# CHAPTER-I

# INTRODUCTION

## 1.1    Background of the Study

Nepal is a small under developed country which is situated between two powerful and developed countries, China and India. Geographically, it is landlocked and has different dissimilarities among places of the country. About 80% of people are involved in agriculture. Nepal is among the least developed countries of the world despite tremendous natural endowments, economic and development activities in the country. The inability of Nepal to make sustainable and proper use of the available resources is the reason for the poverty. Nepal ranks as one of the world's poorest countries with a per capita gross national product of Nepalese 400 $ a year and GDP growth rate at produces prices is 5.9 percent. Agriculture GDP is estimated to grow at a slightly lower rate of 304 percent compared to a growth of 3.9 percent last year. Government statistic shows 38 percent of population is below the poverty line but n0n-governemental estimates shows 50 percent poverty. The high poverty made Nepal's complicated to initiate proper development measures (MOF, 2010:41)

Geographically Nepal can be divided into three parts which are defined as below:

a.  Himalayan region

b.  Hilly region

c.  Terai region

a.  Himalayan region:

   This region comprises one third of the total land area of the country and about 2% of this land is suitable for cultivation. About 15% of

total area is covered by Himalayan region. Himalaya region is located from 3000 m to 8848m from above sea level. Because of cold climate and high altitude in this region, sheep and Yak grazing are the main occupations of mountain region.

## b. Hilly region

This region comprises several attractive pockets, alleys and basins, such as pokhara, Kathmandu, Gorkha and many others. This region has largest land area of country. About 68% of total area is covered by hilly region. Hilly region is located from 600m to 3000m from above sea level. The main occupation of the people living in the upper part of this region are animal grazing, cottage industry and agriculture of high altitude cereals and cash crops are the main occupations of hilly people.

## c. Terai region

This region includes most of the fertile land and dense forest area of the country. About 17% of total area is covered by terai region. Terai region is located from 70m to 300m from above sea level. Water resources and fertile land permit the cultivation of a wide variety of crops like paddy, maize, wheat, sugarcane, vegetables, tobacco and others. The population of this region is increasing at a more rapid rate.

## 1.2    General Profile of the Industry

### 1.2.1 Introduction to ISI

ISI is a private limited company established in 2042 B.S. This sugar industry has been registered in HMG/N; Department of Industry in the name of Indu Sankar Sugar Industry Pvt. Ltd. ISI is located in the Harion-VDC, Sarlahi district, Nepal. ISI lies about 61km to the west of Dhalkebar on the way to East-West highway (Mahendrarajmarga) and is just 30km far from the Indo

Nepal boarder at Sunbarsha. ISI head office manufacturing unit are situated in the same building and marketing branch office is located in Kathmandu.

It is a private concern owned by and operated under the roof of the Golcha organization. It is one of the branches of business of Golcha organization.

### 1.2.2 Main Product of ISI

Its main produces is sugar and by-product is molasses. Molasses is byproduct of cane-sugar and beet sugar. It contains from 36 to 50 percent sugar. Chemists and drug manufacturer use it to make many chemical products, including alcohol. Molasses yields large amount of citric acid, the ingredient that flavor to lemons and oranges makers of soft drinks, use the citric acid from molasses in beverages. Low-grade molasses, called blackstrap, is fed to live stock.

Its present annual production capacity is 22,456 metric tons of sugar.

### 1.2.3 Organizational structure of ISI

ISI, as being a proprietorship private company, is controlled by single entrepreneur. However, ISI has its well organized internal structure as is shown in the following figure:
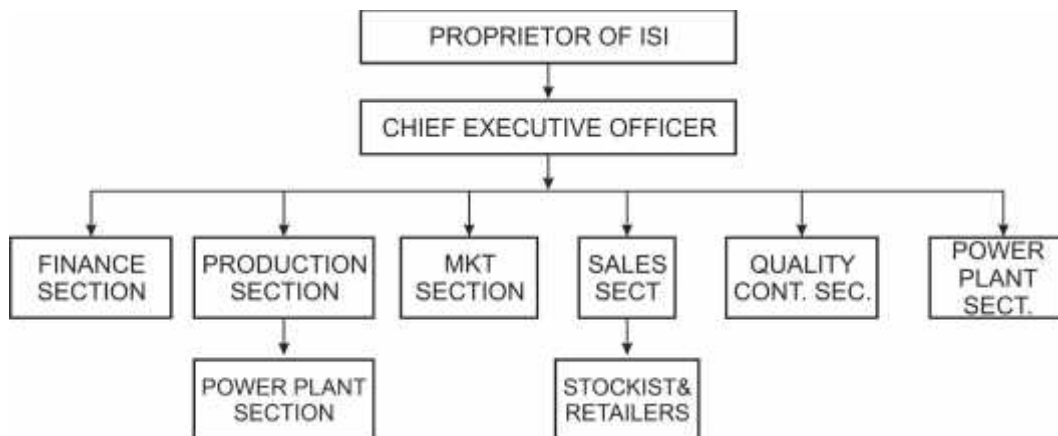
## 1.3 Focus of the Study

Sugarcane farming is the main subsection of agriculture. It must be properly identified and managed for modernization and economic development of the country. Sugar cane farming can be a good source of income for the farmers which can be realize from better farming system.

Nepal is an agriculture country. Agriculture based in sugar industry better can easily promote the farmers of sugarcane. Sugarcane is also better crops done by farmers. Therefore, this study helps us to promote the sugarcane farming with reference to ISI.

## 1.4 Statement of the Problem

Nepal has adopted agriculture based economy. So as to improve the economic condition of the people and to salve unemployment problem, sugar production plays very important and significant role. Sugar is very useful and complementary food. It is one of the mans most important foods. It is so important that it sometimes has been called the foundation of life. Sugar supplies energy and heat for the body much as gasoline provides power and heat for an automobile. The problem of ISI is the problem of economy as a whole in this region which is given below as a statement.

Regarding the fulfillment of the market demand of sugar ISI is facing many problems right from its inception. The problem of ISI is much more related to marketing. No doubt marketing functions i.e. product planning, transportation, channels of distribution, pricing, promotion etc. should be carried out by a successful marketer. Among all these marketing functions, distribution function is of a very vital importance. The problems of ISI are the problem of the economy as whole in this region because our economy is agro based.

ISI is small in terms of turnover its size as well. It is facing heavy competition with imports specially Indian sugar. From the procurements of raw materials to the availability of finished production in retail counter, there should be a proper distribution network or distribution system. As per the internal and external environmental and marketing factors ISI is not in a position to follow the latest scientific distribution system and they are rather traditional. The problem faced by ISI are limited market, transportation, distribution management, product handling, packaging, physical protection of products, professional marketing, difficulty in branding, heavy competition with imported products and information of the products etc.

On the other side, the customers are not fully satisfied with this industry's products, because they are not able to provide with the full range. There is not any support system from the government. If the industries do not make certain, level of profit it cannot survive any longer and may also result in the collapse. At the same time, the Indian sugar has occupied a large part of the markets in Nepal. The distribution system of domestic industries is easily disturbed by the factors like heavy rain, storm, road strikes etc. The main problem of ISI in distribution system is summarized as:

) selection of channel structure

) appointment of stockist and distributors

) selection of mode of transportation

) management of distribution cost

So, these are the real problems of the distribution system of ISI and subject matter of the study.

## 1.5    Objectives of the Study

All the sugar industries existing in different parts of central development region of Nepal are contributing, to the national in come since their establishment. So, it is appropriate to study their overall function. However, it is difficult to study the same by self suppose researcher, therefore, the general objectives of the study are to focus to the marketing sector especially the distribution system of ISI. The main objectives of the study are as under:

- ) To find out the development of sugar industry and its distribution system in Nepal.

- ) To find out the present distribution system adopted by ISI.

- ) To find the distribution effectiveness of different places.

- ) To give suggestions for improvement of the above study.


## 1.6    Importance of the Study

Sugar is one of the important and foundation commodity in human life. It works as a complementary commodity for other foods. Every year about Rs 6,500 million is spent for sugar out of which as much as only 35% is covered by domestic products. Hence, the scope of domestic industries remain still high and the subject is very important for the researcher. The sluggish growth of sugar industry and its production shows some barriers for the industries. However, sugar industries play a very important role in contributing to the national income since their establishment. Being a business organization ISI has utilized many marketing tools to achieve its goal. The marketing management may be influenced by eternal and internal environment. Distribution is a major function in marketing. Good distribution indicates a successful business. Distribution is not a single element but is a mixture of various

6

consolidate functions. Only delivery of the product to right place of customer is not the full function of distribution. It involves channels of distribution. Warehousing, inventory, transportation etc. Decreasing of the distribution cost will increase the profitability of the products.

In this way the subject matter i.e. distribution system of ISI is very important. This study is concentrated in the distribution system so that it is easier to understand the distribution system of public enterprises in Nepal.

It may be beneficial for market and channel members also. It may be helpful to the students of research and individuals who are interested to know the distribution system of ISI. Solutions of the distribution problems and suggestions for modern distribution system may help the concerned enterprises like ISI and its channel members. So, this study will also be fruitful to the students.

## 1.7 Limitations of the Study

This study only deals the distribution system and policy of different sugar industries available in Central Development Region of Nepal i.e. ISI. Besides these other sugar industries have not taken in account in this study. The production, sales and distribution system of ISI ill be taken in account. The main limitations of the study are extracted below:

ʃ    This study only deals the internal marketing environment of the organization. The external aspects like geographical, socio-economic, technological, political has not been included.

ʃ    In private sector there is non availability of comprehensive data and the unwillingness of the management is the main limitations with regard to the collection of data.

) Lack of literature and the study about sugar growth and development in Nepal is the problem and limitation of extensive review of the field.

) Collection of attitudes and opinions of all retailers, employees and stockist is very difficult. Therefore few of their samples were collected. This is also the main limitation of the study.

## 1.8 Organization of the Study

The whole study is divided into five chapters. First chapter is the introductory chapter. It consists: General background and meaning of distribution system, objectives of the study, statement of the problem, importance and focus of the study, justification of the study, and limitation and organization of the study with Asian Indu Sankar Sugar Industries.

Second chapter deals with review of literature with concept of some terminologies used in the analysis part of the study. The second part of the chapter consists of review of books, previous study, research papers, and review of unpublished research students.

Third chapter is concerned with the research methodology used in this study. It consists of: Introduction, research design, sources of data, research questions, population and data, method of analysis.

Fourth chapter of this study is the presentation of analysis and interpretation of data which includes performance of ISI and analysis and interpretation them.

Fifth chapter is associated with the main findings, recommendations and suggestions. The bibliography and appendices are also included besides the above chapters. Further, thesis includes references books, magazines, newspapers; previous dissertations are shown under bibliography.

# CHAPTER-II

# REVIEW OF LITERATURE

## 2.1  Introduction

A characteristic of most developing countries is that they are essentially production oriented rather than marketing oriented. As Nepal comes under the category of under developing country, more emphasis is given production and marketing aspect is almost neglected. That is why; this study is poor in literature. But in the sense that Nepal has developed a fairly considerable industrial base, it is the time to implement industrial policies by the government and industry become marketing oriented.

Marketing is the neglected aspect of the Nepalese enterprises. The private sector in Nepal is still under developed and the marketing practices are old and antiquated. But the marketing conscious is must for the successful running of any enterprises or business organizations.

Sugar industry plays a significant role in industrial sector of Nepal because they are the manufacturing enterprises of essential commodity. In this modern age every thing is super fast. Way of using the sugar and consumption of sugar must be changed. For this rapid, growth of sugar industries are necessary.

Modern Marketing system must apply to meet the goal of any enterprises. Marketing is broad spectrum; it is not a narrow only in selling and buying. According to the American Marketing Association (1985) "Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create, exchanges that satisfy individual and organizational objectives".

According to Kotler (2000:10-12) "Marketing Management is the analyzing, organizing, planning, and controlling of firms, customer impining on resources, policies and activities with a view to satisfy the need and want to of chosen customer groups at a profit".

Similarly according to the Stanton (1998:15) "Marketing is a total system of business activities designed to plan, price, promotion and distribute want satisfying goods and services to present and potential customers".

The following figure (fig.2.1) has shown the modern marketing system and marketing environment.

**Figure 2.1**

**MARKETING SYSTEM AND ENVIRONMENT**
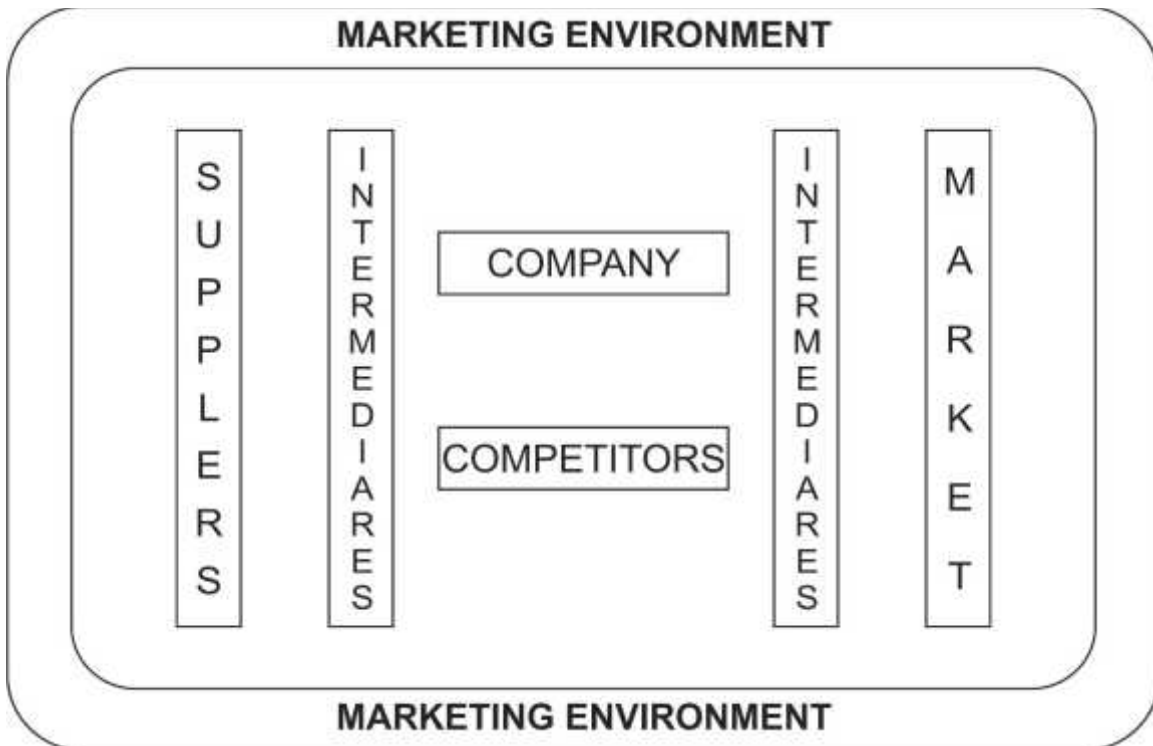


*Source: Kotler (2000:350)*

Thus, marketing occupies an important position in the organization of a business unit. As traditionally defined marketing consists of those efforts, which effect transfer in ownership of goods and case for their physical distribution. It is the process by which products are made available to the ultimate consumers from their point of origin. It consists of all those activities, which are meant to ensure the flow of goods and services from the producer or manufacture to the consumer. The above condition of marketing is a description of the physical activities involved in the process of distribution of goods. This study focused only sub function of marketing system namely distribution system. Distribution is a key element of providing satisfaction in the market place. The vast number of middlemen engaged in marketing activities makes the distribution of goods and services easy and efficient.

The following figure 2.2 illustrates the modern marketing system and its subsystems.

**Figure-2.2**

**A MODERN MARKETING SYSTEM AND ITS SUB SYSTEM**
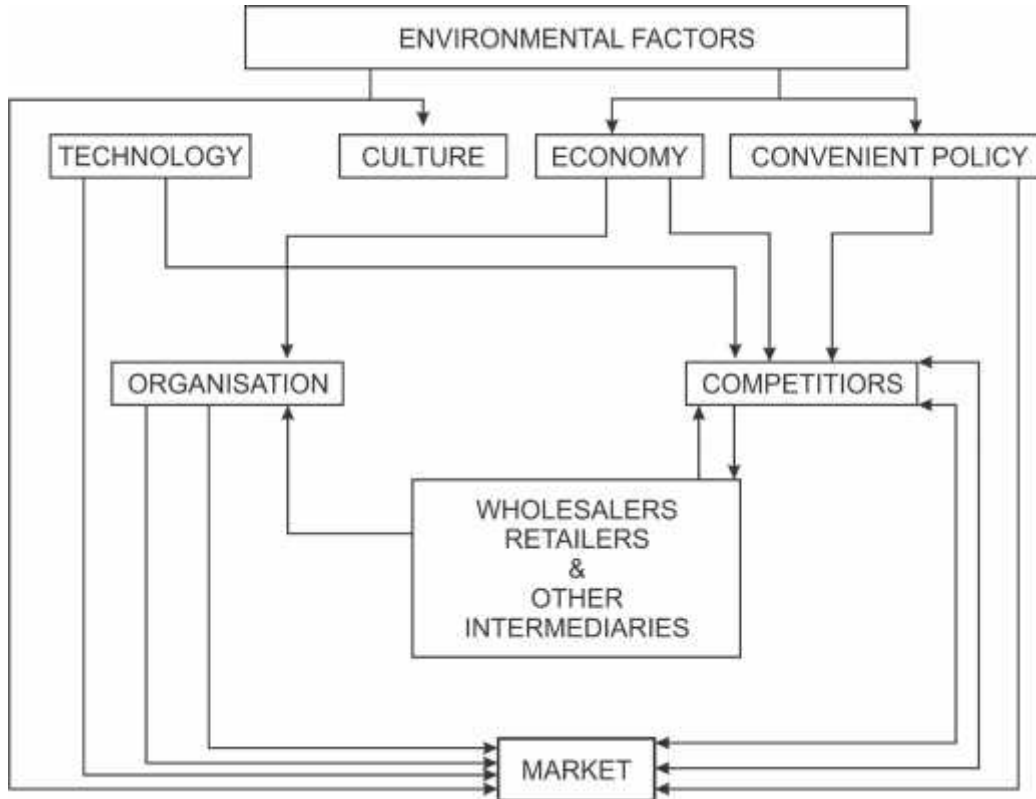


*Source: Kotler (1998:282)*

## 2.2    Distribution- An integral part of Marketing

A uniformly convergent series of continuous functions can be integrated by term distribution, having or containing all parts that are necessary for completeness the job of marketing. It represents a significant corporate commitment to large number of independent companies whose business in distribution and to the particular market they serve.

So the powerful inertial tendency is channel arrangements. Therefore, management must choose channels with an eye on tomorrow's likely selling environment as well as today's.

When the product is finally ready for the market, it has to be determined what methods and results will be use to bring the product to the market i.e. to ultimate consumers and industrial users. This process involves establishing distribution strategies including channels of distribution and providing for physical handling and distribution. Distribution is concentrated with the various activities, such as the movement and storage of goods, the legal promotional and financial activities in the transfer of ownership from the producer to the consumer or users.

Thus the distribution for a product is the route taken by the little to goods as they move from the producer to the customers and ultimate consumers. According to the American Marketing Association "A channel of distribution or marketing channel is the structure of intro company organization units and extra company agents and distributor or retailer through which a commodity products or services is marketed."

It is an important part of the marketing activities of a sales promotion which provides a powerful tonic by performing a number of key functions like information, promotion, negotiation, order processing, financing, risk taking, physical procession, payment and title.

## 2.3   Concept of Distribution and overview

The distribution of goods is the last but the most crucial phase of the process of marketing. A producer or manufacturers has to take positive steps to bring his products to the notice of potential customers in order to arouse a consider the ways and means of arranging the supply of the products to consumer. Goods may be supplied to the consumer in many ways. Each way will be a kind of link road between the producer and the final consumer. The term channel of distribution is used to refer to the various alternative link roads, which connect the producer with in

13

the consumer. The possible paths by which productive may be channels to the consumer are varied in number and character. Some other area rather long and indirect and the manufacturers have to relay on the assistance of specialists who facilitate to flow of goods to consumers. In other hand, some products may be sold directly by the producer to the ultimate consumer and required no intermediaries while other requires the intermediate step of being sold through one more middle man before reaching the consumer.

"The fundamental aim of distribution system is to transfer products from the place of manufacture to the place of consumption; in practice this statement is too general because it says nothing about keeping customers happy or costing money. It is necessary to quality the fundamental aim by adding to it the reason for distribution, which is to provide a service to customers who pay to receive goods as ordered."

A key element of providing satisfaction in the market place is distribution, the marketing activity which perhaps the lowest profitable. Distribution links production and consumption, which matches the demand and supply position. The distribution chain can be shown with the helps of the following figure.

**Fig 2.3**

**DISTRIBUTION CHAIN**
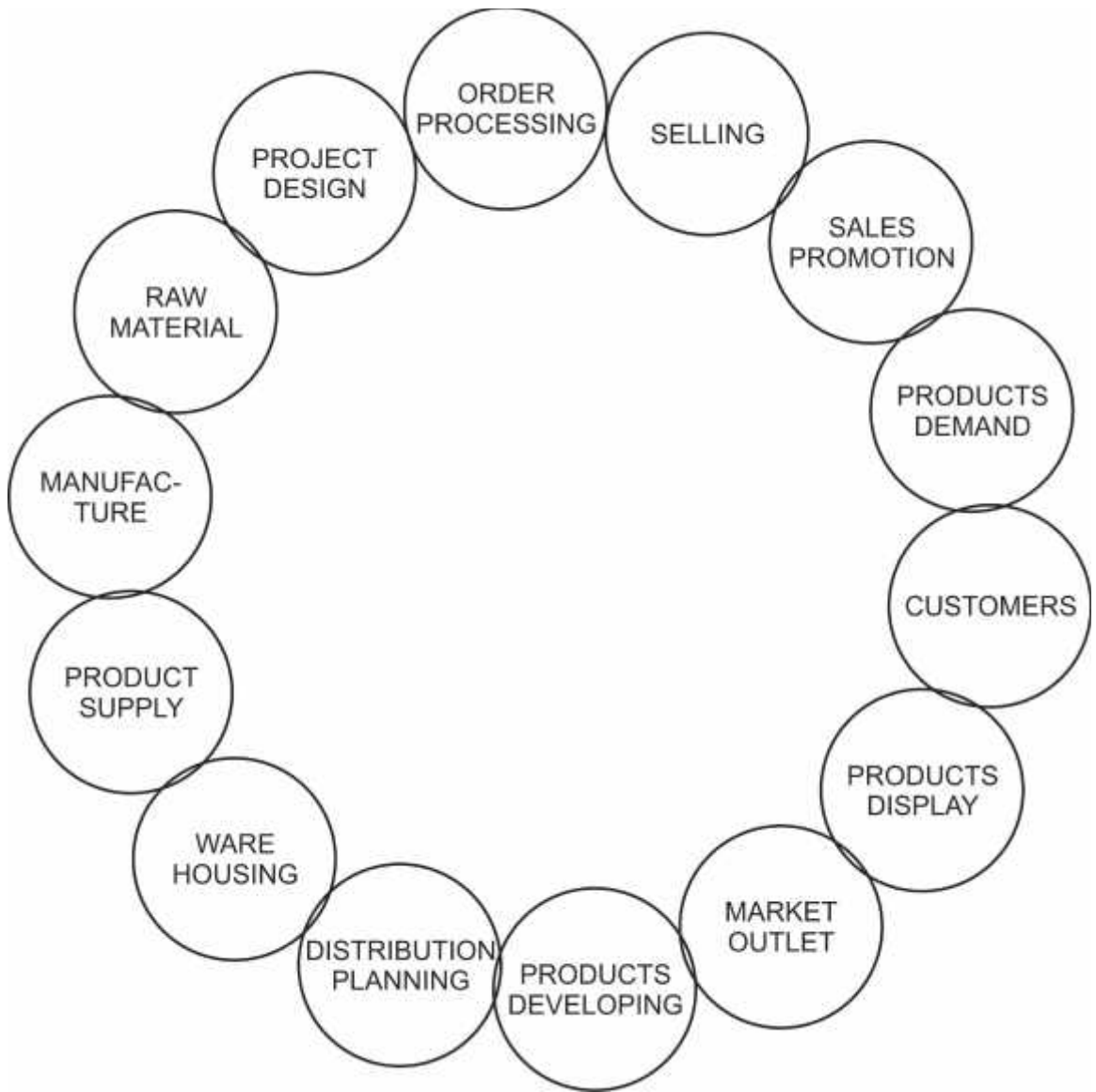


*Source: Shrestha (1996:35)*

### 2.3.1 Physical Distribution

As an integral part of distribution, physical distribution is concerned with those activities related to the physical handling of goods such as freight, transportation, warehousing, material handling, protective packaging, inventory control, plant, order processing and customer service. It is the managerial process of making the product available to consumer at health place and time they want it. Physical distribution refers to the promotion of a logistics system concerned with the movement of products from seller outward to the customer or consumer.

Physical distribution refers to all those activities concerned with the flow of materials. "Attention has perhaps tended to focus too heavily upon the potential for cost reduction within the distribution activity rather than upon the wider issue of devising integrated distribution policies which can impinge on both upon cost and revenues."

Thus, the physical distribution describes the actual movement of physical products from raw materials to final products. Physical distribution activity covers order processing, handling of goods, packaging, warehousing, transportation, inventory control, customer service.

In case of a sugar manufacture, raw material flows from suppliers via transportation companies (transporters) to the manufacture's warehouse and plant. The finished products are warehoused and later shipped to distributors in response to their orders. The distributors in turn sell and ship them to customers. Large orders may be supplied directly from the company warehouses or even from the plant itself. At each stage of movement one or more modes of shipment may be used, including railroads, truck and air freight.

The physical distribution as a physical flow is given in the following figure:

**Fig 2.4**

**PHYSICAL FLOW OF DISTRIBUTION**
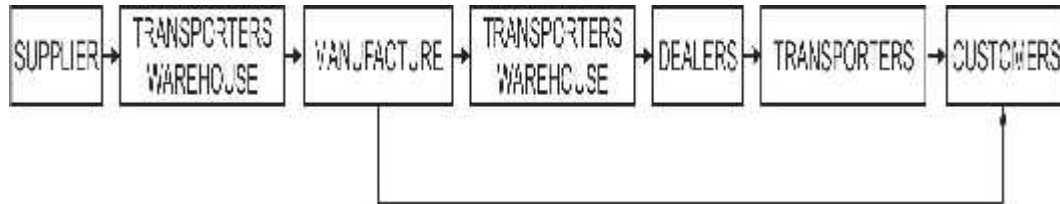


*Source: Kotler (2000:155)*

## 2.3.2  Channel of Distribution

Every producer seeks to link together the set of marketing intermediaries that best fulfill the firms objectives. This set of marketing intermediaries is called the marketing channel or channel of channel of distribution. According to Bucklins definition of marketing channel "A channel of distribution shall be considered to comprise a set of industries which performs all the activities (functions) utilized to move a product and its title from production to consumption." In general the channel of distribution refers to the way of form which the goods and services move from production to the consumer." Channel s is the medium for taking the foods and services to ultimate buyers. Marketing channels vary from direct selling to using intermediaries such as wholesalers, retailers, jobber etc.

The concept of marketing channel is not limited to the distribution of physical goods. Producers of services and ideas also face the problem of marketing their product available and accessible to target population. "Education dissemination system" and "Health delivery system" are simply names for marketing channels to distribute services in non profit sector. The problem is one of the developing and locating a setoff

17

agencies and facilities to provide services to spatically distributed population.

Thus, distribution channels normally are thought to describe routes for the forward movement of products. Increasingly there is talk about the development of backward channels. This is applicable in recycling process.

Marketing channels can be charactered according to the number of channels levels. Each institution that performs some work to bring the product and its title to point of consumption constitutes a channel level. Both the producer and ultimate consumer perform some work of the consumption of the product or title. The channels used for industrial products are different from the channels for consumer goods. Following are some channels useful for industrial products and sugar products also.

```
1  Producer ─────────────────────────────────────────▸ Users
2. Producer ──▸ Agent ───────────────────────────────▸ Users
3. Producer ──▸ Agent ──────────────▸ Distributors ──────▸ Users
4. Producer ──▸ Agent ──▸ Distributors ──▸ Retailers ─────▸ Users
5. Producer ──▸ Distributors Wholesalers ──▸ Stockists or Dealers ▸ Users
6. Producer ──▸ Stockists or Dealers ──────▸ Retailers ──────▸ Users
```
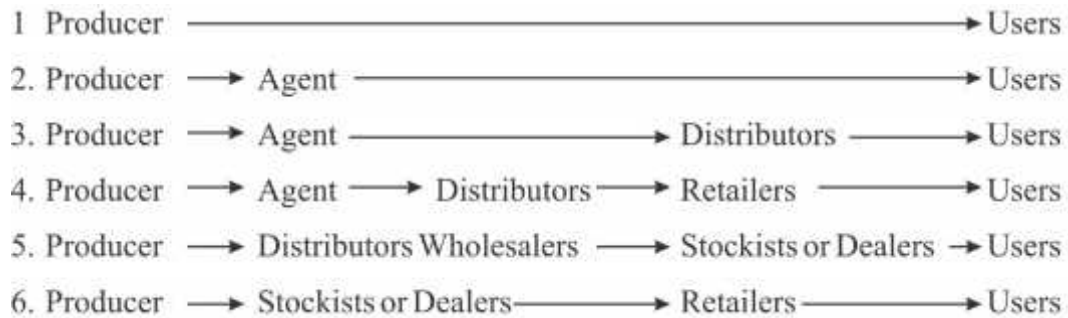
*Source: Shrestha (2007:139)*

There may be channels for consumer goods. The selection of depend upon market control, past practice, reputation, good will, financial strength, previous relation and business line. It also of the cost and location of the consumer. The factor affecting to the selection of channels may be summarized as 1) Market factor 2) Product factor 3) organizational factor 4) Middle factor .The marketers should study these entire factor before selection a channel.  However, Fig 2.5 illustrates several marketing channel of different length.

18

## Figure-2.5

## DIFFERENT LEVELS OF MARKETING CHANNELS



Zero Level (m-c): Manufacturer → Consume

One Level (m-r-c): Manufacturer → Retailer → Consume

Two Level (m-w-r-c): Manufacturer → Wholesalers → Retailer → Consume

Three Level (m-w-j-r-c): Manufacturer → Wholesalers → Jobber → Retailer → Consume
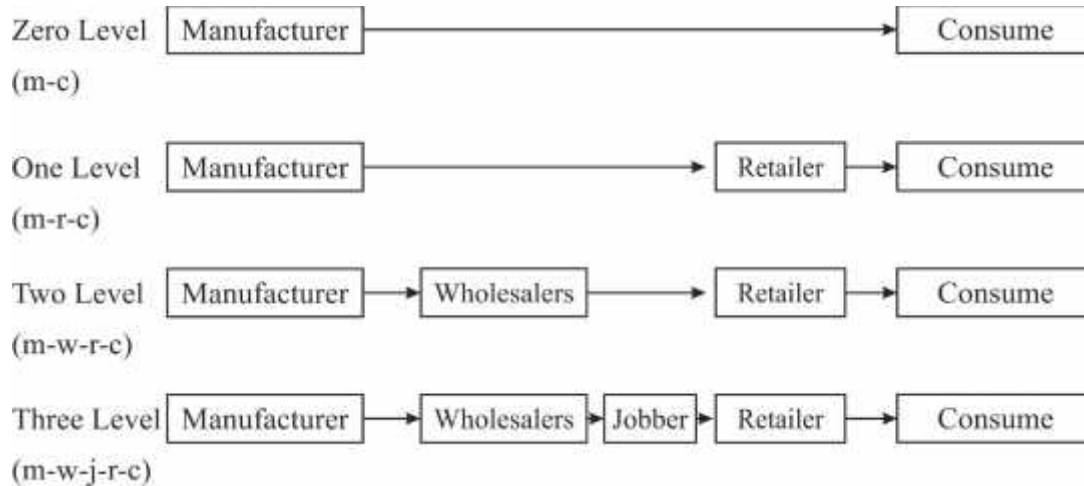
*Source: Shrestha (2007:156)*

Among the above mentioned channel structure, the sugar manufacturing enterprises of Nepal; like ISI, is using the following channel structures, which are:

1. Zero level channel structure (Producer    Retailer)

2. One level channel structure (Producer    Stockist    Retailer)

3. Two level channel structure (Producer    Distributor    Stockist    Retailer)

In zero level channel structure manufacturer directly transfer the goods to retailers with the help of company's self delivery system. In one level channel structure the products from company or manufacturer goes to one intermediaries either to distributor or stockists. Hence they will work as middlemen for the company. In two level channel structures first the product goes to distributors or super-stockists then it goes to stockists and hen only goes to retailer. Here the numbers of intermediaries are tow. The right select of the right channel is not easy an easy job. It depends upon the nature of the products and location of

the costumer. It identifies specifics locations within a logistical system that have requirements for communication. It can be handled only by the experienced and qualified professional. Thus, distribution plays significant role in marketing.

Since, under developed country, main emphasis is being given in production only and other important aspects are almost neglected in Nepal. For example marketing and distribution. It has tended to be enveloped in the traditional concept of marketing, where the guiding spirit of profit increased, sales volume has prevailed. The new marketing concept of customer orientation does not seem to have been able to spread much in Nepalese marketing environment. The traditional hominance of sellers market perpetuated by prevalence of monopoly, oligopoly and monopolistic market situation s have been chiefly responsible for the neglect of the marketing function.

Channel is a system which flows the information, making communication, materials, manpower, capital equipment and money. Channel of distribution is an intermediator between producer and consumer. It can be called channel system, marketing channel or trade channel.

The general business channels adopted by Nepalese business organization are described below.

1. Direct Selling (Producers     Users)

   This is the shortest channels of the channel structure. This is the conventional types of channel structure. There are three alternatives in direct sale to consumers: Sale through advertising and direct methods (mail order selling), Sale through traveling sales men or sales force (house to house convassing), sale through retail shops of manufacture etc. This is a very cheapest and useful to individual goods producers.

Handicraft brick, title agricultural products, industries also use this channel. But this is not feasible for all kings of goods.

2. Distributor or wholesaler or super stockists

Wholesalers purchase the goods from the producer and sales to stockists or retailers. This is one type of bridge between company and retailer. Wholesaler or distributor purchase goods in large quantity from producers and sales to retailer with credit facility. Distributor help in stability of price level and supply goods according to demand. Wholesalers does not perform as manufacturing function. There are many types of wholesalers. This channel is mostly used in sugar distribution, commonly known wholesaler is super-stockist or distributor. Distributors are middle management between company and stockists. Stockists will sell health products to retailers. Hence, distributors purchase the large quantity of goods from company and stock the goods for stockists in each and very month.

3. Dealer or Stockists

Stockists or dealer purchase the goods from company's sales depot or super stockists or wholesalers or distributors and sells the goods to retailers or consumers. Commonly known name in this system is stockists types of distribution system in sugar distribution. Most of the Nepalese sugar manufactures sell their products to stockists and finally products goes to retailer level. But this distribution channel is to level channel for Indian sugar products. Because, first Indian sugar come to super stockists and then go to stockists to retailer in most of the cases.

4. Retailers

Retailers are the last channel bridge of channel structure that buy the products from distributor's ort stockists and sell to

final consumers on ultimate user. Although producers may sell directly to the consumer, but such methods of distributing goods to ultimate users is inconvenient, expensive and time consuming as compared to the job performed by a special in this time.

In Nepal there are numerous retailers but there is no more variety found. The following are the main types of retailers.

⌡ Door-to-door selling

⌡ Speciality shops

⌡ Multiple shops

⌡ General stores

⌡ Single line stores

⌡ Super Market

⌡ Department stores

Besides these channels structure there is another channel which is now emerging as a middle channel between stockists and retailers known as substockists or semi-wholesalers purchase goods from stockists and sell to retailers. But this is not a established and reliable middle men for company and retailers.

However, the new concept of marketing also assumed that the consumer/customer omnipotent and a king who controls the business, wields life and death power over the product types and brands and also over retailers and manufacturers. The intensity of distribution of product is directed by the consumer performance manufactures recognize three degree is a middle course. The channel of distribution is decided by the manufacture in terms of sales volume, costs profits, the middlemen's opinion changes (like price, discount, margin etc.) and manufactures

own circumstances (like variables a financial position, size of business, ability of management product line composition and intensity of distribution desired.)

## 2.4 Review of Related Studies

In today's marketing, most of the producers do not sell their products to the direct consumers. Between the manufacturer and final users stands a host of marketing intermediaries. They perform variety of functions and bearing a variety of names some intermediaries such as wholesalers and retailers buy, take title to and resell the merchandise they are merchant middlemen others such as brokers, manufacturer's representatives and sales agent-search for customers.

⟩ A study on vegetable and fruits production and marketing study research by Deepak Koirala (2058) reach production and marketing in eastern Development region of Nepal. Health also study supply and service in big cities in this region.

⟩ A study on choice criteria used by the buyers of computer education research by Mamata Sapkota (2002). In this research she study choice decision is depend upon quality education. It is effected school computer education and employed, she find computer education is high demand of sells which help to job.

⟩ A study on marketing of Udayapur Cement Factory study by Mr. Dinesh Sharma (2061). Mr., Sharma sees marketing and its efficiency. He found that quality is the main trade of marketing but production management must be discipline works.

# CHAPTER-III

# RESEARCH METHODOLOGY

## 3.1 Research Design

The basic aim of the study is to analyze the present distribution system of ISI and to recommend the appropriate and scientific distribution system. To achieve the goal of the study the research has been done on the basic of available data, opinion, surveys about distribution system.

The design of the study is descriptive cum analytical type and investigates the opinion of ISI management, stockists and retailers about the various aspect of distribution system of this organization. The research design for the study, therefore, been both exploratory and survey types.

## 3.2 Population and Sample

The study is directly concentrated in the analysis of the distribution system of ISI. In order to seek the opinion of the managing Director, Marketing Manager, stockists and retailers a survey opinion have been conducted among them. Hence, the pupation for this survey has been communication, posed among them. Hence, the population for this survey has been composed of all stockists, retailers. Who sell this industry's product and domestic as well as imported sugar concomitancy. Since it is neither feasible nor desirable to conduct a census, different groups of samples have been chosen from five development regions, viz east , central, western, mid western and Far western for the purpose of the study on the basis of convenience. Altogether there were forty one an authorized stockists and one show room among which stockists four hundred and twenty of which fifty each were chosen sample which is sixteen percentage

of the total. The secondary data were collect from different books and unpublished thesis and so on.

## 3.3 Nature and Sources of Data

The data are collected from primary and secondary sources both. The primary data means such types of data which are made available through questionnaire and interviews with the respondents. The secondary data is itself collected date from the records of concerned organization.

In this study both primary and secondary data were used, main sources from which the date were collected are as follows:

- ⌐ Records of ISI
- ⌐ Books related to the marketing and distribution system.
- ⌐ Journals magazines and papers available from various sources
- ⌐ Previous studies and reports
- ⌐ Opinion of the personnel of related field

## 3.4 Data Collection Method

The Primary data which are very important for the study were collected personally by researcher from ISI head office, at harion (Sarlahi).

Similarly, secondary data which are very basis of the study have been gathered through advertising the questionnaire to Managing Director, Marketing Manager, Stockists and Retailers. For this purpose different sets of questionnaires were prepared on the basis of survey of pertinent literature questionnaire, thus, prepared were primarily tested through pilot study and were made comprehensive finally. Then, the researcher himself administered questionnaires to different groups of respondents located in different towns and cities by visiting them personally. Altogether

each questionnaires from managing director, Marketing Manager, ten from stockists and fifty from retailers were collected.

## 3.5 Data Processing Procedure

Obtained data from different sources were processed by checking, verifying, analyzing and synthesing, tabulated and presented for analysis and interpretation as per the requirement of the study. However, original forms of the date questionnaires framed have been presented and provided at the right places of this study report.

## 3.6 Data Analyzing Techniques

For the purpose of the analysis of data collected for the study, two approaches have been followed description and informational. In descriptive analysis, secondary date have been analyzed and interpreted on time series basis, employing various techniques such as financial ratios, annual rate of percentage change, indices, and trend line and so on. Written primary data of cross- sectional response of ISI management concerned stockists, and retailers for the question asked on the basis of percentage. Moreover, the sealed questions were analyzed by computing the weighted average for each response. The computed mean score (M.S.), which can range from the maximum of 1 to minimum 5 is interpreted as favorable if the mean score value is nearer 1 and on unfavorable if the mean score value is nearer 5. For the purpose of interpretation the range is distinguished in the following way:

1.0   to 2.50 Favorable (Maximum)

2.51 to 3.50 Indifferent (Moderate)

3.51 to 5.00 Unfavorable (Minimum)

Descriptive analysis for all scatted question is uniformly done in the aforesaid manner. In addition, in order to be conclusive, inferential analysis has been done.

### 3.7    Limitation of the Methodology

Nepal is striving for sustainable economic development with the active participation of both public and private sectors. In today's context of globalization Nepal has to work hard for industrial development. Because, there are world class competitors in the same market place. Thus, management in each and every unit of the organization is must whether it is marketing or production. Research and development (R&D) of quality, control, promotion or distribution. However, an inquiry into the performance of these enterprises reveals the fact that barring a few most of them are virtually mismanaged and as a result they are running in loss. Despite this fact, the private sector of Nepal is yet to be developed. It is, therefore, greater emphasis has now been laid to market hem efficient private sector organizations. On this background study endeavors to inquire into how a sugar industry such as ISI be operated efficiently particularly, in the field of distribution. The basic objectives of the study have, therefore, been having a true sight industry in Nepal with special reference to suggestion to for its improvement.

# CHAPTER-IV

# PRESENTATION AND ANALYSIS OF DATA

In this research, the main objectives of study are distribution system of ISI and it's depending on local market and consumer. Place or where the product is made available is the third element of the marketing mix and is most commonly referred to as distribution when a following a channel of distribution. The channel of distribution fro many sugar products include sugar-processing plants, warehousing, wholesales and retailers. Distribution is the managerial process of making the product available to consumers at the place and time they want it. Merely creating a customer and creating a product do not complete the process of marketing rather delivering the product to the customer is a equally important part of the marketing process. Distribution is the aggregate of the business activities that results in the product flow from the point of manufactures to the point of sale. Thus, it is the part of economic and managerial aspect of making philosophy, which deals milk the creation of 'time', 'place', and 'possession' utilizes, which means that by performing the function of marketing goals and services are sought to be make available at the time when customer need it. Distribution has to be planned effectively and efficiently is such a manner that it can ensure the continuous flow of goods and services from the point of origin to the consumption and the cost of distribution can be kept at the minimum possible level.

In this context, channels of distribution provide the medium through which products and services move from the producer to the ultimate consumer. A host of intermediaries is called the marketing channel. These, intermediaries or agencies bear a variety of name of such as sole selling agents; marketers, wholesalers, distributors, stockists, semi-wholesalers: franchised dealers; retailer; authorized representatives; brokers; commission agents and jobbers. These agencies negotiable sales transaction and direct the physical movement and storage of the product so as to place it ultimately in

possession of final buyers where, when and what quantity they want it. Evidently, every marketing channel contain one or more transfer points at each of which these is either an institution or final buyer Thus, "marketing channel are the paths ,that ,goods and title to them , follow from producer to consumers.

Thus, distribution channel plays a vital role in attaining marketing objectives. It creates values and time and place utilities; moreover, it is to mark that time and place utilities are mote important than the value utility firm the customer's point of view. In this regard, Drunkers contend that "both the market and the distribution channel are often more important than the product. In spite of the fact that some arguments emphasis the channels as a more route taken by the title to the goods and some consider it as a separate and different from the organization and the economic environment is as logical and pertinent an extension of the production unit as arms and legs are of the human body.

The channel design and management is considered to be one of the most difficult problem faced by the management. Once the management is ready to design the channels of distribution, the first task it comes across is to select basis channel itself. The channels are: direct level, one level, two level, three level etc. In addition to these channels, the business organization may be follow any other channels structure. The channel level used by Sugar industries under study are described in the next topics.

## 4.1　Existing Channels of Distribution

It is not easy to choose the optimal channel structure of an enterprise, because it depends on many factors along with the total marketing mix components. Ordinarily marketing management finds more than one channel type that can meet the performance specifications. The channel structure consists of the channel length and channel type. Most of the enterprises are adopting multiple channels to gain as much market accessibility as possible. Decision regarding channel structure is a

pivotal task and it involves managerial insights while evaluating and considering different factors. Among the various factors affecting the selection of the channel structure the consumer characteristics like geographical concentration, buying habit and patterns affect the process significantly. Similarly, product nature demands different channel structure accordingly. The firm should analyze the characteristics of the product and choose a channel design that is most suited to the product. If the product are of perishable nature or complex or of very higher value, generally shorter channels are used and vice-versa. Firms with large resources-financial, marketing and managerial may afford to set-up own channels shorter in its length. For example, in textile business, Bombay Dying, DCM and Mafatlas have gone in establishing a direct network marketing intermediaries in the other regarding the distribution of the products. The desire and policies of manufacture too decides the nature of channel structure. Again, channel choice may be related to the product lifecycle stage. The firm should also study the competitors channel patterns in depth, while deciding the channel structure. In the present day distribution environment, the nature and pattern of promotional activities are of vital importance. Hence, these activities made by intermediaries are also becoming important determinants to help the enterprise while deciding channels. Thus, the channel structure should be decided by carefully evaluating all these factors and also the total marketing policies and marketing mix. However, it is true that channel designs vary from firm to firm objectives vary form firm to firm.

The channel structure of Nepalese enterprises shows great variation. No proper attention has been paid to create an effective and systematic channel structure. It seems that the Nepalese managers take least interest in distribution task, rather they assume that established conventional distribution tires will act automatically for the sale of their product, it is interesting to note that the personnel of enterprises are rather bureaucratic in their function than what they ought to be. The ISI

is not an exception to this fact. However, the present pattern of distribution channel in ISI is discussed and analyzed in this section.

The channel structure used by ISI is shown in the below table.

## Table 4.1

## Channel Structure of ISI

Distribution Channel Structure

1. Stockists     Retailers

2. Peripheral Zonal Distributors     Stockists     Retailers

1. Producer     Stockist     Retailers

2. Producer     Retailers (mostly)

3. Producer     Showroom     Retailers


ISI has used three types of channel structure as can be seen in the figure 3.2. Mostly used channel structure of ISI is Producer     Retailers where company has self delivery process to retailers. Secondly used channel structure is Producer     Stockists     Retailers which is applicable only at the Western part of Nepal i.e. Butwal-Nepalgunj Sector. Third type of channel structure used by ISI is Producer     Showroom     Retailers which is used only at Kathmandu and Biratnagar.

From the above fact, it can be said that mostly used channel structure of Nepalese sugar industries is Producer Stockists Retailers types of one level channel structure. The channel of distribution of ISI has been presented in the following figure 4.1

## Figure 4.1

## Distribution Channel of ISI



*Source: Department of ISI*

The choice of channel structure is always backed by some considerations like the market, product, company, middlemen and consumer their geographic condition etc. taken in account.

Sugar is life saving substance. So their sale depends upon the awareness and demands of consumers. Besides these, a consumer who is regularly using sugar do not purchase the sugar himself. Health can purchase the sugar only after the full enquiry and observation. The retailer sells sugar products. The market of sugar is spread all over the country. In this connection the longer channel used by these industry seems to be justified. The longer channel can only replace the domination of Indian Products to some extremes. So it is the duty of the sugar industries to develop their channel route and fulfill over national demand of sugar as soon as possible. It is the main motto of the establishment of sugar industries in Nepal.

In order to deliver the optimal level of service output to their target consumer manufactures must allocate some of their task and marketing flocks to intermediaries. As any marketing channel moves goods from producer to consumer, the marketing intermediaries perform or

participate in number of marketing flows or activities. Thus each producer must decide who will perform, which of these functions in order to delver the service output levels that the target consumer desire. Producers delegate the flows for a variety of reasons. First they may lack the financial resources to carry out the intermediaries activities themselves. Second may producer can earn a superior return on their capital business rather than into the distribution of their products. Finally, intermediaries' goods and services widely available and accessible to final users.

The second task, the management faces is channel decision, its to determine the intensity of distribution i.e. to determine the member of middlemen. Generally three course of action are valuable in this case namely a. intensive distribution, where the seller will look for every outlet to sell the product b. Selective distribution where the marketers will have only a few outlets on particular market c. Exclusive distribution where the supplier will enter into agreement with a particular wholesalers or retailer and sell only to that middlemen in the given market. The figure 3.4 shows the intensity of distribution clearly.

## Fig 4.2

## Intensity of Distribution
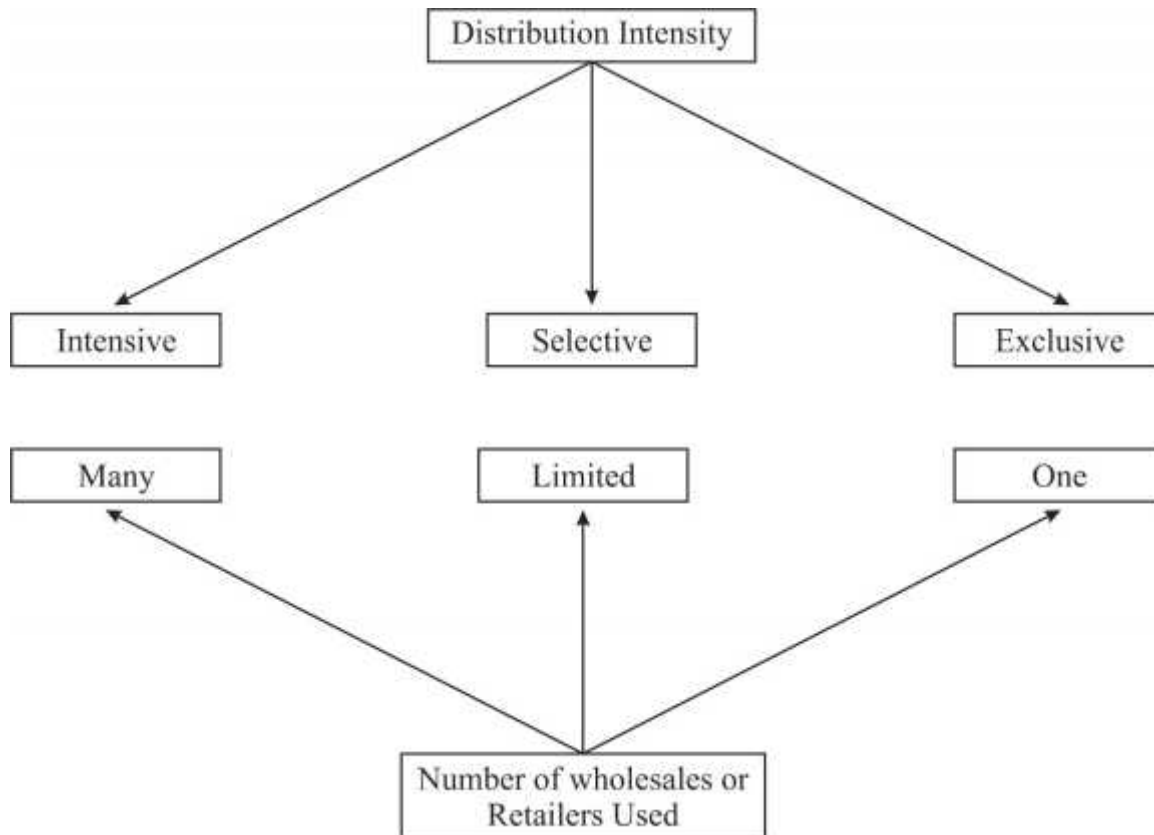


*Source: Kotler (2000:196)*

Intensive: Sell your product in every outlet where final customers might reasonable book for it.

Selective: Use limited number of wholesales and for retailers in a given geographic area

Exclusive: Use only one wholesales or retailers and a given market.

Existing channel structures of ISI are described below.

### 4.1.1   Existing Channel of ISI

ISI has used intensive types of distribution. ISI has segmented its market into four territories like Kathmandu, Janakpur, Butwal and Biratnagar and have no appointed any super stocksits or distributor there. They sell their products by self delivery process of zero level channel structure mostly. The retailers are working as a sale promoted and get extra deal or bonus for that. Although ISI has used on shoe room at Kathmandu, Biratnagar and Birgunj has appointed for stockists of ISI. The sales position of ISI is given in the table 4.2

## Table 4.2

## Channel Average Sales of ISI

Value in Rs

| Year | Total Sales | Stockists | | Retailers | |
|------|-------------|-----|---------------|-----|---------------|
|      |             | NO  | Average sales | No  | Average sales |
| 2063 | 72,00,000   | NA  | NA            | 113 | 63716         |
| 2064 | 71,00,000   | NA  | NA            | 113 | 62831         |
| 2065 | 78,00,000   | 4   | 19,50,000     | 114 | 68421         |
| 2066 | 80,00,000   | 4   | 20,00,000     | 229 | 34934         |
| 2067 | 82,00,000   | 4   | 20,50,000     | 685 | 11970         |
| 2068 | 85,00,000   | 4   | 21,25,000     | 688 | 12355         |

The above table presents comprehensive average sales of stockists and retailers who are working for ISI. The contribution of stockists is partially represents only at the area of ISI. Nepalgunj, Biratnagar and Kathmandu sector. Rest of the whole country is distributed by self delivery process by the company. From the market survey it is found that the cream market of ISI is central part of Nepal. The company itself represents from Harion but there are not any marketable sales. Company is supplying their goods in industry and they are marketing molasses also. It is first company for the manufacturing company of sugar in the central development region of Nepal. The above sales shows that the constant or conservative sales for six years, from 2063 to 2068. In this dynamic world this slow progress itself confusing the bright future of the company. But, on the other side industry is very much conscious in inventory, collection and breakage, expiry position. So, the industry will not face so many such problems and there can be a profitable condition for the industry, which ultimately help to a smooth run of the industry.

In the above study in table, it is clearly shown that the retailers' average sale is decreasing from 2063 to 2068. As the number of retailers is increased the average sales of the retailers are decreased year after year. Average sales of retailers are increased in 2065 as compared to 2064. Where the number of retailer was 113 in 2063 and is become 688 in 2068. All these sales figures show that the industry could not create its market in the increased number of retailers.

During the study the demand and supply position of the ISI products were also observed. The demand is fulfilled by the industry as demand created by marketing department. The industry has not depended on stockists. So the channel structure of stockists is not fully applicable. Because the company has its own self-delivery process to retailers. The table 4.3 reveals that the product group and its average sales in available stockists. This figure is applicable only

in WDR, MWDR and FWDR. Rest of the areas are covered by industry's show room of Kathmandu and Biratnagar self delivery process i.e. Zero level channel structure.

## Table 4.3

## Stockists Average Sale

Value in Rs

| Stockists | Sale | Change in percent |
|---|---|---|
| 220000(110000) | 120000(60000) | -45.45 |

The above table No reveals the stockists monthly sales. The table clearly shows that sales is increased in crushing season and decreased in off season.

Further in order to take a look at the comparative position of retailers' sales of ISI and Non-ISI products. The comparative data of retailers was obtained with the help of questionnaire survey method. The table 4.4 shows the retailers average monthly sales of ISI and Non-ISI product in 4 development region.

## Table 4.4

## Retailers Monthly Average Sales

Value in Rs

| Industry | EDR 25 | CDR 20 | WDR 3 | MWDR 2 | FW DR | Total 50 |
|---|---|---|---|---|---|---|
| | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| ISI | 29100 (1164) | 9987.5 (499) | 21000 (7000) | 19500 (9750) | - | 79587.50 (1591.75) |
| Import only | 7225150 (289006) | 5235500 (261775) | 267500 (89168.6) | 160000 (80000) | - | 12888150 (257763) |
| Domestic(Including ISI) | 1632375 (65295) | 1001500 (50075) | 140000 (46666.6) | 85000 (42500) | - | 2858875 (57177.5) |
| Total Non-ISI | 8828425 (353137) | 6227013 (311450.6 | 386500 (128833) | 225500 (112750) | - | 15661438 (313338) |

*Source: Market Survey (2068)*

The table 4.4 reveals that ISI is averaging the sales of Rs 1591.75 a retailer in a month. The sales performance of ISI is highest in MWDR (Rs 9750 a retailer in a month) followed by WDR (Rs 7000 a retailer per month), (EDR Rs 1164 a retailer per month) and CDR (Rs 499.37 a retailer per month) respectively. The industry is contributing 0.6 percent to Indian products and only 2.78 percent to domestic production. That figure also indicates that the industry contribution to the national sugar requirement is negligible. Most of the retailer of Birgunj is not keeping the products of ISI. This means ISI has not a modern marketing strength, although the industry itself represents from the central development region of Nepal.

## Table 4.5

## Channel Structure of ISI

| | |
|---|---|
| Nos. of Stockists | 4 |

*Source: Marketing and sales dept. of ISI (2068)*

The table 4.5 reveals that the number of stockist appointed by ISI is four numbers after marketing the sugar for 12 years. ISI has not thought about the distributor channel structure. The channel structure and its growth can be seen from the following table 4.6

## Table 4.6

## Comparative Channel Growth of ISI

| Year | ISI | |
| --- | --- | --- |
| | Distributor | Stockist |
| 2064 | NA | NA |
| 2065 | NA | 4 |
| 2066 | NA | 4 |
| 2067 | NA | 4 |
| 2068 | NS | 4 |

*Source: Marketing Department of ISI (2068)*

### 4.1.2  Distribution Network of ISI

Distribution network is an important marketing function describing the marketing activities relating to the flow of raw materials from the suppliers to the factory and the movement of finished goods from the

39

end of production line to the final consumer or end-user. The distribution network of ISI is shown in the below

**Table 4.7**

**Distribution Network of ISI**

| DISTRIBUTORS | STOCKISTS | RETAILERS | | |
|---|---|---|---|---|
| | | Rural | Urban | Total |
| - | - | 135 | 160 | 295 |
| 1 | - | 87 | 100 | 187 |
| - | 2 | 30 | 38 | 67 |
| - | 1 | 30 | 45 | 75 |
| - | 30 | 43 | 73 | - |
| 1 | 4 | 312 | 376 | 688 |

*Source: Marketing & Sales Department of ISI (2068)*

The table shows that ISIS has 1 showroom at Kathmandu in 2068. The industry has appointed its stockists in WDR-2 and in MWDR and FWDR one-one each. Thus, the total number of stockists appointed by the company is just 4. In rest part of market, industries distribute its product industry to retailers through self delivery system. The total number of retailer's coverage that the industry is not able to cover most

of the retailers. So far the improvement of sales performance ISI should cover more retailers with the help of scientific distribution system.

The sales volume and product range is one part of the higher number of middlemen or stockists requirements. The higher numbers of stockists are directly proportional to the market coverage.

**Table 4.8**

**Retailers Monthly Average Sales of ISI**

Value in Rs.

| Industry | Retailers Average sale for month (50) | Contribution in Percentage |
|---|---|---|
| ISI | 79587.50 (1591.75) | 2.50 |
| Imports Only | 12888150 (257763) | 81.85 |
| Domestic Only | 2858875 (15177.50) | 18.15 |
| Total (Imports+Domestic Only) | 15477025 (314940) | 100 |

*Source: Market Survey (2068)*

The table 4.8 reveals that domestic products contribute only 18.15 percent to the total consumption of the sugar in the country. The figure is based on the average retailer's sales a month. Which is prepared after 50 retailer's view and market survey through questionnaire method? The sales performance of ISI Rs 1591.75 a retailer (2.50 percent contribution to the total consumption). The table clearly shows that the

Indian products are contributing by 81.85 percent of the total requirement where the contribution of ISI is only 2.30% of the national sugar requirement. The major reason for this situation may be unavailability of the product and limited product range of these industries.

## Table 4.9

## Sales Figure of ISI

| Year | Sales (In Rs) |
|------|---------------|
| 2063 | 72,00,000 |
| 2064 | 71,00,000 |
| 2065 | 78,00,000 |
| 2066 | 80,00,000 |
| 2067 | 82,00,000 |
| 2068 | 85,00,000 |

*Source: Marketing Department of ISI (2068)*

The table 4.9 reveals the fact that the sales of ISI is growing very slowly. Its sales are highest in the year 2068.

## 4.2 Cost of Distribution

Cost of distribution is one of the prime factors of the distribution policy of an enterprise. Costs relating to distribution function play a very important role in attaining the other factors as it may restrict an enterprise from opting a more forceful channel from the point of view of other social factors. In fact most of marketing failures are caused by distribution failure and distribution failure is caused by high distribution cost. Mostly, this factor of costs includes transportation cost, ordering processing cost, cost of lost business, inventory carrying cost, protective packaging cost and material handling cost which are interdependent and do interact. Channel length, customer access and satisfaction market coverage along with the cost of distributions are the major factors which management considers important for formulating distribution strategies.

Cost of distribution, may vary in different sets of channel adopted by the company for a target market or in the same sets of channel adopted by the company for different target market located in different geographical regions. Considering transportation cost, it may vary market to market depending upon distance in one hand, freight charges of means of transport are the other. This variation also depends upon destination and slow or faster means of transportation, types of warehousing, number of intermediaries and allowed margin to them etc. Thus, to get success in marketing it is not sufficient to select a set of channels suited to attain marketing goals, but a serious attempt has to be done in connection with the cost minimization in distribution.

However, in Nepal, cost of distribution and other factors seem to have had no impact on distribution policy and pattern. This may be due to the lack of sound and specialized and institution or agent; lack of well defined market control of intermediaries and lack of well defined policies and strategies of manufactures. It indicates that in the Nepalese economy, very little efforts has been made for demand creation aspect

of distribution and consequently, it proves that distribution has received only lesser importance.

### 4.2.1  Distribution Costs

Distribution cost include outlays for transportation and storage from point to point as product moves to market, includes the margin taken out by various intermediaries and also the experts involve in inspection and other miscellaneous activities. In practice, there are widely varying methods of calculating distribution costs which do not even reflect the traditionally accepted principle of volume weigh distribution cost relationship mainly due top the inclusion of the margin of intermediaries which seem to play a very important role in determining the distribution costs.

In ISI distribution cost is calculated as the difference the Retailer Sales Price (RPS) and manufactures Standard Billing Price (SBP). Thus, it includes the margin charged by the intermediaries distributors/stockists and retailers as well. Distribution costs of ISI do not include the cost of physical education. Hence, here in, (SBP-RSP) excludes the physical distribute cost.

# Table 4.10

## Distribution Cost of ISI

Value in percent of sales

| Year | | |
|---|---|---|
| 2065 | 2066 | 2067 |
| 15.0 | 15.0 | 15.0 |

*Source: Marketing & sales Department of ISI (2068)*

The table clearly reveals that the distribution cost of ISI does not varied from 15 percent of sales price.

### 4.2.2   Physical Distribution Cost

Physical distribution is with the movement of the right amount of the right goods to the right place at the right time. Physical distribution is the management of the physical flow of the product. It not only includes the flow of finished goods from producer to the final customers but also the flow of raw materials from their sources to factor. It also includes the flow of goods from producer to the middlemen and from them to customers. At present, physical distribution has been booked with greater significance because it contributes substantial cost factor in case of many producers. Generally, following tasks are included under physical distribution system.

⌡ Determine the inventory location and establish a ware-housing system.

- ) Establish a material handling system.

- ) Maintain an inventory control system.

- ) Establish producers to process the order.

- ) Select a method of transportation.

A decision in any one task may affect the decision on other tasks. So, a system approach seems to be necessary in handling the overall physical distribution itself.

The strategies adopted by the sugar industries in the above mentioned task is explained below.

**Inventory location, Warehousing and Material Handling System**

During the production process firm producers between its various plant. In this case has its own go down inside the factory. The finished goods inventory is located at the factories own go down. Thus, the sugar industry in central development region has practiced the central distribution of different warehousing system.

The problem of warehousing and material handling system includes the problem relating to actual storage of goods, handling of goods, bringing in and out the goods etc. For handling the goods, the companies use "Thela" as well as manual labour.

Incase of raw material godown of ISI is attached to factory to minimize the cost and wastage. ISI purchase raw materials from its neighbor district and other territory of Nepal.

**Transportation and Insurance**

There are different forms of transportation like railway, roads, trucks, water vessels, air planes etc. Nepal being a mountainous country so

there are lacking of some transportation forms. ISI us mostly transport service, local bus and trucks often use industry own truck to deliver the sugar. Transportation for actual movement of sugar are entirely left on the hands of stockists. For this, the industry grant Rs. 30, Rs 50 and Rs 60 as transporation expenses per sugar sack irrespective of its weight to the stockists of Biratagar, Kathmandu and Nepalgunj territory respectively. Warehousing is the problem of the stocksits themselves. ISI has not insured the goods to be delivered to local area.

## Table 4.11

## Physical Distribution and Distribution Cost of ISI

| Year | ISI | | |
|---|---|---|---|
| | PDC | DC | TDC |
| 2065 | 1.5 | 10 | 11.5 |
| 2066 | 2.0 | 10 | 12.0 |
| 2067 | 2.0 | 10 | 12.0 |

*Source: Account Section of ISI (2068)*

The table 4.11 reveals that not much attention has been paid to physical distribution. Costs included there to as a percent of sales are very low. Since this cost covers only transportation expenses and loading ad unloading charges, it was the highest 2.0 percent in 2066 and 2067 while in the year 2065 it only 1.5 percent.

## 4.3	Distribution Policies and Practices

The basic concern of ISI distribution policy is to distribute its product to all over the country. Sugar can be sold retail on the demand of consumer only. Thus, sugar through their stockists. However ISI is sold through its own truck from the industry to retailers. Thus, ISI has adopted multiple distribution policies. ISI has multiple choices and has used intensive types of distribution intensity, it has used producer    Retailer, Producer    Stockists    Retailer and producer    showroom    Retailer types of distribution channel.

### 4.3.1	Selection of Channels of Distribution

In order to have an insight into the practice of ISI selection of channels of distribution a question was asked to the ISI's management of the organization as to "How did you select the present channels of distribution." The response of the management was as per the given details.

The management of ISI responded that they considered reputation, past practice, financial strength, goodwill and business life, market control and previous relation for the selection of channels clearly shows the decreasing order of priority.

Similarly stockists and retailers were asked a separate question for their response as to "What do you think should be considered while selecting the channels of distribution." Their responses along with ISI management have been exhibited in the table below.

**Table 4.12**

## Consideration for Selecting Channels of Distribution

| Considerations | Mean Scores | | | Total m.s. | Average m.s. |
|---|---|---|---|---|---|
| | ISI | Stockist | Retailer | | |
| Market Control | 3 | 2 | 2.1 | 7.1 | 2.36 |
| Past Practice | 2 | 2.3 | 2.3 | 6.6 | 2.20 |
| Reputation | 1 | 1.3 | 1.2 | 3.5 | 1.70 |
| Financial Strength | 2 | 2.3 | 1.8 | 6.1 | 2.03 |
| Goodwill | 2 | 2.1 | 1.7 | 5.8 | 1.93 |
| Previous Relation | 4 | - | 3.1 | 7.1 | 2.36 |
| Business Line | 2 | 3.1 | 3.2 | 8.3 | 2.76 |
| Total | 16 | 13.1 | 15.4 | 44.5 | 14.83 |
| $\bar{x}$ | 2.28 | 1.87 | 2.20 | 6.35 | 2.11 |

*Source: Market Survey (2068)*

The above table reveals that stockists and retailers gave similar opinion with ISI management with regard to past practice, reputation, financial strength and goodwill giving maximum emphasis, but differed with regard to market control, for which they expressed high emphasis (stockists m.s.; retailer m.s. 2.1) as opposed to management giving moderate emphasis (m.s. 3) and previous relation and business line for

which they expressed moderate emphasis (stockists m.s. 3; retailers m.s. 3.1 and 3.2 respectively) as opposed to the management giving minimum and maximum emphasis (m.s. 4 and m.s. 2 respectively).

The table also indicates the regarding the selection of channels of distribution, on average high degree of emphasis was given by stockists retailers and management of ISI to reputation (m.s. 1.70), previous relation (m.s.1.93), goodwill (m.s. 2.03), past practice (m.s. 2.20), market control (m.s. 2.36), previous relation (m.s. 2.36) and business line (m.s. 2.76). However, the table also shows that on the whole (total and average (m.s. 2.11) the above consideration enlisted in the table should be taken into account while selecting the channel of distribution.

### 4.3.2   Appointment of Stockists

ISI distributes its products through showroom, self delivery to retailer and stockists. ISI management enter into the memorandum of understanding (MOU) with the stockists to make the distribution effective,

In order to have an insight in to the practice relating to appointment of stockists, a question was asked to industry's management as "Regarding the appointment of stockists what factors do you consider". Management of ISI preferred reputation, goodwill, financial strength and previous relation in a maximum level, where as market access, channel strength, past practice and business line were preferred moderately.

Similarly stockists of ISI was also asked a question for the response as to "What do you think should be considered while appointing stockists for distribution to products." The responses of stockists have been exhibited in the following table.

**Table 4.13**

**Consideration for Appointing Stockists**

| Considerations | ISI | | Average |
|---|---|---|---|
| | ISI | Stockists | |
| Market Access | 3 | 2.1 | 2.55 |
| Channel Strength | 3 | 3.1 | 3.05 |
| Past Practice | 3 | 3.2 | 3.1 |
| Reputation | 3 | 2.1 | 2.55 |
| Goodwill | 2 | 1.8 | 1.9 |
| Financial Strength | 2 | 4.2 | 3.1 |
| Previous Line | 2 | 3.1 | 2.55 |
| Business Line | 3 | 2 | 2.50 |
| $\bar{x}$ | 2.63 | 2.7 | |

*Source: Market Survey (2068)*

Stockists opinion of ISI about the consideration to be taken in account in appointing stockists was good will (m.s. 1.8) giving similar opinion with ISI management maximum, channel strength (m.s. 3.1), past

practice (m.s. 2), were moderate level giving similar opinion with ISI management in connection with market access (m.s. 2.1), reputation (m.s. 2.1), financial strength (m.s. 4.2), previous relation and business line (m.s. 2.2) from maximum to moderate level.

The overall response of ISI management and stockists combined shows that higher emphasis was given them were goodwill (m.s. 1.9), business line (m.s. 2.50) reputation and previous relation (m.s. 2.55 each), channel strength (m.s. 3.05) and past practice and financial strength (m.s. 3.1 each).

### 4.3.3  Rating of Matters relating to Distribution

Successful distribution depends upon the favorable distribution cost. i.e. margin of intermediaries and physical distribution cost, satisfactory scale of availability of channels in the country, favorable distribution system as compared to competitors and reliability of overall distribution channels in Nepal.

In order to have an insight into how ISI stockists and retailers rate about the matters relating to distribution of ISI products, a question was asked to them as to "How do you rate the matters relating to distribution." The response is given below.

The management of ISI responded that distribution system of ISI vis-à-vis competitors (m.s. 2) maximum satisfactory and distribution cost, available channel in the country and overall channel available in Nepal (m.s. 3 each) shows moderately satisfactory where as stockists rated distribution system of ISI vis-à-vis competitors (m.s. 2.1) available channel on the country (m.s. 2.2) and distribution cost of (m.s. 2.3) shows maximum satisfactory where moderately satisfactory responses to overall available channel in the country ( m.s. 3.1). Retailers, on the contrary rated all particular as moderately satisfactory showing mean score of particulars (m.s. 3 each).

**Table 4.14**

**Rating of Matters Relating To Distribution**

| Particulars | Mean Score | | | Total m.s. | Average m.s. |
|---|---|---|---|---|---|
| Distribution Cost of ISI | 3 | 2.3 | 3 | 8.3 | 2.76 |
| Available channel in the country | 3 | 2.2 | 3 | 8.2 | 2.73 |
| ISI's distribution system vis-à-vis competitors | 2 | 2.1 | 3 | 7.1 | 2.36 |
| Overall distribution channel available in the country | 3 | 3.1 | 3 | 9.1 | 3.03 |
| Total | 11 | 9.7 | 12 | 32.7 | 10.9 |
| $\bar{x}$ | 2.76 | 2.42 | 3 | 8.17 | 2.72 |

*Source: Market Survey (2068)*

The table clearly reveals that the overall mean rating of the management of ISI (m.s. 2.75), stockists (m.s. 2.42) and retailers (m.s. 3) and the overall mean rating of the three group is (m.s. 2.72) indicating moderately satisfactory. All these figures indicate the fact that they are not very pleased with ISI's overall distribution system.

### 4.3.4 Effectiveness of Sugar Distribution System

In any business organization effectiveness of the distribution system depends on the effectiveness of their components such as transportation, storage, advertising, market research, credit and finance facilities and market exploring and expansion. The organization may itself arrange these facilities should or depend upon other agencies for them. In any case, these facilities should be effectively and efficiently provided for effective distribution of its products. It has, however, been observed that the organization has no availed these facilities adequately in one hand, and whatever have been availed are not effective and efficient, on the other inadequate transportation, effectiveness of advertising agencies, not existences of market research, insufficient support are some notable problems which have resulted in the ineffective distribution system.

In order to have an depth study of the effectiveness of ISI distribution system, a question was asked to the management as to "How far the distribution system has helped in attaining the functions like transportation, storage, advertising, market survey, credit and finance, new market exploration and expansion" the response of ISI has been presented in the table. which results that this industry perception regarding the functions to be performed are upon to the satisfactory level except credit/finance and new market exploration showing moderately satisfactory level.

Similarly, stockists were asked separate questions so as to know their perception as to "How far ISI present distribution system has helped in your transaction and its performance?" In the stockists opinion of ISI showing maximum effective in all the functions except new market exploration (m.s. 3 each), showing moderately satisfactory level.

## Table 4.15

## Effectiveness of ISI's Distribution System

| Functions | Mean Score | | Average |
|---|---|---|---|
| | ISI | Stockists | |
| Transportation | 2 | 2.3 | 2.15 |
| Storage | 2 | 2.2 | 2.1 |
| Advertising | 3 | 2.3 | 2.65 |
| Market Survey | 3 | 1.9 | 2.45 |
| Credit/Finance | 2 | 2.4 | 2.20 |
| New Market exploration | 3 | 3 | 3 |
| Market Expansion | 3 | 2.4 | 2.70 |
| $\bar{x}$ | 2.57 | 2.35 | 2.46 |

*Source: Market Survey (2068)*

### 4.3.5 Evaluation of Present Channel and Requirement of New Channel

The channel structure adopted by any company is not a final solution. There is always a chance to revise or improve the channel structure. Only channel structure does not responsible for the improvement of sales. But is plays a vital role to distribute the products in market place, the present channel structure of ISI has been perceived as moderately satisfactory level. But the management of each company is seeking the more effective performance of channel structure for the improvement of channel structure, company wise evaluation of present channel structure is described below.

ISI had changed its distribution and stockists many times in search of effective channel structure. But, it is interesting to know that ISI follows the same pattern of distribution all the time. Moreover, the management of the industry is interested to open the industry's own depots and showroom in western part of Nepal which could popularize its product particularly in the area where it is not popularized yet.

However, to know how the people of ISI evaluate the channel they have adopted a question was asked as to "Do you think that the existing channel has helped to attain the goal". The management respondent negatively. Further, in response to another question the management confidently accepted that the existing distribution system contribute nothing to attain the industry's goal and they were also intending to make the distribution system effective by changing the overall channels of distribution system. The industry wants to change the existing distribution channel totally but in actual practice, it is always reluctant to do that.

Regarding the requirement of new channel ISI'S opinion has been presented in the table

The table reveals that the new channels were required to get new market share, to distribute new product, to adopt a new structure for distribution

pattern and expand its market. Further it has also been observed that ISI products are not available in western regions market. The table also indicates that the industry intends to introduce its product through new channels at least in these markets. Considering its market conditions. ISI also feels the requirement of new channels for which present channel structure and pattern should be changed.

**Table 4.16**

**Requirement of New Channel**

| Objectives | Yes | No |
|---|---|---|
| To get access to new product | + | |
| To save/minimize cost | + | |
| To distribute new product | + | |
| To change the structure of overall distribution system | + | |
| To expand the market all over the country | + | |

*Source: Interview conducted with ISI management.*

In the above mentioned respect, a question was asked as to "How do you intend to change your channel the industry opinion in this context is shown in the table 4.

**Table 4.17**

**Intension to Change Channels**

| Line of action | Yes | No |
|---|---|---|
| By reducing the channel length | | + |
| By adding new channels | + | |
| By increasing new stockists | + | |
| By opening regional depots | + | |

*Source: Interview conducted with ISI management.*

The above table 4.17clearly reveals the fact that ISI is intended to change its channel by broadening the length in a manner by which total distributing system may be effective all over the covering new market area.

# CHAPTER-V

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Summary

Distribution is the aggregate of the business activities that results in the product flow from the point of manufacturer to the point of users. Distribution has to be planned effectively and efficiently in such a manner that it can insured the continuous flow of goods and services from the point of origin to the point of users and cost of distribution can be kept at health developed, but peculiar characteristics of its market require a greater emphasis on the management of distribution channels in designing an effective marketing mix for the organization. In the Nepalese industries, due to the bureaucratic style of the management it is assumed that the conventional distribution system will be adequate for the sale of their product. Although the marketing of medicines in Nepal has professional business status as compared to general consumer products. Sugar industries are using ethical marketing and modern distribution system. Similar case will be applicable to ISI in its distribution channel.

ISI has adopted traditional distribution system, as: Producer    Retailers channel. Besides this industry has also used producer. Stockists Retailers level channel in Butwal – Nepalgunj sector and producer showroom Retailers level channel in Kathmandu. ISI has segment its market into four marketing territories throughout the country, but ISI has not been able to produce sufficient existence in central region market.

Thus, it has been realized that the present distribution system of ISI is partially satisfactory. However, they are found always in the process of improvement. But it is interesting to note the industry has been mentioned that the present distribution system, channel selection and physical distribution. On the whole, it may be mentioned that the present distribution system, channel selection and physical distribution is mixed types. Since ISI is following conventional channel structure. So it has to be conscious about its present

distribution system and act for further improvement, where as ISI must review its whole distribution system and act for improvement for a better tomorrow.

From the above study it has been found that ISIS has adopted the order processing, handling of products and transportation in physical distribution and stockists, showroom and retailers in channels of distribution.

## 5.2  Conclusions

Being an agriculture country, sugarcane and its industry came very late. Only in the decade of 2017, production of sugar started in Nepal. From the beginning of the seventeen sugar development gained momentum, but more in trade and less in manufacture. Sugar was still beyond the reach of majority of common people due to lack of route or other means of transportation as well as information about the sugar. After construction of Mahendra East-West highway and various links roads, trade sugar increased from late seventies. Today notable quantities of sugar are being manufactured within the country and its development seems to have a better tomorrow.

As mentioned earlier, the main objective of this study is to study and analyze the distribution system of sugar industries with special reference to its. To identify the problem and affecting factors of distribution, the related topics in the distribution system were analyzed. According to the analysis and interpretation of date, the following conclusions have been drawn and summarized.

### a.  Existing Channels

The sugar industries have wide choice of distribution channels open to them. A channel always includes product, as well as all agents and merchant middlemen involved in the transfer of title. In the Nepalese industry the intensity of distribution used are selective as well as exclusive. ISI has used intensive types of distribution channels in

60

one and zero level channel structure. The channels used by ISI can be summarized as.

) Producer    Stockists    Retailers

) Producer    Showroom    Retailers

) Producer    Retailers

However, the distribution system adopted by ISI cannot be considered absolutely effective, because of not only the fact that there is managerial inability but also underdeveloped communication and transportation system, lack of professional distributive agencies and so on. Hilly markets have created complication in smoothing distribution management. Whatever is the reason, it has become necessary to adopt the modern and scientific distribution system. For this, has to review the existing distribution system thoroughly and decide their channel structure by carefully evaluating all the related factors of distribution policy.

b. **Cost of Distribution**

Higher cost of distribution does not mean the effective cost of distribution, although the cost of distribution is highly dependent upon channel structure, means of transport, nature of warehousing, inventory, handling of cost, stockists, distributors and retailers sophistication and margin allowed to intermediaries, successful distribution can not be attained by selecting a set of channels suitable to achieve marketing goals unless a serious attempt a set channels suitable to achieve marketing goals unless a serious attempt is made in connection with cost minimization there on. In Nepal, very little effort seems to have been made little importance in sugar industries in general and ISI particular. The cost of distribution of the sales price of ISI out of which physical distribution cost covers negligible

portion. In this situation, the industry cannot increase the rate of commission and price of the product because they are already facing two types of problem i.e. low turnover of the sales and high production cost. Thus, in the one hand these companies have to revise the distribution system, on the other hand they have to minimize the cost relating to production and administration.

## c. Distribution Policy

So far as the distribution policy of ISI is concerned, they have considered some criteria while selecting channels of distribution. Successful distribution depends upon favorable cost of distribution and reasonable profit from the efforts made so far. However, ISI subscribes that their distribution systems have not been very effective and have remained moderately satisfactory.

The overall selection of channels of distribution is maximum satisfactory. But it should be taken into account while selecting the channels of distribution for the industry.

The overall effectiveness of present distribution system has been found maximum satisfactory. However, effective distribution can be achieved by making the component, such as transportation, storage, advertising, market research, market exploration and expansion and finance and credit function, more effective and efficient. For this the industry and concerned intermediaries collectively have to extend adequate support to make the distribution system more effective.

ISI should look forward to adopting new channel to get access to new market, to distribute the new product, to save or minimize the distribution cost and to expand the market all over the country. For this purpose, ISI should think and act positively with regard to improving the channels by adding channel length, including new distributors/ stockists and by opening new showrooms/sales depot so that it can cover the sugar demand throughout the country or abroad.

## Recommendations

The annual consumption or need of the sugar is around Rs 4500 millions and the total domestic contribution is estimated around Rs 1500 millions. Only 35% of the sugar is fulfilled by the domestic manufactures. If we see the figure, studied earlier, 2.230 percent of the total need of the sugar is fulfilled. This figure is based on average retailers' sales of market survey. In the same study, only 18.15 percent of the requirement of the sugar is contributed by domestic manufactures where 81.84 percent of the sugar within the country. In such a situation, the Nepalese industry has a very good prospect particularly the existing industries like ISI. It can be the leader and can perform effective role in the development of sugar production as an import substituting as well as export promoting industry. For ISI should always remember that effective marketing especially because distribution will only help to perform their role efficiently because distribution not only creates further newer potential markets, but also enables the company to reduce the distribution costs such as physical distribution cost and transportation cost, creates further production increase distribution should, therefore, be considered as an important factor for the development of sugar industry. Thus, to fulfill the objective or to improve the distribution system of ISI, the following recommendations have been summarized in this way.

- ISI should study the overall market and set the target of production and sales and also study the demand of its production in retail counter and should study the orders of retailers and stockists.

- ISI should use mechanized material handling system. Which minimize the concerned cost and will be faster than manual material handling system.

- ISI should increase its number of stockists by changing the total distribution system. It will help to supply the products, where the existing distribution system cannot help to distribute the products in these areas like Biratnagar, Rajbiraj, Katari, Janakpur and interior areas.

- The product should be available in right time at the retailer level. It will increase the attitude of the users positively. Here, the users are confectionary industry, beverage industry sweets sellers, hence company may loose is customer.

- Regular-follow up, to the dispatched goods from the industry concerned users, is must, which helps to available the products in right time in right place and regular monitory of low quality products and damaged products will help to maximize the loss of the industry. So the marketing and distribution people should be alert about it.

- Personal Order Booking (POB) will help to avail the products in each and every retail counter. So, POB should be done in each and every channels of distribution. Customer service is a key result area to win the belief of market.

# BIBLIOGRAPHY

Abler, Ronald Adams, HJohn and Gould, Peter (1971). *Spatial organization,* Englewood cliffs, N.J.: Prentice Hall.

Agrawal, G.R. (1989). *Management in Nepal,* Kathmandu: M.K. Publishers.

Attwood, R. Peter (1971). *Planning a distribution system,* London: lower press Ltd.

Bowersax, D.J. (2000). *Logistical Management,* New York: Macmillan Publishers.

Bucklins, P. Luis (1996). *A Theory of Distribution Channel Structure*, University of California: Brekeley Institute of Business and Economic Research.

Christopher, Martin (2001). *Logistic and Supply Chain Management,* New Delhi: Pitman Publishing.

Dhakal, Mohan Kumar (1999). *Pharmaceutical Industry and its Distribution system in Nepal,* an published thesis, submitted to T.U.

Koirala, K.D. (2005). *Fundamentals of Marketing Decisions,* Kathmandu: M.K. Publishers.

Kotler, Philip (1990). *Marketing Management Analysis, Planning and Control,* New Delhi: Prentice Hall of India Pvt. Ltd.

Kotler, Philip and Armstrong, Gary (1991). *Principles of Marketing,* New Delhi: Prentice Hall of India Pvt. Ltd.

McDonald, M.H.B. (1984). *Marketing Management,* Kathmandu: Educational Publisher.

Shrestha, Amuda (1999). *Marketing Management,* Kathmandu: Educational Publisher.

Shrestha, K.N. (1993). *Marketing Management: Concept and Strategies,* Kathmandu: Nabin Prakashan.

Shrestha, Shyam Kumar (2002). *Fundamentals of Marketing,* Kathmandu: Book Palace.

Stanton, William J. Etzel, Michael, J. Walker, Bruce J. (1991). *Fundamental of Marketing,* 9th ed. New York: McGraw Hill Inc.

Wolff, Howard K. and pant, Prem R. (2000). *A Handbook for Social Science Research and Thesis Writing,* Kathmandu: Buddha Academic Enterprises Pvt. Ltd.

# APPENDIXES

## APPENDIX – A

## QUESTIONNAIRE – A

Administrator

ISI (Pvt. Ltd.

Nepal

1. Being in sugar industry what short of corporate objectives ISI has adopted? Please enumerate.

   a) …………………………………

   b) …………………………………

   c) …………………………………

   d) …………………………………

2. What are the marketing objectives of ISI?

   a) …………………………………

   b) …………………………………

   c) …………………………………

   d) …………………………………

3. Do you think the marketing objectives are positively favorable to attain corporate objectives?

   a) Yes ☐ b) No ☐

4. If not, what are the shortcomings of present marketing objectives? Please specify.

a) …………………………………

b) …………………………………

c) …………………………………

d) …………………………………

5. Do the organization formulate marketing plan to achieve the marketing objectives?

   a) Yes ☐    b) No ☐

6. Do ISI involve its department heads in the formation of marketing plan?

   a) Yes ☐    b) No ☐

7. Do you have marketing strategies to implement marketing plan?

   a) Yes ☐    b) No ☐

8. Do you rate the effectiveness of your strategies?

   Highly satisfactory 1    2    3    4    5 Not satisfactory

9. What is the present position of ISI plant and machinery in your factory or factories?

| Factories | Old | Renovated | Modern and sophisticated |
|-----------|-----|-----------|--------------------------|
| 1. | | | |
| 2. | | | |
| 3. | | | |

| 4. | | | |
|---|---|---|---|

10. Do you think that your production technology and plants are appropriate to meet the present market needs?

a)    Yes    ❐    b)    No    ❐

11. Who are the customers of your product?

a)    High income group    ❐    b) Middle income group    ❐

12. Whether your product involve?

Higher price 1    2    3    4    5    Low price

13. Whether your product quality is

Higher    1    2    3    4    5    Low

14. How do you view about the competitive situation for your product?

a)    Increasing

b)    Similar

c)    Reducing

15. To what extent has competitive situation effected your enterp[rises market?

Extremely   1    2    3    4    5    not at all

16. Whether your production capacity of your factory is fully utilized?

a) Yes    ❐    b)    No    ❐

17. Please, furnish the production volume and sales volume in terms of Rs for different years.

| Production and Sales | Year | | | | | |
|---|---|---|---|---|---|---|
| Production Capacity | 2064 | 2065 | 2066 | 2067 | 2068 | 2069 |
| Production target | | | | | | |
| Production volume | | | | | | |
| Sales target | | | | | | |
| Sales volume | | | | | | |

18.   Do you have plan to install new factory/plant? If yes.

Where: ……………………………………………………

When: ………………………………………………………..

What Capacity: …………………………………………

19.   What are the policies of your enterprises regarding?

<p style="text-align:right">Positive</p>

Negative

a)   Selling of important in natural market.          P ☐          N ☐

b)   Processing of own products.                       P ☐          N ☐

c)   Selling the products through stock lists.   P ☐          N ☐

d)   Selling the products through retailer           P ☐          N ☐

e)   Selling of products through own sales depots.      P ☐  N ☐

f)   Selling of products to unproved market.           P ☐  N ☐

20. What is the distribution channels used in ISI?

a) Producer                                                        Retailer

b) Producer    Stockist ………………………..          Retailer

c) Producer    Super Stockist    Stockist ……...     Retailer

d) Producer    Super Stockist (or Distribution)     Retailer


21. Are you satisfied by present distribution system adopted in your enterprises? Is it sufficient to attain the goal? Do you feel present distribution should be rearranged? Please give your opinion.

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

Signature: ………………………….

Name: …………………………….

Designation: ………………………

Date: ………………………………

# APPENDIX – B

# QUESTIONNAIRE – B

Distributor

Marketing Manager

ISI Pvt. Ltd.

Nepal

1.  How do rate the appealing features of your product as compared to rival's product?

    a.  Quality and Standardization  Max. 1  2  3  4  5  Min

    b.  Price  Max. 1  2  3  4  5  Min

    c.  Packing

    Attractive  Max. 1  2  3  4  5  Min

    Protective  Max. 1  2  3  4  5  Min

    d.  Trade Mark and Brand  Max. 1  2  3  4  5  Min

    e.  Sophistication & Technology  Max. 1  2  3  4  5  Min

    f.  Consumer need & Satisfaction Max. 1  2  3  4  5  Min

    g.  Supply  Max. 1  2  3  4  5  Min

    h.  Benefits and gifts  Max. 1  2  3  4  5  Min

2.  How do you rate the quality of existing products?

    Highly satisfactory  Max. 1  2  3  4  5  not satisfactory

3.  How do you rate the quality of your sugar in comparison to

    Imported Sugar  Max. 1  2  3  4  5  Min.

Domestic competitors     Max.   1   2  3  4   5   Min.

4. Is the quality of products approved by?

   a. Department of Industry (HMG's)    Yes  ❐      No ❐

5. What factors do you think to determine quality of the product of your company?

   a)   Technology               ❐

   b)   Quality of raw materials   ❐

   c)   Skilled Labor           ❐

   d)   Market needs           ❐

   e)   Enterprises goal        ❐

   f)   Others, if any …………    ❐

6. What types of channels for the distribution of your product have you adopted?

   a)   Producer ………                  Stockist     Retailer

   b)   Producer   Super Stockist ………     Stockist     Retailer

   c)   Producer   C&F agent   Superstockist   Stockist     Retailer

   d)   Producer   Super Stockist                 Retailer

   e)   Producer   ………………………………..     Retailer

7. What is the medium of distribution used in your company?

   a)   Transporter                ❐

   b)   Local Bus                ❐

   c)   Company's truck or lorry      ❐

d)    Courier                                     ❐

8.    What do you think of the channels adopted so far?

Highly satisfactory    1    2    3    4    5    Not satisfactory

9.    What is the transportation cost to available the product to retailers?

a)    Rs 10 per sack

b)    Rs 15 per sack

c)    Rs 20 per sack

d)    If not, please specify Rs ………

10.    How do you rate your present channel?

a)    Long    ❐    b)    Moderate    ❐    c)    Short    ❐

11.    How did you select the present channels of distribution?

a)    Market Control    Max.    1    2    3    4    5    Min.

b)    Past Control    Max.    1    2    3    4    5    Min.

c)    Reputation    Max.    1    2    3    4    5    Min.

d)    Financial Strength    Max.    1    2    3    4    5    Min.

e)    Good will    Max.    1    2    3    4    5    Min.

f)    Previous relation    Max.    1    2    3    4    5    Min.

g)    Business Line    Max.    1    2    3    4    5    Min.

12.    Regarding the appointment of stockists what factors do you consider?

a)    Market access    Max.    1    2    3    4    5    Min.

b)     Channel Strength    Max.   1   2   3   4   5    Min.

c)     Past Practice      Max.   1   2   3   4   5    Min.

d)     Reputation       Max.   1   2   3   4   5    Min.

e)     Good will        Max.   1   2   3   4   5    Min.

f)      Financial Strength  Max.   1   2   3   4   5    Min.

g)     Previous Line      Max.   1   2   3   4   5    Min.

h)     Business Line      Max.   1   2   3   4   5    Min.

13.    How do you rate the following?

a)     Distribution Cost    H.S.   1   2   3   4   5    N.S.

b)     Available Channels  H.S.   1   2   3   4   5    N.S.

c)     Yours distr. system  H.S.   1   2   3   4   5    N.S.

d)     All distr. Channel    H.S.   1   2   3   4   5    N.S.

14.    How far the distribution system has helped in attaining the following functions?

a)     Transportation            Max. 1   2   3   4   5    Min.

b)     Storage                 Max. 1   2   3   4   5    Min.

c)     Advertising            Max. 1   2   3   4   5    Min.

d)     Market Survey         Max. 1   2   3   4   5    Min.

e)     Credits & Finance     Max. 1   2   3   4   5    Min.

f)      New market exploration  Max. 1   2   3   4   5    Min.

g)     Expansion           Max. 1   2   3   4   5    Min.

15.    Are you satisfied with available channel?

Yes ☐                No            ☐

16.   Do you think that the existing channel has helped to attain the goal?

Yes ☐                No            ☐

17.   Why do you think new channels are required?

    a)   To get access to new product              Yes ☐   No
        ☐

    b)   To save / minimize cost                    Yes ☐   No
        ☐

    c)   To distribution new product                Yes ☐   No
        ☐

    d)   To change the structure of overall system   Yes ☐   No
        ☐

    e)   To expend market all over the country   Yes ☐   No ☐

18.   How do you intend to change your channel?

    a)   By reducing the channel strength    Yes ☐   No ☐

    b)   By adding new channels                     Yes ☐   No
        ☐

    c)   By increasing new stockists / dealers       Yes ☐   No
        ☐

    d)   By opening regional depots                 Yes ☐   No
        ☐

Signature: ………………………….

Name: …………………………….

Designation: ………………………

Date: ………………………………

# APPENDIX – C

# QUESTIONNAIRE – C

Name of the Stockists: ……………………………..

Address: …………………………………………….

Date of establishment: ……………………………..

Date of stockistship for ISI: …………………………

Experience/Duration: …………………………………

1.  How many sugars factories product you deal including ISI? Please, specify the number?

    No. of the companies: ……………………………..

2.  Give the major industry's name you deal including ISI and their per month sale?

    a)  ISI                     Rs

    b)  Imports no.             Rs

    c)  Rest other no.          Rs

3.  Where do you obtain them?

    | Industry | | Head Office | Own Place |
    | --- | --- | --- | --- |
    | a) | ISI | ❐ | ❐ |
    | b) | Imports: Majority | ❐ | ❐ |
    | c) | Rest other: Majority | ❐ | ❐ |

4.  Please furnish the sales detail of the Industry's product in Ashar 2067 and Baisakh 2068.

| Industry | | Ashar 2067 | Baisakh 2068 |
|---|---|---|---|
| a) | ISI | ❒ | ❒ |
| b) | Imports: Majority | ❒ | ❒ |
| c) | Rest other: Majority | ❒ | ❒ |

5.  To whom you sell the products?

    a)  Consumers          ❒

    b)  Retailers          ❒

    c)  Semi wholesalers   ❒

    d)  Industries         ❒

6.  What percentage of quantity you sell to

    a)  Consumers         ......... %

    b)  Retailers         ......... %

    d)  Semi wholesalers  ......... %

    e)  Industries        ......... %

7.  How do you rate the demand situation of sugar in your area regarding?

    a)  ISI                High    1   2   3   4   5   low

    b)  Imports: Majority  High    1   2   3   4   5   low

    c)  Others (Nepal)     High    1   2   3   4   5   low

77

8. How many retailers do you command?

   a) Rural Nos. ❑

   b) Urban Nos. ❑

9. What factors in your opinion are the determinants of product qualities of sugar industry?

   a) Technology ❑

   b) Quality of raw materials ❑

   c) Market needs ❑

   d) Enterprises goal ❑

   e) Other, if any …………. ❑

10. How do you rate the quality of your products in comparison to

    a) Imports          Max.  1  2  3  4  5  Min.

    b) Others (Nepal)   Max.  1  2  3  4  5  Min.

11. What do you think should be considered while selecting channels of distribution for sugar?

    a) Market Control       Max.  1  2  3  4  5  Min.

    b) Past Practice        Max.  1  2  3  4  5  Min.

    c) Reputation           Max.  1  2  3  4  5  Min.

    d) Financial Strength   Max.  1  2  3  4  5  Min.

    e) Good will            Max.  1  2  3  4  5  Min.

    f) Business Line        Max.  1  2  3  4  5  Min.

12. What do you think should be considered while appointing stockists for distribution of sugar?

    a) Market access      Max.   1   2   3   4   5    Min.

    b) Channel Strength      Max.   1   2   3   4   5    Min.

    c) Past Practice      Max.   1   2   3   4   5    Min.

    d) Reputation      Max.   1   2   3   4   5    Min.

    e) Goodwill      Max.   1   2   3   4   5    Min.

    f)  Financial Strength      Max.   1   2   3   4   5    Min.

    g) Previous Relation      Max.   1   2   3   4   5    Min.

    h) Business Line      Max.   1   2   3   4   5    Min.

13. How do you rate the following?

    a) Distribution Cost of ISI   H.S.   1   2   3   4   5    N.S.

    b) Available Channels      H.S.   1   2   3   4   5    N.S.

    c) Distr. system of ISI      H.S.   1   2   3   4   5    N.S.

    d) All distr. Channel      H.S.   1   2   3   4   5    N.S.

14. How far ISI present distribution system has helped in your transaction and its performance?

    a) Transportation      Max.   1   2   3   4   5    Min.

    b) Storage      Max.   1   2   3   4   5    Min.

    c) Advertising      Max.   1   2   3   4   5    Min.

    d) Market Survey      Max.   1   2   3   4   5    Min.

    e) Credits & Finance      Max.   1   2   3   4   5    Min.

f) New market exploration Max. 1 2 3 4 5 Min.

g) Market Expansion Max. 1 2 3 4 5 Min.

Signature: ………………………………

Name of the Proprietor: ………………..

Date: …………………………………

# APPENDIX – D

# QUESTIONNAIRE – D

Name of the Retailer: ……………………………..

Address: ………………………………………………...

Date of establishment: ………………………….

1.  Which sugar do you sell?

    a)   Indian only          ☐

    b)   Domestic only        ☐

    c)   ISI only             ☐

    d)   All the above        ☐

2.  If you deal with non ISI sugar which industry's product you sell generally?

    I.    Nepalese Industries

          a) ……………………          b) ……………………….

          c) ……………………          d) ……………………….

    II.   Indian Industries

          a) ……………………          b) ……………………….

          c) ……………………          d) ……………………….

    III.  If other third country's industry

          a) ……………………          b) ……………………….

          c) ……………………          d) ……………………….

3. How much amount of sugar you deal per month?

   a) ISI only              Rs ………………

   b) Indian only           Rs ………………

   c) Domestic only         Rs ………………

4. What is your requirement / demand of sugar per month of

   a) ISI only        High   1   2   3   4   5   low

   b) Indian only     High   1   2   3   4   5   low

   c) Domestic only   High   1   2   3   4   5   low

5. Where do you purchase the sugar?

   a) Stockists              ❒

   b) Semi-wholesaler        ❒

   c) Direct from factory    ❒

   d) Super Stockists        ❒

   e) Other retailer         ❒

6. Do you face the complaints of your customer regarding the following factory products you deal?

   Yes  ❒    No  ❒

7. Please furnish the sales detail of the following factory's sugar products in Ashar 2067 and Baisakh 2067. (in Rs)

| Industry's | Ashar 2067 | Baisakh 2067 |
|---|---|---|
| ISI | | |

| Imports (Indian) | | |
|---|---|---|
| Domestic (Nepalese) | | |

8.  How do you rate the quantity of following industries products?

    a)    Imports (Indians)    HQ  1   2   3   4   5   LQ

    b)    Domestic (Nepalese)    HQ  1   2   3   4   5   LQ

    c)    ISI    HQ  1   2   3   4   5   LQ

9.  What factors in your opinion are the determinants of product quality for sugar?

    a)    Technology    ❐

    b)    Quality of raw material    ❐

    c)    Skilled Labor    ❐

    d)    Market needs    ❐

    e)    Enterprises goal    ❐

    f)    Others if any    ❐

10. What do you think should be considered while selecting channels of distribution for sugar?

    a)    Market Control    Max.  1   2   3   4   5
                   Min.

    b)    Past Practice    Max.  1   2   3   4   5
                   Min.

|  |  |  |  |  |  |  |  |
|---|---|---|---|---|---|---|---|
| c) | Reputation Min. | Max. | 1 | 2 | 3 | 4 | 5 |
| d) | Financial Strength Min. | Max. | 1 | 2 | 3 | 4 | 5 |
| e) | Goodwill Min. | Max. | 1 | 2 | 3 | 4 | 5 |
| f) | Previous Relation Min. | Max. | 1 | 2 | 3 | 4 | 5 |
| g) | Business Line Min. | Max. | 1 | 2 | 3 | 4 | 5 |

11.   How do you rate the following?

|  |  |  |  |  |  |  |  |
|---|---|---|---|---|---|---|---|
| a) | Distribution cost of ISI Min | HS | 1 | 2 | 3 | 4 | 5 |
| b) | Distribution of ISI Min | HS | 1 | 2 | 3 | 4 | 5 |

Vis-à-vis competitors

|  |  |  |  |  |  |  |  |
|---|---|---|---|---|---|---|---|
| d) | Overall distribution Min | HS | 1 | 2 | 3 | 4 | 5 |

Channels in Nepal

Signature: …………………………………

Name of the Proprietor: ………………………

Date: ………………………………………