within an organization; in particular, its vocabulary adds precision.

g. ***Help a business cope with change.*** If a particular environment is extremely stable and the sales patterns are satisfactory, there may be little need for meaningful strategic change-either in direction or intensity. In that case, strategic market management is much less crucial. However, most organization now exists in rapidly changing and increasingly unpredictable environments and therefore need approaches for coping strategically (Pp. 15-16).

2.7.3 An overview of strategic market management

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

A strategic vision is a vision of a future strategy or set of strategies. The realization of an optimal strategy for a firm may involve a delay because the firm is not ready or the emerging conditions are not yet in place. A vision will provide direction and purpose for interim strategies and strategic activities (Aaker, 2001:18)

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

Brief overviews of its three principal elements are as follows

a. External analysis

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

Fig. 2.4
Overview of Strategic Market Management
Strategic Analysis

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

Opportunities, threats, trends and Strategic uncertainties

Strategic Strengths, weaknesses, Problems constraints and uncertainties

Strategy Identification and Selection

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

Source: Akaer, 2001:19

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

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

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

I. Customer Analysis

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

II. Competitor Analysis

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

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

To develop a strategy, it is important to understand the competitor's

- **Performance**

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

- **Image and personality**

  How is the competitor positioned and perceived?

- **Objectives**

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

- **Current and past strategy**

  What are the implications for future strategic movies?

- **Culture**

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

- **Cost structure**

  Does the competitor have a cost advantage?

- **Strength and weaknesses**

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

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

III. Market Analysis

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

- **Size**

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

Growth prospects

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

Market profitability

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

Cost Structures

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

Distribution Channels

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

- **Market trends**

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

- **Key success factors**

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

IV. Environmental Analysis

Important forces outside an organization's immediate markets and competitors will shape its operation and thrust. Environmental analysis is the process of identifying and understanding emerging opportunities and threats created by these forces. It is important to limit environmental analysis to what is manageable and relevant, because it can easily get bogged down by expensive scope and volume. It is helpful to divide environmental analysis into five components: technological, governmental, cultural, economic and demographic.

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

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

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

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

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

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

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

b. Internal Analysis

Internal analysis aims to provide a detailed understanding of strategically important aspects of the organization. In particular, it covers performance analysis and an examination of the key determinates of strategy, such as strength, weakness and strategic problems. Internal analysis, like external analysis, usually has an SBU as a frame of reference but can also be productive at the level of aggregations of SBUs, such as divisions of firms.

i. Performance Analysis

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

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

- Customer satisfaction/brand loyalty- How are we doing relative to our competitors at attracting customers and building loyalty?

- Product/service quality Is our product delivering value to the customer and is it performing as intended?
- Brand/firm Associations- What do our customers associate with our business in terms of perceived quality, innovativeness, product class expertise, customer orientation, and so on?
- Relative cost- Are we at a cost disadvantage with respect to materials, assembly, product design, or wages?
- New product activity- Do we have a stream of new products or product improvements that have made an impact?
- Manager/employee capability and performance- more we created the type, quantity, and depth of personnel needed to support projected strategies?
- Product portfolio analysis- This analysis considers the performance/strength of each business area, together with the attractiveness of the business area in which it competes. One goal is to generate a business mix with an appropriate balance between new and mature products. An organization that lacks a flow of new products faces stagnation or decline. A balance must also exist between products that generate cash and those that use each.

ii. Determinants of strategic options

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

Strategy Review

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

Strategic problems

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

Organizational capabilities and constraints

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

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

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

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

Financial resources and constraints:

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

Strength and weakness

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

c. Strategy identification and selection

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

i. Identifying strategic alternative

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

ii. Product market investment strategies

- **Product Definition**

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

- **Market definition**

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

- **Vertical integration**

  A strategic option not covered by product market scope is vertical integration.

- **Growth directions**

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

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

Business by avoiding any investment, or exit. The exit option might arise if prospects become extremely unattractive or if the business area becomes incompatible with the overall thrust of the firm.

- **Investment Strategies**

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

iii. Functional area strategies

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

iv. Bases of sustainable competitive advantage

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

- Strategic Positioning

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

v. **Selecting among strategic alternatives**

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

- **Pursue a sustainable competitive advantage**

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

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

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

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

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

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

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

vi. Implementation

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

vii. Strategy Review

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

2.8 Comparative Analysis

Prof. Agrawal (2004:118-120) has identified that the strategic advantage of an organization is relative to its competitors. It implies performing better than competitors. It is the ability to meet and beat the performance of competitors.

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

a) Historical Comparison
b) Industry Norms
c) Benchmarking

a) Historical Comparison (Historical Analysis)

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

Areas having consistently good performance represent strengths. Areas of consistently bad performance represent weakness.

Weaknesses of historical analysis are:

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

b) Industry Norms

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

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

The weaknesses of industry norms are:

i. Industry norms are based on averages. They could lead to erroneous conclusions about capability.

ii. Not all organizations in an industry are of similar nature. Aggregated figures of diverse nature of organizations may not be meaningful for comparison.

iii. The overall performance of an industry can be bad in comparison to other industries. This makes industry norms inappropriate for comparison.

iv. The convergence of industry in blurring the boundaries of industries. This poses difficulties for setting industry norms.

c) Benchmarking

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

Objectives of benchmarking:

The objectives of benchmarking are to:

i. Understand the best practices in performing an activity.

ii. Determine efficiency of activities performed by the organization compared to the best performers.

i. Learn how to lower costs to improve cost competitiveness.

2.10.1 Types of Benchmarking

Benchmarking can be of the following types:

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

Benchmarking shows where an organization excels or lags behind. Best practices are identified for conformance. It is helpful in assessing strength and weaknesses.

2.9 Sourcing Decisions and the value chain

A global business strategy has six legs: Marketing, Research and Development, Engineering and Design manufacturing or sourcing, and human and financial resources.

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

a. The sourcing challenge

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

Value

Customer value is defined by the following equation:

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

Where,

V = Customer value

Q = Product quality as perceived by the customer

F = product features valued by the customer

P = Price of Product to the customer

An increase in the numerator factor of quality and features (as defined by the customer) will increase value. Similarly, a decrease in the denominator factor of price will also increase value. It is this formula that defines the parameter of the sourcing decision.

b. The value chain

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

Mr. Shakya (2004) states:

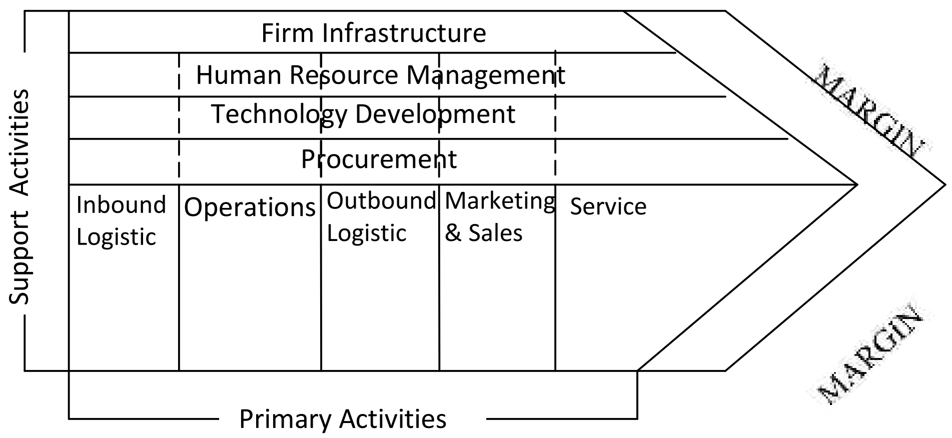
> *Chinese textile industries are changing the entire value and supply chain from textile design, to planning, production and pricing. Big Chinese factories are creating a "supply-chain city" having engineers, fabric experts and technicians, production staff and everyone in between who can get together with buyers to supervise and operate the entire supply-chain process in one location. That*

would allow Chinese manufactures to dominate global textile trade not only on the basis of price and quality. But also in terms of "time to-market" resulting from great control over the entire production chain (p. 11)

A business's value chain, conceptual model developed by Michael Porter, consists of two types of value creating activities. The components of the value chain are defined as follows:

Fig. 2.6

The value chain



Source: Aaker, 2001:68

There are of course, notable expectations to the rule that a decrease in denominator of this equation will increase value. To the extent that price is perceived as an indicator of quality and value, an increase in price may increase value. This requires no change in the formula because in these *situations an increase in the denominator results in an increase in the quality element (as perceived by the customers)*

Primary value Activities

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

Secondary value activities

- Procurement- Procedure and information systems.
- Technology development- Improving the product and processes/systems.
- Human resource management- hiring, training, motivating and compensation.
- Firm infrastructure- general management, finance, accounting, government relation, and quality management.

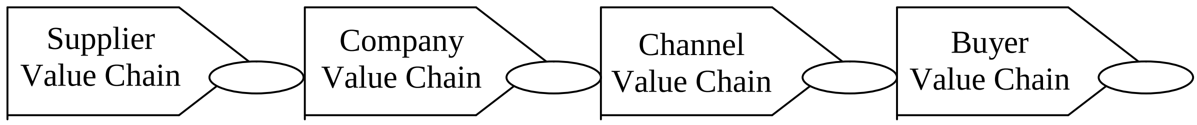
The sourcing decision is really a decision about where and how to position a company on the value chain. The first decision is whether to make or buy, and the second is where to make or buy. The ultimate purpose of all value chain activity of the firm is to create value for customers. One measure of the value created is the margin that the firm enjoys (margin is the difference between all value chain costs and the price to customers). The greater the value, the greater the potential margin (Keegan, 2000: 327-328)

c. The value systems

Putting the firm in the perspective of the industry leads to the realization that supplier value chains and distributor and buyer value chains are also interdependent and linked at a number of points. This structure of interdependent value chains is called the value system.

Fig. 2.7

Value chain:



Products and services flow through supplier value chains and become inputs to the firm's value chain. After flowing through the firm's value chain, they flow through the value chains of the distributors and become inputs chains of the distributors and become inputs to the value chains of the buyers. Increasingly in recent years, competitive advantage has become dependent on how well a firm can manage the entire value system.

2.10 The value chain and three strategic roles of global marketing.

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

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

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

A third critical role of marketing is its role in tapping opportunities for upstream advantage in the value chain (p 331).

2.11 Competitive Analysis & Strategy

A firm's competitive strategy consists of the ways and means by which it intends to win in the marketplace. What we want to isolate are the distinctions or differences that set our business apart from its competitors and which are also meaningful to customers, economically sustainable, and difficult to match. Given this understanding we are well on the way to making the crucial judgment as to whether our firm has, or could develop a sustainable competitive advantage (Fry & Killing, 1989:10).

Industry analysis: forces influencing competition

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

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

a. Threats of New Entrants

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

The most common barriers to entry are:

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

“A product is something that is made in a factor; a brand is something that is bought by a customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless”.

-Stephen king, WPP Group, London

iv. Capital Requirement- Just the sheer upfront cost of entering the industry act as deterrent.

iii. Cost disadvantages independent of size- These might be done, for example, to access to cheap labor or raw materials.

iv. Access to distribution channel- If you cannot reach the customer as effectively as the incumbent firms then it will not be your products or services that are sold.

v. Government actions and policies: Legislation, tariff and non-tariff barriers, patents, etc.

b. Threats of Substitute products

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

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

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

c. Bargaining power of buyers

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

d. Bargaining power of Suppliers

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

e. Rivalry among competitors

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

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

i. As the number of competitors increases and as they become more equal in size and capability.

ii. When demand for the product is growing slowly.

i. When competitors are tempted by industry condition to use price cuts or other competitive weapons to boost unit volume.

ii. When competitor's products and services are so similar that customers incur low costs in switching from one brand to another.

iii. When it costs more to get out of a business than to stay in and compete.

iv. Rivalry becomes more volatile and unpredictable the more diverse competitors are in terms of their strategy, personalities, corporate priorities, resources and countries of origin.

v. When strong companies outside the industry acquire weak firms in the industry and launch aggressive, well funded moves to transform the newly acquired competitor into a major market contender (p. 28).

2.12 Competitive advantage

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

There are two basic ways to achieve competitive advantage. First, competitive advantage may be achieved when a firm pursues a strategy of low costs, which enables it to offer products at lower prices than competitors. Competitive advantage may also be gained by a strategy of differentiating product so that customers perceive unique benefits that justify a premium price (Keegan, 200:375)

The quality of or firm's strategy is ultimately measured by results-sales, profits, or some other measure. Results, in turn, depend on the level of value created for some customers: the greater the perceived consumer value, the better the strategy. A firm may market a better mousetrap, but the ultimate success of the product depends on customers deciding for themselves whether or not to buy it according to the perceived value that if offers them. Value is like beauty- it's in the eyes (and the pocket book) of the beholder. In sum, competitive advantage is achieved by creating more value than the competitors, and value is defined by the customers (Keegan, 2000:375).

a. Generic strategies for creating

Competitive advantage

Porter's major contribution was to point out that there are only two routes to superior performance: you either become the lowest-cost producer in your industry, or you differentiate your product/service in ways that are valued by the buyer to the extent that he or she will pay a premium price to get these benefits. Firms can choose to apply either of these strategies to a broad market, or to a narrow focused market.

Fig. 2.8

Generic Competitive Advantage

Competitive Advantage

Competitive Scope		Lower Cost	Differentiation
	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Cost Focus	Focus differentiation

Source: Bowman, 1996:51

i. Overall Cost Leadership

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

Mr. Shakya (2004) found:

> *"... But relatively lower unit prices for some products exported to the US had indicated favorable position to Nepalese exporters. As for example, for some cotton categories, like men's and boy's shirts, exported to the US in 2000, the Chinese unit value exceeded that of Nepal by 32-115% while these differences might reflect variations in quality to some extent, they do suggest an ability of Nepalese producers to compete in the US market. The unit values for Nepal's export of these products were also lower than those of India and Sri Lanka. For two of the four categories of men's shirt, unit values were lower than those Bangladesh, while the unit values for the other two categories were close. Only Vietnam's US exports had unit values consistently below those of Nepal (p. 2)*

ii. **Differentiation**

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

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

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

iii. **The narrow-focus Advantage**

Overall cost leadership and differentiation has considered only the impact on broad market. By contrast, strategies to achieve a narrow-focus advantage target a narrowly defined market/customer. It is an advantage based on an ability to create more customer value for a narrowly targeted segment and results from a better understanding of customer needs and wants. A narrow-focus strategy can be combined with either cost or differentiation-advantage strategies. In other words, while a cost focus means offering a narrow target market low price, a firm pursuing focused differentiation will offer a narrow target market the perception of product uniqueness at a premium price (Keegan, 2000:377)

The focused strategies concentrate on a niche of the market. Niche is a narrow piece of the total market. It is identified by dividing a market segment into sub segments. It consists of fairly small group of customer whose needs have not been well served (Agrawal, 2004:139)

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

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

iv. Stuck in the middle

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

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

2.13 Market Logistics

Physical distribution starts at the factory. Managers choose a set of warehouse (stocking points) and transportation carries that will deliver the goods to final destination in the desired time to or at the lowest total cost. Physical distribution has now been expanded into the broader concept of supply chain management (SCM). Supply chain management starts before physical distribution: It involves procuring the right inputs (raw materials, components, and capital equipment); converting them efficiently into finished products; and dispatching them to the final destinations. An even broader perspective calls for studying how the company's supplier themselves obtain their inputs. The supply chain perspective can help a company identify superior suppliers and distributors and help them improve productivity, which ultimately bring down the company's costs (Kotler, 2003:551)

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

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

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

Professor kotler has found four major decisions with regard to market logistics:

a. How should orders be handled? (Order Processing)

b. Where should stocks be located? (Warehousing)

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

d. How should goods be shipped? (Transportation)

2.14 E-Marketing

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

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

The internet today functions as an information source, an entertainment source, a communication channel, a transaction channel, and even a distribution channel. One can use it as a shopping mall, a TV set, a newspaper, a library, or a phone. Users can send e-mail, exchange views, ship for products, and access news, recipes, art, and business information.

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

2.17 Strategic marketing Planning

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

There key areas of strategic marketing plan consists of; managing a company's businesses as an investment portfolio; assessing each business's strength by considering the market's growth rate and the company's position and fit in the market; establishing a strategy.

Prof Kotler (2003:90) States that most large companies consist of four organizational levels; the corporate level, the division level, the business unit level, and the product level.

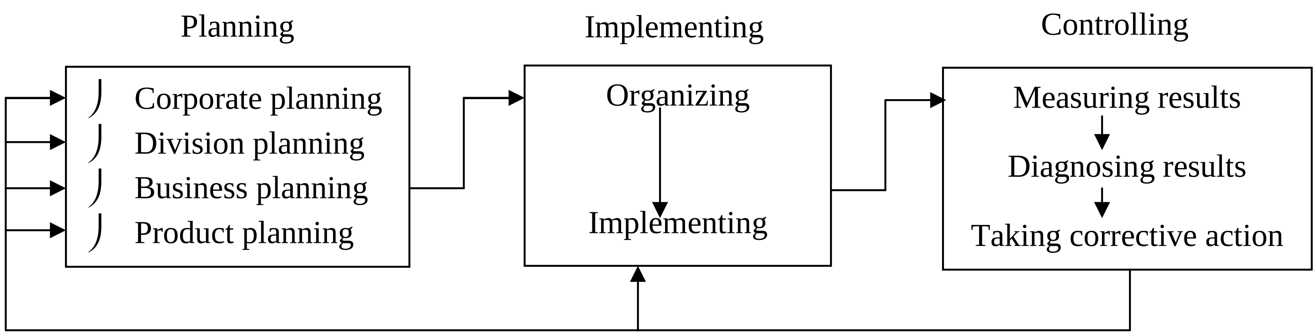
The marketing plan operates at two levels: strategic and tactical. The strategic marketing plan lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities. The tactical marketing plan specifies the marketing tactics, including product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

The marketing plan is the control instrument for directing and coordinating the marketing effort. Today, the marketing department does not set the marketing plan by itself. Plans are developed by teams, with inputs and sign-offs from every important function. These plans are then implemented at the appropriate levels of the organization. Results are monitored, and corrective action is taken when necessary.

Here we only discus the business and product planning strategy.

Fig. 2.9

The strategic planning, implementation, and control process



Sources: Kotler, 2003:91

Business unit strategic planning

Prof. Kotler (2003) points out the

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

a. Business mission

b. SWOT analysis: External Environment, Internal Environment

c. Goal Formulation

d. Strategy Formulation

e. Implementation

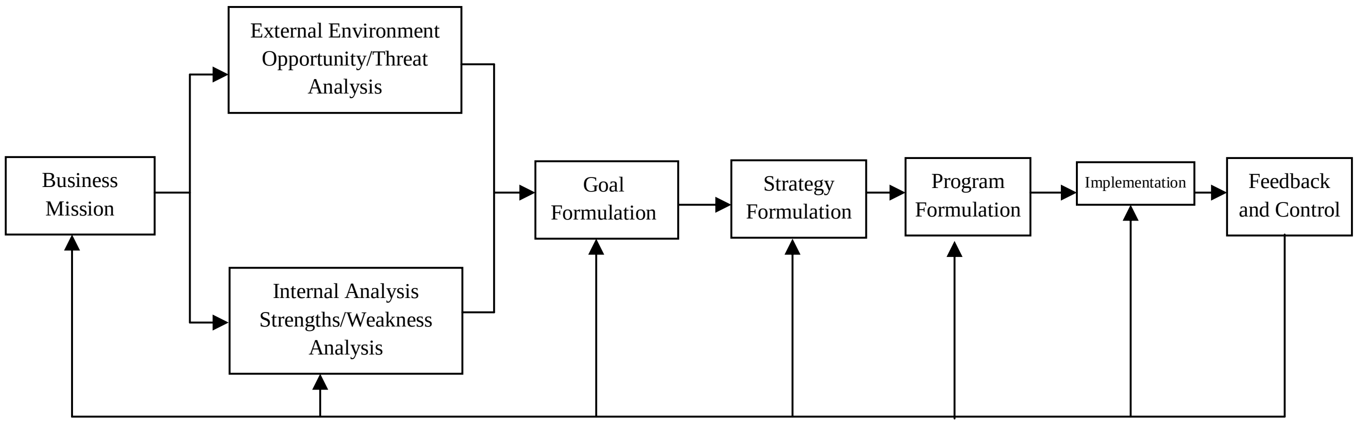
f. Feedback and control

a. Business Mission

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

Fig. 2.10

The Business Strategic Planning Process:



Source: Kotler, 2003:102

b. SOWT Analysis

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

i. External environment analysis (Opportunity and threat analysis)

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

A major purpose of environmental scanning is to discern new marketing opportunities. A marketing opportunity is an area of buyer need or potential interest in which a company can perform profitably (Kotler, 2003:102).

Some developments in the external environment represent threats. An environmental threat is a challenged posed by an unfavorable trend or development that would lead, in the absence of defensive marketing action, to deterioration in sales or profit (Kotler, 2003:104)

ii. Internal Environment Analysis (Strength/weakness Analysis)

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

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

- Should the firm maintain its current strength and weakness status and try to capitalize on the new opportunities?
- This is a high risk strategy. Competitors may be stronger and effect the firm's profitability from the new opportunity by attacking the firm's weakness factors.
- Should the firm rectify its current weaknesses and capitalize on the opportunity with a higher confidence level? This is a medium

risk strategy. Competitors are unlikely to attack the weakness factors after their rectification.

- Should the firm work for further consolidating its strength factors and capitalize the opportunity more aggressively than its competitors?

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

c. Goal Formulation

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

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

i. Arranged hierarchically from the most to the least important.

ii. Objectives should be started quantitatively whenever possible.

iii. Goals should be realistic. They should arise from an analysis of the business unit's opportunities and strengths, not from wishful thinking.

iv. Objectives must be consistent. It is not possible to maximize both sales and profits simultaneously.

d. Strategy formulation

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

Marketing strategy can be

i. Porter’s generic strategy- Overall cost leadership differentiation and focus.

ii. Operational effectiveness and strategy

iii. Strategic alliances

iv. Market Alliances

e. Program formulation

The program formulation is based on the marketing strategies. The marketing department formulates supporting programs that help the firm to achieve its corporate and business goals. The marketing programs also support the marketing strategies. The marketing department formulates detailed program for new product development, and human resource development. Such program can also be formulated for special advertising campaigns, public relations, and market development. The marketing programs must be supported by a cost estimate for lunching the program. It should also present the financial and sales benefits together with the risk involved in each program (Koirala, 2002:167).

f. Implementation

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

g. Feed back and control

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

2.15 Product Planning: the value and contents of marketing plan

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

He further argues that at the same time, marketing planning procedure and contents very considerably among companies. The plan is variously called a “business plan”, a “marketing plan”, and sometimes a “battle plan”.

Contents of marketing plan

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

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

b. Current marketing situation: This section presents relevant background data on sales, costs, profits, the market, competitors, channels, and the forces in the macro environment. This information is used to carry out on a SWOT analysis.

c. Opportunity and issue analysis: Here, management reviews the main opportunities found in the SWOT analysis and identifies the key issues likely to affect the organization's attainment of its objectives.

d. Objectives: Here, the product manager outline the plan's major financial and marketing goal, expressed in sales volume, market share, profit and other relevant terms.

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

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

g. Financial projections: Action plans allow the product manager to build a supporting budget. One the revenue side, this budget shows the forecasted sales volume in units and average price. On the expense side, it shows the expected cost of production, distribution, and marketing, broken down into finer categories. The difference between revenues and sales is projected profit. Once approved, the budget is the basis for developing plans and schedule for material procurement, production scheduling, employee recruitment, and marketing operations.

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

2.19 Implementation of the strategic plan

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

a. Strategy address the "What and why" of marketing activities.

b. Implementation addresses the "who, where, when and how" of marketing activities. It is action assignments. Strategy and implementation are closely related.

   a. Action Assignments:

   The action assignments for the marketing mix can be:

   i. Product: it may consist of

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

a. On financial aspects of Lumbini Sugar Mill

2.16 Review of Previous Studies (Unpublished Theses)

Several theses works have been conducted by various students regarding the various aspects of Lumbini Sugar Mills Pvt. Ltd for the fulfillment of Masters Degree in Business administration. Though many research have been conducted but no research have been conducted on marketing aspects of Lumbini Sugar Mills. Some of the relevant studies are mentioned herewith:

- **Pitambar Pandey (2008)** has conducted a study entitled “A study on profit planning of Lumbini Sugar Mills Pvt. Ltd.” With the objective of :

  Basic Objective: To evaluate the practice of profit planning and its effectiveness in Lumbini Sugar Mills Ltd.

  Other Objectives

  1. To analyses the various functional budgets that are prepared in Lumbini Sugar Mills Ltd.
  2. To examine the existing practice of profit planning and its effectiveness.
  3. To sketch the trend of profit and loss.

  The major findings of the study are as follows:

  - **Mr. Pandey (2002)** has conducted a research about profit planning in Nepal. For this research work he has taken two manufacturing public enterprises, they are Lumbini sugar Mills Ltd. And Birgunj Sugar Factory Ltd. This research has mainly concerned with the current practice of profit planning and its effectiveness in Lumbini Sugar Mills and Birgunj Sugar Mills. The main objective of this research was: To highlight the current practice of profit planning and its effectiveness in Nepalese Public enterprises. To evaluate the various functional budgets adopted in these Public enterprises and the evaluate the variance between target and actual of the enterprise.

    The time- period covered by this research was seven years from fiscal year 050/51 to 057/058. The data and other necessary information were collected by using secondary as well as primary sources of data.

Practice of profit planning and its effectiveness in Lumbini Sugar Mills and Birgunj Sugar Mills the main objective of this research were: to highlight the current practice of profit planning and its effectiveness in Nepalese Public enterprises, to evaluate the various functional budgets adopted in these public enterprises to evaluate the variance between target and actual of the enterprise, to draw a picture of profit planning process adopted in the two Public enterprises with theoretical prescriptions.

The time period covered by this research was seven years from fiscal year 050/51 to 057/58. The data other necessary information were collected by using secondary as well as primary sources of data. The major findings of his research were: inadequate planning of profit due to lack of skilled planners, inadequate authority and responsibility of planning department failure in achievement due to inadequate evolution of internal and external variables, failure due to inadequate forecasting system and lack of entrepreneurship and commercial concepts in overall operation of the enterprises.

- **Mr. Manish Raj Shakya (2003)** has submitted thesis on profit planning Lumbini Sugar Miss. He tried to identify how the nature and management, appraisal of Lumbini Sugar Mills, and denotes how the profit planning is applied and some concluded findings, recommendation etc.

For the completion of it, data were from Lumbini sugar mills for five years FY 053/54 to 058/59, and both primary and secondary data was were used and data also takes for booklets and even used questionnaire to collect data for direct in interview.

He found that the Lumbini Sugar Mills is facing many problems: in most of case, Government of Nepal directly or indirectly intervenes in stetting objectives, goals, and strategies. The Government has not given sufficient autonomy for the works. This mill faces many problems of raw materials, skilled labor, and power cut of technicians.

In his research that this mill's plan and achievement it is vary gap of poor condition, there is no system of taking corrective action for re-planning. He further shows the main fact that due to the overstaffing, there is more expenses incurred in the salary. There is no effective personnel management, reward and punishment.

To get better good result or in recommendation, top management should coordinate with all of management for setting goals for sub-division. Executive planning instruction and communication is essentials for better management.

Lumbini Sugar Mills should manage inventories effectively and unnecessary balance of inventory hampers the profit by various ways. Management should concentrate his mind to minimize variable cost for generating more profit. Workers motivation is the considerable factor and reward and punishment system should make more effective and other much more recommendations.

- **Mr. Shiva Prasad Nepal (2005)** has submitted thesis on 'profit planning in Nepalese manufacturing public enterprises: A case study of Lumbini Sugar Mills Ltd.' is mainly concerned with the appraisal of Lumbini Sugar Mills Ltd. And examine that in what extent the company is applying comprehensive profit planning systems.

The data were taken the financial record of Lumbini Sugar Mills for five years from FY 056/57 to 060/61. Both primary and secondary data were used. He found that the Lumbini Sugar Mills is pacing many problems. In most of Government directly or indirectly interference in Lumbini Sugar Mills. There is board of directors but it cannot do anything without government instructions. There is lack of professional skill, problem of skilled lab our, unknown technology, problem of maintenance and repair, shortage of power, electricity etc. so the public enterprises are not efficient.

There is no executive management planning instructions and effective communication system in Nepalese manufacturing public enterprises.

Sales plan is the infrastructure of profit plan, other plans of profit plan depend upon sales plan but in Nepalese manufacturing public enterprises the infrastructure of profit plan is production plan.

In developing country like Nepal, supply side is important than demand side because the country cannot fulfill the national demand by internal production.

To get better result the production plan should be supported by the materials budget but in Nepalese manufacturing public enterprises there is no detail production plan and material budgets.

In Nepalese manufacturing public enterprises there is no details expenses plan, which is the necessary element of profit planning.

In Nepalese manufacturing public enterprises there is no detail tactical profit plan, they fix only annual amount.

The pricing method and policy of Nepalese manufacturing public enterprise is not clear and the Government is the main authority in fixing price and the profit. Pattern of the manufacturing public enterprises of Nepal is not satisfactory.

In Nepalese manufacturing public enterprises the implementation of plan or budget is in very poor condition and there is no system of taking corrective action for re-planning.

- **Mr. Chinta Mani Pandey (2005)** has submitted thesis on profit planning in manufacturing company: A Case Study of Lumbini Sugar Mills Ltd. He has tried to present some problems faced by this Mills, mature and components of profit planning, corporate planning, participatory management, evaluation of statement of board objectives and much more suggestions provided to improve the present management system and company environment. He has taken both primary has taken both primary and secondary data for his research work. He has pointed various major findings and. The major findings are:

- In Nepalese Manufacturing public enterprises it seems that the government directly or indirectly interferes in setting objectives and strategy.
- In Nepalese Manufacturing public Enterprises there is no any systematic profit plans.
- The profit patterns of the manufacturing public enterprises of Nepal are not satisfactory.
- In Nepalese Manufacturing Public Enterprises are facing the problems of row materials, skilled labor, power cut off etc.

- **Mr. Churamani Pandey (2006)** has conducted a dissertation on the topic "Profit planning on Sugar Industry of Nepal (A comparative study of Lumbini Sugar Mills Ltd. And Birgunj Sugar Factory Limited). Basically this study is concerned with profit planning system of these both sugar Mills Limited. The time covered in this study was from FY 057/58 to 061/62. Information were collected both primary as well as secondary sources of data. After completion of his research work he has made several points of finds and among them the main points are as follows:

- There is conflict between profit making objective and social goals.
- Both the enterprises have not adequate and clear cut responsibility among various management level and departments.
- Plans are formulated on traditional adhoc basic.
- Lumbini Sugar Mills and Birjunj Sugar Mills have not adequately considered relevant variable affecting the industry. They have no in depth analysis and evaluation of the present strengths and weakness of the enterprises. They are concentrated their whole effort on the survival of the enterprises.
- His study also finds the strength and weakness.
- There is positive correlation between planned sale and actual sales in both enterprises.
- Both enterprises do not use different media as advertisement activities to promote the sales of their products.
- There is not any systematic and effective practice of profit planning, so it is required to have a good knowledge about the concept of comprehensive profit planning and control they should equally implement this concept in real picture.

➢ **Mr. Niranjan Poudel (2007)** has made a research work and has submitted a thesis on “Profit planning on Lumbini Sugar Mills Limited”. The prime objectives of his research work are: to sketch out the trend of Lumbini Sugar Mills, to find out the planning productions and actual production and their trends, to examine the capacity utilization and to examine the practice and effectiveness of profit planning.

These were the specific objectives of the research work. To accomplish these above stated objectives he has used the data covering the five years period. i.e. from FY 058/59 to 062/63. The major findings were:

a) In his study the sales achievement of sugar is lower than the sales target and the achievement is fluctuating every years.

b) According to primary data it was found that there is much more barriers of being loss are- as lack of sufficient raw materials, poor performance negligence of personal, political interventions poor communication system. Sharp competition between sugar Mills and local power crusher. In adequate provision of training and development, over staffing no initiation of cost control technique, no provision of reward and punishment system are the major factors causes which carried to this Mill in making great amount of loss.

c) From the previous past four years this mill has been suffering from loss continuously it is very difficult for enlistment.

d) The financial performance of this Mill is also not satisfactory and it is less hope to improve its financial performance.

- **Mr. Megh Raj Ghimire (2007)** has submitted a dissertation on the topic of "Profit planning in Manufacturing Public Enterprises in Nepal" a case study of Lumbini Sugar Mills Ltd. The basic objectives of the study are to examine the profit planning system of Lumbini Sugar Mills. He also has tried to present the effectiveness and application of profit planning in Lumbini Sugar Mills. He also has tried to examine whatever the Nepalese manufacturing public enterprises were sale to plan to Lumbini Sugar Mills and to suggest the recommendations best upon it the time period covered by the study was five years from 057/58 to 062/63 data were collected mainly from the secondary sources through primary sources.

Mr. Ghimire has pointed out various findings of which few are as follows:

- Lumbini Sugar Mills Ltd. Fixes the selling prices of product below than the cost of production with viewing the social obligation that seriously affected the profit-making objective of the mills.
- Their list government interferes directly and indirectly in the setting objectives and strategies of manufacturing public enterprises.
- There is no necessary autonomy on board of directors that is the governing body of the enterprise.
- Lumbini Sugar Mills Ltd. has been suffering from department and staff conflict due to lack of defining line and staff responsibility.
- Lumbini Sugar Mills Ltd. does not repairing long term of strategic goals and objectives. Only short-range profit plan is adopted by the mill which covers only 1 year's period.
- There is no clearly defined communication system (i.e. vertical and horizontal) in the enterprise.

- The production cost is excess than selling prices of the product that has been pushing to the mill towards the loss.

- **Omkar Gupta (2005)** has conducted research on the topic "Inventory Management A Case Study of Lumbini Sugar Mills Pvt. Ltd." with the objectives of :

  Basic Objective: Ensure a Continuous stock of Supply of materials to facilitate interrupted production.

  Other Objectives:

  a. Maintain sufficient stock of raw materials in periods of short supply and anticipate charges.
  b. Maintain sufficient finished goods inventory for smooth scales operation and efficient customer service.
  c. Maintain the carrying cost and time.
  d. Central investment in inventories and keep it an optimum level.
  e. The majority of the company's inventory represents a substantial investment thus the goal of the wealth maximization is related to the efficiency with which inventory is managed.
  f. The financial management should see that only an optimum amount is invested in inventory and familiar with the inventory central techniques and ensure that inventory is managed well.

Findings:

LSM generally take these point into consideration, which determines the target of LSM.

a. Guide presented by annual plan.
b. Past years sales plan.
c. Requirement determined by officers in field of area.

- Warehousing capacity of sugar is 40,000 Qtl. and no of go down is just a single.

- Structure of Warehouse:

  Walls are built with bricks or available locally, with cement building. Floors are of cement; roofs are made of corrugated, as are stores of Hulas Steel. All warehouses house steel rolling shutters and are waterproof and well ventilated.

- Sugar are placed and exported in 50 kg bags. The size of bag is 102 x 56 are with construction of no less that 6 x 6 per sq. cm.

- Distribution of Sugar:

  Sugar is distributed through marketing Organization in tender system and is decided by board of directors.

- LSM does not here adequate fleet of trucks. So in most cases transport compare under contractual arrangement carryout this job LSM use mole, porter as well as plane charter to carry the sacks sugar to the hill and Himali area where truck service in not available.

- LSM is not using scientific models of inventory management. They do not calculation EOQ for easy production and sale of sugar and sugarcane out they product as much as raw material is provided and they sale sugar as much market they can take in price out competition market. There is no evidence of taking also not calculated properly: general it takes to 1 month to export foreign after order placement. Re-order point is also not fixed. Regarding buffer stock. Although LSM as capacious warehouses it remains out of stock in season and overstock in out of season LSM is not using ABC analysis also.

- The consumption of sugar is increasing year after year by which shows that the inventory level will decrease but due to completion it is necessary to produce maximum sugar in low cost to cover-up large market.

Findings from statistical Analysis:

- The lest square analysis shows that the production sugar cane is decreasing year after year and it will be just 68101 Qty in year 2003.

- In fig actual production of sugarcane has never meet or crossed the targeted production lime which means that here is some defect on sales program or in procurement.

- Coefficient of variation of actual production of sugarcane is 11.69% which shows that the procurement is quite fluctuation year after year. The coefficient of correlation is 0.50. the calculated value of r is not greater than the six times Per. It means that the value of r is not significant.

- Actual sales have never met or crossed target sales line. It could be inferred that planning is no working again. The coefficient of vacation of actual sales is 27.59% which is not high but it would be better if it was less.

- The actual sales and targeted sales have also positive correlation i.e. r = 0.34. It is calculated value of also not greater than the six times PEr. It means that the value of r is not significant.

- The least square analysis shows that the actual sales of sugar are decreasing year after year by 18770 Qty and it will just 30962 Qty in year 2003.

Recommendation:

The management of inventory in LSM is not only necessary but also compassion for the enterprises. It LSM in intimates step to the appropriate management of inventory certainly it will come its set objectives successfully.

This study is just a small part to fulfill the partial requirements of master degree. From above analysis of data and studies some findings were extracted. Concerning these findings it may be appropriate to make some suggestion and recommendation. Although these suggestions may not be enough as well as could a very easily giving negative reflection.

They certainly suggest the areas that can be improved and require attention to bring some improvement in inventory management of sugar in LSM.

- The objective of inventory management system is to control the inventory to minimize the variance between targeted sales and actual sales, which will help to increase profitability.

- To avoid the problems of over stocking of sugar. LSM should consider these points.

  a. Target should be realistic.
  b. Target should be with the capacity of being fulfilled.
  c. If LSM is able to decrease closing stock the locked up capital will be reduced.

- To improve efficiency of industry it should be privatized and extension of capability.

- There are various works that should be done by Lumbini Sugar Mills they are:

  a. Scientific method should be used to for development of sugarcane cultivation.
  b. The capacity of crushing of industry should be enlarged.
  c. Seasonal time of crushing should be increased.
  d. Sprit produced by industry should be mix into petroleum product and should initiate to produce value.

e. After development of expected sugarcane cultivation the stop should be initiate for incensement of capacity up to 2500 m. ton per day.

- Price of sugar plays vital role actual sales. Selling price should be minimum possible. The administration expense is too high. LSM should minimize this cost.

- LSM should attempt to use the scientific inventory models:

  LSM should use EOQ model to determine the order size, which will minimize the cost of sugar. Calculation of re-order point will help to determine. When to order, which the help of scientific inventory models LSM can solve the overstock, under stock, as well as our stock problem LSM can supply sugar regularly to the agencies at the right place, quantity, price and at right time.

- Ananda Raj Sharma (2004) has conducted research on the topic “Profit planning and control process of manufacturing Public Enterprises (A case study of Lumbini Sugar Mills Ltd.)”

  The Major findings of this study are as follows:

  According to analysis of above various functional budgets, their targets together with achievement of LSML have been suffered from numerous internal and external problems formulation and implementing profit plans. In this research period, the company has been running at loss. On the basis of data analysis and observation the following major findings have been drawn:

1. LSML is guided by His Majesty's Government of Nepal and so it sells sugar product only through Salt Trading Company and National Trading Company with view to sell sugar at the same price all over the country.

2. In LSM the sales achievement of sugar is lower than the sales target and the achievement is fluctuating every year. In FY 2055/56 and FY 2057/58 the achievement is low. The achievement percent is only 50.74 percent in fiscal year 2057/58. Whereas in FY 2059/60 the achievement sales is excess the target sales i.e. 128.34 percent.

3. In the contest of industrial alcohol, also the achievements in liters are very low compared with planned liter. Among the 5 years data in FY 2057/58 the achievement is only 16.46 percent. But in FY 2059/60 the achievement percent is 102.92, which is better than other years. Except in FY 2059/60 achievement percent is low every year. Thus it can be said that the forecasting technique has not properly estimated.

4. The production figures and sales figure are more different it is due to the high inventory management. In the case of sugar there is not stability in production, sales and inventory.

5. The inventory of inventory cost of all products in FY 2056/57 is 11,68,33,888.00, which is excess amount of cost of this mill.

6. The capacity utilization is almost decreasing every year in sugar crushing and sprit production but in the case of sugar production capacity utilization is increasing comparative last few years. In FY 2059/60 the capacity utilization in sugar crushing is 59.24%. in sugar production there is 94.35% and sprit production there is 47.24%. Though the capacity utilization of sugar crushing and sprit production is low.

7. The direct labor cost has regularly increased but decreased in only FY 2055/59 and increased again in FY 2059/60 and expected to decrease in FY 2060/61.

8. The administrative expenses have increased in FY 2057/58 and decreased in FY 2058/59 and increased again in FY 2059/60 and expected to decreases in FY 2060/61.

9. The cost of production has decreased in FY 2057/58 to 2058/59. But it increased in FY 2059/60 and expected to increases in FY 2060/61.

10. Selling and distribution expenses in increases in FY 2056/57 and decreased up to FY 2058/59 and again increased in FY 2059/60.

11. The profit and loss account is negative i.e. loss has increase every year.

12. With the help of flexible budget it can be said that the mills can't get rid from loss. Although the capacity increases up to 100 percent, the mill still will bear loss by 5,54,97,590. It is due to the cost of production is higher.

13. Only in FY 2057/58, the actual sale is above the BEP therefore there is margin of safety but in other fiscal year actual sales seems unable to meet break even. In FY 2056/57 the break even point seems excessive.

14. The mill has continuously negative gross and net profit margin occurred in every fiscal year. It is bad for the mills. In overall, the mills could not get to earn profit.

15. The production cost of sugar is higher than the selling price every year.

16. From past 9 years this mill is suffering from loss continuously and it is very difficult for upliftment.

17. The comparative cash flow statement shows the poor liquidity position as shown by cash from operating activities and cash balance is fluctuating.

18. The financial performance of LSML has been unbalanced and there is less hopes to improve the condition and also failed to achieve the basic objective.

19. Cost reduction is important in manufacturing industry but in LSML there is no plan to reduce cost.

20. The company is facing the problem of selling sugar and sprit. In case of sugar, sugar import from outside the country is main problem in FY 2059/60. But in case of sprit, falling in the price of sprit plays main role in selling of sprit.

21. The company facing the tradition of increase rate of sugarcane-by-sugarcane provider at the sugarcane production season.

- **Shiba P. Poudel (2004)** has conducted research on the topic "Cost structure analysis of Lumbini Sugar Mill" with the objectives of :-

  Basic Objective:- to examine the cost structure applied by LSM.

  Other Objective:

  1. To find out the relationship of administration production and selling and distribution cost.
  2. To assess the proposition of different cost elements in total cost.
  3. To analysis the ratio between cost: sales and cost: profit.
  4. To provide suitable recommendation and suggestion.

Major findings:

The analysis of the cost structure of LSM using various tools shows that the company has suffering from very bad loss. The past seven years. The company has been in fluctuating trend in every situation like sales, loss, and every cost trend. Its achievement is not encouraging and excess of cost/expenses being the major cause. Cost control is one of the fore most considerations that LSM has to take.

Major findings of the research work can be presented as;

- LSM is a seas ional base industry.
- LSM has not adopted the scientific classification system of cost.
- Cost separation from the joint product is not practiced.
- The LSM has applied the market base pricing method, has not applied the cost base pricing.
- The sales have not covered the total cost.
- No proper application of any effective sales forecasting technique.
- Decision making power has centralized.
- There is no periodic performance report.
- The company has neither analyzed the BEP properly nor has taken seriously taken any measure to reduce the BEP volume.

BEP in the past seven years is always higher.

- The company has not been able to corss the BEP point, where variable cost ratio is, 0.7819 or 78.99% and P.V. ratio is 21.82% according to FY 2057/58.
- The amount of total expenses has been fluctuating trend.
- LSM has divided the total cost according to production, administration and selling and distribution.

The costs are classified according to element wise:

- Material cost covers the large part of total cost of LSM.
- Material cost overhead costs have in fluctuating trend.

- Labour cost is slightly increasing trend its cover average 15% total cost.
- Material cost and overhead cost, first three have decreasing and last three year these have increasing trend showed by table 1 and graphs also.
- The material cost and overhead costs cover average 46% and 39% of total cost respectively.
- The average rate of percentage change of material cost have highest in FY 2058/59 by 96.60 and lowest or negative ARPC in 2058/59 by (52.53)
- To overhead cost have highest ARPC by 129.23 in FY 2059/60 than compare of material cost and labour cost.
- Material cost has highest mean and highest standard deviation and C.V. than labour cost and overhead cost. It means that more C.V. is less consistent.
- Labour cost has lowest C.V. means more informality or more consistent.
- The three coefficient of linear multiple correlations lie between 0 and 1 $R_{1.23} \geq r_{12}$ and $R_{1.23} \geq r_{13}$; which are the requisites of multiple correlation coefficients. The coefficient of multiple determinations is 0.57. The value of correlation coefficient indicate that there is a positive relation between material cost, labour and overhead costs and any change in one of the cost will make a change in other costs in the same directing.
- Regration lines;

  $X_1 = 3.787 x_2 + 1.345 x_3$

  $X_2 = 0.432 x_1 + 1.821 x_3$

  $X_3 = 0.339 x_1 + 1.835 x_2$

The costs of LSM are classified according to variable wise.

- LSM has not proper practice of segregation of cost in to fined and variable cost.

- The variable cost corers the large part of amount of total cost.
- Fixed cost is slightly increasing trend but variable cost is fluctuating trend.
- In first three years the variable cost has degreases and last three years it has increasing trend.
- The variable cost has covered the average 79% of total cost and fixed cost covered only average 21%
- The fixed cost of LSM includes salaries, deprecation insurance cost, employ provided fund, medical allowance, retiring bonus etc.
- The variable costs have included the raw material, purchase and transpiration cost, and all the indirect material, selling and distribution cost.
- The variable costs have highest ARPC by 59.28% on FY 2059/60 than fixed cost.
- Variable cost has highest mean highest standard deviation and highest C.V. than fixed cost. It means that highest C.V. less consistency.
- Fixed cost has lowest C.V. mean more consistency.
- The correlation coefficient between fixed cost and variable cost is -0.206. There is negative correlation between fixed and variable cost.
- The probable error is 0.2442 6PE is 1.464. The relation is insignificant.
- The regression lines between fixed and variable cost is y = -1.832 +32874.42

Cost of LSM are classified according to functions;

- Rajendra Kumar Thapa (2006) has conducted research on “Marketing Strategies in Nepalese Ready Made Garment (RMG) Industry” with the objectives of :-

  a. To analyze the view of entrepreneurs, CEO or marketing managers about the strategic marketing concept.

b. To analyze the present condition of industry in terms of marketing strategies.
c. To know how the executive understand competitors and choose competitive position.
d. To know how effectively the RMG entrepreneurs have planning and implementing the marketing strategies in present situation.

Major findings:

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

- The enterprises were found to be engaged in the valuation of the strategies and policies, which were in general, rated not very satisfactorily. It showed that strategies and policies of RMG industry may not be sound or effective. Analysis of marketing strategies, further, was not in satisfactory level. Analyzing the marketing strategies was neglected by Nepalese RMG industrialist. They didn't have any rule of frequently analyzing them for evaluating the effectiveness of their marketing strategies. Due to very reason, ignoring other factors (e.g. WTO Provision etc.) sales of Nepalese RMG industry might be decreased by 41%.

- 40% responded didn't accept the statement (achieving the desired objectives only though the marketing strategies). It showed that they were pessimistic about the marketing strategies. 60% respondents accepted the given statement but they rated it moderately. It showed that they were considered the other determining factors (e.g. Govt. Policy, WTO Provision, Competitive Situation etc.) Their view about the marketing strategies is not adequately considerable.

- The most of the executives are disagree with the statements (i.e. overcoming almost all the problems that industry faces in the quota free market by pertinent marketing strategies). It showed that other determining factors (e.g. Govt. Policy, WTO Provision, Competitive Situation etc.) play the crucial roles in term of their view. Their view about the pertinent marketing strategies is also not adequately considerable.

- The industrialist /CEO/ manager's view about the "need approaches for coping strategically the existed rapidly changing and increasingly unpredictable environment" is quite positive. They felt the necessary ness of effective strategies in today's business environment.

- The industry has poor product strategy. The future of this industry is uncertain because of heavily dependent on merchandiser (agents) requirement instead of direct buyers. So it has poor market power in terms of product strategy. It didn't adopt the price adaptation strategies. It has adopted the negotiating price with buyers (agents). It stated that the industry has poor market power in terms of prices strategies. Very few industries have distributed their product through their own effort but most of them distributed through agents (especially India). The industry has poor market power in terms of distributions strategies. Very few industries have direct promotional activities to ultimate consumers but most of them have dealer 'promotion strategies'. The industry has poor market power in terms of promotional strategies regarding to the ultimate customers.

- Marketing environment plays a vital role for smooth operation, growth and expansion of enterprises. Political and economic environments were not rated to be favorable. Socio-cultural factor was rated to be satisfactory. Technology has not been accorded high priority. Competitive has not been considered as a major issue. The enterprises have not taken any steps or measure to solve it. They have just blamed the government policy.

- Every business organization must increase its strength and reduce its weaknesses for long term survival and flourishing. It can exploit the opportunities and overcoming or neutralizing the threats and challenges through its strength and by reducing its weaknesses. Product capacity and manpower (managerial) were rated to be satisfactorily strength factors. Technology, organization and market logistic were rated to be moderately strength factors. These factors have not been accorded high priority. Brand name and market information system (MKIS) were rated to be the least (unsatisfactorily) strength factors. They extremely didn't take into consideration on these factors. Marketing, production cost and distribution were rated to be highly weaknesses factors. Skilled manpower (labor) was rated to be moderate weaknesses factor, and the least weaknesses factors were financial position and capital.

- The executives rated the mean score of 1.6, 1.0, 1.0 and 1.9 of pertinent marketing strategies, conducive government policy, lobbying the large importing country and strategic alliances with other countries respectively to cope the adverse effect existed through (USTAD ACT 2000) providing duty free access to clothing made of African and Caribbean basin by USA. It showed that they have been given top most preference to conductive govt. policy and lobby rather than pertinent marketing strategies and strategic alliances with other countries.

- Although the prevailing product quality was rated to be highly satisfactory, the executive wanted further improvement than before. Price, promotion, distribution and market segmentation were rated to be dissatisfactory. However, they desired significant improvement in these components too.

- The executives were highly agreed with the statement (i.e. heavily focusing their activities in int'l trade rather than int'l marketing). It showed that int'l marketing practices were the neglected part of their business activities.

- Similar characteristic (size & resources etc.) and strategies into strategic were rated to be moderately satisfactory to understand competitors when there are many groups. It showed that they didn't take into careful consideration in these factors. Strength factors (brand name, distribution, low cost etc.) and country wise products were rated to be satisfactory. It revealed that they have taken into careful consideration in these factors.

- Performance, image and personality, objective, current and past strategies, cost structure, strength and weaknesses of the competitors are the major factors which were rated to be satisfactory to understand the competitor's activities and status. Organizational cultural factor was rated to be moderately satisfactory. It showed that what they had rated was quite consequences except the factor of organizational culture.

- The affect of competitive situation in enterprise was rated to be maximum. It indicated that RMG industry was extremely affected by the competition in present time.

- China and India are the biggest competitors of RMG industry. They were ranked number 1 and 2 respectively. Bangladesh, African & Sub- Saharan countries are the third and fourth competitors of Nepal respectively and followed by East Asia and Sri-Lanka are the fifth and sixth competitors of Nepal. Other countries are the least competitors of Nepal which were ranked number 7.

- Garment association Nepal is the main sources of getting information about the competitors. They ranked it as a number 1 source. Website (WTO, ITC etc.) is the number 2 source of information, and followed by Govt. agency (MICS and TPC etc.) and expert are the number 3 and 4 source of getting information respectively.

- 100% industries do not have established the marketing intelligence department. It implied that they have poor marketing strategies because of lacking intelligence personnel.

- Among the three benchmarking types (i. e. performance Benchmarking, Process Benchmarking and Strategic Benchmarking), most of them have been adopted the performance benchmarking and very few industry have been adopted process benchmarking and all of them. No industry have been adopted Strategic Benchmarking.

- No industry use the FIT (i. e. FIT is the benchmarking tool developed by international trade centre). In spite of recommending using this tool by ITC for the developing and the least developed countries in quota free market, Nepalese executives didn't use this tool.

- The numbers of foreign competitors are very high and those of domestic competitors are quite low. The domestic competitors don't have to seriously compete with each other.

- The industry has given high priority to customer based approach (i.e .this grouping of competitors is based on competitions for customers) and moderate priority to strategic group approach (i.e. A strategic group consists of organization with similar competitive strategies, similar characteristic and similar image in a given industry) for identifying the competitors.

- The executives have been moderately monitoring the objectives and strategies of competitors. In other words, they have been monitoring the objectives and strategies of competitors neither continuously nor discontinuously. During the interview, the researcher found that they usually monitor them annually.

- 40% respondent didn’t anticipate the future movies and reaction pattern of competitors. It implies that they are unaware of competitor’s reaction pattern. 60% respondents anticipated them. In their view, competitors will highly and moderately react to “all of their moves” and to “selective of their moves” respectively. Competitor’s reaction will also be moderately slow and unpredictable in the future.

- The existing industries are in competitive position, and they have been fulfilling the customer’s desire satisfactorily. But, during the interview, the researcher found that they have been able to satisfy the merchandiser (agent) desire instead of the ultimate customers.

Research Gap

There is a Gap between the present research and the previous researches. Previous researches were conducted on the topics concerning micro economic aspects. Most of the study were based on financial aspect rather than marketing aspect. The findings of the previous researches were mostly based on secondary data. No research has been conducted on marketing aspect of Lumbini Sugar Mill. Thus to fill up those gap the current search is conducted. This research is a survey type of research. It is completely based on the primary sources of data. It examines the view of entrepreneur about the marketing strategies, competitive situation of Lumbini Sugar Mill, implementing condition of marketing strategies by the industry.

Probably this might be the first research study carried on this topics regarding on Lumbini Sugar Mill.

Chapter III

Research Methodology

3.1 Introduction

Research methodology is the process of arriving at the solution of the problem through planned and systematic dealing with the collection; analysis and interpretation of the facts and figures. It is the systematic way to solve problems. Research methodology refers to the various sequential steps to be adopted by the researcher in studying a problem with a certain objects in view.

Research methodology includes the following concepts as the following concepts as they relate to particular discipline or field of inquiry.

1. a collection of the theories, concepts or ideas;
2. comparative study of different approaches; and
3. critique of the individual methods

Marketing research involves specific inquires into specific marketing problems. It is basically problem oriented and based on the systematic and careful planning and implementation. The purpose of marketing research is to generate information, which helps the business executive to take appropriate and timely decisions. Marketing understand the dynamics of the market place than intuitions. The increase in marketing research activities reflects a transition from intuitive problem solving methods.

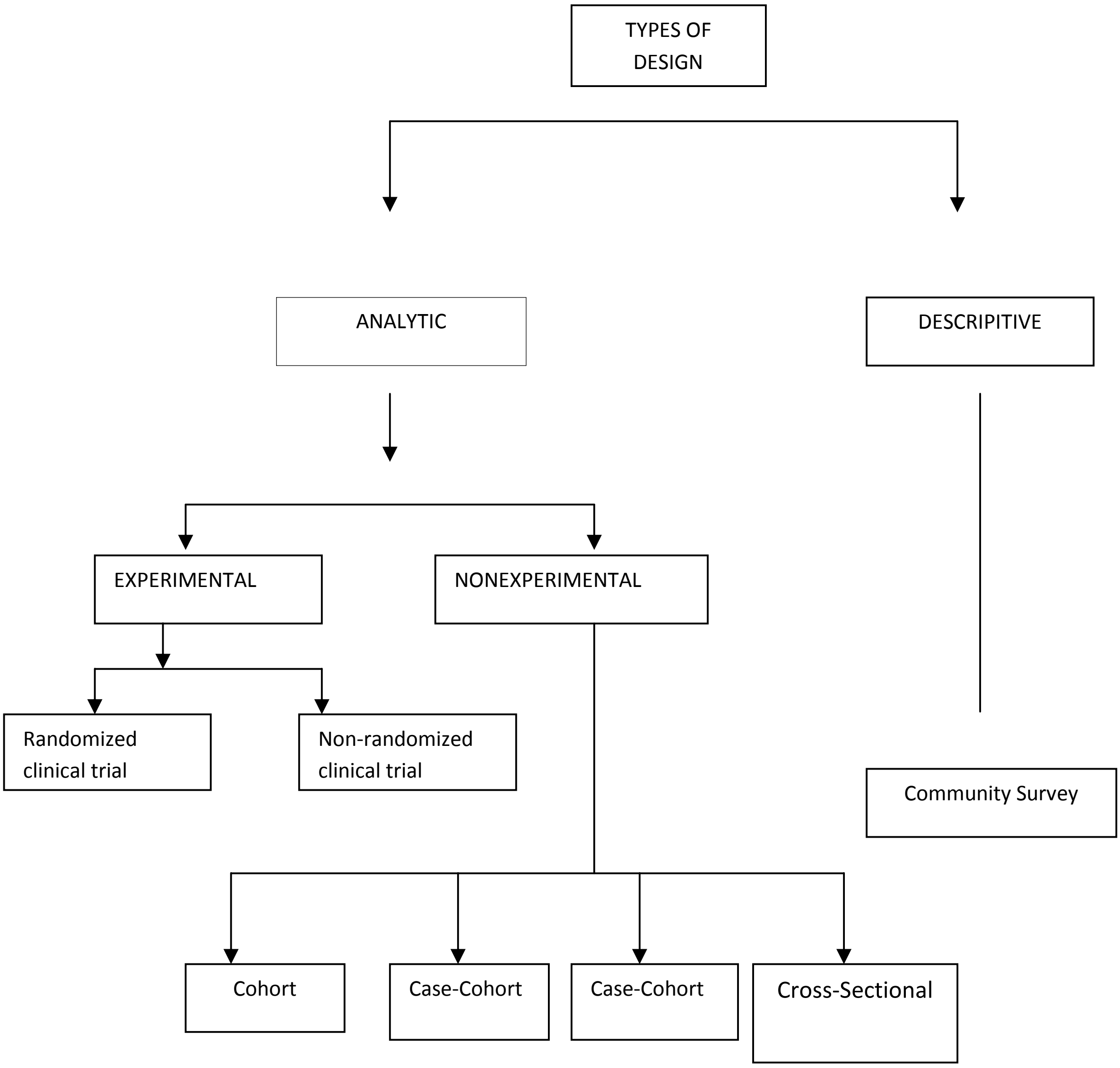
In this chapter, efforts have been made to present and explain the specific research design for the sake of attaining the research objective. The present study has its objective to analyze, examine and describe the application and effectiveness of marketing strategies. This research methodology will be followed to attain the basis objectives and goals of research work. It includes research design, source of data, population and sample data processing procedures.

3.2 Research design.

A research design is a plan for the collection and analysis of data. It presents a series of guide posts to enable the researcher to progress in the right direction in order to achieve the goal. The design may be a specific presentation of the various steps in the research process. These steps include the selection of a research problem, presentation of the problem, formulation of hypothesis, conceptual clarity, and methodology, survey of literature and documentation, bibliography, data collection, testing of the hypothesis, interpretation, presentation and report writing (Joshi, P.R, 2002:21). This is the study of practical use of marketing strategies and their effectiveness, so the appropriate research designs are followed according to the requirement of the study.

Types of design:

Some of the most popular designs are sorted below, with the ones at the top being the most powerful at reducing observer- expectancy effect but also most expensive, and in some cases introducing ethical concerns. The ones at the bottom are the most affordable, and are frequently used earlier in the research cycle to develop strong hypotheses worth testing with the more expensive research approaches.



3.3 General Research Activities

With the reference to research methodology the different research activities has been conducted by researcher. They are as follows.

Population: The term population or universe for research means all the member of any defined class of people event or objects.

A well-defined numbers of santro car owners and executive and administrative level managers in Kathmandu have been taken as a research population by the researcher in this research study.

Sample: A population in most studies usually consists of a large group of people. Because of its large size it is fairly difficult to collect detailed information from each member of the population. So, rather than accumulation information from each group, a

Subgroup is formed, this method is called sampling. In other words, sampling is selecting certain number of respondent out of population.

In the research study, the whole administrative and manager level of marketing department has been taken as population whereas more than 10 percent of the population has been taken as sample which represents the population.

3.4Sources of Data Collection: Data and information has been collected by following two methods:

a) Primary data and information.

b) Secondary data and information.

a) Primary data and information.

While collecting primary data and information, the different methods have been adopted. They were:-

I) Observation method: observation method is more direct way to accumulate information from a particular field, area and event. It is one of the best ways for the researchers to get real information. By following this method, the researcher has frequently visited the organization, observed different departments giving a major concentration on the marketing department, observed different divisions and units of the departments.

II) Questionnaire method: During the course of the research study, different questionnaire have been designed or prepared as per the requirement of the research study. The list of questionnaire and their types are attached in the appendix ‘I’ of the research study. The list of questionnaires has been distributed to the administrative and executive manager levels randomly to receive information from the different divisions of the marketing department.

III) Interview method: The interview is a method allowing the researcher to ask question which will enable him/her to answer options, in order to get information for the introductory frame work of research study. Structured and unstructured interview has been conducted to the different employees of marketing department.

b) Secondary data and information.

Secondary data are actually the results and data collected by previous investigators. It provides the researchers with a considerable amount of useful information.

With references to research study, the different secondary information has been collected from different sources. The different sources are: - information and records kept by departments, divisions and units, published materials, books, booklets, journals, magazine, and similar previous dissertations and other publications.

3.5 Data Analysis Tools Techniques:

With reference to research methodology, different tools and techniques have been used by researchers to present and analyze the existing marketing strategies consist of Graphs, Tables, and Figures, Charts which are used to analyze and present the collected data and information to make it more exactly understood. Noble descriptive analysis and presentation will be made.

Method of data analysis: The data collection from different sources are classified, tabulated and analyzed according to the needs of the study. Necessary tables are constructed to fit the data obtained from different sources.

Chapter IV

Data Presentation and Analysis Introduction

4.1 Introduction

This chapter focuses on the presentation and analysis of data obtained from research interviews. A description of the respondents who took part in the study will be given. Data analysis will also be discussed. According to De Vos (1998:334) “Data analysis in qualitative research is a challenging and highly creative process. It start with data collection. The researcher in intimately involved with the respondents and the data are generated.” The data presentation and analysis are based on the primary and secondary sources of information.

The basis objective of this study is to “analyze the marketing strategies in LSM Pvt. Ltd. To find out the pertinent strategies for suggesting the entrepreneurs and trying to seek out the way of saving the existence and increasing the competitiveness of LSM Pvt. Ltd.” Hence, in order to identify the nature of marketing strategies, the existing status of marketing and their attitude toward market, a survey of LSM was made in case of survey, CEO, GM, Chief Chemist, department head, staffs or entrepreneurs were interviewed using structures questionnaire included in the appendix ‘I’. The results of the survey are presented here under.

4.2 Analysis and interpretation of data

Marketing strategies mainly covers four areas i.e. product, price, promotion and distribution. The study has been guided by five objectives. In order to meet these objectives, the collected data have been analyzed and interpreted on objective wise basis.

4.3View of entrepreneurs about Marketing strategies of LSM

The first objective of this study is related with the view of entrepreneurs about marketing strategies of LSM. To knew about this, I had consulted with manager, senior accountant, administrator of LSM. By the visit and taking interview with them and with the help of some booklet, I came to know about marketing strategies of LSM. According to them marketing strategies involve 4 areas:- Product, Strategies, Pricing strategies, Promotion Strategies and distribution Strategies.

4.3.1Product Strategies of LSM

Generally product is anything that satisfies a need or want of customers. Product can be goods, services, ideas, experiences, events, persons, places, properties, organizations, information. According to Philip Kotler, "A product is anything that can be offered to a market to satisfy a want or need."[1]

According to William J. Stanton "a product is a complex of tangible and intangible attributes including packaging, color, price manufactures prestige and retailer's prestige and manufactures and retailers services which the buyer may accept as offering satisfaction of wants or needs.[2]

Similarly Philip Kotler defines product as a bundle of physical service and symbolic particulars expected to yield satisfaction or benefits to the buyers.

- Consumer Product

  They are bought to satisfy needs of the staffs of industry. They are:

  - Convenience products: newspaper, tea-coffee, Lunch etc.
  - Shopping product: Furniture, electrical appliances, uniforms for the staffs, company's vehicles, telephones.
  - Specialty product:
  - Unsought Products: Insurance Policy.

- Industrial Product:

  They are bought for business use or to make other products. The examples are

  - Raw Materials: Sugarcane
  - Capital Items: Building, Machinery and equipment
  - Supplies and Business services: Fuel and stationary

Mainly sugarcanes as an industrial product is purchased as a main raw-material to convert into finished product i.e. sugar, that satisfies the consumers daily need. Sugar is the main product of this industry. Beside, sugar, spirit is also one of the main product of this industry to gain income for the industry to satisfy the need of distillery industry. The waste product molasses also contribute to the income of the industry.

4.3.2Pricing

Before analyzing the pricing strategy it is necessary to know that how an organization determines the prices of their product and services. In general price is value or amount of money sacrificed to obtain a particular product or services and in economic sense price is value-expressed in terms of rupee or dollars or any other monetary medium of exchange. Generally there are three types of pricing methods. It is universally accepted that the actual price setting should be based on the three factors of cost, demand and competition.

- Cost oriented pricing
- Demand oriented pricing
- Competition oriented pricing

Pricing is generally based on the cost. Most of the industries set their prices on the basis of costs. Because price of the particular product should cover at least costs incurred for the production of the products concerned under the cost oriented pricing defferent companies use different pricing methods. Such as mark up pricing, target return pricing, break even method marginal cost method, average cost pricing, etc. But in demand oriented pricing the price rate totally depends upon the position of demand i.e. price rate may be fluctuation of products demand. Similarly in competition oriented pricing price is charged according to the market rate and thus cost of the product will be in some level as the competitor’s products. In the context of LSM, it has adopted demand oriented method.

4.3.3Pricing policies and strategies:

While pricing a product the marketing manager or an organization ahs to develop and follow several pricing policies and strategies. Then he should adopt one or more strategies among the available alternatives. This is done in order to make the price more effective and competent in the market. Pricing strategy can be classified into the following five categories.

1. Geographical pricing
2. Price discounts and allowances
3. Promotional pricing strategy
4. Discriminatory pricing strategy
5. Product-mix pricing strategy

Some industry follow geographical pricing strategy i.e. pricing a product on the basis of location. High prices are charged to distant customers because of high transportation charges and low price to the customers of nearest location. Some companies follow uniform pricing in all location. This is the treatment of equality.

Some industry follow price discounts and allowances strategies to reward customer for certain acts. Such as early payment volume purchases off season buying etc. Cash discounts are provided to buyers who make prompt payment. Quantity discounts are provided to those buyers who buy large quantity. During out of season a seasonal discount is provided. Similarly trade allowances and promotional allowances are also provided to buyers for their helps in trading and promotional activities.

Sometimes companies price their products below the list price and sometimes ever below cost. The forms of promotional pricing strategy include leader pricing, cash rebates psychological pricing, special event pricing and so on. Under leader pricing strategy prices are reduced on most common items or well known items to win the customer’s mind or confidence under special event pricing sellers reduce prices on certain occasion. Cash rebates are offered to buyers who buy the producer’s products within the specified time period. Similarly under psychological pricing strategy prices are always set at odd or even number such as Rs. 9.95 instead of Rs. 10.

Under the discriminatory pricing strategy customers are charged different prices on the basis of their living standard or bargaining power on the basis of age group or location and so on.

Product mix is a set of product line and other items. In each product line different pricing methods may be required. These prices are to be modified time to time to maintain or maximize profit on the company’s total product mix. In this case pricing may be difficult because of the existence of interrelated demand and cost.

Pricing of different product of the industry:

Sugar is the finished product of the industry and sugarcane is the main raw material for it. Different factors are responsible for determining the price of the sugar so; the price set by the industry for the product is shown in the table below:

Sugarcane	Rs. 180	Per quintal
Sugar	Rs. 28	Per k.g.
Spirit (ethical alcohol)	Rs. 58	Per liter
Molasses	Rs. 500	Per tractor

Table above shows the prices of different product of the industry. But price varies according to the market situation and demand of the consumers.

Pricing process of LSM

Different organizations use the different process of pricing before launching the product and services in the market. LSM is also following some pricing process of product produced by it. To set the price of the product, there is a separate department called business procurement department. This industry is runned by a single owner. So the price set by this department is reviewed by the director of the industry. After considering different factors like market situation, demand of the customer and cost of production, price is set for the product at present situation after privatization.

Pricing policies and strategies adopted by LSM

Different organizations follow different pricing strategies to be competitive in the market. After the privatization of the industry, monopoly power is existing. To sustain in this competitive market the organizations which are operating in this sector, have to make strong pricing strategies. LSM is generally adopting geographical pricing in the context of Govt. too, geographical pricing strategy was adopted.

Geographical pricing strategy adopted by LSM

Some companies follow geographical pricing strategy i.e. pricing the product on the basis of location. High prices are charged to distance customer and low price to the customers of nearest location. Some companies follow uniform pricing in all locations. This is the treatment of quality.

In the case of LSM, the rate of sugarcane is same for all farmers. Transportation charges are not paid but in case of sugar, LSM uses geographical pricing strategy. According to the distance, transportation charges are added to the actual price of the sugar. Due to which the price of sugar varies different parts of our country.

Promotional strategies adopted by LSM

Promotion involves the exchange of information between buyers and sellers. The main task of promotion is to inform and persuade consumers to respond to the products or services being offered.

In modern marketing, promotion is a must a good product an attractive price and an accessible distribution must be supported by an effective promotion to satisfy customer needs.

According to William Stanton, “promotion is the element in an organization’s marketing mix that serves to inform, persuade and remind the market of a product and/or the organization selling it in hope of influencing the recipients feelings beliefs or behavior.”

Promotional strategy is that portion of an organization overall marketing strategy designed to communicate to the market place, usually through a set of activities, the nature of organization and its marketing offerings.

Different marketing organization use different types of promotional strategy that are mainly based on nature of the product and time of advertising. There are mainly five types of promotional strategies or promotional tools, which are used to informed and persuade about the product and services of the organizations. Those promotional tools and strategies are advertising, publicity, personal selling, public relation, sales promotion etc.

For the promotion of sugar and spirit LSM has been making good public relation, direct contact with local dealers, wholesalers, retailers and agents in present context. In the past (i.e. before privatization) LSM use to provide various information about its product by publishing various booklets LSM’s annual report, LSM’s Smarika, and making public relation etc.

Different promotional strategies adopted by LSM to promote the product

1. Before privatization, the Govt. use to participate in different exhibition shows, using electronic media like e-mail and internet etc. There was no local selling. All the raw sugar was handed over to salt trading and national trading corporation on the basis of agreement made between the two parties, the product use to go abroad.

   No such media like Television, Newspapers, FM radio etc were used. Now after privatization also no such promotion tools like television, FM radios, News papers are used to promote the product.

2. LSM has promoted its product by using public relation strategies. It has been regularly retaining its old customers and attracting new customers. The industry has a direct dealing with wholesaler, agent and retailers etc.

3. Besides public relation strategies, LSM has promoted its product by using sales promotion strategies also. LSM has been taking regularly participation in exhibition shows held by chamber of commerce in different part of the country like Butwal, Pokhara, and western part of our country.

4. A wide variety of advertising media are not used by LSM to promote product. Only direct mail, internet, magazines, and point of purchse display are used.

Table

Different promotional tools and corresponding activities used by LSM to promote its product.

S.N.	Promotion	Activities
1.	Broadcast Ads. a. Television b. Radio	Not Used
2.	Broachers and booklets	Not Used
3.	Exhibitions	Held by chamber of commerce
4.	Festivals	Anniversaries and silver jubilee
5.	Community relations	a. Relationship with chamber of commerce. b. Local customers
6.	Company magazines	Smrika
7.	Annual report	Company annual report
8.	Charitable donations	a. Donation to charity and club. b. Donation to different political parties. c. Sponsorship to games and sports.

The promotional activities of LSM have done by the business management department.

From the research, I came to know that LSM has been using more electronic media to promote its services rather than other advertising media. It is also shown that LSM has also given prominence to built public relations

Distribution strategies adopted by LSM

Distribution is the means for getting the product to the target market. It involves marketing channels and physical distribution. Marketing channels make the product available to the customers. Physical distribution makes the product accessible to the channel members and customers.

According to Philip Kotler, “distribution includes the various activities the company undertakes to make the product accessible and available to target customers.”

In modern marketing, distribution is must without distribution production is of no use. Just like the sweet apples are sour in Jumla. It is because of lack of distribution strategies.

Various intermediaries make up a marketing channel (also called middlemen). They make the flow of products smooth. They are partners in serving customers. They can be wholesalers and retailers, sales agent, brokers and sales representatives, transporters, banks, insurance companies, advertising agencies.

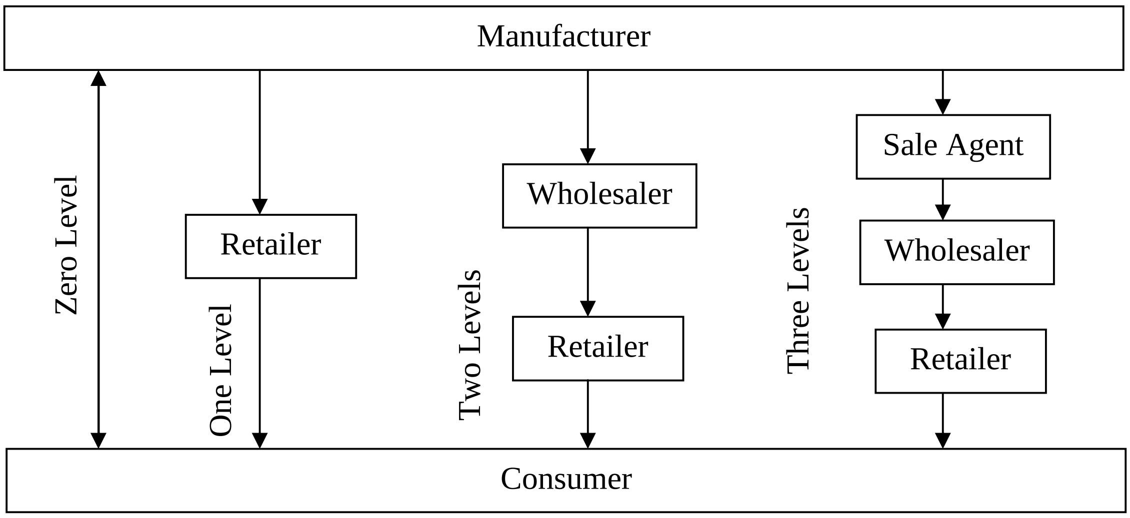
Physical distribution physically moves the products from producers to customers. The major activities performed are: order processing, warehousing, material handling, inventory management, and transportation. For the distribution of the product LSM has been using two channel structures. i.e. channel structure for consumer, goods and channel structure for industrial goods.

Different channel structure adopted LSM to distribute product.

a. Chanel structure for consumer Goods

Sugar as a finished product is regarded as consumer goods. Four alternatives are available for channel structure of consumer products, which is shown on table below:

Channel structure for consumer goods



i) Zero-level channel

Manufacturer → Consumer

This is the direct channel between manufacturer and consumer. The zero level channels are: door to door, mail order, telemarketing, on-line marketing, TV marketing, own stores.

ii) One-level channel

Manufacturer → Retailer → Consumer

This channel contains retailer between the manufactures and consumers.

iii) Two-level channel

Manufacturer → Wholesaler → Retailer → Consumer

This channel contains wholesaler and retailer between the manufacture and consumer.

iv) Three-level channel

Manufacturer → Sole Agent → Wholesaler → Retailer → Consumer

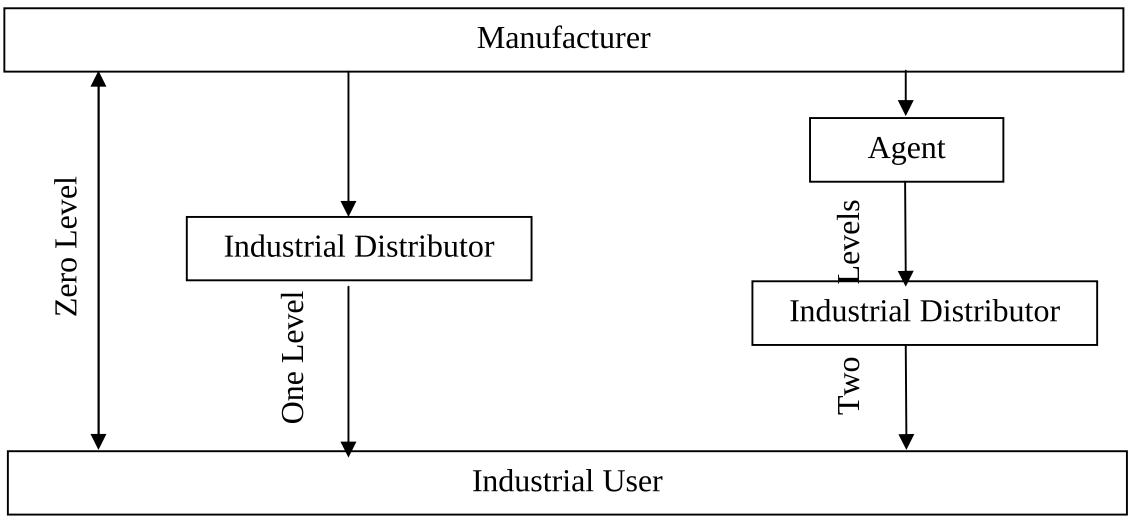
This channel contains sole agent, wholesaler and retailer between the manufacturer and consumers.

Among the four alternatives, LSM is using

b. Channel structure for industrial products.

Spirit as a product of this industry is sold to different liaison distillery industry for making alcohol. There alternatives are available for channel structure of industrial products, which is shown in table below:

Channel structure for industrial products



i) Zero-level channel

Manufacturer → Consumer

This is the direct channel between manufacturer and consumer.

ii) One-level channel

Manufacturer → Distributor → Consumer

This channel contains Distributor between the manufactures and consumers.

iii) Two-level channel

Manufacturer → agent → Distributor → Consumer

This channel contains agent and distributor between the manufacture and consumer.

Among these three alternatives, LSM is using Zero-Level channel which is popular in practice. Also because spirit is not allowed to sell anyone, who has not got license.

Marketing channel logistic management has a low profile in the marketing mix of our country's industry. Moreover logistic management has not got proper attention. Better warehouse facilities, transportation facilities, inventory management is poor in this regard. LSM has not its own transportation facilities to deliver the product. Whereas in case of warehouse facilities, it has store house. But of not huge capacity for large production. Material handling is generally non-mechanical. Some factories use crane and fork lift trucks but the technology is not up-to-date. Inventory levels are generally not planned for control Purpose, economic order quantities and recorder points have not been established in many organization. ABC analysis is not done. Just in time concept has not arrived.

The distribution activities of LSM has done by the business management department from the research, I came to know that LSM has been using different channel like zero level channel structure for consumer goods, industrial goods. It also shows that the logistics management has not got proper attention for the distribution of the product.

Present Situation and Economic Condition of Marketing Strategies of LSM.

4.4.1Strategic Long-term Profit Plan

The Strategic long-tem as short-term tactical profit plan develops by the executive management of chief executive. The strategic long range and tactical short range profit plan are usually developed together. Nepalese public enterprise generally prepared the profit plan of two periodic nature’s i.e. long term and short term period. The long range strategic profit plan is usually 5 years and tactical and or short term tactical profit plan is usually 1 years or 12 months, 6 months, 4 months etc.

(i) Strategic long-term sales plan of the LSM

Sales plan is a primary plan of profit planning, other planning depends upon sales plan. Sales plan is a main source of revenue collection. Cost is deducted from revenue then after getting profit or loss. In LSM sale plans depend upon the production capacity there is no meaning of sales plan. In other organization first sales plan is prepared then after production plan. This mill is established to fulfill the objectives of self sufficient in sugar and industrial alcohol. The objective is crushing 1000MT sugarcane per day and produce sugar 10,000MT per year and industrial alcohol 12,000 liters per ay for four months i.e. 800 KL per year. So the sales plan should consider this objective.

Table 4.1

Annual sales Target and Achievement of Sugar Sales

Fiscal Year	**Sales Target (Quintals)**	**Achievement sales (Quintals)**	**Percent Achievements (%)**
2059/60	175,000	155,070	86.61
2060/61	124,600	51,713	41.50
2061/62	147,194	100,683	68.85
2062/63	127,000	83,635	65.85
2063/64	95,000	45,262	47.64

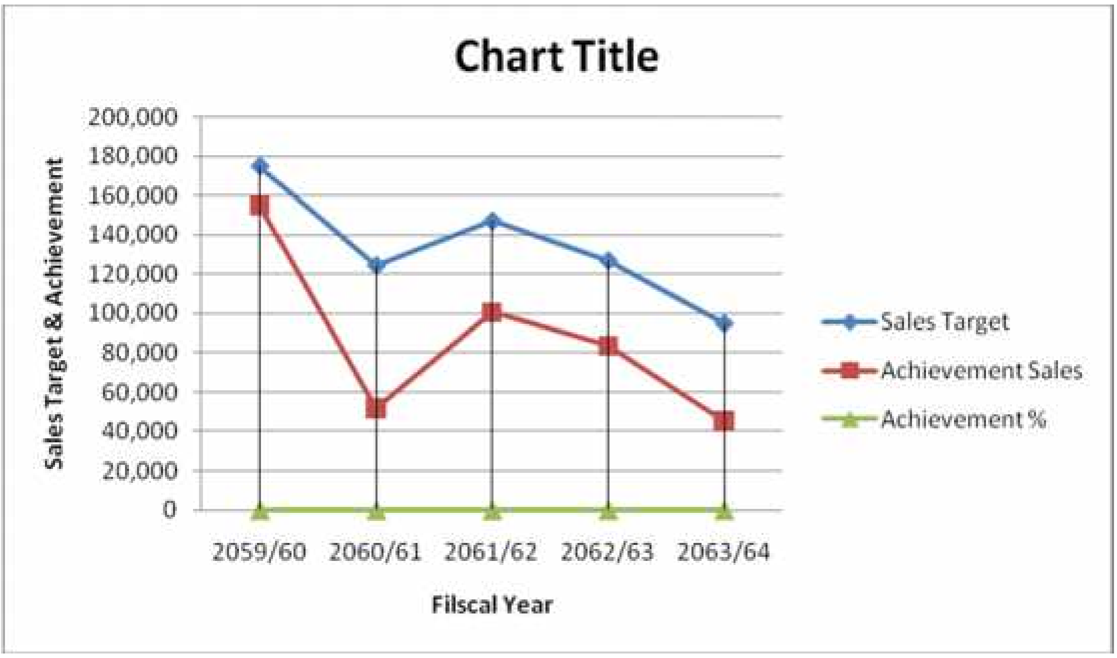
Source: Lumbini Sugar Mill

The aboe table shows the clear picture of planned and actual sales of sugar from the fiscal year 2059/60 to 2063/64. The sales figure of FY 2064/65 has not been shown on the above table but separately shown on the following table. We can easily observe the sales figure in above table have been fluctuated every year even on the percent also. The achievement percent in FY 2061/62 and 2062/63 are closely consistent but the achievement is very low compared to the target. The achievement percent in FY 2059/60 is highest i.e. 86.61%. It is due to the real sales is increased highly than other fiscal year. Similarly there is no any consistency between target sales and achievement. The sales plan has not been matched with actual sales. It is the great problem to the company. We can say the real sales is highly fluctuated every year, should maintain stability in sales or increase. In this situation it can be said also that the garget setting is far from actual achievement, it should be near for betterment.

The following graph clearly shows the above figure of target sales and achievement sales for sugar.

Graph 4.1

Annual sales target and Achievement of Sugar



The above graph presents the trend line of target and achievement of sales figure for the five years. We can say that there is no proper consistency between target and achievement sales of sugar. There is much more gap or difference on Fiscal Year 2059/60 and 2060/61 between target and real homogenous or consistency. The achievement sales on Fiscal Year 2053/54 are 50219 quintals whereas the achievement sales of FY 2054/55 are 155070 quintals that is highly fluctuated figure. He target figure goes near to the real figures on FY 2054/55 sales target above the capacity and below the capacity and thus result defined the poor planning.

Table 4.2

Physical and financial target Progress Description of Sugar Sales

Sales	Unit	FY 2061/62	2062/63		2063/64
		Actual	**Target**	**Progress**	**Target**
Sugar	Quintals	100,683	127,000	83,635	90,000

The above table shows the physical and financial target progress description that is derived from the annual report of LSM. Sales of sugar are the main source of LSM. In fiscal year 2061/62 sales of real sugar is 100,683 quintals. In fiscal year 2062/63 target of sugar sales is 127,000 quintals and progress of sugar sales is 80,635 quintals that is very low than the target sales. In FY 2063/64 target of sugar sales is 90,000 quintals only. Low sales plan is directly is directly hampered in profit, production cost, labor cost fixed cost etc, even the sales are low and per unit fixed cost is increase and labor is idle. If production capacity cannot be used then profit will be decreased. High sales plan reduced the employee's motivation and cannot produce more than capacity, it needed to maintain for target sales by inventory of production and percentage of sales target is near 100 percent.

The statistical tools can be used to identify the relation of target of target and achievement data and test of the goodness of data. Different statistical tools have been used for the target and actual sales of data. They are mean, standard deviation, and coefficient of variation, correlation co-efficient, regression analysis and time series (trend line, the table no. 7 that is derived from appendix 1 shows the mean, standard deviation, co-efficient of variation and Karl Person's coefficient of correlation of target and achievement sales of sugar by using 5 years data from fiscal year 2059/60 to 2063/64.

Table 4.3

Statistical Computation

Particulars	**Target sales (x)'000**	**Achievement (y)'000**
Means	131.466	81.097
Standard deviation (o)	24.735	38.650
Co-efficient of variation (C.V.)	18.81	47.660
Karl persons co-efficient of correlation	R=0.94	

This above calculation is shown on appendix1. This analysis shows that sales target mean (x) is higher than the achievement mean (y), which implies that targets are highly expected but achievement is low. The mean value of target sales is high and the achievement mean value is low which is not good for the good indicator of mill. The standard deviation of target sales (oy), which is nearly, is nearly just double. Higher deviation is not good for the enterprise. The co-efficient of variance of sales target is low than sales achievement variance. Low deviation and variance are good for enterprises.

The karl person's co-efficient of correlation is calculate in appendix1, the results r=0.94 shows the positive correlation between target sales and achievement sales of sugar. Karl person's coefficient of correlation I is used to determine the correlation between target figures and actual figures. Target figures (x) are assumed to be independent variable and achievement figure

(y) is assumed to be dependent variable. So that in correlation increases in achievement and vice versa. In this result target sales and achievement sales are positive correlation. The value of correlation r = 0.94 that is the good correlation. Similarly the statistical tool to analyze the data is regression equation. The regression equation is Y= 1.347/x- 166324 that is calculated in appendix 1.A regression line can be fitted to show the magnitude or degree of relationship between the target and actual sales figure, which helps to estimate the possible sales for the coming year. Sales target is independent variable and sales achievement with given target sales. To calculate expected sales achievement, when the target sales for the FY 2058/59 is 95000 quintal of sugar, then the expected value of sales achievements should have been.

Y = 1.4689x- 112013.407

Y = 1.4689x 95000-122013.407

Y = 27532.10 quintals.

The expected value of sales achievement is not matched with actual sales, so that the target and actual sales is not properly estimated and forecasted. When the target sale for the FY 2064/65 is 94500 quintal of sugar then the expected value of sales achievement will be.

Y = 1.4689x 95000-122013.407

Y = 138811.05-112013.40

Y = 2679.64

The above result clearly shows that negative relation (i.e. reduction is actual sales volume) actual sales will be declined in coming fiscal year with compared to target sales. In fiscal year 063/64 the actual sales should have been 27532.10 quintals. Therefore it can be said negative relation in upcoming fiscal year. To avoid this type of irrational estimation of target sales of sugar, the management team should do the proper estimation of target sales of sugar; the management team should do the proper estimation. It shows the poor sales planning and ineffective management.

Another statistical tool, least square method can be used to analyze the trend of actual sales and to estimate the possible sales figures for a given period of time. In this method, it is assumed that the sales are consistently changed (fluctuated) with the change in time and such change can be expressed in the term of time series. By this method a straight line show the relationship between time and actual sales of the relevant year. To fit the straight – line trend the time factor is considered as independent variable (X) the actual sales are considered as dependent variable (y). Then the straight-line trend by the least square method for the actual sales upon time is expressed by.

$YC = a + bx$

$YC = 87272.60 + 18769.10\ x$

This equation shows increasing sales figure with compare to the previous year with the help of this equation, we can easily estimate the possible sales for 063/64. The possible sales for fiscal year 063/64 will be.

$YC \quad = 87272.60 - 18769.10 \times 3$

= 87272.60 – 75077.60

= 12195 quintals

Table 4.4

Annual Sales Plan and Achievement of industrial Alcohol

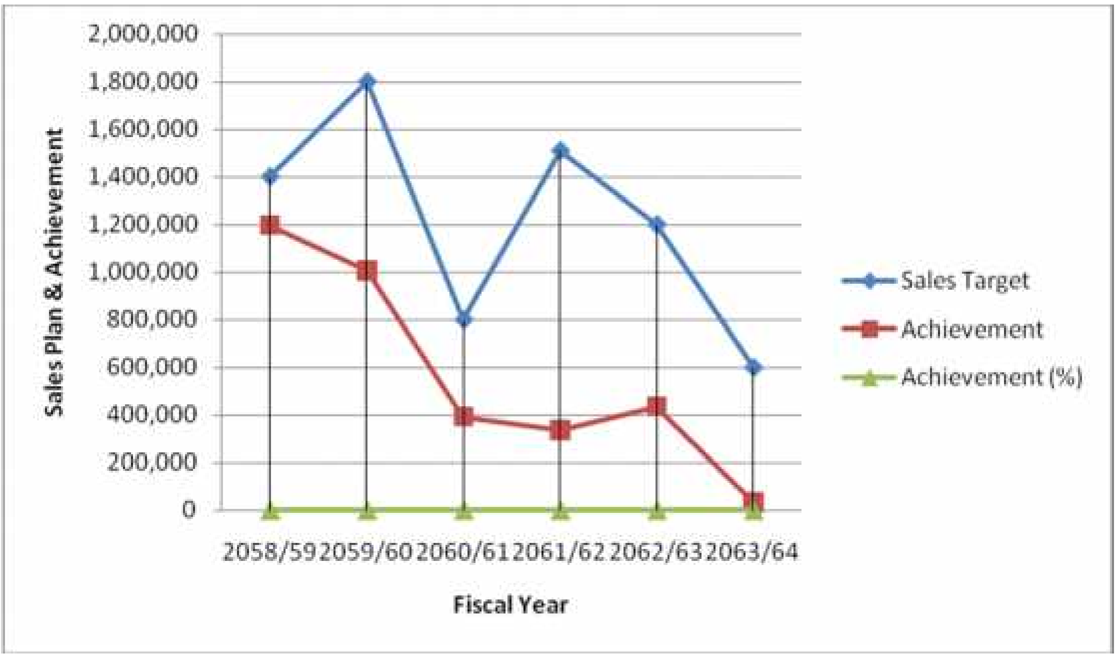
Fiscal Year	**Planned Ltrs.**	**Achievement Ltrs.**	**Achievement percent (%)**
2058/59	1,400,000	1,197,723	85.55
2059/60	1,800,000	1,005,633	55.87
2060/61	800,000	392,050	49.00
2061/62	1,509,700	335,400	22.22
2062/63	1,200,000	434,529	36.21
2063/64	600,000	31,700	5.28

Source: Lumbini Sugar Mill

From the above table we can see the figures of planned and actual sales of rectified spirit from the fiscal year 2053/54 to 058/59. The figures are up and down in different period of time. There is highly fluctuation among the actual sales of spirit. The sales achievement of industrial alcohol has been decreasing since fiscal year 2058/59 up to 2062/63. The planned figure is highest in fiscal year 2059/60 and actual in fiscal year 2058/59. Similarly achievement percentage is lowest on fiscal year 2061/62 i.e. only 22.22%. These kinds of fluctuation the mills have to the real sales. These figures also are shown by graph clearly as follows.

Graph 4.2

Annual sales plan and achievement of industrial Alcohol



The above graph shows clearly that there is no consistency between planned and actual sales of spirit. The planned sales of spirit are higher in every fiscal year or actual sales seem unable to meet the planned sales. The trend line of target sales is up down in different fiscal year. Similarly, the achievement sales of trend line are always low in different fiscal year. Similarly, it is also up and down in different period of time. It is not better to the mills, therefore the target sales of spirit and actual sales should be closely matched otherwise there may be the problem of loses and the operation of mill will be vain. From this above, figure we can easily observe that forecasting technique has not properly maintained or estimated.

Table 4.5

Physical and Financial Target progress of Description of Spirit Sales

Sales	Unit	FY2062/63	2063/64		2064/65
		Actual	Target	Actual	Target
Spirit	Liters	434529	600000	31700	700000

Source: Lumbini Sugar Mill

The above table shows the physical quantity of industrial alcohol or spirit on Lumbini Sugar Mills. In FY 2062/63 the real sales of spirit is 434529 liters. In FY 2063/64, the sales target is 600,000 and progress is 31,700 liters of spirit. And FY 2064/65 the target sales of industrial alcohol are 700,000 liters to be sold.

Table 4.6

Sales Revenue Budget

FY Products	2058/59 (Rs)	2059/60 (Rs)	2060/61 (Rs)	2061/62 (Rs)	2062/63 (Rs)
Sugar	11930225	369338876	133906266	234295195	197946000
Spirit	39038947	37255489	21550125	15882200	6302000
Molasses	2336152	4419446	-	2431988	3432000
Press Fund	110250	95320	102070	90770	98000
Total	160788574	411109131	155558461	252700154	207778000

Source: Lumbini Sugar Mill

The above sales revenue – table shows the sales revenue in Rs. Of different products from FY 2058/ 59 to 2062/63. In FY2059/60, the sales revenue is highest among all fiscal year. The sales revenue is decreased in FY 2060/61 and the sales revenue is lowest in this fiscal year. This kind of sales revenue is not good for the mills.

The sales revenue in FY 2060/61 is lowest because the molasses product was not sold in this fiscal year. From the analysis of sales revenue budget the average setting price of sugar is Rs. 2366.78 per quintal on fiscal year 2062/63 while the actual sales of sugar is 83,635 quintals. In this condition the selling price per quintal is Rs. 278.52 in the same fiscal year. In our nation there is no problem in selling the sugar. The sugar factory of our country is unable to meet the national demand. In this situation the situation the selling price should be stetted properly. Thus, either the management should increase the selling price of sugar or decrease on the cost of production of sugar. But it is better that the management should try to decrease the production cost.

(ii) **Strategic Long Term Production plan of Lumbini Sugar Mills**

When developing a comprehensive profit plan, the requirements of the sales plan must be translated into supporting activities of the other major function. Production plan is a second stage of profit plan. The production budget specifies the planned quantity of goods to be manufactured during the budget period. To develop the production budget the first step is to establish policies for inventory levels. The production plan is the initial step in budgeting to plan production effectively, the manufacturing necessary for each product. The manager should develop information about the uses and output capacities of each manufacturing department.

Production plan of Lumbini sugar mills Ltd. depends upon the production capacity and availability of raw materials i. e. sugarcane. The annual capacity of LSM is 1000MT sugarcane crushing per day and produce 10000MT per year and 12000 liter industrial alcohol per day (800 KL per year). This mills is a seasonal manufacturing public enterprises, it production plan. Similarly ther is no any inventory policy is followed while preparing production budget. The budget is prepared according to the availability of sugarcane.

Production plan is essential to help the national demand of sugar. The production plan is basic input for other plan direct material, direct labor and manufacturing and so on. The product planned and actual of sugar shown in following table:

Table 4.7

Planned and Actual Production of Sugar

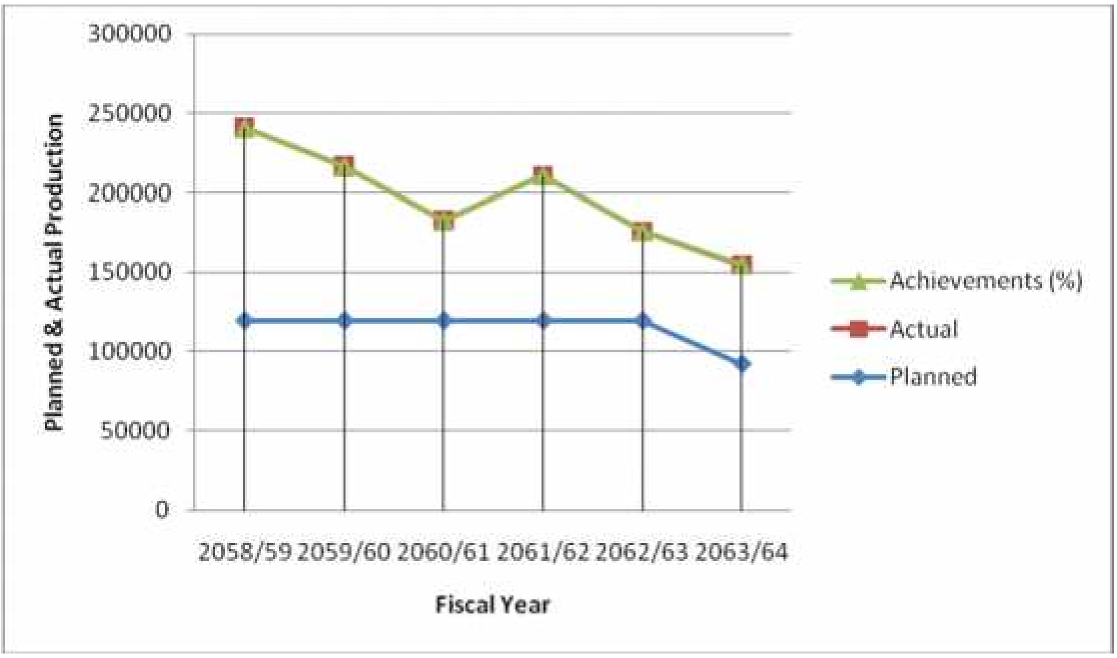
Fiscal Year	Planned (Quintals)	Actual (Quintals)	Achievements (%)
2058/59	119600	121140	101.26
2059/60	119600	96946	81.06
2060/61	119600	62874	52.57
2061/62	119600	90915	82.35
2062/63	119600	56021	50.74
2063/64	92000	62491	67.93

Source: Economic Survey, Ministry of Finance

The production plan of Lumbini Sugar Mills is stable where the actual production is not homogenous in every year. The actual production in the fiscal year 2058/59 is excess than planned production i.e. 101.26%. The achievement production is fluctuated every year. In this situation the production department should take the responsibility of production plan. The total production of sugar is 121140 quintal where as the actual is only 50219. From the above table we can say that there is no any consistency in actual production and the production of sugar is decreasing year to year. The national demand of sugar is increasing day by day but the actual production of Lumbini Sugar Mills is decreasing. In this way the planning department should prepare the appropriate production plan to meet the national demand as per the capacity of the mill. By drawing graph this above figure can be shown clearly in following graphs.

Graph 4.3

Planned and actual production of Sugar



This above graph clearly presents the relationship between planned and actual production of sugar, the production plan is stable in every year. But the actual production of sugar is not consistent. The actual production of sugar in fiscal year 2058/59 is excess than planned production, which is 121140 quintals. The production plan and actual production are not matched properly. There is no more difference between planned and actual production of sugar in fiscal year 2058/59, 2059/60. But the trend of actual production is decreasing regularly but planned production is consistent up to fiscal year 2060/61. Hence the planned production seems almost constant but the actual production is fluctuated. In this way, it can be concluded that it is not satisfactory condition due to the trend of cost two years i.e. FY 2055/56 and 2057/8.

Table 4.8

Physical Target Progress Description of Sugar Production

Production	**Unit**	**FY2061/62**	**2062/63**		**2063/64**
		Actual	**Target**	**Actual**	**Target**
Sugar	Quintals	56021	92000	62491	92000

The following table shows the planned and actual production and achievement percent of industrial alcohol for last five years. The planned production of spirit in fiscal year 2061/62 is increased as compared as compare to previous year as well as fiscal year 2062/63. In FY 2058/59 the actual production of industrial spirit is excess over planned production by 112.74%. In FY 2063/64 achievement production of spirit is only 7.83%

Table 4.9

Planned and Actual Production of Industrial Alcohol

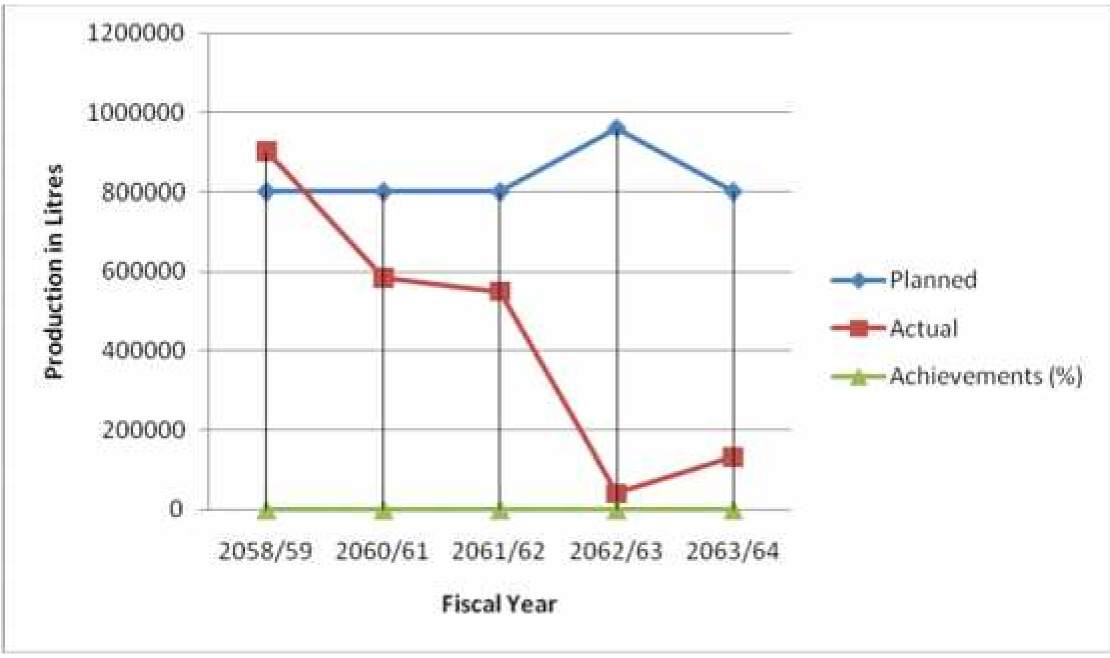
Fiscal Year	**Planned (Quintals)**	**Actual (Quintals)**	**Achievements (%)**
2058/59	800000	901900	112.74
2060/61	800000	583800	72.79
2061/62	800000	549900	68.73
2062/63	960000	40900	42.27
2063/64	800000	131700	16.46

Source: Lumbini Sugar Mill

The actual production of industrial alcohol has been decreasing since FY 2059/60 regularly. The achievement percent in FY 2063/64 is 7.83% where as the actual production is only 47000 liters, which is very low. It clearly shows that the planning department is inefficient and planning has been done without considering any pertinent situations. This kind of haunch planning should be done in forthcoming period. To make clear to this data the following graph is used.

Graph 4.4

Planned and actual Production of industrial alcohol



From the above graph it clearly shows that there is no any consistency between planned and actual production of industrial alcohol. The planned production in fiscal year 058/59 to 060/61 is same whether it is increased to 960000 liters in fiscal year 061/62. In the fiscal year 2062/63 it is fixed to 800000 liters. While compared to actual and planned there is no any consistency. The trend of actual production is declining continuously. It indicates the total failure of the planning department. So that planning department is responsible for such kind of fluctuation in planned and actual production.

In fiscal year 2061/62 and planned fiscal year 2063/64 has been presented as follows in following table.

Table 4.10

Physical Target Progress Description of Sugar Production

Production	Unit	FY2062/63	2063/64		2064/65
		Actual	Target	Actual	Target
Spirit	Quintals	131700	600000	47000	800000

Source: Lumbini Sugar Mill

This table presents the physical quantity on liters of industrial alcohol in Lumbini Sugar Mills. In Fiscal Year 2062/63 the production of sprit is 131700 liters. In fiscal year 2063/64 the production target was 800000 but the progress in 47000. It is very low quantity produced. In fiscal year 2064/65 the target Production is 80000 liters of sprit.

4.4.2Capacity Utilization

Capacity utilization plays vital role in production of sugar. Production is depends upon capacity. Production plan, sales plan and capacity utilization plans are related to each other to analyze and find out the strength and weakness of Lumbini Sugar Mills. In planning, full capacity utilization means achieve the profit objective, if full capacity is utilized the fixed cost will be low and vice versa. So cost of production will be higher on lower capacity utilization of production of product and appears essential to analyze and study.

In LSM, the capacity utilization depends upon the objectives of establishments and the plan of capacity utilization. The base of analysis depends upon its full capacity i.e. 1000 metric tons in a year and produce 10800 metric tons sugar with nine percent recovery of sugarcane during its 120 days season in a year, similarly in the case of spirit the full capacity based on by using 600 quintals of Molasses per day and produce 12000 liters of spirit per day and 108000 liters in a year during its season days. The season days of spirit are 90 days. The planned full capacity of sugar is 12000 metric tons of sugar and 800 kilo liters of spirits production in a year. The following table shows the capacity utilization of sugarcane crushing, sugar and spirit production for a year from fiscal year 2058/59 to 2063/64.

Table 4.11

Capacity Utilization of Lumbini Sugar Mills Ltd.

Fiscal Year	**Sugarcane Crushing (%)**		**Sugar Production (%)**		**S Spirit production (%)**	
	Planned	**Actual**	**Planned**	**Actual**	**Planned**	**Actual**
2058/59	108.33	114.79	99.67	112.14	100	83.51
2059/60	108.33	86.85	99.67	89.76	100	54.06
2060/61	108.33	61.95	99.67	58.24	100	50.92
2061/62	108.33	83.39	99.67	84.21	100	37.94
2062/63	108.33	51.73	99.67	58.27	100	31.93
2063/64	108.33	32.38	99.67	35.36	100	15.28

Source: Lumbini Sugar Mill

The above table presents the planned and actual capacity utilization of sugarcane crushing, sugar production and spirit production. In the case of sugarcane crushing, the actual capacity utilization is below the planned capacity utilization. In sugar production, the actual capacity utilization is below the planned capacity utilization. In sugar production, the actual capacity utilization in fiscal year 2058/59 is excess than the planned production capacity but the rest year's capacity utilization is below than the planned capacity utilization.

Similarly the capacity utilization of spirit production is always below than the planned capacity utilization. It seems actual capacity utilization unable to meet the planned capacity utilization. Due to this kinds of under capacity utilization, it is very harmful to the industry. It increases the production cost and cost per unit of every product will be high. As a whole, the capacity utilization appears poor and unable to utilize its full capacity; it is due to the scarcity of raw materials, i.e. sugarcane and poor performance of management.

Inventory Management and Material budget

Inventory management plays crucial role in profit planning. To plan, organize, and maintain direction and control is essential in inventory management, if the inventory management keeps the fixed level of price and reliable service to customers. The production function cannot run all over the year, it is due to the lack of sugarcane. Inventory is such things that arise. When there exists excess production over sales. In the context of Lumbini

Sugar Mill Ltd. The sales plan depends upon the production plan instead production plan instead production depend upon the sales plan supply side because in developing country like Nepal the enterprise can sell their product easily and promptly.

The mill keeps its inventory to supply to supply the sugar and by- product in off-season days, though the national's production of sugar cannot meet the national demand. Adding the opening stock, on the production of correct fiscal year and subtracting the sales of subsequent fiscal year calculate te desired inventory.

The following table represents the quantity of inventory of sugar and spirit for five years from fiscal year 2058/59 to 2063/64

Table 4.12

Production, Sales and Stock of Sugar and Spirit

Fiscal Year	**Sugar in Quintals**			**Spirit in Liters**		
	Production	**Sales**	**Inventory**	**Production**	**Sales**	**Inventory**
2058/59	121110.00	50219.00	9369.00	901900.00	1197723.00	894977.00
2059/60	96946.20	155072.00	35643.20	583800.00	1005633.00	473144.00
2060/61	62874.00	51713.00	46766.20	59900.00	392050.00	630994.00
2061/62	790715.00	100683.00	36998.20	40977.00	335400.00	705294.00
2062/63	110400.00	83635.00	3690.00	131700.00	434529.00	623700.00
2063/64	62491.00	45262.00	54138.00	47000.00	31700.00	639000.00

Source: Lumbini Sugar Mill

The above table indicates that there is no any consistency in production, sales and stock. The stock level of sugar is highly fluctuating. This shows that the company is adopting flexible inventory policy but it is not effective and appropriate to the company. In overall it can be said that inventory level is not stable it is highly fluctuating. In the case of spirit, the inventory level is also highly fluctuating though it is not in same proportion of sugar. In fiscal year 2058/59 inventory level is nearly 100% i.e. 99.23%, which is very high level it is not good for company because the inventory also increases the cost of production, where cost of production increased the selling price will be increased proportionately where the selling price is high, it makes rigid to competition and push toward the loss for the company.

Table 4.13

Inputs of Materials for 1 ton of sugar

Sugarcane	**Quick-lime**	**Sulpher**	**Filter Cloth**	**Sepran A.P. 30**
1100 kgs.	33 kgs.	11 kgs.	0.044 kgs.	0.05 kgs

The above table shows that the input of main raw materials and auxiliary raw materials required producing one ton of sugar in Lumbini Sugar Mill Ltd. The mill produces sugar by crushing the sugarcane during season day only. The planned and actual quantity of sugarcane used in the production process has depicted below in table.

Table 4.14

Planned and Actual quantity of Sugarcane Consumption

Fiscal Year	**Planned in Quintals**	**Actual in Quantities**	**Achievements (%)**
2058/59	1300000	1377366	105.95
2059/60	1300000	1042231	80.17
2060/61	1300000	743426	57.19
2061/62	1300000	1000819	76.99
2062/63	1300000	615254	51.27
2063/64	100000	45270	45.27

Source: Lumbini Sugar Mill

This table shows the actual consumption of raw materials i.e. sugarcane has been decreasing every year up to fiscal year 2060/61 and then increased up to fiscal year 2061/62. In fiscal year 2063/64 the consumption of sugarcane is only 45.27% the mill is unable to utilize its full capacity except fiscal year 2058/59 and fails to produce targeted sugar. The main reason of decreasing in crushing quantity is the uneconomic competition between sugar producing industries and power crushers. Labor cost is an important element for the production costs. Labor cost should be effective and effective planning and control. Labor cost involves all expenses made by employees. Top executive, middle management personnel, staff, officers, and skilled and unskilled employees. In the context of Lumbini Sugar Mills Ltd. The board of director has the authority for fixing the salary and wages of personnel but government intervention is no so far from fixing salary directly or indirectly.

The following table denotes the direct labor cost for 5 years from fiscal year 2058/59 to fiscal year 2063/64.

Table 4.15

Direct Labor Cost Budget

Fiscal Year	**Production**	**Administration**			**Total**
	Salary & Wages (Rs)	**Salary**	**Allowance (Rs)**	**Wages (Rs)**	
2058/59	34643487	7056606	665924	410869	486886
2059/60	39255318	9327606	7620202	295310	56498736
2060/61	36545677	9462555	6812583	418539	53239354
2061/62	4063800	9542000	7498000	475000	58153000
2062/63	44637000	1053200	8357000	526120	64032120
2063/64	71419000	19851000	13771000	941790	105982790

Source: Lumbini Sugar Mill

The direct labor cost indicates that there is regularly increased. Labor cost is decreased in fiscal year 2060/61. As a whole, the cost of direct labor is increasing every year due to the increasing in employees. It also indicates that the salary as well as wages amount is also increasing previously than now.

Overhead Budget

The managers should view expenses planning and control as necessary to maintain reasonable expense levels to support the objectives and planned programs of the enterprise. Expenses planning should not focus on decreasing expenses but rather on better utilization of limited resources. Viewed in the light, expenditures and benefits derived from those expenditures. The desired benefits should be viewed as goals and sufficient resources must be planned to support the operating activities essential for actual accomplishment. The firm should develop factory expenses; administrative expenses and other related expenses plan after estimation the amount of direct materials and direct labor cost, which are termed as overhead budget.

Administrative Overhead Expenses

Administrative overhead expenses mention to all indirect operating expenses of public of public enterprise e.g. salary, allowances, fuel, service charge, repair and maintenance expenses etc. in Lumbini Sugar Mills Ltd. There is no policy of keeping planning administrative expenses with including all indirect expenses. It prepares administrative, depreciation, commission and research and development expenses.

The following table has derived from the appendix 2, which presents the administrative expenses from fiscal year 2058/59 to 2063/64.

Table 4.16

Administrative Expenses

Fiscal Year	Amount in Rs.
2058/59	42029755
2059/60	41192166
2060/61	39671000
2061/62	50937000
2062/63	50030000
2063/64	35300000

Source: Lumbini Sugar Mill

The above table shows the administrative expensed of Lumbini Sugar Mill from fiscal year 2058/59 to 2063/64. The expenses have been decreasing since fiscal year 2058/59 to 2060/61. Then increased in fiscal year 2061/62 and again decreased in fiscal year 2062/63 then again decreased in FY 2063/64.

Table 4.17

Production cost Expenses

Fiscal Year	Amount in Rs.
2058/59	244070831
2059/60	213322646
2060/61	170094196
2061/62	20851700
2062/63	165216000
2063/64	193545000

Source: Lumbini Sugar Mill

The above table shows the production cost expenses of Lumbini Sugar Mill for fiscal year 2058/59 to 2063/64, which is derived from appendix 3.

Selling and Distribution Expenses

The selling and distribution expenses involve those expenses that are directly involved in selling and distribution the final production for selling and distributing the final product. For example sales tax, local tax, sales commission expenses increased in selling and distribution expenses. The following table shows:

Table 4.18

Selling and distribution expenses.

Particulars	FY 2061/62	FY 2062/63	FY 2063/64
VALUE ADDED TAX (VAT)	30357000	21244000	11459000
Sugar	5400000	1445000	1654000
Spirit	2600000	221000	0
Molasses	24000000	5160000	5870000
Excise duty spirit	360000	285000	26000
Excise duty molasses	350000	250000	456000
Sales promotion expenses	1000000	656000	717000
Commission on sugar sales	1500000	2024000	177000
Sugar transportation	45000	492000	496000
Wages to labors	0	0	0
Local taxes	200000	215000	0
Warehouse taxes	0	39000	
Other			
Total	**64027000**	**32031000**	**21155000**

The above table shows that the increases of selling and distribution expenses gradually, the expenses of fiscal year 2063/64 is increased by nearly 100% all the expenses as well as excise duty has been increasing every year so that the selling and distribution expenses have been also increasing every year.

Cash Budget

The planning and control of the cash inflows and the related financing is important in all enterprises, cash budgeting is an effective way to plan and control the cash flows, assess cash needs and effectively use excess cash. A primary objective is to plan the liquidity position of company as a basis for the determining future, borrowing and future investments. The main purposes of cash budgets are:

a. Depict the cash position of enterprise at the end of each period.
b. Determine cash excesses or shortage by time period.
c. Establish the need for financing or the availability of idle cash for investment.
d. Coordinate cash with: total working capital, sales revenue, expenses, investments, and liabilities.
e. Establish a sound basis for continuous monitoring of the cash position.

A comprehensive profit planning and control program establishes the foundation for realistic cash budget. There must be a balance between available cash demanding activities operating capital expenditures and so on.

The following table shows the budgeted amount of cash inflows and out flows as well as balance of cash for the fiscal year 2063/64 of Lumbini Sugar Mills Ltd.

Table 4.19

Cash flow statement/cash budget or the year ended 31st Ashadh 2064

Sources of income/cash inflows	**Amount**	**Items of expenditure or cash outflows**	**Amount**
Opening balance	12500000	Production expenses:	23548000
Sales			
Sugar 333928000		- Total expenses 245895000	
Spirit 5940000		- Depreciation (9500000)	
Molasses 4356000		- Training & development <u>915000</u>	45230000
Presumed <u>10000</u>	397784000	Administrative Expenses	
Misc. income	1000000	- Total Expenses (50030000)	
Short term loan	90000000	- Depreciation (1300000)	
Advance and recovery	70010000	Gratuity Exp. (3500000)	64027000
- Debtor recovery 532100		Selling & distribution exp.	113000000
- House borrowing recovery 1200000		Payment of short term loan	
- Vehicles <u>480000</u>		- Previous year 73000000	3900000
		- This year 40000000	4085000
		Assets in contribution	500000
		Machinery tools	160000
		Office instrument	-
		Furniture purchase	15600000
		Vehicle purchase	
		Advance & creditors	
		- House borrowing 1500000	
		- Vehicle 600000	2587000
		Store inventory	5671000
		Payment to creditors	18000000
		Bank balance	
	508285000		**508285000**

This above table shows the cash inflows and cash outflow for FY 2063/64 of Lumbini Sugar Mills. The Cash flow from sales of sugar is less than the last year sales of sugar where as the selling and distribution expenses are increased. The closing cash balance of cash of cash is excess than the opening balance. The cash position shows good for the mills but it is harmful to keep excess fund. It should be utilized to that sector, from where more cash will be generated. At lastly cash flow statement shows the better position of cash for the mill.

Balance sheet

Balance sheet is the statement of assets and liabilities. It is considered as a very significant financial statement. It depicts the financial position of any organization. The balance sheet is prepared every year at the end of year. In context of country it is prepared every year ended i.e. end of 31st Ashadh. In the case of Lumbini Sugar Mill, there is a clear provision balance sheet at the end of Ashadh for the relevant FY. The following table gives the comparative balance sheet of Lumbini Sugar Mills for the FY 2061/62 to 2063/64.

This following table clearly shows the financial position of Lumbini Sugar Mill. The balance sheet of Lumbini sugar mills Ltd. Is prepared for FY2062/063 and FY2063/064 is estimated B/S and the FY2064/065 are projected. The Net Loss Trend is increasing which is not good for the organization. The projected B/S for FY 2064/065 shows that there is excess current liability than current assets by 7306000. it indicates that the Lumbini Sugar mill will be felt to pay its obligation because of higher current liability.

Table 4.20

Comparative Balance Sheet of LSML for the FY2062/063 to 2064/065

Partials	Projected FY 2064/065	Estimated FY2063/064	FY2062/063
Capitals & Liabilities			
Authorized capital	350000000	350000000	350000000
Issued capital	300000000	300000000	300000000
Issued capital	282421000	282421000	282421000
Paid up capital	29951000	28775000	25372000
Reserve fund	25668000	21668000	18168000
Gratuity	3655000	3655000	3655000
Quarter	628000	628000	725000
Welfare		2824000	2824000
Provision for bonus	-	61557000	8548000
Current liabilities	98144000		
Total	**410516000**	**372753000**	**393273000**
Assets			1227226000
Fixed assets	120774000	117544000	126895000
) Land	115774000	117213000	331000
and building	5000000	331000	170355000
) Other	90838000	97674000	118876000
fixed assets	42105000	64382000	39218000
Current assets	30733000	20988000	12261000
) Closing	18000000	12504000	1759000
stock		844000	2633000
) Debtors	2663000	2663000	91270000
Bank & cash balance	196241000	15382800	3361000
Intangible assets	153828000	91270000	57654000
Investment on shares	42413000	62558000	
Net loss			
) Last			

year) This year			
Total	**410516000**	**372753000**	**393273000**

Profit is the major part of the public enterprise, without profit enterprise cannot survive growth and complete with other. The public enterprise has been running on loss since many years. The Government of Nepal also wants to increase in the income of public enterprises. In Lumbini sugar mill Ltd. There is no clear provision to keep the profit and loss account on the following table presents the profit and loss account of Lumbini sugar mill Ltd for one Year i.e. FY2063/064

Table 4.21

Profit and loss account for the 2063/64

Income	**Amount (Rs)**	**Expenditure**	**Amount (Rs)**
Sales	207778000	Opening stock	88044000
Sundry income	339000	Production Exp.	156216000
Closing stock	30285000	Administrative Exp.	45191000
Net loss transferred to B/S	68900000	Selling & dist exp	1209000
		depreciation	16642000
Total	**30732000**	**Total**	**30732000**

The profit loss pattern of Lumbini Sugar Mill Ltd. Is shown in following table from FY 2058/59 to 2063/64.

Table 4.22

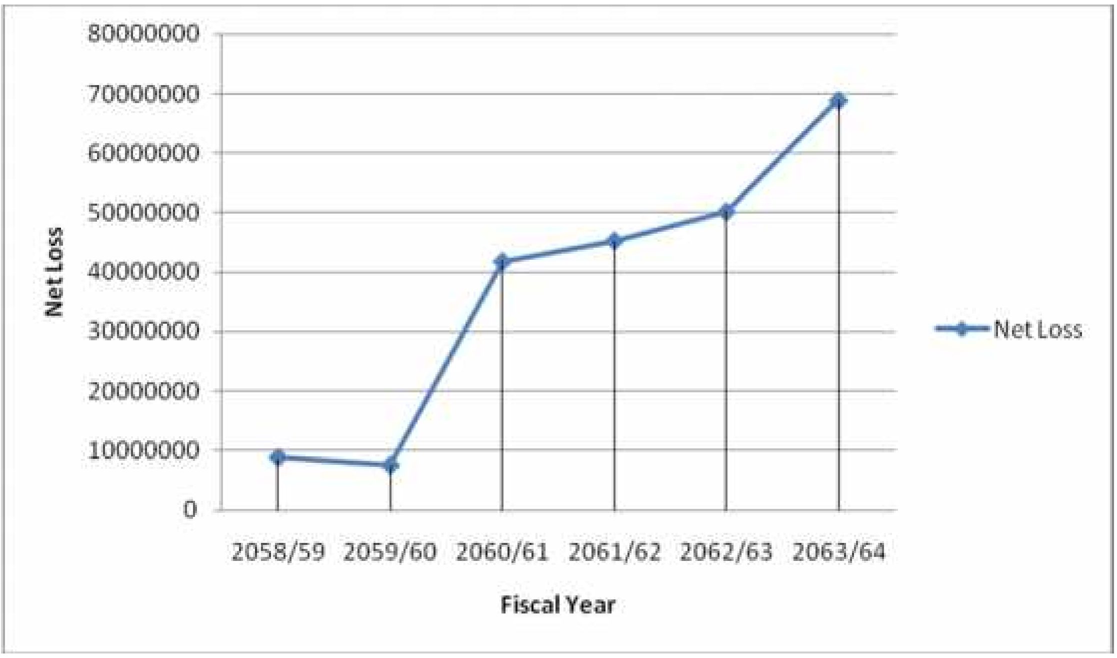
Net Profit and Loss of LSM

Fiscal Year	Net Profit/Loss	Cumulative Net Loss
2058/59	(8876500)	(8876500)
2059/60	(7532500)	(16409000)
2060/61	(41805000)	(58214000)
2061/62	(45291000)	(103605000)
2062/63	(50195000)	(153700000)
2063/64	(68900000)	(22260000)

This above table shows the net loss of Lumbini Sugar Mill from FY 2058/59 to 2063/64. The net loss is increasing continuously. The total loss up to 2063/64 is 259687900.39. The mill has been suffering from great loss since 2058/59 it is very bad to mill. The profit considered as major portion of the public enterprises. An enterprise cannot grow and run smoothly where no any profit is. The loss pattern of Lumbini sugar mill can be shown in following diagram.

Graph 4.5

Net profit and loss of the Lumbini Sugar Mill Limited



This above graph clearly presets the loss pattern of the Lumbini Sugar Mill. The loss in FY 2058/59 is only Rs. 88765000 and decrease in FY 2059/60 but magically it was increased in FY 2061/62 by more than 7 times of the FY 2063/64. The net loss pattern is increasing continuously per year up to FY 2063/64. The loss has happened in LSM due to irrational expenditure in Production, administration and selling distribution. To distribute dividend in FY 2061/62 to FY 2063/64 is irrational decision of the management team. Appendix 4 clearly shows about profit and loss account.

Chapter V

Summary, conclusions and recommendation

5.1 Summary

Nepal, the Himalayan Kingdom of Asia, has its border with China in the north and India in the South, East and West having a total area of 1,47,181 Sq.Mt. with a population of around 23.21 million. Nepal is a least developed agricultural country with a per capital income of about Rs. 20,527 (equivalent to US$ 276) in FY 2003/04)

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

Sugar industry is a very important to Nepalese national economy because of its multiple contributions in the shape of employment, provision of raw materials to other industries. Further it accounts for providing employment in the sugar trade, transport of sugarcane and sugar etc. it's by product are used as raw materials in industries such as alcohol, plastics, synthetic rubber, fiber board, pharmaceuticals, paper etc. Beside this, sugar industries also substitute's imports by meeting internal requirements. Considering these many facts of importance of the industry, it ranks first among the agro-based industry.

In the current situation LSM faces the severe threats and challenges with technologically advanced countries. Due to political, economical and environmental disturbances, this industry has been forced to close down and to be converted in privatization. The industry not only have to face difficult adjustment problems, but also risk collapse of the industry as a result of intensified international competition and its inability to cope with the change situation in this product line. The vulnerable situation of LSM is due to the internal constraints from outdated manufacturing process to the logistic system and non conducive government policy and attitude to the geographical disadvantage of being land locked country. The cost of production the further lead time from the date of order to date of shipment of the goods are higher than other south Asian countries.

It is obvious that no business can flourish without the application of appropriate marketing tools and strategies in the competitive market; marketing plays a key role to boost up industrial production and attain success. The realization of importance of marketing is to identify consumer's requirements and to satisfy them. Though Nepal is one of the developing countries, it cannot stay away from adopting sound marketing strategies. The enterprise have been forced by the emerging challenges of competition from within and outside the country to evaluate and asses their hitherto production- oriented policies. Appropriate marketing strategies and policies enable enterprises to mould suitable ways of action to attain predetermined purpose. Globalization initiatives emerging since the eighties has put further impetus for adopting more aggressive marketing strategies in view of substantial growth in level of competition.

The main objectives of the present research are to analyze the marketing strategies to find out the pertinent marketing strategies for suggesting the entrepreneurs and trying to seek out the way of saving the existence and increasing the competitiveness of LSM.

As per the nature of the study survey type research design is followed with descriptive and analytical approach. Surveys are held. Questionnaires were distributed and table discussions were made to gather information. Information was tabulated as per the requirement of the study.

The study has tried to analyze the marketing strategies in LSM. The study revealed that executives have positive attitude about the marketing strategies. But they are pessimistic in practices. They preferred more on conducive government policy rather than marketing strategies. They are trying to formulate proper marketing strategies to cope the present situation. The company has not been able to adopt effective outward looking marketing policy. Therefore the industry appears to be deficient in formulation and adoption of effective marketing strategies. In addition, traditional ways of doing business and poor management have not helped. The executives have not enough ability to understand competition. They couldn’t put their industry in a competitive position. Even though they have good marketing plan, it is an effective because of not taking into careful consideration in implementing it.

Now, as the management has been privatized, the new management is trying their best to implement effective marketing strategies. They are trying to boost up the economic condition of the company.

5.2 Conclusions

Following conclusions are deducted from the study.

<u>Before privatization</u>

- The executives have realized the limitation of the strategies but they have not initiated effort to correct them. Thus, their marketing strategies and policies are ineffective.

- The executives felt the necessary of effective strategies in today's business environment. They had positive attitude about the need of change in marketing strategies.

- The industry has poor marketing mix. The executives have not taken any steps or measure to solve the marketing environment problems. They have just blamed the government policy.

- The executives have not adequately considered the marketing strategies. In their view, other determining factors (eg. Govt. Policy, economic factor, environmental factor etc.) Must be considered endeavor to achieve desired objective and overcome the current problems.

- They didn't invest their money to increase brand name and to establish marketing department (marketing intelligence department) even though, the management have enough capital. It is inferred that they don't want to take risk. In their view, invest on them is wasting of money.

- After privatization, they management heavily focus their activities in international trade rather than international marketing. International marketing practices are the neglected part of their business activities.

- They had awareness of being understand the competitor's activities and status.

- The industry has to compete with the foreign competitors as well as with domestic competitor's strategies.

- The executive monitor the objectives and strategies of competitors frequently. They have fixed time (i.e. they usually monitor them annually)

- The executives had not seriously anticipated the future moves and reaction pattern of competitors after phasing out the MFA at inferred that their competitive strategies are ineffective.

- Planning is important for effective use of resources. Most of the responding enterprises have short term planning only. They didn't appear to be running their industry with long-term perfective plans. They said they prepared short-term only. Hence, they may be conveniently termed a short sighted.

- The enterprises did evaluate their formulating the marketing plan. They have also good marketing plan. But it is found that they have involved in short-term marketing plan only.

- Most of the executives are well aware of being considering the marketing strategies and plans of rival's while formulating their own marketing strategies and plans.

- While developing marketing plans, the executives have given much emphasis to the factors of competition, consumers, economics and govt. policy.

- The executive don't give enough time to evaluate the implementation of marketing plans even though the industry has been facing poor management.

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

- The executives have given much emphasis to the conductive govt. policy to cope the present problem rather than applying the effective marketing strategies. Hence, it can be concluded, they are pessimistic towards the marketing strategies to overcome the present challenges and threats.

5.3 Recommendation

Till now marketing strategies is the neglected part of the LSM. Lack of proper vision mission and objective, this industry goes behind in terms of competition. Other sugar industries are also facing the same problem. They are also laclcing. Proper marketing strategies, LSM is in survival position instead of competitive position, one should not fill up the water without increasing the capacity of own vessels. Nepalese entrepreneurs are very much concerned about the government policy (massive support from the government) instead of strengthening its own international marketing strategy.

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

- The LSM must clearly identify its goals and formulated strategies with the changing environment and market.

- Marketing strategies must be reviewed and evaluated periodically in order to ascertain whether the effectiveness of marketing strategies are good or not suited to the changing market environment and competition. If necessary, modification and amendments must be made in good time.

- The business environment has become very complex and the strategies must be well designed and developed to meet the changing situation. The enterprises should give more emphasis on marketing strategies to meet the complex situation.

- The marketing department should update the information. In this purpose, they should apply the MKIS. To know the competitor's strategies, they should establish marketing intelligence department, if this is not feasible for them, they can manage it by taking service of fee based consultants or experts.

- Products of the industry have not any brand name, so they should create their own brand. They should seriously consider about the brand name.

- Competitor's plans and program should be studied before formulating own plans and policies. Enterprises should study and analyze market situation. R & D should be conducted on a continual basis to understand the market.

- Periodical evaluation of strategies and policies should be done to assess their effectiveness and take necessary measures for further improvements. Marketing environment must be monitored continuously to be able to formulate. Timely appropriate strategies. Strength, weaknesses, opportunity and threats (SWOT) analysis should be done regularly.

- The technology should be appropriate to meet needs and competition. It should focus on how to improve to meet to market needs.

- Professionals and expertise should be used for designing marketing policies, strategies and programs. There is a big gap in understanding the customers and the markets.

- Market survey should be done before applying marketing mix strategy. The changing consumer needs should be identified for proper designing of production. Market needs must be assessed regularly, not on ad-hoc basis.

- To increase the market power, market share and market growth rate, the executives should apply the latest marketing techniques.

- Customer’s value should be increased to survive in long-term. The executives should make much effort to increase its effectiveness.

- Differentiation strategy can increase the customer’s perceived value by which they will pay a premium price to get these benefits. So, the executives should apply this strategy. They should not over dependent on lower cost strategy because in comparison to other countries, we have less ancillary industries and infrastructures of our country are not adequate to reduce cost.

- The executives should make their plan in long-term rather than only short-term. They should also give much effort to implement it according to plan and program. They should frequently watch the feedback of the result whether they are done according to the plan and program or not if the negative feedback is found, they should assess their plan program as well as the monitor the implementation phase.

- Good marketing strategies too often fail due to poor marketing implementation. Poor implementation can also make it difficult to judge whether or not a marketing strategy’s itself appropriate. The finest marketing strategies will fail unless the implementation link that makes the contact with customer is strong for this reason, the performance is poor, and they should consider making adjustment in marketing implementation.

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