

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Distribution Function of Marketing is one of the major Component of Marketing Mix. Production and sale center do not remain at same place. Distributors are needed to supply product to the consumer/ customer. Production of goods or service become meaningful only if they are supplied to the consumer/customers the activities performed for supplying the product to the target markets in the whole is called distribution. Distribution creates Time utility, Place utility and Ownership utility of Product. Products have no utility at Production place. Their utility increase immediately after they have been taken to consumption place.

Distribution includes the task of distribution channels and physical distribution. Distribution channel of marketing provide products to customer where as physical distribution transport product to where house and target Market. Both these function are important channel of distribution.

The task of carrying finished goods to target market is called physical distribution this include the important function such as transport management, ware house management, Inventory control, product arrangement ,order Processing etc.

“Physical distribution consists of all activities with moving the right amount at the right product to the right place at the right time”. (*Stanton, 2005*)

In this modern marketing era, every marketer should understand the consumer’s satisfaction. Companies adopt many marketing policies and strategies to increase the sales. But only few companies meet the target. So, a company always should aware to know its market situation i.e. is its promotional activities are effective? Is his distribution channel good? Were consumers satisfied with its product (like price, quality, packaging and taste)? Why the individual brand is leading in the market? These are the main questions. Many definitions have defined of marketing indifferent ways keeping in view of the objectives of the firms producing goods and services. Marketing is a total system of business activities

designed to plan price, promotion and distribute want satisfying products to target markets to achieve organizational objectives. Marketing is a process that is associated with flow of goods and services from the owner to the customers in a smooth and lubricated way.

The history of distribution began in very early times when most people could not read or write. The post world war II era has been marked by the growth of intense marketing competition and increased attempts in distribution channel through different strategies.

Today, the word “Distribution” is very common term to all. It figures in each of our lives every day. We use it on daily life directly or indirectly.

"A channel of distribution for a product is the route taken by the title of goods as they move from the producer to the ultimate consumer or industrial user."(*Stanton, 1987*)

To make money, companies manufacture and sell product that compete in the market place. To increase their sales or profits, companies develop different distribution strategies. The distribution strategies are determined by the particular elements (*Stanton, 1987: 362*).

1.2 Introduction of Sumy Distillery Pvt. Ltd (SDPL)

Sumy Distillery Pvt. Ltd. is established in the year 1999 A.D. The Managing Director Mr. Karma Ghale is managing the organization in a very professional manner. SDPL Factory is located at Mukundapur V.D.C. ward No. 9, Beldiha, Nawalparasi, 145 KM from Kathmandu and 19 K.M. from Bharatpur Airports, Spread over 84,952 Sq.ft. of land near the banks of river Narayani. Sumy Distillery is situated at a prime location at the industrial district (Nawalparasi). The organization has built a sound base in Nepal since its operation

The Sumy Distillery Executives:

Mr. Karma Ghale, Managing Director

Mrs. Sumitra Ghale, Executive Director

Prem Maharjan, Marketing Manager

Sumy Distillery P. Ltd. is overwhelmed by the deep trust and support given to SDPL by the Nepalese consumer. It is SDPL’s incessant commitment that

SDPL will stick to SDPL's already tried out and proven fruitful corporate philosophy with a view to achieve newer heights of excellence. While SDPL has expansion in SDPL's mind SDPL do hope SDPL's will go on getting the ever growing support of SDPL's valued customers whose support is SDPL's primary source of strength.

A team of professional to whom the product quality is of paramount importance runs us. To meet SDPL own standard related with the unique quality of SDPL's products, SDPL has modernized hygienic manufacturing practice system. The quality of alcohol beverages produced is excellent which enables SDPL to achieve major share of the market and SDPL's quality products have become largest selling brands in the market.

Sumy Distillery Pvt. Ltd. has touched milestone within a short span. The bottling division has achieved maximum sale in Nepal. Gill Marry has been ranked the largest selling whisky in Nepal.

Manufacturing and distribution of SDPL's product was started in the year 1999. It was the time when the liquor industry in the country was passing in their sales, not because of any of their own doings but because there were imitations of all major brands, cutting in the sales of the original brands. These imitated brands caused havoc on the industry.

The foundation of Sumy Distillery Pvt. Ltd. was laid down at this critical juncture. The company introduced its debut brand in the market with much fanfare. The average Nepalese consumer was introduced with no refillable gap for the first time. The brand could achieve the highest sales in its own segment in the very first year of its launch. It could successfully overcome the menace of imitations. Thus we could show a way to the industry as a whole, to tackle the menace successfully. It was soon followed by many in the future.

Sumy Distillery has very ambitious plans for its expansion and growth, which it can achieve because of the respect and acceptance placed in us by our valued consumers.

Corporate Philosophy

Sumy Distillery has always been and will remain a pacesetter for the times ahead. SDPL intend to concentrate on the development of quality liquors and beverages that should prove to be the trend setters for the market. It is our policy to lay maximum emphasis on in-house research programs with a view to develop products which should prove to be a lasting delight to the connoisseur. SDPL endeavor will always remain uncompromised on this front. We trust in the wisdom of valuable consumers who are the main cause of SDPL's existence. SDPL take into account their fads and fancies and try to shape it selves accordingly. SDPL team efforts are valuable to achieve goals.

Facilities and Logistic:

Spread over 84,952 Sq. ft. of land near the banks of river Narayani, Sumy Distillery is situated at a prime location at the industrial district (Nawalparasi). Sumy Distillery used Up to Date (State-of-the-art) technology for its production line. The distillery is equipped with the most modern Bottling Line that could be possible in 1999 under the sun.

The company has a strong manpower base. With 285 persons, skilled, semi-skilled and hardcore professionals working for the company, SDPL has a bottling capacity of 59, 30,000 liter.

The company has adopted various marketing strategies and launched various advertising campaigns which have resulted in a steady growth of the company at 20% per annum.

Corporate Vision:

Sumy Distillery argues it as a trend setter in quality liquors and beverages. Sumy Distillery will emphasize itself and concentrate on the development of new products ensuring top-most quality. Sumy Distillery will always rate the consumer as supreme, and, will make all possible efforts to take into account the likes and dis-likes of them. Our product development will take place accordingly. Sumy Distillery will promote in-house quality awareness through training Programs and Workshops.

Sumy Distillery considers it as its prime duty to participate and extend positive contribution in the mammoth task of nation building, and to take our loving country forwards into the new millennium.

Social Commitments:

Sumy Distillery takes immense interest in the society as a whole. We have been funding many projects aimed at providing some benefits to the socially and economically deprived sections of its society. We also extend financial support to individual but deserving cases. Our special areas of interest wherein we have been contributing our own bit are:

- Sponsoring deprived students for their education individually.
- Sponsoring the salaries of individual Teachers for educational institutes in remote areas.
- Promoting Sports activities at regional and national levels by Sponsoring Sports Tournaments.
- Promoting activities which contribute towards enhancement of Peace and Prosperity like “Concert for Peace and Prosperity”.
- To arrange for homes and shelters for the elderly, discarded and destitute.
- Sponsoring for Pitch road.(Highway to factory location).

Quality Control:

Sumy Distillery employs most advanced equipments and techniques in its Quality Control Laboratories. Our labs are manned by highly qualified Chemists and Lab Technicians. We adopt multi-pronged approach towards Quality Control. All reports from the Labs are scrutinized by high level officials from the company’s management. Our Quality Control Laboratories are one of our most vibrant aspects of our organization. They are our sensory organs.

Sales and Marketing:

Success of Sumy Distillery is a matter of Precise planning at the peak level which is ultimately transformed into concrete action by a dedicated team of hardcore sales and marketing professionals. All marketing policies are formed, scrutinized and thoroughly monitored by head of the Marketing in consultation with the Marketing

Consultant.

SDPL sales and marketing professionals are hand picked from within the industry and they are invariably people with a proven track record. These professionals are the backbone of the company as they will go to any length to meet their goals. Our sales and marketing professionals are, obviously, one of the best paid lot in the industry.

Distribution Network:

SDPL laid sufficient emphasis on effective and timely delivery of goods to the stockiest and distributors. Sumy Distillery has an association with some of the finest and financially sound Dealers in the country. Vast network of Whole sellers, Semi-wholesalers, Vendors, Distributors ensure a steady stream of supply of our products to the world of our consumers. Rather than depending on the State owned supply system the company has its own fleet of privately owned delivery vehicles. In fact, an ever vibrant supply system developed by Sumy Distillery is one of the again factors which have contributed towards its success. Still we do not sit content. Our think tanks keep on devising the new ways and means to make our distribution system more effective.

1.2.1 Products Produced By SDPL

SDPL has been producing, marketing, selling and distributing precuts as mention below:

Table No. 1.1
Brand Produced by SDPLL

Strength (U.P)	Brands	Flavor	Net alcohol contain
25 U.P.	Wainscot	Whisky	42.86% v/v
40 U.P.	Gill Marry	Whisky	34.29% v/v
	Juniper Berry	Gin	34.29% v/v
	G Tel	Whisky	34.29% v/v
50 U.P.	Veer	Whisky	28.57% v/v
	Cordon	Whisky	28.57% v/v
	Genial	Gin	28.57% v/v
	Junoon	Gin	28.57% v/v
70 U.P	Knight Rover	Sofi	17.14% v/v

Product Profile:

- **Wainscot Whisky:** The whisky is technically blended with the extra neutral alcohol, matured malt spirit, matured scotch spirit and natural botanicals and herbs. The presence of malt, scotch spirit and extract of herbs determine the quality of whisky, Wainscot, a work of art having a unique combination of the finest malt and scotch spirit is a symbol of secret formula specification of scotch. Whisky have been used in blending of Wainscot whisky denoted the quality.
- **Gill Marry:** SDPL product Gill Marry is blended with extra neutral alcohol, matured malt spirit and natural botanicals and herbs and a class in itself since inception SDPL has developed alcoholic beverages of superfine grade to achieve company's quality objective for SDPL esteemed and highly valued customer. Gill Marry was the first product to be introduced by the company. In fact it is the first Nepalese brand having a non-refillable cap. The product was a instant hit with the local consumer. Gill Marry can truly boast of having touched new heights in sales, within its own product segment (economy segment). This segment alone contributes to a sale of 400,000 cases per annum (25% of total liquor industry of Nepal).

- **Juniper Berry:** Juniper, the main flavoring material of gin had been used as a medicine for a wide range of disorders like tropical fever, cold etc since ancient times. Gin is derived from the Dutch Geneva and the French Genievre both meaning Juniper. Gin today with modern production methods is high quality product made with grain spirit and various botanicals. Juniper Berry name itself indicate Gin. Juniper Berry is a result of distillation of extra neutral alcohol with Juniper Berry and various botanicals and herbs which gives a unique fragrant spicy bitter sweet taste. Angelica a botanical imparts the extra dryness to the Gin with musky, woody, sweet pine aroma. Juniper Berry Gin is having all natural ingredients which impart its purest form with smooth-distinctive, delicate and balance taste and flavor. Juniper Berry Gin is blended in such a manner that it would be the first choice amongst discerning gin drinkers throughout the Nepal due to its exquisitely smooth, extra dry and distinctive taste.
- **G Tel:** G Tel is blended with rectified Sprit, its fantastic test, basically use for who suffer from sugar ill.
- **Veer:** Veer is blended with Rectified Spirit, matured malt spirit and natural botanicals and herbs in whisky flavor.
- **Cordon:** Cordon is blended with extra neutral alcohol, matured malt spirit and natural botanicals and herbs in whisky flavor.
- **Genial:** Genial is blended with extra neutral alcohol and natural botanicals and herbs in gin flavor.
- **Junoon:** Junoon is blended with extra neutral alcohol and natural botanicals and herbs in gin flavor.
- **Knight Rover:** Knight Rover is blended with Rectified Spirit and natural botanicals and herbs in SOFI flavor

1.2.2 Sales and Distribution Activates of SDPL

Sumy Distillery has got its head office in Kathmandu for the sake of sales and distribution it performs the following activities:

- i. SDPL has appointed 61 Distributors in all Nepal.

- ii. SDPL performs market survey with in certain interval of time to know the market condition and to make new strategy regarding market.
- iii. Considering advertisement as a soul of sales and distribution SDPL used the media like paper advertisement, wall paintings, Posters, Banner, Danglers, Stickers, Bunting, Key Ring, Ball Pens, Flex board and Hoarding Board etc. It also opens its stalls and exhibitions and trade and trade fairs on different occasions on different parts of the company.
- iv. To inspire channel members, SDPL introduces different kinds of scheme programmers with the statement like:Dashain, Tihar Hangama, Holi, New Year program and so on.

1.3 Statement of Problem

It is observed that most of the manufacturing companies in Nepal do not have sufficient information about the factors that are essential in managing distribution system effectively and efficiently. An inappropriate distribution system has several undesired consequences. It might result in loss of market share. Product failure and loss of contribution so far as output is concern. The channel selection is a very important strategic decision in marketing. Channel selection requires a consideration of three major factors: Customer, Distribution and Channel constraints.

After the restoration of democracy in 1990 A.D., Nepalese government has adopted the free market oriented liberal economic policy to pave the way for accelerated economic and social development. With the entry in WTO Nepalese companies need to face high competition with foreign companies. Thus marketing as an activity has become indispensable for all types of organizations for ensuring their survival and growth aspirations.

Nepal is mountainous country. Her geographical nature makes it difficult to prompt and economic delivery of products. Thus, products are reached late, moreover with increased price and riskily. They factors affect the satisfaction of channel members, consumers and sales volume.

Many of the companies pay big attention to promote their products through a big

promotional campaign budget but fail to give proper concern towards distribution channel management and the result will be against the effort of high market share. Realizing the above facts Sumy Distillery has to concentrate on proper distribution channel network according to market. It is believed that most of the manufacturing organizations in Nepal are facing similar types of problem due to inappropriate distribution channel system both in terms of design and implementation.

Sumy Distillery has got thirteen brands of liquors (i.e. Gill Marry, Juniper Berry, Wainscot, Veer, Genial, Cordon, and Junoon & Knight Rover) and spending a lot in marketing activities but is not being able to get market share as per expectation as compared to its competitor when we consider individual brand. So at first it intends to find out the design of distribution of the Sumy Distillery, the identification of the type of intermediaries used in each structure and also the type and number of individual channel members appointed by Sumy Distillery. Further the terms and conditions exercised by the Sumy Distillery for the channel members and support provided by them have also been examined. The selection of channel member is again an important task in distribution channel management. Therefore the recruit procedure for the channel members followed by the company has also been analyzed. So the present study will be an effort to explore and appraise the various facts of distribution system management of the company under study. Thus there are many dimensions to be considered on Distribution Channel selection and there are still many questions unanswered, raised by the distribution policy. The research question is to fine out what sort of limitation or gap have made a culture of distribution management system. The study tries to answer such questions.

- i) What are the prevailing practices of Distribution channel of Nepalese Liquor Company?
- ii) Does the Distribution channel decision affect the product available of different market?
- iii) What is the relation between Company, Distribution Channel and Consumer?
- iv) Why different manufacturing companies adopt the different distribution channel?

1.4 Objective of the Study

The main objective of the study is to evaluate the distribution system of the company under study. In order to get true picture of this, and to evaluate the extent of contribution made towards distribution system and following specific objectives are adopted.

- i) To examine the distribution practices adopted by the Nepalese company.
- ii) To analyses the strengths and weakness of present distribution system adopted
By the company.
- iii) To evaluate the distribution strategies and its impact on availability of Product.
- iv) To evaluate impact on Sales due to Channel Partner.
- v) To check current availability of Sumy Distillery's product in entire Company.

1.5 Significance of the Study

The study is practical, usable, valuable and informative for the major parties intended to engage distribution channel management. Talking in this context, marketing has become a world wide phenomenon. No firms and company, either service or product, can imagine growing and sustaining without effective distribution channel management. So it has become a part of any business. Liquor business is one of the businesses that need qualified channel member to convey customers about the product information and technology. Distribution plays very important role in marketing in areas of delivering satisfaction to the society, value addition on the product, providing production means and channel of communication, and employment to large number of people directly and indirectly involved in distribution of products. Distribution is a major element in marketing of goods; however, its role in marketing of services is minimum. Producers often treat their distribution system as an asset. They often make large investment to build a distribution system and make regular expenses to maintain and enhance their efficiency. So researcher also believes the present study deserves some significance of its kind in this field.

It is also be beneficial to the company too. The company can get some information about the current strengths and problems facing by the company in the process of distribution channel management. So the company can solve the existing problems and capitalize the strengths. Mainly other researchers, management students as well as business communities also get benefit from the research because distribution is often termed as “the other half of marketing” indicating towards the high weight it receives in the marketing programmer of an organization.

1.6 Limitation of the Study

The study possesses some limitations of its own kind. The limitations of this study are given below.

1.6.1 The study concentrates only distribution channel management of the company. Other aspects of marketing are not considered.

1.6.2 The study has not taken into account the distribution channel management policy and strategy of other similar companies.

1.6.3 The study is reliable to extend the information provided by the company and the channel members.

1.6.4 Simple tools and techniques are used to analyze the study.

1.6.5 Due to time factor there may be deficiency in information.

1.6.6 Only one manufacturing company; SDPL will be selected for study.

1.6.7 This research study fully depends on questionnaire survey so that a personal view affects it more.

1.7 Organization of the Study

The study is divided into five chapters:

Chapter I : Introduction

Chapter I concentrate on introductory part of the study. Which includes background, statement of the problem, objectives of the study, significance of the study and limitations of the study.

Chapter II : Review of Literature

This chapter deals with the review of available related literatures, international literature review as well as national literatures review. The reviews of literatures are based on the related books, journal and precious thesis.

Chapter III : Research Methodology

This chapter contains the research methodology followed to achieve the purpose of this study. It includes research design, nature and source of data, collection method and instrument of data processing.

Chapter IV : Data Presentation and Analysis

In this chapter, collected data, through various sources have been presented in numbers of required tables, analyzed and interpreted by the help of various mathematical, statistical and analytical tools and techniques.

Chapter V: Summary, Conclusion and Recommendations

The fifth chapter contains with the summery and finding with necessary suggestions for the improvement of the distribution system.

Along these chapters, bibliography and annexes are also present at the end of this study. Similarly, table of contents, list of tables, abbreviations are presented in the initial part of this study.

CHAPTER - II

REVIEW OF LITERATURE

2.1 Introduction

Review of literature is basically a stock-taking of available literature in the field of research. The textual facts would help the researcher to support the research in order to explore the area of relevant and true facts for the reporting purpose. While conducting the research study, previous studies can not be ignored as that information would help to check the chance of duplication in the present study.

2.2 Conceptual Framework

For the purpose of this research study, some important concepts regarding marketing & distribution have been studied and some major concepts are as under.

2.2.1 Marketing

Generally, by marketing we mean the selling and buying of goods and services. The seller will sell the goods and services and, in return, he receives payment from the buyer in the form of money or something else. But, actually, the concept of marketing is much broader the general people think.

Marketing Management is an important functional area of business management. “Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create changes that satisfying individual and organizational goals”. (*Kotler, 1999, P-1*) defines marketing as a human activity directed at satisfying goals of individual and organization through exchange process. Because, in the modern world, a “buyer” is regarded as the “king”, since the success or failure of the market largely depends upon the degree of customer satisfaction. The marketer through the exchange process fulfills their needs and wants by integrating various marketing activities like marketing mix. Marketing is considered to be the beating heart of any business organization directed to satisfy customers. “Forty-five years ago Peter Ducker, the most Influential business writer of the 20th century observed

that companies exist not to make a profit, but to create and satisfy customers. In a recent interview, he commented that the statement is true even today because the customers have the ultimate power to choose”. (*Michale & Etzel, 2004, P-9*)

Marketing has gained such an importance because of it’s usefulness in product selling and generating revenue. Failure to sell the products leads to a lot of problems like the problem of growing inventory cash problem to pay to the workers, staff and creditors. Problems of capacity utilization and ultimately the problem of running the organization itself. Marketing is important even for the enterprises or industries, which are not facing the problem of selling their production. As rightly pointed out by Stanton, industries aced with shortage will not find their marketing task easier, even through some executives have the short sighted idea of “why spend money on marketing when we can sell all we can produce”.(*William & Stanton, 1978,P-9*)

The accomplishment of the organizational objective is not possible without the marketing potentiality of organization. After the products have been produced, producer must distribute or supply these products to the target markets. In most of the cases, producers use several middlemen or channel of distribution to supply goods and services to the consumption point. Capturing a large share of market along with the fulfillment of other organization and marketing objectivities require and effective marketing system. Marketing is the business activities that direct the flow of goods and services from producer to ultimate customer.

2.2.2 Channel of Distribution

Marketing channels or channel of distribution is the system of relationships among the various persons and institutions involved in the process of movement and ownership of products and facilitating exchanges. Distribution logistics is concerned with the physical movement of products. (*Koirala, 1997, P-212*)

A channel of distribution, sometimes called a trade channel, for a product is the route taken by the title to the product as it moves from the producer to ultimate customer or industrial user. A channel always includes both the producer and the final customer for the product, as well as, all middlemen involved in the title

transfer. Even through agent middlemen do not take actual title of the goods. They are included as part of distribution channel. Again, this is done because they pay such an active role in the transfer of ownership. (*Candiff & Still, 1972, P-272*)

Therefore, distribution channel is also considered as a system of relationships that exists among institutions in the process of buying and selling. It focused in the process of ownership and physical transfer of commodities, products and services. Distribution channel management broadly involves decisions in design of channel and implementation and control of channel system. The design of channel system in turn involves variety of decisions such as the number of channel system, number of different types of intermediaries in each system, number, characteristics and location of channel members in each layer and terms and conditions for working with channel members. Again the major decision relation to implementation and control of channel system are selecting, motivation and evaluation and control of channel system as well as channel members. Once the design of channel system is decided a company has then to implement those policies through selecting channel members.

According to modern marketing concept, consumer is the king several characteristics of modern business encourage the use of marketing research by businesses. First, the suppliers of products and services need to have information about final consumers in order to market their products and services more effectively. Second as a company grows and starts distribution its products in a number of different markets the managers of the company find themselves being more separated form the final consumers of their products. (*Sharma, 2003, P-64*)

Distribution is concerned with various activities concerning transfer of goods from producer to final consumers of users. It includes not only physical activities such as movement and storage of goods but also legal promotional and financial activities involved in the transfer of ownership.

Many manufactures distribute their products through their own sales personnel to wholesalers who in turn sell those products to retailers who then make the sale to final consumers. In their normal course of business, many manufactures have only limited direct contact with the retailers of their products and no contact at all with the

final consumers of their products.

Marketing is complex process. Different products and services need different types of marketing strategy. It depends upon the working area of industry and target group. Marketing broadly includes the activities related with product, price, place and promotion. Similarly, assembling, advertising, transporting, grading, storing, packaging, processing, sampling, pricing, controlling and consumer's satisfaction are important components of marketing activities.

2.3 Previous Studies

Book Review

Distribution is the means for getting the products to the target. It involves marketing channels and physical distribution. Marketing channels make the product available to the customers. Physical distribution makes the product accessible to the channel members and customers. (Agrawal, 2004, P-247)

After the products have been produced, producers must distribute or supply these products to the target markets. The term distribution is concerned with all the business activities centering on the problem of getting merchandise from the producer to the final customer. The aim of distribution is to get the products in adequate quantities in accessible locations at the time when customers desire them. (Koirala, 1995, P-146)

After determining the product policy and strategy and setting the price of the product, the next step involved in marketing is the establishment of distribution strategies, which is also known as the place variables. Distribution deals with two aspects of product movement channel of distribution and distribution logistics. A channel of distribution is a system of relationships among institutions and individuals involved in the process of facilitation exchange and consumption transactions. The channel of distribution focused on the process of ownership transfer of goods and services. Distribution logistics system focuses on the process of physical transfers of goods and services and includes transportation, storage, inventory control, physical handling and other processing functions. (Koirala, 1995, P-146)

Distribution may be defined as an operation or a series of operations which physically brings the goods manufactured or produced by any particular manufacturer into the hands of the final consumers or users.

A marketing channel is identified as involving a series of relationships among organizations and final users to whom marketing effort is directed. Channel of distribution refer path through which goods moves from producers to consumers.

The channel of distribution is a means of actual placing of appropriate quality in the right place at right time and minimum price. Therefore the channel of distributions viewed as sequence of firms involved in moving a product from producers to consumer.

The term channel of distribution refers to the system of marketing institution through which goods and services are transferred from the original producers to ultimate users or consumers. The channel refers to various institutions which perform activities that take products from producers to consumers.

A channel of distribution is a group of individuals and institutions that direct the flow of products from producers to customers. The fundamental task of marketing channel is to move goods and services in an efficient manner. The marketing channel involves several individuals and institutions such as suppliers (who supply raw materials, finance, manpower and machines to the manufacturers and industrial users), manufacturers and industrial users, agents and brokers, wholesalers, industrial distributors, consumers, and industrial users. (Koirala, 995, P-56) In today economy most producers do not sell their goods directly to the final users. Between them and the final users stand a host of marketing intermediaries performing a variety of functions and bearing a verity of names? Some intermediaries such as wholesalers and retailers - buy, take title to and resell the merchandise; they are called merchant middlemen. Other such as brokers, manufacturers representative, and sales agents - search for customers and may m negotiate on behalf of the producer but do not take title to the goods; they are called middlemen, still others such as transportation companies, independent warehouse, bank and advertising agencies assist in the performance of distribution but neither take title to goods nor negotiate

purchases or sales; they are called facilitators.

Most producers work with marketing intermediaries to bring their products to market. The marketing intermediaries make up a marketing channel (also called trade channel or distribution channel).

A marketing channel also includes various types of flows or movement within the channel. Some of these flows move in forward direction, some in backward direction and some other in both directions.

Forward flows include physical flow, title flow and promotional flow. A physical flow results from movement of raw materials, suppliers and finished products. Most of the channel members participate in the physical flow. The title flow results out of the actual transfer of ownership from one channel member to another. The title flow in many instances may take a different route from the physical flow. The promotional flow is represented by the dissemination of persuasive communication, such as advertising and sales promotions between the channel members.

Backward flows include ordering flow and payment flow. Ordering flow is represented by the backward communication of buying intentions by the channel members. Payment flow is represented by a flow of money from sales from the channel members to the manufacturer.

Two way flows include negotiation flow and information flow. In negotiation flow, the channel members negotiate and bargain over prices, delivery terms and delivery dates. Information flow is represented by the marketing information flowing backward from the market to the manufacturer through the channel members and the information about the product, its use and other instructions flowing forward from the manufacturer to the market through the channel members.

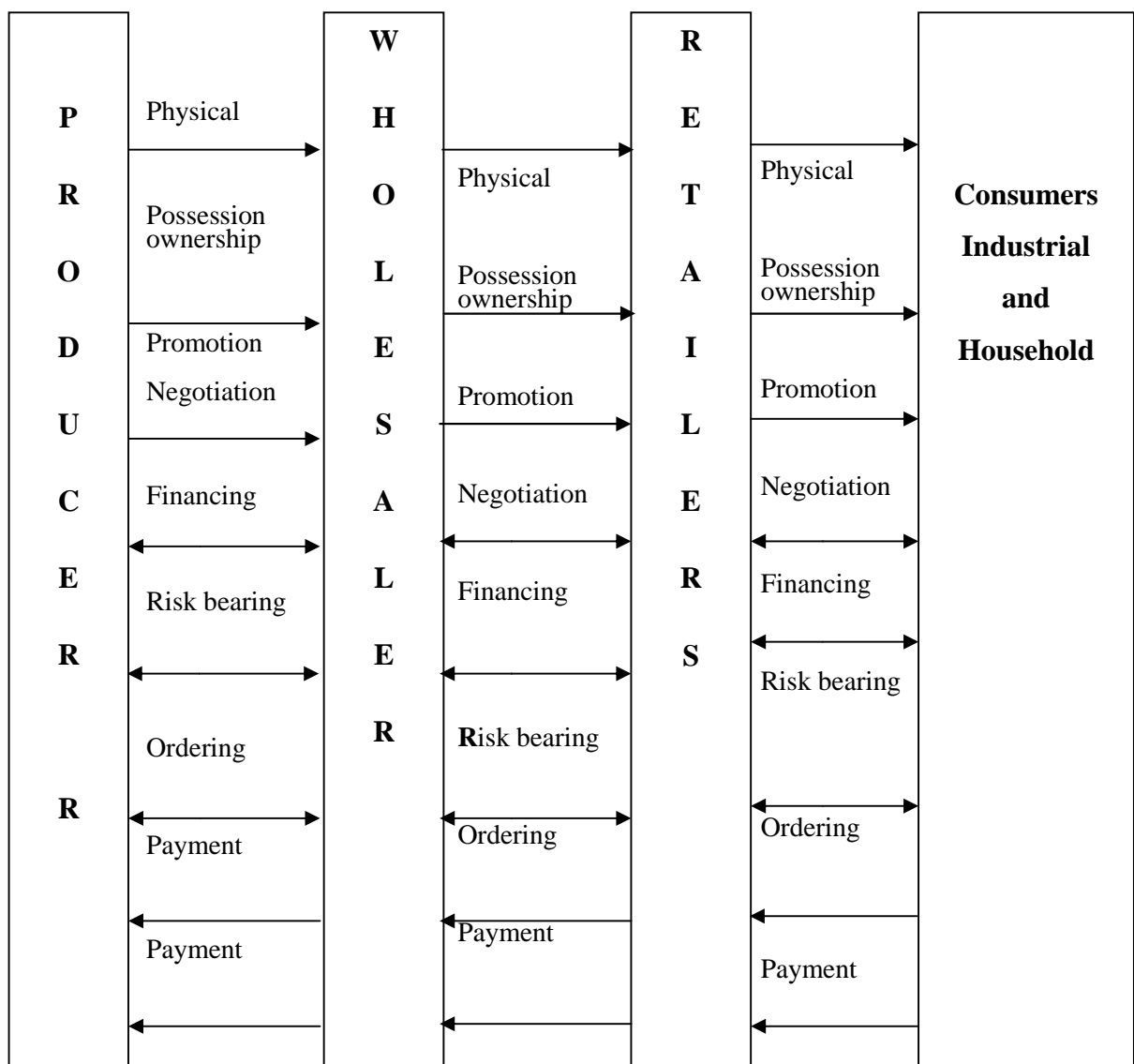
In the field of marketing, channel of distribution indicates route or path ways through which goods and services flow or move from producer to customers, in this route various individuals and institutions are appointed to perform marketing tasks. These intermediaries or channels of distribution tend to be used for several reasons.

These are:

- i) The number of sellers and buyers and the distance of product movement are relatively large.
- ii) The frequency of purchase is high
- iii) The lot sizes needed by end users are small
- iv) Markets are decentralized.

Figure No: 2.1

Commercial Channel Sub-System



Source: Lowis W. Stern, Anel El Ansary and Annet T. Coughlan, Marketing Channels, 5th ed. Prentice Hall of India P. Ltd., New Delhi 1972, P-10

Middlemen in distribution channel facilitate the process of exchange and create time, place and possession utilities through matching and sorting Process, sorting enable meeting or matching the supply with consumer demand. (Sherlakar, 1986, P-365. So it is obvious that, distribution is a key element of providing satisfaction in the market. Distribution involves the physical movement of products to ultimate consumers. It has so many methods and ways to perform its functions. It is also a critical task. It is not only simply a matter of moving products in to the hands of consumers; it involves a products movement through out all stages-resource procurement to final sales. These functions may generally be performed more effectively by intermediates. So, the manufacturer first and most basic distribution problem to decide, if he should use intermediaries or middleman or not. The outcome of this decision depends upon the firm's marketing plans. According to plan upon the function the system must perform and availability of appropriate middlemen also.

The marketing oriented firm designs its product to fit the needs of a particular group of potential customers. The distribution system must efficiently implement this marketing planning. The producer presents the product differently to different market segments. The different market segment programs are concerned with the availability of product to potential customers. The producer would like to establish a distribution system that will achieve the optimal marketing program in each market segment. So that he will generate the maximum profit. The system should include middlemen whenever they can increase the manufacturer's profitability by performing distribution functions at lower cost.

2.4 Objectives of Distribution

The objectives of distribution are as follows:

I) Flow of Goods

Distribution aims at smooth flow of goods from manufacturer to channel members and customers. This is the essence of exchange relationships in marketing.

II) Availability of Goods

Distribution channel aim at making the goods available to customers. Channels such as wholesalers and retailers ensure availability of goods at all times. This also results in increased sales. Competition can be effectively faced.

III) Accessibility of Goods

Distribution aims at making goods accessible to customers through physical distribution. Goods are delivered at right place, in right time and in right quantity. Material handling, warehousing, inventory and transportation are managed.

IV) Efficiency

Distribution aims to achieve marketing efficiency. It facilitates assortment of goods. It reduces number of transactions between manufacturer and customers. Marketing costs decrease by efficient management of logistics.

V) Customer Satisfaction

Effective distribution contributes to customer need satisfaction. It adds value to the product. It facilitates better services to customers.

2.5 Importance of Distribution

The following points indicate the importance of distribution.

I) Efficiency

Manufacturers produce limited variety of product in large quantity. Customers desire large variety of products in limited quantity. Distribution facilitates assortment of products. Customers can get all the products they want to match their needs. This promotes marketing efficiency.

II) Communication

Distribution serves as a link between the manufacturer and the costumer. Manufacturer can transfer messages to customers through channel members about product, price and promotion. Channel members supply information to manufacturers about customer, competitors and environment changes. They also promote and push the product.

III) Financing

Middlemen themselves finance their operations. They also store and finance inventories. Manufacturers do not need to establish their own distribution channels. Their inventory costs remain low. Products get converted into money. Their activities finance the manufacturer.

IV) Value Addition

Distribution adds value to the products through delivery at right place, in right time and in right quantity. Value is essential to satisfy the manufacturer.

V) Employment

Distribution creates employment opportunities. Market intermediaries serve as an important source of direct and indirect employment, especially at the retail level.

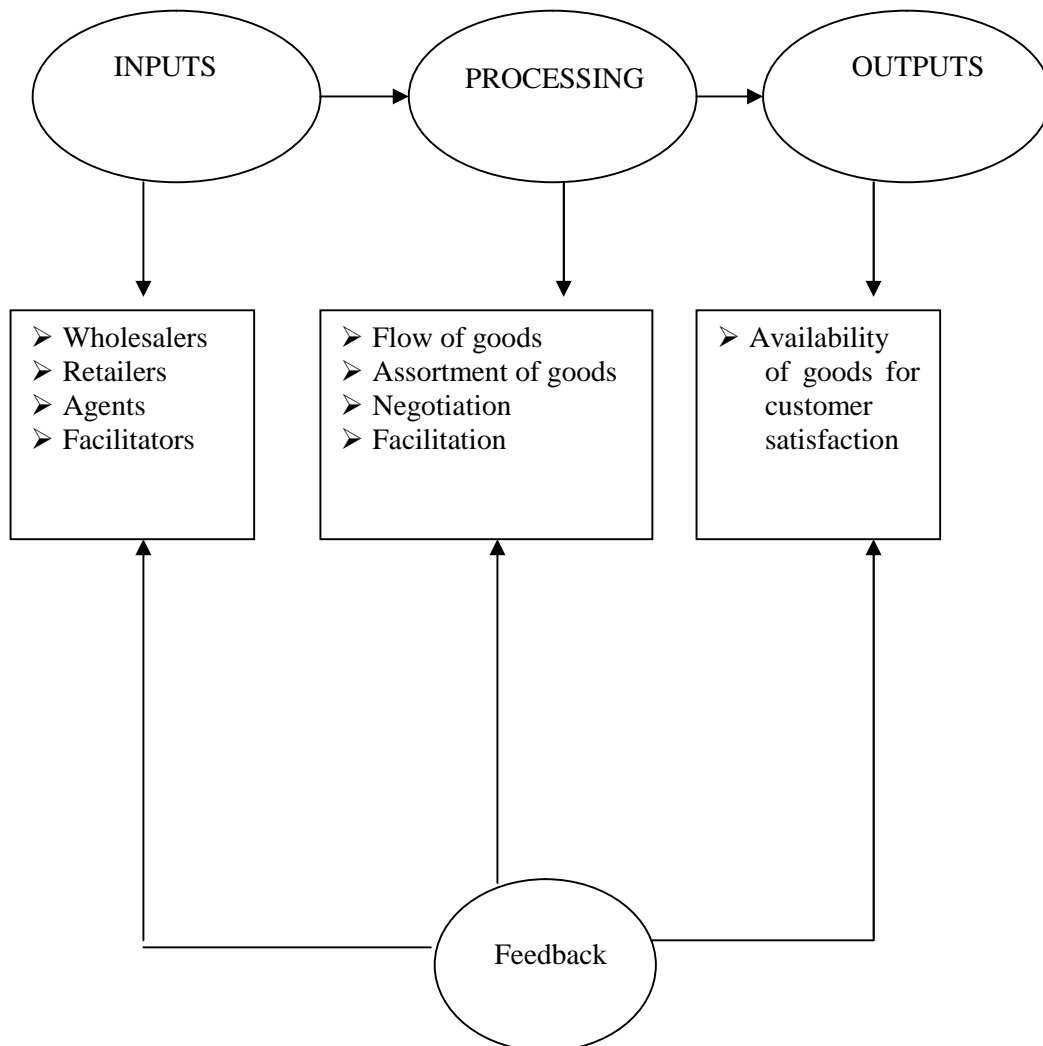
Vi) Competitors

Well-established channels discourage new firms to enter in the market. This reduces competition.

2.6 Channel System

A channel system consists of Input - Processing - Output - Feedback components. It makes goods available for customer satisfaction

Figure No: 2.2
Channel System



Component of Channel Various System Were Expanded as Under.

I) Input to Channel System

They consist of wholesalers and retailers who resell products. They also consist of agents who search customers. They also include facilitators like banks, insurance companies.

II) Processing

It consists of flow of goods from manufacturer to customers via channels. Channel members make assortment of goods, negotiate with customers and facilitate flow of goods.

III) Outputs

They consist of availability of goods for customer satisfaction. Right goods are made available at right time and right quantity.

IV) Feedback

It provides information for making improvements in inputs and processing components of channel system.

2.7 Channel Structure for Consumer Products

2.7.1 Channel Participants

The major channel participants or components of the consumer marketing system are producers, agents, wholesalers and retailers.

I) Producers

The producers of consumer products are manufacturers, processors and assemblers who gather factors of production to make products destined to be used by individuals and households. The size of producers widely differs between products and markets, ranging from level producers to large multinational companies who often operate several manufacturing units across the world.

Many small producers perform all the distribution functions and directly deal with the consumers, while some manufacturers also maintain their own distribution networks. However, a large number of manufacturers depend on marketing intermediates to distribute their products. Producers perform major distribution functions, such as carrying of inventory, demand or sales generation, physical distribution, after-sales service and credit extension customers. The producer usually transfers a part of the distribution function to other channel components, such as agents, wholesalers and retailers.

II) Agents

Agents generally work for the principal. They negotiate the sales or purchase transaction on behalf of the principal. In the consumer marketing channel system, the agents generally work for the producer. Agents normally work on a commission on sales basis. Agents do not take title to the goods they handle.

However, they unite the producer with the buyers. Brokers and sales agents provide an important link between the producer and wholesalers. Brokers are limited authority on negotiation the deal and mainly perform the function of identifying, location and contacting buyers for the producer. The sales agents gave full authority to negotiate the deal on behalf of the producer.

III) Wholesaler

Wholesalers are merchants who normally buy from several producers and sell to a large number of retailers and other institutional customers. They are often called dealers or distributors. There are different types of wholesale establishments who differ in terms of merchandise they handle, their methods of operation and breadth of service they provide to producers and retailers. However, they have one common feature: they take full title of the merchandise they handle. They also perform storing, promotion and credit extension functions in the channel system. In case of consumer products, wholesalers are an important link between the producer or agent) and the retailer.

IV) Retailer

Retailers buy merchandise from the producers and wholesalers and sell them to the consumers. Retailers vary widely in terms of their size of operation. They range from street vendors to large retail establishments like departmental stores and super markets. Retailers also take full title to the merchandise they handle. Retailers also perform storing, promotion and credit extension functions to a limited level.

Figure No: 2.3

**MARKETING CHANNELS COMMONLY USED IN
DISTRIBUTION OF INDUSTRIAL AND CONSUMER
GODS**

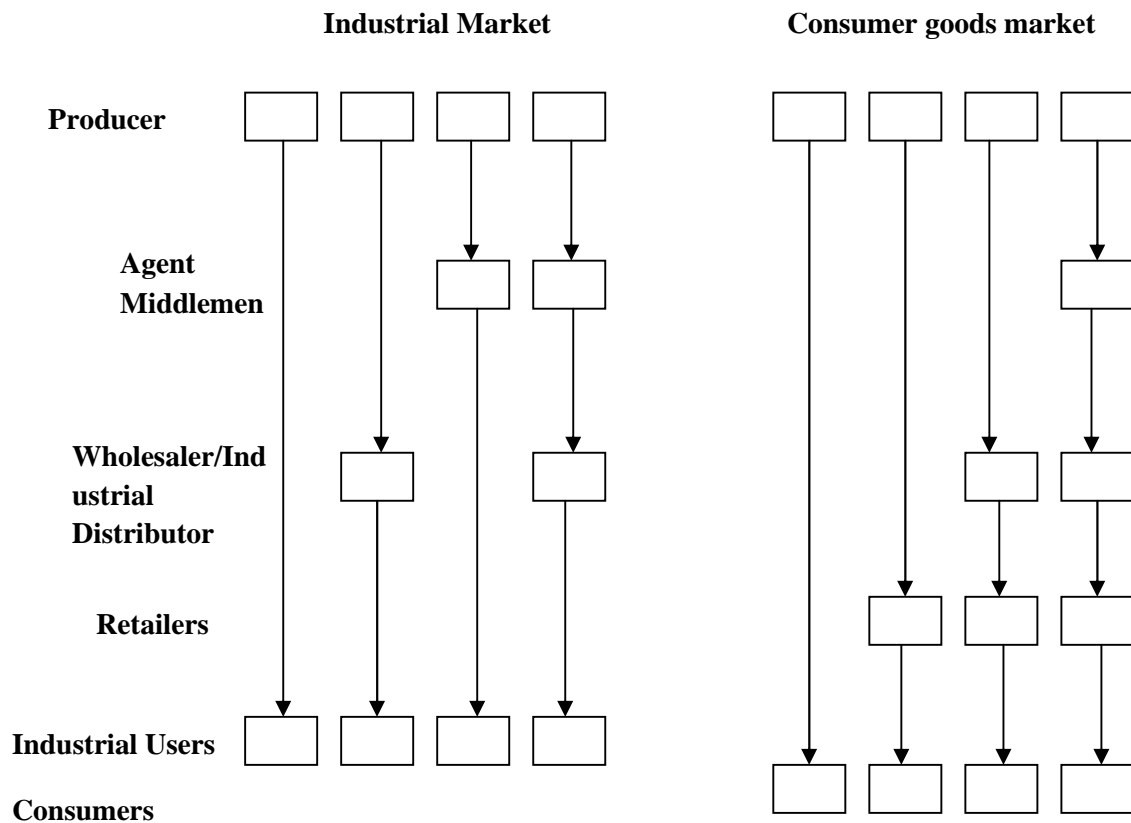


Figure *Illustrates several marketing channels of different lengths for consumer products and industrial products*

2.7.2 Channel Designs for Consumer Products

There are four design alternatives for the distribution of consumer goods, ranging from a zero level to level three. Under zero level design, the producer may distribute the merchandise directly to consumers' bypassing all marketing intermediaries. Under level one channel design, the producer may reach consumers through wholesalers and retailers. In level three designs, the producer may use the agents to contact and execute the sale transaction to different categories of buyers.

The four designs have been presented in the diagram above.

I) Producer – Consumer – Channel (Zero Level)

If producers choose to perform all the distribution functions, they may distribute the products directly to consumers. Services are generally marketed through the zero level channels. Producers of merchandise may distribute directly to consumers through multiple shops and chain stores. Many producers market their products directly under the mail-order arrangement. Some producers have started direct marketing through the internet services.

II) Producer – Retailer – Consumer Channel (Level One)

Some producers sell directly to retailers by-passing the wholesales. Producers, normally try to avoid the marketing costs of selling merchandise in smaller lots. If a retailer orders in large lots, the producer may be interested to sell directly. This way, producers can save a part of the usual discounts allowed to wholesales. Producers generally follow one level channel to distribute products through large retail establishments, such as department store, super markets and discount houses. A product may adopt selective distribution policy and distribute through selected retail outlets.

III) Producer – Consumer Channel (Level Two)

In terms of channel use, the level two channels that has both the wholesaler and the retailer in the channel design, is the most extensively used. Most consumer goods are distributed intensively with the target of achieving widest possible market coverage. Merchandise can be distributed widely only when the producer uses wholesalers to reach large number of retail outlets in different market segments. In case of convenience products, the producer may hand over the product to a large wholesaler or dealer. The large wholesaler or dealer may sell the merchandise to area wholesalers, the area wholesalers to sub-wholesalers, and the sub-wholesalers finally sell the merchandise to the retail outlets.

IV) Producer – Agent – Wholesaler – Retailer – Consumer Channel (Level Three)

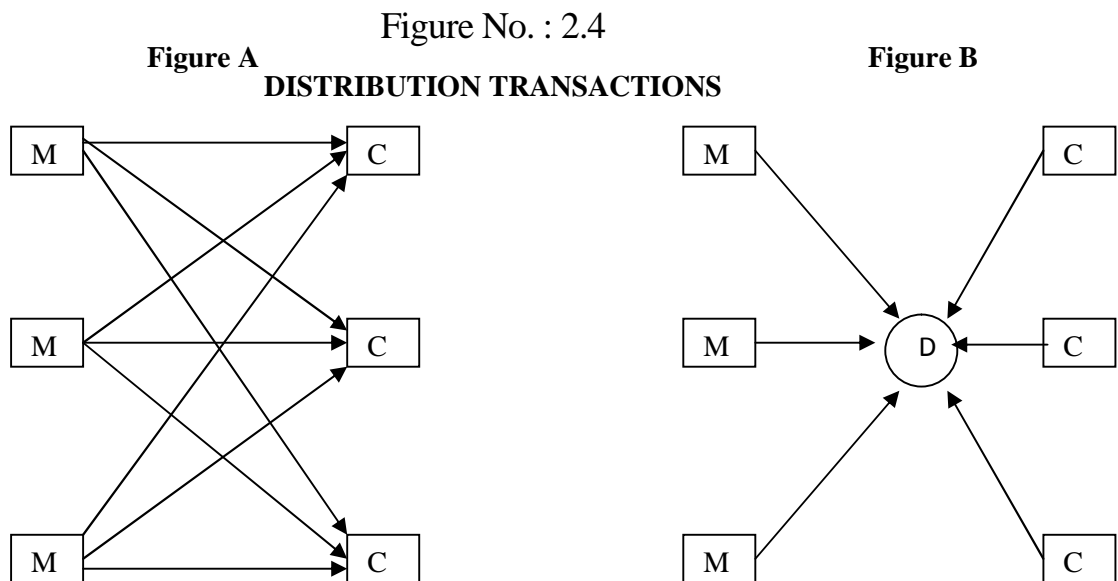
This extremely long marketing channel is used only in special circumstance. Producers try to avoid this design due to its high selling cost. This channel is mostly used in

international marketing, in which the producer faces distance, language and other cultural barriers to deal directly with local wholesalers. In such situation, the producer may use a local agent to contact wholesalers and execute the sales transaction.

2.8 Channel Design for Industrial Product

-) Producer - industrial user channel (Level Zero)
-) Producer - industrial distributor - industrial user channel (level one)
-) Producer - agent - industrial user channel (Level two)
-) Producer - agent - industrial distributor - industrial user channel (Level three)

The following comparative figures show how contact between manufacturers with consumers become easy.



Source: *Philip Kotler, Marketing Management, 10th ed. Printice Hall of India P. Ltd., New Delhi, 1999, P. 491*

Figure shows nine different contacts with customers without intermediaries
i.e.

$$M \times C = 3 \times 3 = 9$$

Where,

M = Manufacturers

C = Customers

Figure B shows just three different contacts with consumers working through one distributor,

i.e. $M + C = 3 + 3 = 6$

Where,

M = Manufacturers

D = Distributors / Intermediary

C = Customers

A marketing channel performs the work of moving goods from producers to consumers. It overcomes the major time, place and possession gaps that separate goods and services from those who would use them. Members of the marketing channel perform a number of key functions:

Research

The gathering of information necessary for planning and facilitating exchange.

Promotion

The development and dissemination of persuasive communications about the offer.

Contact

The searching out and communicating with prospective buyers.

Matching

The shaping and fitting of the offer to the buyers requirements. This includes such activities as manufacturing, grading, assembling and packaging.

Negotiation

The attempt of reach final agreement on price and other terms of the offer so that transfer of ownership or possession can be affected.

Financing

The acquisition and dispersal of funds to cover the costs of the channel works.

Risk Taking

The assumption of risks in connection with carrying out the channel work. The first five functions help consummate transactions; the last three help fulfill the completed transaction.

The question is not whether these functions need to be performed. They must

be-but rather who is to perform them. All of the functions have three things in common: they use up scarce resources; they can often be performed better through specialization and they are shift able among channel members. To the extent that the manufacturer performs the functions, the manufacturer's costs go up and its price tend to be higher, when some function are shifted to middlemen, the procedures costs and price are lower, but the middlemen must add a charge to cover their work. This issue of who should perform various channel tasks is one of relative efficiency and effectiveness.

2.9. Marketing Intermediaries

They are middlemen. They make the flow of goods smooth between manufacturers and customers. They can be:

- I. **Wholesalers:** they deal with retailers and producers / manufacturers.
- II. **Retailers:** They deal with customers.
- III. **Agents:** They do not take title to goods.
- IV. **Facilitators:** They assist in distribution.

2.10 Importance of Middlemen

Now-days, there are so many changes in marketing. It has highly developed in it's every activities. In spite of marketing developed, it has also been grown the complexity today. The marketing activities are being held in world wise basis. In this situation, without any middlemen, it will be impossible to conduct a business. So, the importance of middlemen is increasing rapidly. The importance of middlemen is based on their types. In this connection there are two types of middlemen in distribution.

- i. Merchant middlemen and
- ii. Agent middlemen

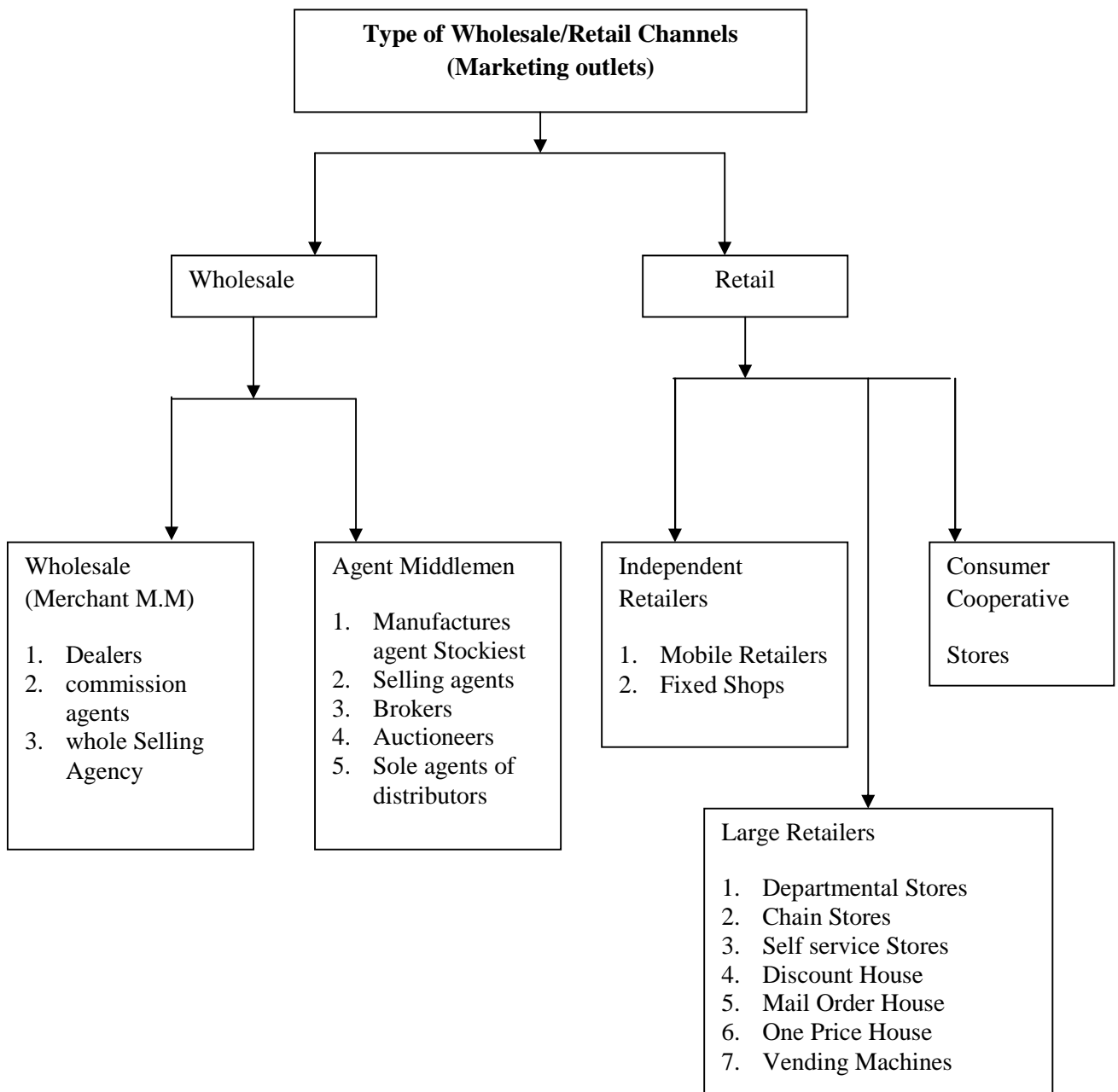
The merchant middlemen who purchase and sale goods on their own investment and at own risk (profit or loss) for example wholesaler and retailers.

But agent middleman who do not have ownership on the goods but they negotiate the transfer of ownership right from the manufacturer or seller to the consumer or buyer, for example commission agents and brokers.

In this way the company should select the middlemen according to its need. It can be studied the channel structure of middlemen from the following chart. In the following chart, the wholesalers are business firms who sell goods to be used primarily for resale or for industrial use. They are bulk purchaser with the objective of release to retailers. They sell the goods in the smaller lots needed for their customers or retailers. They buy or sell on their own account and at their own risk of loss.

Figure No. : 2.5

Channel Structure of Middlemen



But retailers are find seller to customer or users. They may buy or sell the goods own their risk also. Some times they don't take risk on goods, they purchase or sell on commission or discount only.

The importance of wholesaler and retailer middlemen for the producer is as follows:

- i. Order Collection
- ii. Risk transferor
- iii. Concrete reliever
- iv. Expert advisor

By the role of order collector the wholesaler acts as order collecting and marketing agency for the manufacturer. The manufacturer can, therefore, concentrate on production and need not worry about distribution. Likewise in the context of risk transferred the whole seller and retailer buy or collect goods in large quantity from manufacturer and sale to customer in profit. Similarly the middlemen do concrete relief to payment for the manufacturer.

No only these but also the middlemen give profit and important facilities by work of expert adviser because wholesalers know all the activities of market. He can secure first hand information of consumer's desires through their orders. So, the wholesaler's order on the manufacturer can act as an indicator of trend of demand or of public taste. The manufacturer can regulate his production activity in the light of this trend and can bring about necessary modifications in his product that it will give the desired satisfaction to the customer.

Likewise, the wholesaler's service to retailers and to producers and to producers as a middlemen are buying, selling, bulk breaking, transport, storage, finance, risk bearing, market information and managerial advice and services to retailers as well as producers.

Similarly, the wholesaler's services to retailers are as follows: Retailers have no need to hold large stocks of varied good, prompt delivery of goods, benefits of specialization, announcement of new products, grant of credit.

The retailer's importance of its role is unforgettable. The retailer plays the great role in area. Such as plays the vital role to the consumer as follows: anticipating

wants, breaking of bulk, transport and warehousing, financing, product guarantees, and repair and installations etc.

The role of retailer as middlemen to the producer is also important. Helps to producer being an expert seller, advertiser of goods, bulk break financier, holder of stock, feed backer or communication sender etc.

In this way, the wholesaler is a first middlemen and retailer is the last middlemen for the company as well as consumer. Both wholesaler middlemen and retailer middleman are equal importance for the distribution channel of marketing.

Middlemen aid the producer in reaching the target consumers. Their advantages are,

- i) Middlemen take risks by purchasing products from the producers the products do not get sold, they bear all the losses.
- ii) Middlemen provide financial resources to the producer by making advance purchases. The producer does not have to lock up capital unnecessarily on inventories.
- iii) Middlemen are efficient in making product available to target consumers. This is possible because of well-developed network of middlemen all over the country. They bridge the gap between the producer and consumer.
- iv) Middlemen provide information to producers about market conditions and consumer needs and preferences.
- v) Middlemen also promote products by displaying them and communication with consumers about products.

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

2.11 Selecting a Channel Strategy

After selecting distribution channels, manufacturers should next decide upon the number of middlemen - the intensity of distribution - to be employed at the wholesale and retail level. Generally, three courses of actions are available in this case namely;

- a) Intensive Distribution
- b) Selective Distribution
- c) Exclusive Distribution

In intensive distribution strategy the seller will look for every outlet to sell the products. Ordinarily, the manufacturers of convenience goods use the strategy on intensive distribution.

In selective distribution, the marketer will have only a few outlets in a particular market. Selective distribution is used for consumer shopping and specialty goods industrial accessory equipment, for which most customers have a brand preference.

Under an exclusive distribution strategy, the supplier agrees to sell only a particular wholesaling middlemen or retailer in a given market. Under an exclusive distributorship (with a wholesaler) or an exclusive dealership (with a retailer), the middlemen are sometimes prohibited from handling a directly competing product line. Exclusive dealerships are frequently used in the marketing of consumer specialty products such as expensive units. When the dealer distributor must furnish installation and repair service.

Number of Wholesalers or Retailers used

I) Intensive

Sell your product in every outlets, every final customer might reasonable look for it.

II) Selective

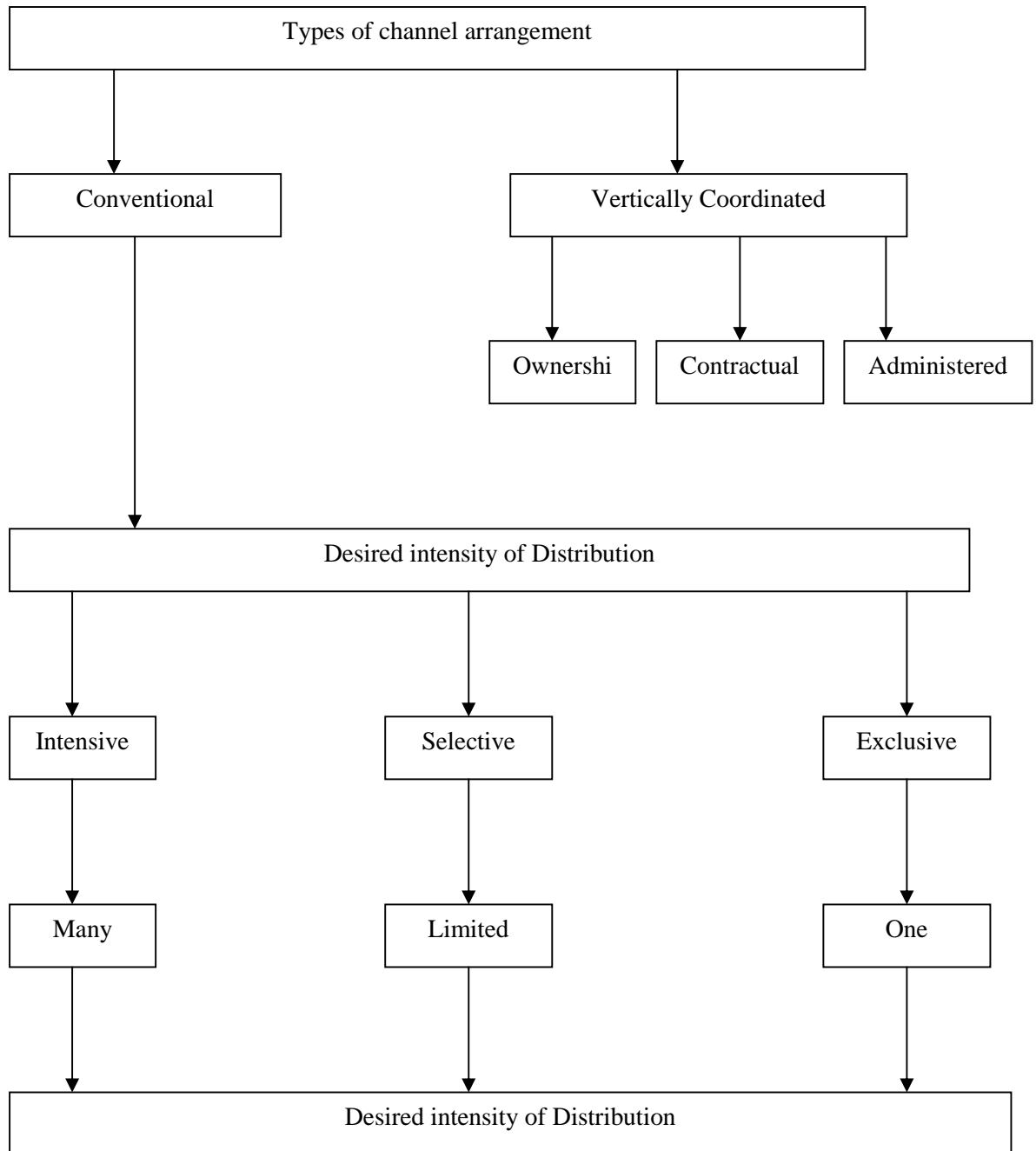
Use a limited number of wholesalers and or retailers in a given geographical area.

III) Exclusive

Use only wholesaler a retailer in a given market.

Figure No: 2.6

CHANNEL STRATEGY ALTERNATIVES



Source: *David W. Cravens, Strategic Marketing, Richard D. Irwin Inc., USA, 1982, P. 277*

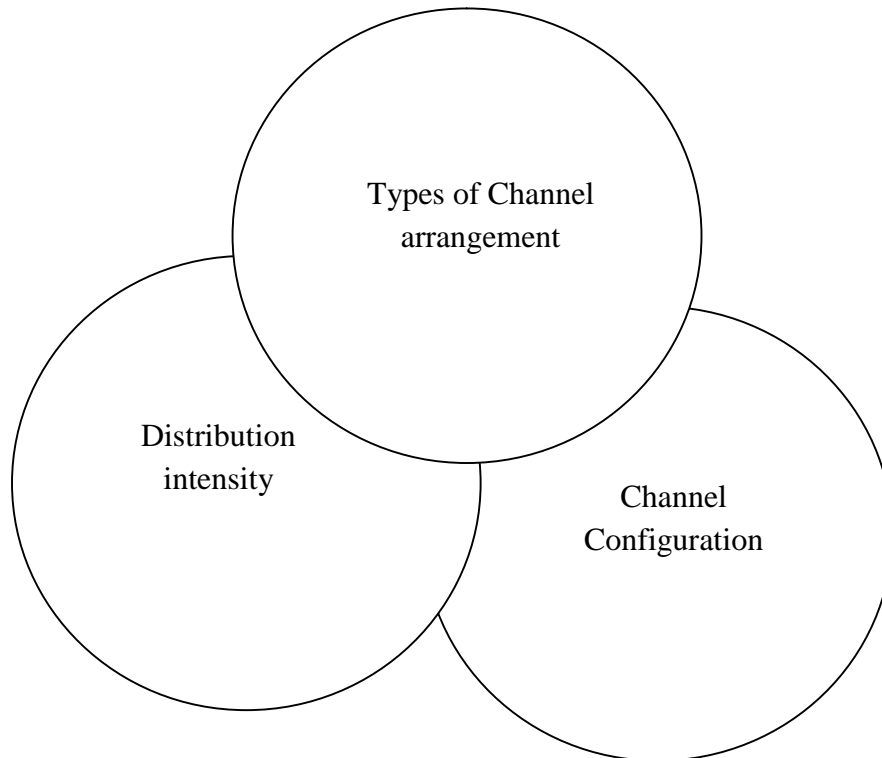
2.12 Channel Strategic Alternatives

Three decisions establish key channel strategy guidelines for a company. As shown in figure No. 2.7 these include the type of channel arrangement to be used,

the desired intensity of distribution, and the selection of a channel configuration.

Figure No: 2.7

Channel of Distribution Strategy



Source: *David W. Cravens, Strategic Marketing, Richard D. Irwin Inc., USA, 1982, P. 270*

2.12.1 Type of Channel Arrangement

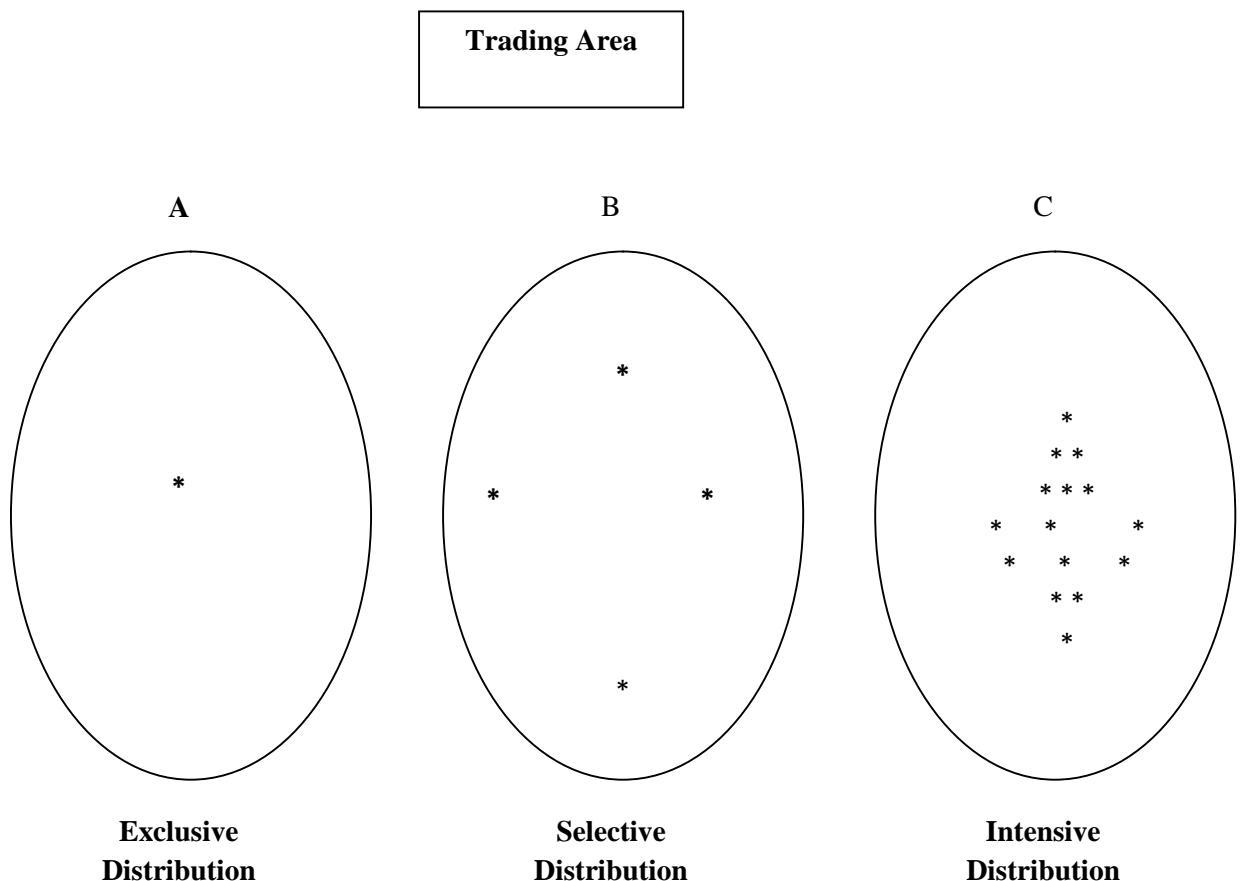
The conventional channel is a group of independent organizations, each trying to look out for itself, with little concern as to the total performance the channel. Not surprisingly, managers in an increasing number of firms have seen the potential advantages to be realized in managing the channel as coordinated or programmed system of participating organizations. Vertical marketing systems dominate the retailing sector today and are also significant factors in the industrial product sector. Perhaps the best way to identify a channel arrangement is by determining if it possesses the characteristics necessary to be a vertically coordinated channel. Otherwise, it is a conventional channel.

2.12.2 Distribution Intensity

Distribution intensity can best be visualized in reference to a geographical area such as a trading area. If we choose to distribute our product in all or most of the retail outlets in a trading area that might normally carry such a product, we are using an intensive distribution approach. In contrast, if only one dealer in the trading area is selected to distribute the product, we are using an exclusive distribution approach. In contrast, if only one dealer in the trading area is selected to distribute the product, we are using an exclusive distribution approach. In contrast, if only one dealer in the trading area is selected to distribute the product, we are using an exclusive distribution strategy. Thus, there is a range of distribution intensities that can be selected.

Figure No: 2.8

Distribution Intensity Illustrations Trading Area



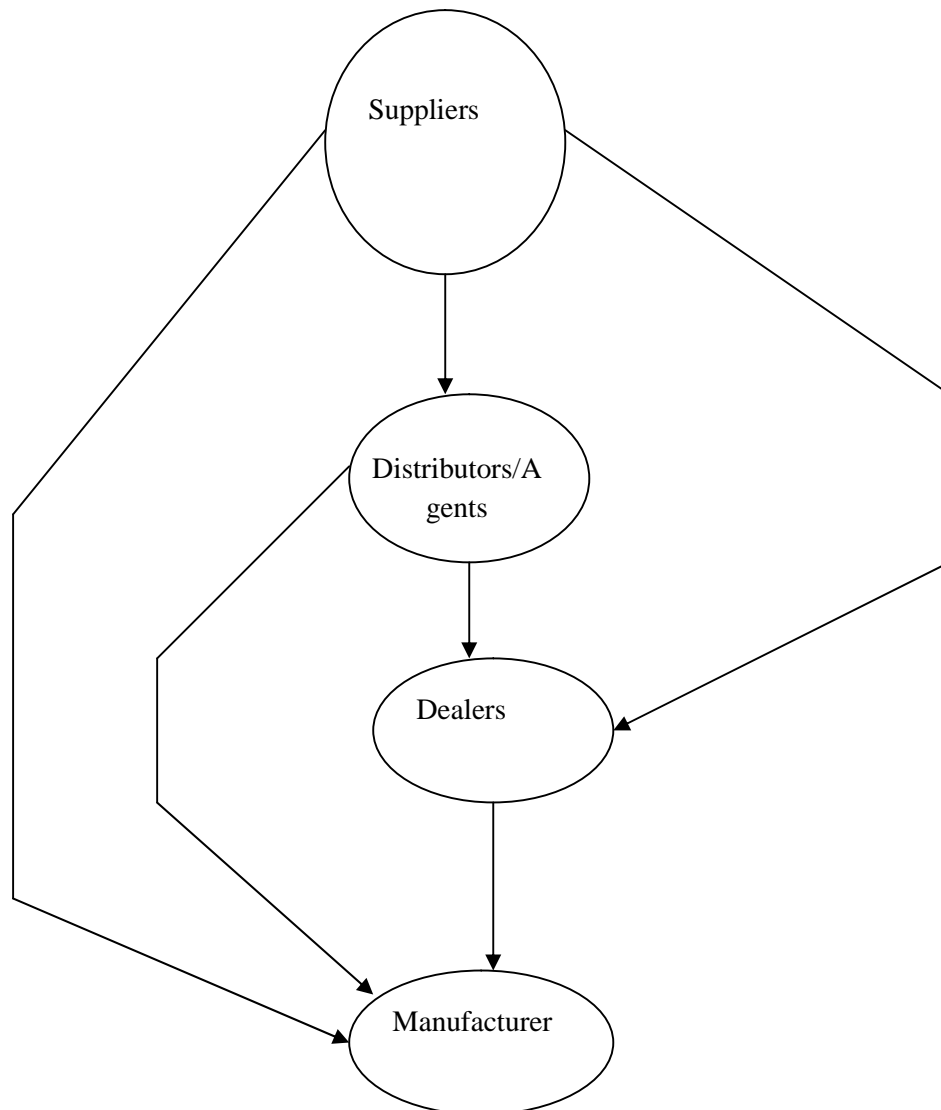
Source: Lowis W. Stern, Anel El Ansary and annet T. Coughlan, Marketing Channels, 5th ed. Prentice Hall of India P. Ltd., New Delhi 1972, P-112

2.12.3 Channel Configuration Decision

The final link in selection distribution strategy is deciding the number of levels in the channel and the intermediaries to be utilized.

Figure No: 2.9

Distribution Network from a Manufacturer's



Source: *David W. Cravens, Strategic Marketing, Richard D. Irwin Inc., USA, 1982 P. 275*

Channel design is greatly influenced by customer characteristics. Customer characteristics include the number of potential buyers, the concentration of buyers, the concentration of buyers and advantage purchase size. Types of market (i.e. consumer market and industrial market) also considered in this

context. A direct channel is a most feasible if the number of buyers are low, they are geographically concentrated and expenditure is large and vice versa. Choices of channels depend not only on the company but also on consumers, product service characteristics, competition, available channels and the legal environment.

Products or services characteristics may involve four attributes such as value of product, complexity, perish - ability, and bulk. Items that have high unit value (like - gold, jewelry and art), complex items (like jet aircraft and automobile insurance) require shorter channel. Perishable items like milk and medical products need quick movement i.e. shorter channel. Similarly bulky merchandize, such as pianos and refrigerators require short channels and vice versa.

2.13 Factors Affecting to Selection the Distribution Channels:

2.13.1 Market Considerations

In market consideration factors we should analyze the following sub-elements as number of customers, customer's buying habits, size of purchase, channel used by competitor and nature of the market, etc.

2.13.2 Product Consideration

In product consideration, we have to analyze these following factors as unit sale value of the product, size and weight of the product, perishable goods, technical goods, standardized of product, rules of the government etc.

2.13.3 Organization Consideration

In the organizational factors it has to study of the following elements:

I) Financial Position of the Organization

Since SDPL has sufficient finance it has sound financial position as compared to other competitors. Success and failure of any organization largely depend upon how well finance is handled, keeping these facts into mind, SDPL has maintained sound financial position.

II) Management skill of the organization

Placing right man a right place is the essence of HRM. Being this as 21st era SDPL has also requited and selected highly trained manpower so that the manager can deal day by day operation in a most desired manner and also SDPL believes that no work can be done without the team work. Therefore trained manpower always look forward for making right decision and try to implement those decision in rationalized manner by motivation the employee. So there is no question about managerial skills in this organization.

III) Control over the Channel of the Organization

Lastly proper control is always necessary for stirrings towards success. SDPL has optimum control over the channel of organization. So that they can distribute the quality products at right time at right place to the ultimate buyers. By doing this SDPL is trying its best to give maximum satisfaction to its customer.

2.13.4 Middlemen Consideration

I) Availability of Middlemen

Further more talking about middlemen, this company has always find out the wholesaler, retailer are available or not within the market for sale their product to final customer to giving best services.

II) Sales Potential of the Middlemen

SDPL has always looking that those types of middlemen who have more capacity to sell our product and well known in their territories. SDPL has always find out those types of middlemen who are always willing to sell their product.

III) Company Cost

Company has decided to company cost also when SDPL has selected those types of middlemen who always minimize the cost as like transportation cost, inventory cost and maximize the sells and profit. In the way, after deeply study these factors only it can be selected the suitable channel. It should be cheap, adoptable, and available also. To get maximum sales and profit, SDPL has to necessity to develop of the suitable channel of distribution system.

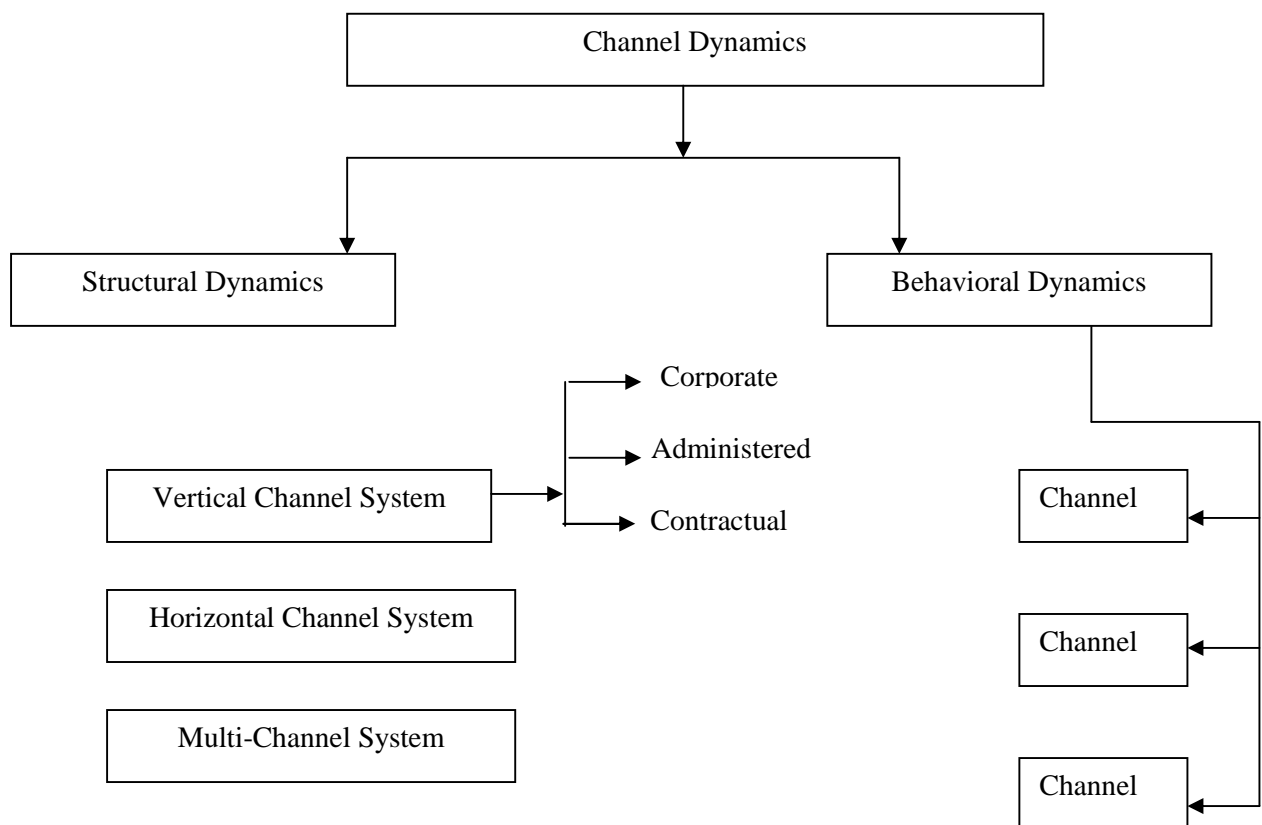
2.14 Channel Dynamic

Marketing is a dynamic process. It changes with the changes in the environmental forces. Marketing channels are also dynamic. They do not remain confined to conventional structure. New channels evolve and emerge.

Channel dynamics are of two types:

- i) **Structural dynamics:** Emergence of new channel structure.
- ii) **Behavioral dynamics:** Behavioral changes of channel participants.

Figure No: 2.10
Channel Dynamic



Source: *Dr. Govind Ram Agrawal, Fundamental of Marketing. M.K. Publishers and Distributors, 2004, P. 266*

I) Structural Dynamic

The conventional marketing channel comprises of autonomous manufacturers, wholesalers, and retailers. No channel member controls the other members.

Structural dynamics are concerned with the emergence of new distribution system. They are:

- a) Vertical Channel System
- b) Horizontal Channel System
- c) Multi-channel system.

II) Behavioral Dynamic

It is concerned with changes in role and power relationships of channel participants. It reads to cooperation or conflict. Cooperation leads to adaptation to a changing environment. Conflict can be dysfunctional. The variables that affect behavioral dynamics are; role, power and conflict.

2.15 Channel Conflict

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

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

Channel conflicts may be of two or three types?

The manufacturer hopes for channel cooperation that will produce greater profits for eachchannel member. Yet vertical, horizontal and multi-channel conflicts can occur.

- i) Vertical Channel Conflict: Occurs between channel members at different levels such as, conflict between manufacturers and wholesalers, between wholesaler and retailers, between retailers and manufacturers, who handle similar products.
- ii) Horizontal Channel Conflict: Occurs between intermediaries at the same level such as conflict between two or more retailers, conflict between two

or more wholesalers who handle the same type products or similar products.

- iii) **Multi-channel Conflict:** Exists when the manufacturer has established two or more channels that sell to the same market. Multi-channel conflict is likely to be especially intense when the members of one channel get a lower price (based on larger volume purchase) or work with lower margin.

When a conflict situation arises within a channel system, some channel members must take a leadership role to resolve the conflict. Although channel conflicts can be resolved through various means, an atmosphere of cooperation is highly necessary for solving difference of opinions and perceptions of channel members. Conflict resolution if possible through one of the following methods.

- i) **Problem solving:** Problem solving involves mutual consultations among Channel members to sort out their differences.
- ii) **Persuasion:** User persuasion method, a powerful channel leader persuades the dissident channel members to work for the benefits of the channel system as a whole.
- iii) **Bargaining:** Under bargaining method, the members in conflict negotiate with each other to arrive at a new agreement.
- iv) **Politics:** Several channel member from an association with a view to change the current channel power structure. All channel members have the same general objectives, profitability, access to products and services, efficient distribution and customer loyalty. The quest of every firm is maximize its own profit and control its strategy. However, the successful channel members will be able to expand their cooperation and minimize conflicts.

2.16 Channel Control Strategic

Two strategies used by manufacturer to improve their perceived economic power and to gain better cooperation from channel members are a pull and a push strategy.

I) Pull Strategy:

When pursuing this strategy, a manufacturer focuses primarily on building selective demand and brand loyalty among potential customers through media, advertising, consumer promotions, extended warranties and customer service, product improvements, line extensions, and other actions aimed at winning customer preference. Thus, by building strong consumer demand, the manufacturer increases its ability to promote economic rewards in the form of large sales volumes to its channel members in return for their cooperation. A share leader or more prestigious brand in its category has substantial power to influence other channel members-particularly if the product is in the growth stage of its life cycle.

II) Push Strategy:

Similar firms with limited resources, those without established reputations as survey marketer, and those attempting to gain better channel support for existing products with relatively small shares and volumes often have difficulty achieving cooperation solely on the promise of future sales and profits. In such situation firms usually adopt a push strategy in which much of the product's marketing budget is devoted to direct inducements to gain the cooperation of wholesalers and retailers. Typically, a manufacturer offers channel members a number of rewards, each aimed at motivating them to perform a specific function or activity on the product's behalf. The rationale is that by motivating more wholesalers or retailers to carry and aggressively sell the product, more customers are exposed and persuaded to buy it.

Between pull and push strategy SDPL has used to pull strategy to improve their perceived economic power and goods. The company has to focus on building selective demand and brand loyalty among potential customers through media advertising, consumer promotions cut of retailers price, provided extra incentive etc. SDPL product brand loyalty (i.e. Gill Marry) among potential customers. Now a days SDPL products of 50 U.P. has started for marketing. SDPL has built strong consumer demand of their products.

2.17 Physical Distribution

Customers require products in the right quantity at the right time from the right place. Physical distribution is the process of getting products to target customers.

It is actual flow of product from the point of origin to point of consumptions.

Stanton defines Physical distribution as “the activities concerned with the movement of the right amount of the right product to the right place at the right time”. Physical distribution management is the process of strategically managing, the movement and storage of materials, part and finished inventory from suppliers, between enterprise facilities and to customers.

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

In the marketing channels the products must be moved in the right quantity at the right time to the right place in order to deliver desired satisfactions to the end users or consumers. Physical distribution or marketing logistics is concerned with the management of flow of goods from the point of origin to the point of consumption. Marketing organizations must manage the flow of goods and services from their production locations to the market, and also make arrangement for a flow of information between the two points.

The main objective of physical distribution is getting the right products safely to the right places at the right time at the least possible cost. More specially, the objectives of physical distributions are:

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

Physical distribution functions have been performed by all productive enterprises through the ages. However, this function was treated as of secondary importance to production and selling. The various physical distribution functions, such as transportation, warehousing and inventory management were performed in fragmentary and most secondary basis. In the Second World War, the military

logistics played important part in the victory of allied forces. Encouraged by this example, business organizations also realized the importance of logistics and embraced physical distribution as a competitive tool in marketing. The technological revolution in the field of transportation and information technology has also contributed for the rapid growth of physical distribution management systems.

Physical distribution is treated as a system with several sub-system or components, such as transportation, inventory control, packaging, material handling, order processing and distribution communications.

Efficient Physical distribution can lead to:

- i) Cost saving: Heavy costs of distribution can be reduced
- ii) Consumer satisfaction: This can be improved
- iii) Competitive Effectiveness: This can be faced.

2.17.1 Components of Physical Distribution

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

- i) Transportation
- ii) Order processing
- iii) Material Handling
- iv) Inventory Management and control

I) Transportation:

Transportation is the major tools for creating place utility on products. It is the major tool for moving products from the point of origin to point of consumption. From the logical management view, an organization should establish a capability to move products from supply sources to consumers. (Koirala, P-4) Transportation is the element of the physical distribution system that link geographically separated markets and facilities. Marketers need to take an interest in their company's transportation decisions. The choice of transportation carries will affect the pricing of the goods when they arrive, all of which will affect customer

satisfaction.

There are many transportation options available for movement in the logistical system. The five basic transportation modes are road, rail, water, air and pipeline. The distribution firm has to select form among these five modes of transportation. Each mode of transportation has its own characteristics- its own merits and demerits. The transportation need of each firm in each product also varies. In this situation, the firm has to tally its need of transportation with the relative characteristics of each mode of transportation. (Koirala, P-172)

Transportation moves products from manufacturer to customers. It accounts for almost 50% of total costs of physical distribution. It consists of decisions about the carrier type and the mode of transport. An organization may have three options for the development of the transportation capabilities. As a first option, it may maintain its own private fleet of vehicles to provide the movement of products.

This option requires heavy investments in equipment and personnel and is also perceived to be difficult to manage. As a second option, the organization may use private transports on a job or long-term contract basis. These contract carriers are specialists and provide efficient and professional transport services. As a third option, it may use common carriers that offer point to point movement of products under specified charges.

II) Order Processing:

Physical distribution starts with customer order. Order processing is a set of procedure for receiving, handling and filling orders. It can be done manually or through computer. The activities are receiving orders, handling orders and filling orders.

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

is the receipt and transmission of sales order information. Order processing is an important distribution function as its efficiency may result in better customer satisfaction, repeat orders and higher profit levels. Order processing can be manual as well as computer based. Small companies prefer manual processing, while large companies maintain a computer based system. The computer based system is able to integrate production planning, inventory control, accounting and transportation aspects of the sales order into a single information flow system.

III) Material Handling:

Material Handling, also called physical handling of goods in an activity that is important in inventory, warehousing, and transportation. The characteristics of a product determine to a large extent how it will be handled. For example, radio active wastes, bulk chemicals and gases require special handling and storage. Material handling involves selecting proper equipment to physically handle products. Efficient and appropriate equipment can reduce handling costs and minimize losses from breakage, spoilage and theft.

The nature of the product, the size of the package, and the packaging materials determine handling equipment. Material handling can be mechanical and non-mechanical.

IV) Warehousing:

A warehousing is storage facility to store products until they are sold. It performs various functions such as assembling, bulk breaking, storing, packing and shipping.

Every company has to storage its goods while they wait to be sold. A storage function is necessary because production and consumption cycle rarely match. Many agricultural commodities are produced seasonally, while demand is continuous. The storage function overcomes discrepancies in desired quantities and timing.

Traditionally go downs performed the storage function. Today, the emphasis in warehousing is on product movement rather than product storage. Distribution Centers (Distribution Warehouse) have appeared which take orders. Fill them,

prepare them for shipping and quickly move them to customers. Important decisions regarding warehousing are Private or public warehouse and Number and location of warehouse.

V) Inventory Management and Control:

Inventory management is another important decision area in physical distribution. Inventory management is concerned with developing a system of maintaining an adequate level of product assortments to meet the customers' demand. Inventory planning is highly essential as shortages of products normally result in customer disappointment, and hence a lower level of customer servicing. Overstocking of inventories normally result in higher costs in capital tie-up, increased cost of warehousing and insurance, product decays and obsolescence costs.

2.18 Distribution Practices in Nepal

Distribution has a low profile in the marketing mix of Nepalese organizations. It has not received proper attention. Nepal being a landlocked country, considerable attention is paid to the development of transportation, industrial growth and trade. Due to the topographical diversity of the country and poor transport and communication facilities, marketing has remained fragmented.

The historical legacy, the social structure the social exclusion or inclusion of ethnic, linguistic and regional groups and the status of women have a close relation with development performance. Similarly the extent of resource endowment, the microeconomic fundamentals, the extent and character of the entrepreneurial class, the state of technology, the character of development institutions and practices including the capacity of the civil service, the extent of infrastructure and the level of human resources development are also critical.

Marketing has been traditionally a neglected aspect in Nepal. Enterprises tend to concentrate on production and selling rather than marketing. The selling concept has been serving as main marketing philosophy of Nepalese managers. The public sector has generally remained indifferent to the marketing concept.

Channel structure for consumer products in Nepal is largely traditional. Wholesalers and retailers are dominant market intermediaries in Nepal.

About 89% of manufacturers use two-level channel. Agents are generally emerging. Stock brokers, which number about three dozen, are active in the stockexchange. Big manufacturers have sales representatives. Due to globalization and liberal economic policies of the government, facilitators are growing. There are more than 20 commercial banks with 300 branches. The insurance companies have grown in number. So have their agents. Advertising agencies number more than 500.

Nepalese Producers are distributing and selling their products directly and through wholesaling. Most of the small scale producers in Nepal undertake the whole distribution job themselves. Such products, which are not durable such as milk, vegetable, fruits, eggs etc., are sold directly. The manufacturer who produces heavy products of little commercial value also sells their products directly to the final consumers. There are various types of indirect channels, which are followed by Nepalese producers.

2.19 Research Review

2.19.1 Nepalese Context

1. A dissertation titled “A study on Distribution Channels of Feed Industry in Nepal” carried out by **Mr. Govinda Prasad Paudyal** in 1995, the objective of System of Distribution of Feed Industry in Nepal, has to found the following finding:

- i) Government is not positive in response to the feed industries as well as government policy is not clear in the context of feed industries present marketing performance.
- ii) Most of commercial poultry farming and establishments of feed industries are concentrated only in developed village and towns areas and they are supplying feed products as well as other available facilities in the same areas.
- iii) Every industry, its dealers and farmers want from the government to restrict the import of poultry products and raw materials which are available in Nepal.

- iv) Prices of raw materials which are used in poultry feed production are not stable.
- v) Feed industries have no distribution policy.
- vi) There is lack of professional poultry farmers and committed feed dealers to supply the feeds and other facilities regularly from the particular feed industry.
- vii) There is variation in quality of feed between the industries and also do not have appropriate quality control system introduced by feed manufacturers or by the government.
- viii) Some feed industries produce poultry feed for their own purpose not for selling purpose.
- ix) Feed industries in Nepal follow three types of channel of distribution.
- x) There is an effective impact of distribution cost on sales volume of the feed industries. Distribution cost is increasing along with total cost.
- xi) The acceptance of dealership of feed industries is due to attractive commission, bonus, technical and transportation facilities.
- xii) Channel members are not satisfied with existing commission. Bonus, technical facility, transportation cost, quality and quantity of feed.
- xiii) The commission and bonus rates do not cover the transportation cost of dealers and channel members. They are not fixed as a percentage and volume of sales.
- xiv) Dealers and farmers of present channel of feed industry are found less satisfactory.
- xv) The main factors affecting the promotion of sales are less quality and quantity. different treatment to the channel members of the same level in terms of discount, commission, bonus, technical facility, transportation cost, credit facility and delay in supply due to lack of transportation.
- xvi) Zero level channel of distribution is better and practicable in the context of Nepal

2. Another thesis work conducted by Suresh Man Shrestha in 1979 on “Distribution System of Janakpur Cigarette Factory” has presented the following

findings:

- i. Existing channel is satisfying but not been able to supply the product in demanded or required quantity. So there is shortage in market and black marketing is arisen.
- ii. Dealers are more satisfied by the provided incentives than retailers.
- iii. Reason of decreasing sales is delay in supply, unavailability of credit facilities. Low Bonus and JCF is careless about quality and packaging of cigarette too.
- iv. Shortage of product has greatly discouraged to dealers and retailers.
- v. According to dealers and retailers reason behind irregular supply is first administrative difficulties of sales depot. Second is lack transparent facility and last but not the least is low productivity.
- vi. Buying and selling process are fixed by the company. But it is found that most of the dealers and retailers charge higher price than the price fixed by the factory.
- vii. The only one remedy to eradicate black marketing will be supplying adequate quantity of cigarette in market and discharge unnecessary number of dealers who have poor records.

Similarly, different types of research work are done on distribution as mentioned below:

3. “Distribution policy and Strategy of Biscuits Industries” Carried out by **Mr. R.C. Chitrakar** in his study observed that there were no any written policy and strategy in case of distribution in Biscuits industries. Some of the middlemen were found inactive but the companies did not make an effort to find out the reasons behind it. Similarly, they did not try to understand retail market before developing channel or other distribution strategies. It was also revealed that financial strength and personal relations played more significant roles in selection channel members.

Factors like middlemen promotional policies and efforts, their sales force, service made available to the retailers and their management caliber received least

weighted.

In another study by **Mr. R.C. Chitrakar** has pointed out various combinations of channel arrangement done by Bansbari Leather and Shoe Factory at different occasions and the reasons for change made in earlier managements. He further stated that dissatisfaction of dealers over their sales in non-durability of shoes and high prices followed by inefficient delivery system.

4. Mr.R.N. Pradhan in his study discussed the “strategies and policies and policies adopted by Hetauda Textile Industries Ltd.” For managing distribution. He expressed that company did not have written and expressed policy about the decisions and the effort which the co. had placed in that variables was insufficient to make effective distribution. The dealers had grievances that they were not getting the goods as per their orders in time.

5. Mr. Bishwa Raj Subedi has written a thesis, with the “objectives to research problems of dairy marketing promotion”, to study the past trend of milk collection and distribution by Dairy Development Co-operation(DDC), to suggest methods to overcome existing marketing problems of farmers, cooperatives, milk production centers and DDC. In his conclusions, he has stated that Milk Holiday (MH) is an obliging decision of DDC. These MH cause anxiety and financial losses to the milk producer and their Milk Production Associations (MAPs). The quantity of milk not collected due to the MH can not be accurately determined. In order to establish a true base for future projection and to understand the magnitude of the problems caused by MH the date relating to actual loss the farmers should be collected and maintained. The main cause of MH is the import of powder milk and butter oil by DDC To do away with the MH market promotion is necessary. Moreover, for the promotional of market, it is suggested that importance of milk should be publicized at school level. Milk and milk products in liquid form should be supplied to children instead of powdered milk. The promotion of milk must be done simultaneously with that of green vegetable. Skimmed milk powder factory should be established wherever necessary. In order to expand the marketing of milk a “drink milk campaign” should be organized at the local level and national level. Radio and Television should be

broadcast promotional programs for mild and milk products. He suggested that, there is a need to develop more appropriate and economical chilling centers technology for further expansion. There is considerable scope to increase their utilization. Selling and distribution cost is also high which can be reduced through the privatization of distribution system and sales centers. At least one MPA member should be trained about maintenance of milk quality and provision of veterinary services. Farmers do not totally depend on DDC for marketing their milk but establish their own processing and marketing system. The price of mild should be sent in consideration of the actual cost of milk production.

6. Another thesis work conducted by **Mr. Amod Kumar Thakur** in 2007 on “Distribution Strategy and its impact on customer satisfaction” in Sun gold Brewery Nepal Pvt. Ltd. has presented the following finding:

- i) SBN has been producing and distributing different brands of beer to its channel members. The company has segmented Hayward’s 5000 as a strong and low price brand, Orange boom, Royal Challenge; Real Gold as a premium Lager brand and Nepal Ice has a Local brand.
- ii) Presently, SBN has adopted three types of distribution channels. SBN recognized only three types of channel structure and (one level) SBN-Dealer-Customer. I not format structure from the company’s point of view. SBN has been appointed only few members of distributors for a particular market since it has been adopting selective channel strategy.
- iii) At present 54% of total respondents are very satisfied with the present distribution channel systems 26% are satisfied and 20% showed moderate response about present distribution system of the company.
- iv) At present 20% of total respondents are selling only SBN products and 80% of total responses are selling other company’s products as well. The maximum number of dealers selling other company’s product along with SBN products.
- v) 43% of total respondents direct call to company for order where 57% of respondents call for company representative for order.
- vi) The personnel of marketing visit market time to time to know the market

- position and to know dealers as well as competitor's activity.
- vii) 15% dealers get products immediately 16% get products after one day and 19% get products after 2 days for their order placement. SBN delivers products on its own transportation cost.
 - viii) The most important influencing factor to sell SBN products for intermediaries among the different factors as price of the products.
 - ix) At present company is providing commission purchase, additional commission/bonus cash discount and quantity discount as incentive schemes to its dealers.
 - x) 32% of total respondents said that incentive provided by company very satisfactory 49% perceived it as satisfactory and next 19% perceived it as moderate i.e. not good and not bad. Majority of the respondents said the incentive as good than competitors.
 - xi) Intermediaries are very happy with the co-operation provided by the company.
 - xii) Credit facility given by SBN to its intermediaries to 30 days. If the payment is made within 30 days. If the payment is made within 30 days, they can get 1% extra discount. SBN gives 2% extra discount on cash purchase to its channel members.
 - xiii) SBN is participating in different trade fairs and exhibitions to display products and to give information about the products to customers at different place organized by different organization.
 - xiv) 32% of total middlemen have to sell SBN product to make height profit. 68% of total middlemen have to sell SBN products to make good image.
 - xv) SBN has also exported to India i.e. Haywards 5000, Oranjeboom, Real Gold and Nepal Ice.
 - xvi) There is lack of the separate distribution department as well as lack of motivation factors among the labors, staff and management, lack of cooperation, good management system. Marketing personnel also need to perform distribution activity along with their regular activities.

2.19.2 International Context

Mitom T. Cunningham and T. Rogar Pyatt have done a exploratory research on the title “Marketing and purchasing Strategies in the Distribution Channels of Mid-range Computers” with the prime objective to study how hardware manufacturers use and manage the independent use and manage the independent distributors in the markets of mid-range computer. Some secondary objectives which were proposed were:

- i) To study the extent to which “interactive” marketing and purchasing is being applied by companies.
- ii) To measure the form and quality of the marketing and purchasing interactions taking place “down” channels to the end-users, and then “up” the channels to the manufacturers.
- iii) To research any conflicts in the channels of distribution in order to see how they are being resolved.

The research has highlighted the role which distribution channel intermediaries have performed in the penetration of computers in the business market. Major structural changes have accompanied the growth in the demand for mid-range computers into diverse vertical market segment. The strategy among three major computers manufacturers, their value-added distributors, and end-users has identified the conflicts which are in marketing channels under strong competitive pressure; yet attempting to reconcile the technological innovation of suppliers with their -users needs for system stability and reliable support services has been highlighted. The emphasis of the research study has been on relationship management. This “interactive” approach to high-technology marketing and purchasing was tested by contrasting a traditional mechanistic approach to marketing with the customer-oriented “organic” approach favored by some suppliers.

An article was published in *International Marketing Review* about the research done by **Gaitom Tesfom, Clemens Lutz and Pervez Ghauri** with the objective to examine the organization of export-marketing channels of small to medium-sized enterprises in developing countries. The key question was to understand how and why the organization channels differ between exports to

develop and developing countries.

A qualitative model was developed to structure the factors that might explain the differences. Transaction cost theory and resource dependency theory were used to identify the factors in the model.

They concluded that for the Ugandan Traders, two reasons explained why they are not interested in inflexible supply contracts, subcontracting and joint ventures agreements. Their resource base is too weak to allow for these investment and the quantities involved are too small to justify the choice for fixed partner.

Considering the transactional costs involved, outsourcing the marketing functions in the Netherlands is the best solution of the Eritrea manufacturers. Entry to Ugandan market is difficult as direct investments are needed to serve the buyers in Kampala. Due to the small volumes involved, it doesn't seem to be feasible to invite middlemen from Uganda to buy direct in Eritrea. A solution for this dilemma may be the opening of an intermediate sales outlet (or representative) in the wholesale market in Dubai. Taking into account the resources constraints of the manufacturers in Eritrea. They have drawn the conclusion that entry to the European market may be easier than entry to the Ugandan market.

With regard to the differences observed between marketing channels in developing and developed countries, they further noted that the availability of proper institutions facilities and exchange process and makes a differences in organizing marketing channel. They observed that the marketing channel design for the Ugandan market is shouter than the design for the Dutch market. In Uganda, a lack of institution increases uncertainty and consequently, encourages the integration of distribution functions.

2.20 Research gap

Most of the manufacturing companies of Nepal have not sufficient information about the factors that are essential in managing distribution channel effectively and efficiently and very few research works have been done in the field of distributions channel management in Nepal. The review of different research

works conducted in Nepal as mentioned above are focused to research problems of dairy marketing promotion, to study past trend of milk collection and distribution by DDC, to suggest methods to overcome existing marketing problems of farmers, cooperative, milk production centers of DDC, Strategies and policies and policies adopted by Hetauda Textile Industries Ltd. for managing distribution, policy and strategy in case of distribution of Biscuits industries, Nepalese Handmade paper and Paper products, distribution system of Janakpur Cigarette Factory, distribution channels of Feed Industries in Nepal and Distribution system of Biratnagar Jute Mills Ltd.

In the same way the research works done by foreigners displayed how manufacturing use and manage their channels of independent dealer distributors in the marketing of mid-range computer systems. Particular emphasis is placed in organizational interactions and business relations between channel members.

They have examined the organization of export-marketing channels for small to medium-sized enterprises in developing countries and to understand how and why the organization of the channels differs between exports to developed and developing countries.

Only few systematic studies carried out previously in the field of distribution channel management of manufacturing organizations in Nepal. Among them, most of the research works had been done in the field of public enterprises and very few had been done in private enterprises. “The public enterprise sector has been a major user of public resources: but its performance both in terms of financial results and efficient delivery of goods and services had been poor. Moreover, many of his public enterprises are poorly managed, and are a prime source of leakage and corruption.” The Pes. Were established for achieving the rapid economic development of the country along with balanced regional development, creating public welfare, generating employment opportunities etc; but most of the Pes couldn't meet their objectives. Instead, they suffered losses due to inefficiency and have become a major financial burden to the Government. Because of the mentioned problems the Government has been compelled to think of privatization of Pes.

But in international context we can find different research works have been done but their suggestions and recommendations are very difficult and complex to apply in the context of Nepal. Geographical situation, level of transportation facility availability, economic status and lack of proper knowledge of marketing management entirely effects to manage distribution channels in Nepal than in foreign countries. Most of the business organizations in Nepal are running their business in a traditional way so they are not being able to cope with the present problems raised by globalization in the process of distribution channel management.

Therefore this study would be a bit different from previous studies that have been done in Nepal. All the studies have not been able to give proper consideration of the private sector and the variables that are very essential in the process of distribution i.e. commission, relationship, prompt delivery service, encouragement, channel motivation, participation etc. Therefore, this study would be designed to highlight the distribution channel management of liquors produced by Sumy Distillery Pvt. Ltd. For these purposes, specially the primary data will be collected from major cities of all Nepal and analyzed for recommending suggestion of distribution channels and secondary data will also be used as per its requirement.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is concerned with various methods and techniques, which are used in the process of research studies. It includes wide range of method, including quantitative techniques for data analysis and presentation.

The main objective of the study is to evaluate the distribution system of the company throughout the country. The methodology has been developed according with the aim of achieving the objectives of the study.

First, the types and nature of research have been identified. Secondly, the population of the study has been determined and a required survey method has been chosen for convenience. Thirdly, the nature of data required for the study has been identified and thus appropriate data collection method has been employed to acquire the necessary data.

This research is largely based on questionnaire. For this purpose data are collected from different sources and different channel members First company office, detail discussion with Marketing manager and Vice President has been conducted in other to find out the problems of the company. Self visit has been done to channel members of Kathmandu and data has been collected from major cities of Nepal through questionnaire with the help of SDPL's sales representative to get required information.

Four questionnaires of each type are pre-tasted in the market and suggestions for improvement from channel member are collected. Some questions have been modified considering their suggestions and given final structure of questionnaire.

3.2 Research Design

This study is based on the Descriptive Research design. The basic aim of the study is to study the distribution system of SDPL and to provide suggestions to improve distribution system adopted by the company. Further the study highlights the attitudes and behaviors of channel members towards SDPL products and its availability.

3.3 Source of Data

In this study, both primary and secondary data have been used. However, the use of secondary data is predominant and the researcher used primary data of all Nepal (from major cities of all Nepal) as far as possible. Primary information and data are gathered through questionnaire, personal interview, through e-mail and telephone interview. While secondary data are gathered from official records and publications.

3.4 Data Collection Procedure

Considering the nature of the problem, the required data are collected through questionnaire, personal interview, through e-mail, Telephone interview and observation. In the major cities of all Nepal region it is administered the questionnaire personally, by mailing and by the helps from friends circle to the concerned executives and different channel member. The executives and different channel members were further interviewed (direct and not contained in the questionnaire or the aspects, which needed further clarification.

3.5 Population and Sample

All the individuals and institutions engaged in the process of distribution system of SDPL are the population of this study i.e. Producer, Distributors/Dealers, Wholesalers and retailers.

In order to get representative information from respondents all population i.e. all Nepal's Sales representative (as far as possible) has been used through questionnaire.

This study has used Sumy Distillery Pvt. Ltd.'s all distributors and Sales Person, at least two Wholesalers, Retailers of every major City, have been selected by judgmental sampling method for the study.

Table No: 3.1
Classification of sample

Region Population	Easter n	Middle	Wester n	Mid- Western	Far Western	Total
Distr. /Wholesaler	7	8	7	8	6	36
Retailer	15	18	14	14	13	74
Total						110

3.6 Method of Analysis

Graphs, tables and charts are used to analyze and present the collected data and information to make it more easily understood. Simple statistical tools such as Average, percentage, percentage change, Chi-square test, have been used in the process of analysis.

3.7 Data Analysis Procedures

The data collected from different sources have been computed, tabulated in different headings for the purpose of analysis. Different responses made by different respondents are analyzed through the percentage, which is brought out of total.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This study is based on primary data as well as secondary data. Primary data are collected through questionnaire and interview of channel members and secondary data are collected from the official records and publications. Respondents are taken from major cities of Nepal where company has got its distributors and dealers and distribution channel members i.e. wholesaler and retailers also. Full attention has been given while taking required information, so that the information can represent true facts and findings of the total population as far as possible.

In this chapter, data of sales of SDPL's produces in different years, satisfaction level of existing distribution system, procedures adopted by the channel members to place order, supply of goods to the intermediaries, frequency of order view of respondents and incentives provided by the company etc. are presented with their analysis.

4.2 Market Segmentation of Products

SDPL has been producing and distributing different brands of liquors to its channel members to serve Nepalese costumers through own indigenous National Company. Liquors are categories into various taste, flavor. Generally liquors are categories in Nepal are in five strength group i.e. 25 U.P, 30 U.P., 40 U.P., 50 U.P. and 70 U.P. The company has segmented Wainscot in 25 U.P. on whisky flavor,

Gill Marry andG Tel in 40 U.P. on Whisky flavor,Juniper Berry,Genial an Junoon in 40U.P on Ginflavor. Veer, Cordon in 50 U.P. on Whisky flavor, Genial and Junoon in50 U.P. on Gin Flavor and Knight Rover in 70U.P.on Sofi flavor.

Marketing, Pricing and other related activities have been doing under the mentioned assumption for the brands. At present we can see the company is aggressively promoting Gill Marry, Cordon and Junoon brands through various promotional tools like advertising, public relation, sales promotion,

publicity etc. Gill Marry is popular its quality, taste and price. It is one of the largest selling brands of liquors in Nepal. It is widely popular brand through out the country. Most of the people of Nepal are liver under extremely poverty and cannot afford for high price products.

Those people who have not big pocket and need satisfied with products within their pocket capacity prefer to have Gill Marry as quality product with reasonable price. Recently, company has given another quality product “Cordon” in 50 U.P. on reasonable price for those people who have not little bit big pocket for Gill Marry also and need satisfied with products within their pocket capacity prefer to have Cordon on likely to Gill Marry taste. The product is very popular in village areas of Nepal where most of the people have low income power where they have not pay little bit high price and need to satisfaction with use it.

4.3 Market Share of SDPL

A recent survey was conducted by the company to know the total market available for liquor and market share of the company in 40 U.P. and 50 U.P. premium segment. The survey shows following figure.

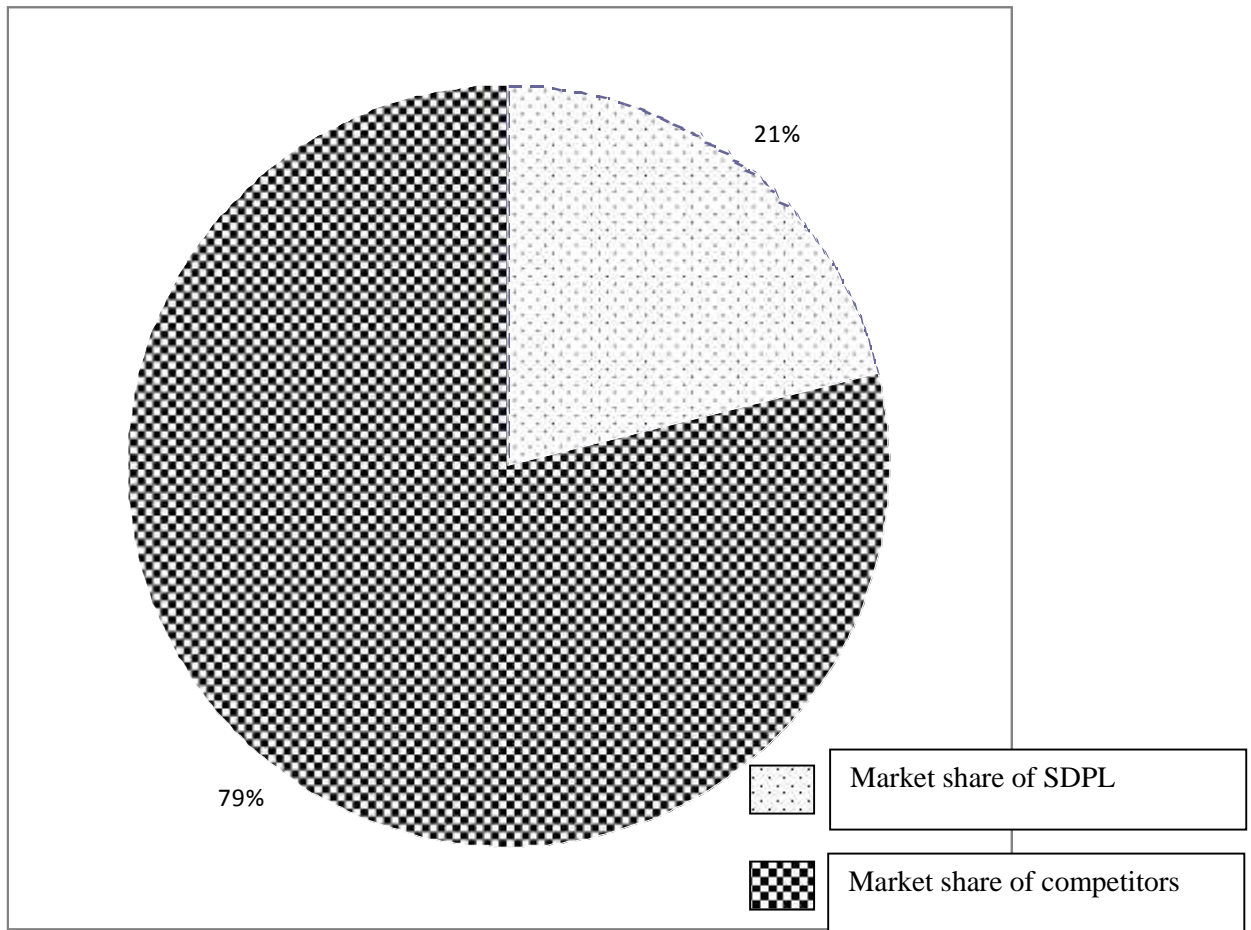
Table No: 4.1

Market Share of SDPL

Description	Total sales in Cartoon	Market Share on %
Market share of SDPL	145000	21 %
Market Share of Competitors	555000	79 %
Total available market of 40 U.P. and 50 U.P. Premium	700000	100%

Source: *Yearly report of Marketing Department of SDPL*

Chart No: 4.1



Source: Table No. 4.1

The survey shows that total available market of 40 U.P. and 50 U.P. Premium segment liquor is 700000 cartons (yearly). The company has got 21% market share of the total market and 79% for competitors. The market share of the company is satisfactory as compared to its production and distribution of six brands of liquors in 40 U.P. and 50 U.P premium segment.

4.4 Sales of SDPL

The sales of SDPL are increasing trend up to Fiscal Year 2064-65 but from Fiscal year 2065-66 sales are in Decreasing trend. Following figures shows the sales and percentage change in sales of the company.

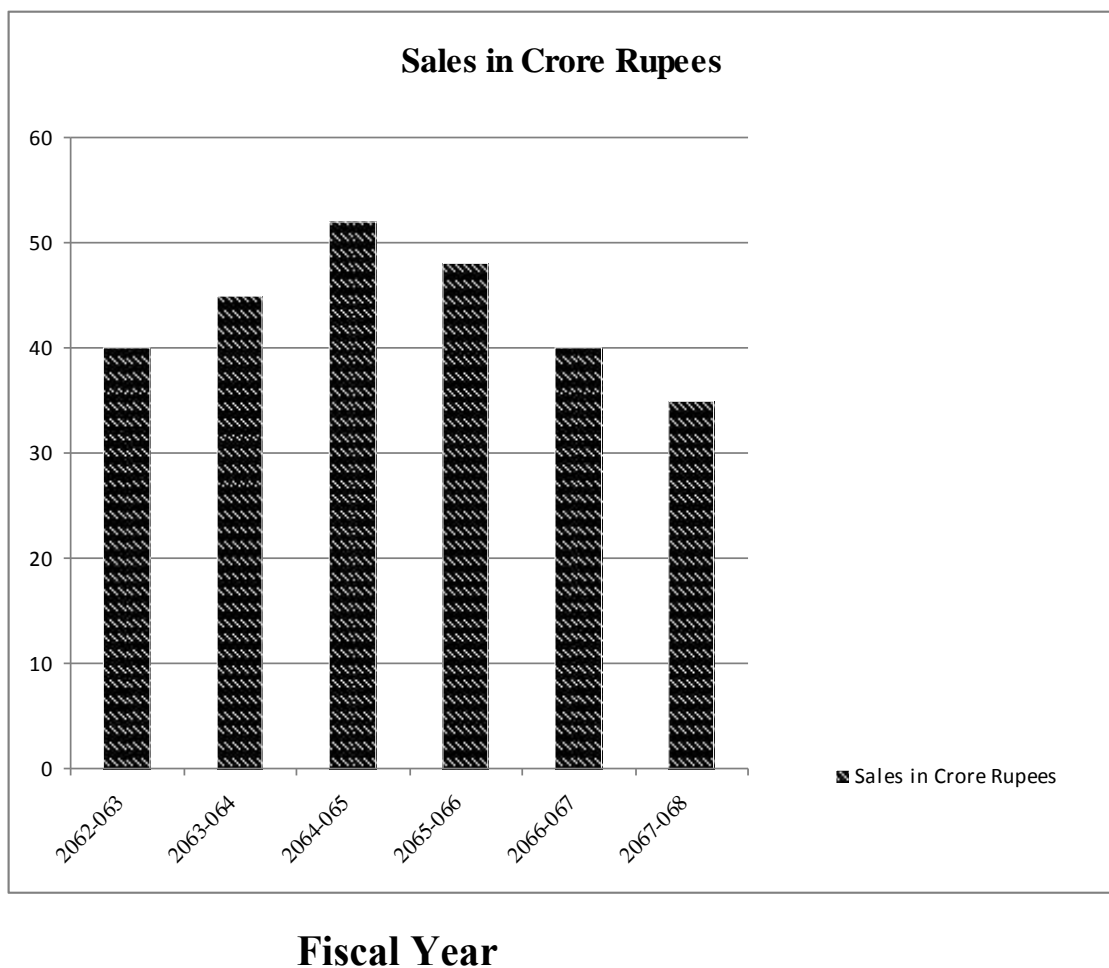
Table No: 4.2

Yearly Sales of SDPL

Fiscal Year	Sales in Crore Rupees	% Change
2062-063	40	-
2063-064	45	12.5 %
2064-065	52	15.55 %
2065-066	48	-8 %
2066-067	40	-17 %
2067-068	35	-12.5 %

Sources: *Marketing Department of SDPL*

Chart No: 4.2
Yearly Sales Figure of SDPL



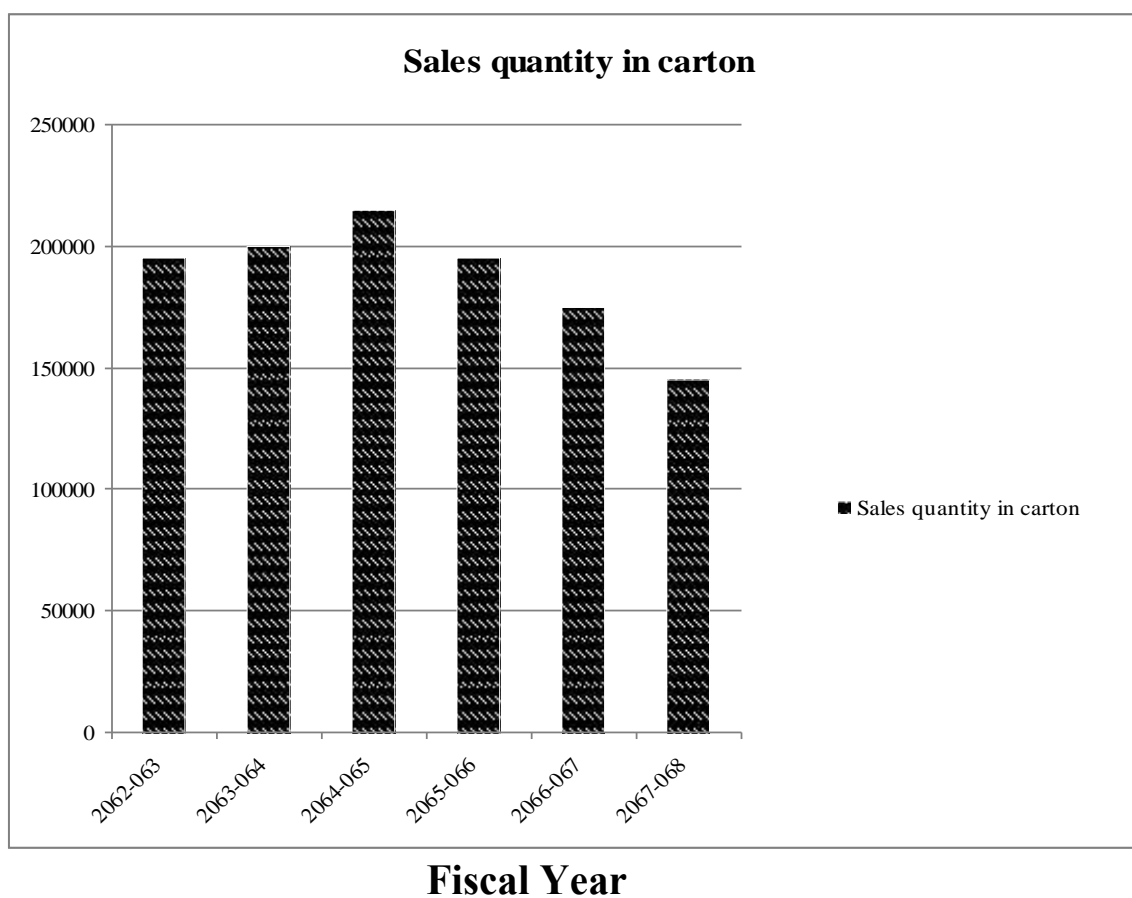
Source: Table No: 4.2

Table No: 4.3
Yearly Sales of SDPL

Fiscal Year	Sales quantity in carton	% Change
2062-063	195000	-
2063-064	200000	3 %
2064-065	215000	7.5 %
2065-066	195000	-9 %
2066-067	175000	-11 %
2067-068	145000	-17 %

Source: *Marketing Department of SDPL*

Chart No: 4.3
Yearly Sales Figure of SDPL



Source: Table No: 4.3

The above bar diagram of Sales pictures total sales of the company for 6 respective years from Fiscal Year 2062-0663 to 2067-068. The figure show that sales of Rs.40 crores in the F.Y. 2062-063 and there is Increment upto F.Y. 2064-065 i.e. Rs.45 crores in F.Y. 2063-064, Rs.52 Crores in F.Y. 2064-065 and Rs.48 Crores in F.Y. 2065-066 and in F.Y. 2064-065 the bar diagram appears comparatively step Up and sales is made Rs.52 crores and sales are slowly Decrease from F.Y. 2065-066 to 2067-067 and sales is made Rs.35 crores in F.Y. 2067-068.

4.5 Present channel of Distribution of SDPL

The market of liquors is very competitive at present situation. Different features and products knowledge is essential to deal with customers. Presently, SDPL has adopted the following distribution channels.

I. SDPL – Customer(Zero Level)

This is the shortest channel or zero level distribution channel used by SDPL. In this channel SDPL directly sells its product to customer on its own responsibility. By this method SDPL is supplying products to large organization like National Trading (Duty Free Shop), Kastamandap.

Departmental Stores, Casinos etc. SDPL executes different marketing approaches to generate large order. It supplies quotation of different organizations to generate purchase order. Different companies approach SDPL to supply products at big quantity with better price. SDPL negotiates with the companies and makes agreement to supply the products.

II. SDPL – Distributor- Dealer – Customer(Two Level)

This is the two level distribution channel of SDPL. It contains two intermediaries i.e. wholesaler and retailer. SDPL has appointed only 60 distributors according to the market size. In this method the distributor directly supply product to dealers. The distributor's responsibility is to control and monitor market. Distributor is responsible to pay credit amount if the dealer is unable to pay its outstanding.

III. SDPL - Distributors - Dealer - Retailer – Customer (Three levels)

This is the largest and popular three level distribution method of SDPL. Here is three intermediaries i.e. distributor, dealer and retailer. Most of the customers cannot purchase the SDPL products through dealers only and hence common retailer is the more common channel of the ultimate customers.

Although this channel is more common, more popular and easier for the customer to buy products. In this channel the dealer supplies its products to different retailers in its own rational judgment. The rates for the retailers are different according to the dealers but rates for the customers by the retailers are not different.

4.6 Major function need to perform by Channel member

The major functions that the channel member generally needs to perform are:-

- i) Work as a company representative.
- ii) Easily products available to market.
- iii) Forecast sales within their territory.
- iv) Market generate within their territory.
- v) Provide prompt market information to the company.
- vi) Work as an intermediaries between company and market.
- vii) Support company to organize different promotional activities within their territory.

Even channel member perform such functions successfully, the distributors do not have any authority to fix price to the products and they are not found conducting promotional and other activities regularly.

4.7 Responses about Existing channel of Distribution

A question related to existing channel of distribution was asked to know level of satisfaction about existing channel of distribution to respondent the response following table is formed for this purpose.

Table No: 4.4

Responses of Satisfaction of Existing Distribution Channel of SDPL

Response	Respondents	Percentage (%)
Very Satisfactory	2	1.8 %
Satisfactory	50	45.48%
Moderate	45	40.9 %
Unsatisfactory	10	9.09 %
Very unsatisfactory	3	2.73 %
Total	110	100%

Sources: *Field Survey-2012*

As seen in the above table only 2% middlemen are very satisfied with the present distribution channel. Maximum middlemen (i.e. 45.48% of total respondents) are satisfied, 40.9 % middlemen are showed moderate response about present distribution system of company. 9.09 % middlemen are unsatisfactory and 2.73 % middlemen are very unsatisfactory with the present distribution channel and system of company.

4.7.1 Liquors of SDPL Selling by Channel member

Among total number of Channel members i.e. Distributors and dealers 20 middlemen are selling only SDPL products. Remaining 30 dealers and distributors are selling products except supplied by SDPL. Among them most of the dealers are selling local company's cheapest price liquors for remote areas supply.

Table No: 4.5

Responses of dealer about sales of SDPL Liquors and other Companies

Response	Respondents	Percentage (%)
Selling only SDPL products	20	40%
Selling products except supplied by SDPL	30	60%
Total	50	100%

Sources: *Field Survey -2012*

At present 40% of total respondents are selling SDPL products and only 60% of total respondent are selling other companies products as well which shows the image of the company.

4.7.2 Procedures following by respondents for order of SDPL products

The question related to procedure adopted by distributors, wholesalers and retailers to order products of SDPL was asked to know the distribution of product of the company to respondent the response table is formed as under.

Table No: 4.6

Procedure followed by Respondent for order of SDPL Products

Statement o Response	Respondents	Percentage (%)
Directly order taking by company	15	14%
Directly ordered by Dealer	28	26%
Ordered by company representative	60	55%
Send goods without order	5	5%
Total	110	100%

Sources: *Field Survey -2012*

Table shows that 14% of total respondent responses that head office members take order directly with them. 26% of total respondents direct call to company for order. 55% of total respondent responses that ordered were taking by company representative which was shows highly aggressive sales team with the company and only 5% shows that goods are sending by company without order.

4.7.3 Regular Visit of Company Sales Representative

All distributors, dealers, wholesalers and retailers are agreeing that company sales representative come to them to monitor market, to coordinate and to solve the problem facing by them.

Table No: 4.7

Regular Visit of sales Representative of SDPL

Response	Respondents	Percentage (%)
Yes	88	80%
No	22	20%
Total	110	100%

Sources: *Questionnaire*

According to the above table, 80% middlemen and Sales representative agree for regular visit of company representative with schedule time and only 20% middlemen do not agree for regular visit of company sales representative.

Among them who agreed for regular visit of Sales representative said that the frequency of visiting to them is high i.e. minimum 3 to 4 times per month. They said that they visit them regularly to give pressure for order, payment and to make better market too.

4.7.4 Regular Supply of Liquors by SDPL

In order to find out how far the company is successful in distributing its products to its channel members, they were asked the question: Does the company supply liquors in time? Respondent response was shown in the following table.

Table No: 4.8

Regular Supply of Liquors by SDPL

Response	Respondents	Percentage (%)
Yes	98	89%
No	12	11%
Total	110	100%

Sources: *Field Survey - 2012*

According to the above table, 89% middlemen and Sales representative agree for regular supply of liquors by SDPL and only 11% middlemen do not agree for

regular supply of liquors by company.

4.7.5 Frequency of order of SDPL Liquors by Middlemen

As there are no any certain criterions for frequency of order, the distributors, wholesale, retailers do orders as for there requirement. A question related to frequency of order placed by middlemen for SDPL products which shows the how fast moves the liquors of SDPL respondent the response is shown in the following table.

Table No: 4.9

Frequency of Order by Middlemen

Statement of Response	Respondents	Percentage (%)
Once a month	15	14%
Twice a month	10	9 %
As per requirement	85	77%
Total	110	100%

Sources: *Field Survey – 2012*

As seen in the above table 14% middlemen ordered once a month and 9% middlemen ordered twice a month whereas 77% respondent responses that goods was ordered as per requirement which shows there is no idea about when the liquors are finished. That means marketing movement should be increased.

4.7.6 Goods receiving time of SDPL Liquors

A question related to time required to receive products was asked to SDPL dealers, wholesalers, retailers and sales representatives. Their responses are shown in the table:

Table No: 4.10

Responses of Middlemen about Product Receiving Time

Statement of Response	Respondents	Percentage (%)
Immediately	32	29%
After one day	28	26%
After two days	40	36%
More than 3 days	10	9%
Total	110	100%

Sources: *Field Survey - 2012*

Table shows that among the total respondents 29% get products immediately, 26% gets products after one day, 36% get products after two days and 9% get products more than three days of their order placement. The above mentioned time period are extending because of the current problems raised in the country.

4.7.7 Compensation Schemes provided by SDPL

SDPL provides certain commission to its middlemen as business commission for selling its products. To know the types of compensation scheme provided by the company the question was asked for types of compensation getting by them the responses was shown in following table

Table No: 4.11

Compensation Schemes provided by SDPL

Response	Respondents	Percentage (%)
Commission purchase	20	18%
Additional Bonus	36	33%
Cash Discount	30	27%
Quantity discount	24	22%
Total	110	100%

Sources: *Field Survey- 2012*

The above table shows that among the total respondents 18% are enjoying with commission purchase, 33% getting additional bonus, 27% taking cash discount and 22% of respondents enjoying with quantity discount.

4.7.8 Respondents Responses Regarding Compensation as Compare to Competitor

To know response about company's compensation as compared to other company's researcher gathered following information

Table No: 4.12

Responses of Respondents about Compensation

Statement of Response	Respondents	Percentage (%)
Normal	85	77%
Good	15	14%
Better	7	6%
Best	3	3%
Total	110	100%

Sources: *Field Survey- 2012*

As seen in the above table 77% respondent responses present compensation is normal, 14% respondent responses good, 6% responses better and only 3% responses best with compare to other companies.

4.7.9 Responses about Incentive Provided by SDPL

To know responses about incentive provided by company, following data have been gathered.

Table No: 4.13

Incentive Provided by SDPL

Statement of Response	Respondents	Percentage (%)
Very Satisfactory	4	4 %
Satisfactory	25	23 %
Moderate	60	54 %
Unsatisfactory	13	12 %
Very unsatisfactory	8	7 %
Total	110	100%

Sources: *Field survey - 2012*

As seen in the above table only 4% middlemen are very satisfied with the present incentive. 54% are satisfied and 51% middlemen are showed moderate response which is very high. 12% middlemen are unsatisfactory and 7% middlemen are very unsatisfactory with the present incentives provided by the company.

4.7.10 Respondents Motive to sell SDPL Products

To know, why distributors, dealers, wholesalers and retailers to sell SDPL product. Following data has been gathered.

Table No: 4.14

Buying motive to sell SDPL Products

Statement of Response	Respondents	Percentage (%)
High Profit	25	23%
Good Image	65	59%
Delivery factors	20	18%
Total	110	100%

Sources: *Field Survey - 2012*

According to above table only 23% middlemen are influence with high profit. 59% respondents responses that they are influenced by Good Image of the company and 18% responses that they are doing due to timely delivery of goods by the company.

4.7.11 Response about Customers when there is shortage of SDPL Product

Any products may shortage for the short time at that situation to know the customer reaction at the time of shortage of SDPL products at the time, the respondents responses have been gathered in the following table.

Table No: 4.15

Customer Reaction at the Time of shortage of SDPL products

Statement of Response	Respondents	Percentage (%)
Wait and again recall	15	14%
Purchase similar product	95	86%
Total	110	100%

Sources: *Field Survey - 2012*

According to above table only 14% respondent responses that the customer will wait for SDPL products and again recall for it and 86% respondent responses that the customer purchase similar product at the time of shortage of SDPL products.

4.7.12 Responses about Brand Loyalty of SDPL products

To know the brand loyalty of the SDPL products the following response was found from respondents.

Table No: 4.16

Brand Loyalty of SDPL Products

Statement of Response	Respondents	Percentage (%)
Again come to buy SDPL products	80	73%
Will not come next time	30	27%
Total	110	100%

Sources: *Field Survey- 2012*

From the above table 73% respondent responses that the customers are brand loyal and 27% respondent responses they will divert to another product.

4.7.13 Availability of SDPL Products in the market

To know the availability of the SDPL products the following response was found from respondents.

Table No: 4.17

Availability of SDPL Products

Statement of Response	Respondents	Percentage (%)
100%	0	0%
90% and above	9	15%
80% and above	2	3%
70% and above	7	12%
60% and above	21	35%
Below 60%	21	35%
Total	60	100%

Sources: *Field Survey - 2012*

Every respondents agreed that there was 0% areas, availability of hundred percent, only 15% areas there was ninety percent and above availability, only 3% areas there was eighty percent and above availability, in 12% areas there was seventy percent and above availability, in 35% areas there was sixty percent and above availability and there was 35% areas where there was below sixty percent availability.

4.7.14 Responses about Present Distribution Channel of SDPL

To know the responses about present distribution channel of SDPL products the following response was found from respondents

Table No: 4.18

Present Distribution Channel of SDPL

Statement of Response	Respondents	Percentage (%)
Continue the same channel	38	35%
Necessary to further improvement	72	65%
Total	110	100%

Sources: *Field Survey- 2012*

According to the above table only 35% respondents responses to continue the same channel and 65% respondent suggested for necessary to further improvement.

4.7.15 Suggestions Provided by Respondents

With a view to collect suggestion from various middlemen, question was frequently asked and their suggestions were collected. Some of the suggestions that are relevant for organizational growth are listed below:

1. As we know customers are the king of market, this company is not giving more emphasis towards consumer's in the terms of price as it is supposed to be. As a result it is being difficult to sell the product in this competitive market.
2. Market is globalizing day by day and consumers aware of the brand of product and always likes to have branded product. But SDPL product are national products only which aren't to create good brand in national market as compared to other multinational brand.

4.8 Major Findings of the Study

The major findings of the study are as follows:

1. SDPL is performing good distribution function as 1.8% of total respondents are very satisfied with the present distribution channel 45.48% are satisfied, 40.9% showed moderate, 9.09% showed unsatisfactory and 2.73% showed very unsatisfactory response about present distribution system of the company. So SDPL needs to focus on different promotional activities to gear up in further market share.
2. Presently SDPL has adopted three types of distribution channels. SDPL recognized only three types of channel structure and the one level (SDPL - Dealer - Customer) distribution channels are not practiced by company. It is not formal structures from the company's point of view.
3. According to a recent survey conducted by the company, it has got 20% market share of the total market in 40 U.P. premium whisky segment.
4. SDPL has been producing and distributing different brands of liquors in different strength level and different flavor to its channel members. The company has segmented Wainscot in 25 U.P. whisky flavor, Gill Marryand G Tel in 40 U.P. whisky flavor, Veer and cordon in 50 U.P. whisky flavor, Genial & Junoon in 50 U.P. Gin flavor and Knight Rover in 70 U.P. Sofi flavor as all local brands.

5. From initial Gill Marry and Juniper Berry are very popular brands in the market and recently Wainscot, Cordon, Junoon and Genial is getting popularity in the market in their segment.
6. There is remarkable sale on F.Y. 2064-065 but the sale is slowly down from F.Y. 2065-066.
7. at present 40% of total dealers are selling only SDPL products in their segment and 60% of total dealers are selling other company's products as well.
8. The Moderate number of dealer are selling only SDPL products in their segment and Maximum number of dealers are selling other company's products along with SDPL products due to survival.
9. Respondents use different sources of order procedures.
10. Channel members order products as per their requirements and there are no any certain criteria of frequency of order.
11. The personnel of marketing visit market time to time to know the market position, order and to know dealers as well as competitor's activities.
12. All the channel members are satisfied with the quantity and timely supply of products on abnormal situation of the country.
13. 29% respondents get products immediately, 26% get products after one day, 36% get products after two days and 9% respondents get products more than three days of their order placement due to abnormal situation of the country.
14. Credit facility is the most important influencing factor to sell SDPL products for intermediaries among the different factors.
15. At present company is providing commission purchase, additional commission/bonus, cash discount, and quantity discount as incentive scheme to its dealers.
16. Majority of the respondents perceived incentives of the company are normal than competitor. Majority i.e. 54% of respondents responses the incentives provided by company is moderate.
17. Intermediaries are very happy with the cooperation provided by the company.
18. Credit facility given by SDPL to its intermediaries is 21 to 45 days. If the payment made within 10 days, they can get 1% extra cash discount. SDPL gives

- 2% cash discount on cash purchase to its channel members. SDPL provides goods to its intermediaries on Bank Guarantee and 30 days letter of credit too.
19. 86% of respondents responses, whenever SDPL products are short in the market, the customer will purchase similar other company's products whereas 14% replied that they do not buy other products.
 20. When the product available of SDPL, again 55% respondents responses that they will again ask SDPL products in second time and 45% will not ask for SDPL products on second time.
 21. The availability of the products are very low i.e. 70% respondents said there are below 70% availability.
 22. 35% of total respondent responses for continue the present distribution channel whereas 65% respondent responses that company should necessary to further improvement of present distribution channel. SDPL participates in different trade fair, products display, musical program and exhibitions to display products and to give information about the products to customers.
 23. Intermediaries are highly focused on Good Image to sell SDPL products.
 24. SDPL launched its first brand "Gill Marry" in technical alliance with Khoday's India Ltd. but today SDPL has producing all the brands with own technology.

CHAPTER - V

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Summary

This study has highlighted various facts and findings which have been summarized in this chapter.

SDPL is the largest manufacturer of liquors in Nepal. In the early stages of production the distillery launched its own first Brand “Gill Marry” in technical collaboration with Khoday’s India Ltd., India which becomes very popular home produced product in Nepal with a quality and reasonable price product. Similarly, SDPL has launched Juniper Berry, G-Tel, Wainscot, Veer, Genial, Cordon, Junoon and Knight Rover as an own home produced products.

The main objective of the study is to evaluate the distribution system of the company under study. In order to get true picture of this, and to evaluate the extent of contribution made towards distribution system

This research is largely based on questionnaire. For this purpose data are collected from different sources and different channel members First company office, detail discussion with Marketing manager and Vice President has been conducted in order to find out the problems of the company. Self visit has been done to channel members of Kathmandu and data has been collected from major cities of Nepal through questionnaire with the help of SDPL’s sales representative to get required information.

SDPL has appointed distributors as per market requirements and now the company has appointed 60 distributors all over the country and it has segmented its market on five regions on the basis of geography.

1. (One-level) SDPL - Customer
2. (Two-level) SDPL - Distributor - Dealer - Customer
3. (Three-level) SDPL - Distributor - Dealer - Retailer - Customer

SDPL has been adopting selective channel strategy. It has appointed only a few outlets in a particular market. Selective distribution is used for consumer shopping and specialty goods, industrial accessory equipment, for which most customers

have a brand preference.

To gear up sales, company always needs well distribution channel. Since SDPL is performing well distribution channel, it needs to put more effort on promotional activities, so that market share can be grown up. With a view of promote sales, SDPL is providing various bonanza, cash discount and quantity discount as an incentives to distributors, wholesaler and retailers too and also takes part in various trade affairs, product display and exhibitions.

SDPL has number of product line i.e. Gill Marry, Juniper Berry, Wainscot, G Tel, Veer, Genial, Cordon, Junoon, Knight Rover etc. From initially Gill Marry and Juniper Berry are very popular brands in the market and at present Cordon, Genial and Junoon also are the popular brands in the market. Eventually SDPL has achieved 20% of total market share. As past, sales were quite increasing order but these days sales are decreasing in most desired manner.

Members of distribution channels use different source to order the products as per their requirements. 29% respondents get products immediately, 26% get products after one day, 36% get products after two days and 9% respondents get products more than three days of their order placement. By doing so, SDPL has also satisfied their channel members regarding quantity and timely supply of products in the present situation of the country. Furthermore channel members are more interested to sell these products due to credit facility and good image of the product.

Sometime company sends its higher personnel to visit the market so as to know the exact trend of market growth and position of dealers as well. Moreover personnel keep bird eye view to the activities of competitors so that strength and weakness of the competitors can be short out.

5.2 Conclusion

This study finds that the sales volume of the company is decreasing each year but the researcher concludes that the decreasing sales volume is not due to the impact of distribution channel.

Other conclusion of the study can be mentioned as follows:

1. SDPL has been producing and distributing different brands of liquors to its channel members. The company has segmented Wainscot as a 25 U.P. whisky flavor and high price brand, Gill Marry, as a 40 U.P. whisky flavor and middle range price brand, Juniper Berry as a 40 U.P. Gin flavor and middle range price brand, Veer and Cordon as a 50 U.P. whisky flavor on lower price brand, Junoon and Genial as a 50 U.P. Gin flavor on lower price brand, and Knight Rover as a 70 U.P. on Sofi flavor on lowest price brand. All the above brands are SDPL's own local brands of Nepal.
2. Presently, SDPL has adopted three types of distribution channels. SDPL recognized only three types of channel structure and (one level) SDPL Dealers - Customer. I not format structure from the company's point of view. SDPL has been appointed only few members of distributor for a particular market since it has been adopting selective channel strategy.
3. At present lowest percent of total respondents are very satisfied with the present distribution channel system, fifty percent are satisfied, lowest percent are unsatisfactory with the present distribution channel and system of company.
4. At present minimum number of dealers are selling only SDPL products and maximum number of total responses are selling other company's products as well. The very maximum numbers of dealers selling other company's product along with SDPL products.
5. Only 26 percent of total respondents direct call to company for order whereas 74 percent respondents responses that the order are either direct take by the company or company's sales representative order to the company which shows Good distribution network of the company.
6. The personnel of marketing visit market time to time to know the market position, to take order and to know dealers as well as competitor's activity.
7. The most important influencing factor to sell SDPL products for intermediaries among the different factor as credit facility of the product.
8. At present company is providing commission purchase, additional commission / bonus, cash discount and quantity discount as incentive scheme to its dealers.
9. Intermediates are very happy with the co-operation provided by the company.

10. Credit facility given by SDPL to its intermediaries is 21 to 45 days on business faith. If the payment is made within 10 days, they can get 1% extra discount. SDPL gives 2% cash discount on cash purchase to its channel members. SDPL also doing transaction with intermediaries on Bank Guarantee and Bank letter of credit.
11. SDPL is participating in different trade fairs and exhibitions to display products and to give information about the products to customers at different place organized by different organization.
12. 23 % of total middlemen have to sell SDPL product to make height profit, 59% of total middlemen have to sell SDPL products to make good image and 18% of total middlemen have to sell SDPL products due to prompt delivery factors.
13. As per conversation, interviews, there is separate distribution department as well as good motivation factors among the labors, staff and management and good cooperation with good management system. Marketing personnel are well trained, experienced, motivated and loyal to the company.
14. Minimum Percent of total respondent responses for continue the present distribution channel whereas Maximum percent respondent responses that company should necessary to further improvement of present distribution channel.
15. Company must improvement their distribution channel to increase the availability of the SDPL products in the market which support to further grow of the company.
16. At the present time without increasing of availability in every market, it is very much difficult to increase sales as well as sustain the sale of SDPL.

5.3 Recommendations

On the basis of findings SDPL sales volume slowly down per year so it is necessary to improve sales, competitor are increasing market so SDPL will plane new idea to return on market and safe own market, following suggestions and recommendations are advised to the manufacturer in order to improve the distribution performance of SDPL.

1. SDPL needs to increase the number of dealers according to the size of the market and geographic structure of the country as limited numbers of dealers for a particular market especially hilly market which can not cover from the present dealers by convincing to them.
2. SDPL should focus its market not only in the major cities of Nepal but also in the villagers and hilly regions where there are future market possibilities of liquors.
3. SDPL needs regular control to its credit amount rather than restricting to supply products to the dealers which have crossed beyond the credit limit and not paying credit amount within credit period.
4. SDPL needs to motivate its channel members to organize promotional activities by themselves company should provide extra incentives to the dealers for the promotional campaign.
5. At present dealer's motivation and product demand in the market is slowly down. SDPL is suggested to consider middlemen's and customers need, want and preferences while applying new or to change plans, policies, rules and price to long term stable in the market.
6. Middlemen agreed for regular product supply in normal time but complained for shortage of product in peak season and it is going on from the past few years. Because of the shortage they are loosing their high sales in peak season. SDPL shortage of product has greatly discouraged to customer satisfaction. So it is suggested to manage proper inventory control system and sales forecast.
7. SDPL needs to be aware from the competitors, whether the competitors are doing unfair competition or not. They are spreading bad rumor to the market against the company and brands.
8. SDPL is performing well distribution function. SDPL needs to adopt different promotional tools to gear up market share. It is suggested to introduce different schemes. At present SDPL is spending high budget in developing and launching of the new product and ignoring to promote the existing brands which is selling good volume. SDPL should give high focus to advertising and developing the branding image of the products.
9. SDPL must increase availability of their products in the market with the further

improvement of present distribution channel of the company and further motivation to the Sales personnel and channel members.

10. SDPL should revise their incentives to the channel members better to the competitors.

11. SDPL should try to prompt delivery of goods to their channel members which decrease the shortage of the product in the market.

12. SDPL should implement promotional campaign for those customers who are diverted to the similar competitor products.

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APPENDIX-I

QUESTIONNAIRE

Dear Sir / Madam,

First of all I would like to introduce myself as a student of Birendra Multiple Campus, Master in Business studies (M.B.S). In order to fulfill my partial requirements for the Master Degree in Business Studies, I am going to prepare a dissertation entitled “Distribution Channel and Its Impact on Product Availability”.

I would be gladly appreciated if you could spare some of your valuable time to provide your valuable suggestions and opinions by filling this questionnaire. Your opinions will be very useful and they will guide me for completing my research work.

I assure you to keep your detail confidential. I am looking forward to your cooperation as soon as possible.

Thanking you.

Yours Sincerely,
Hom Nath Poudel

Distribution Channel and Its Impact on Product Availability

Organization's Name:

Address:

Please you are required to tick () the answer of your choice or wherever appropriate rank the options as your preference.

A) Distributors:

1. What is your response about the existing channel of distributions for the organization?

- a) Very Satisfactory
- b) Satisfactory
- b) Moderate
- d) Unsatisfactory
- e) Very Unsatisfactory

2. Are market representative of SDPL are visiting in your area?

- a) Yes
- b) No

3. Are you getting the goods of your order regularly?

- a) Yes
- b) No

4. After how much time you are getting the goods of you're ordered?

- a) Immediately
- b) After one days
- c) After two days
- d) More than 3 days

5. While purchasing the goods which types of schemes are marked in your criteria?

- a) Commission on Purchase
- b) Additional Bonus
- c) Cash discount
- d) Quantity discount

6. What is your response regarding scheme as compared to competitor?

- a) Normal
- b) Good
- c) Better
- d) Best

7. What factor is motivated to you when you sell SDPL Products ?

- a) High profit
- b) Good Image
- c) Delivery Factor
- d) All of above

8) Is it necessary for the improvement of present distribution channel?

- a) Not necessary
- b) Necessary to further improvement

B) Retailer:

1. Present channel members of the organizations are selling only.....
 - a) SDPL Product
 - b) Products of the other company too

2. Which way will you choice if you need products for sale?
 - a) From company
 - b) From dealer
 - c) From representative
 - d) If other.....

3. Are Market representative of SDPL are visiting regularly in your area?
 - a) Yes
 - b) No

4. Are you getting the goods of your order regularly?
 - a) Yes
 - b) No

5. How much time you are getting the goods of your ordered?
 - a) Immediately
 - b) After 1 day
 - c) After two days
 - d) More than 3 days

6. What factor influence to sell SDPL products?
 - a) price of the product
 - b) Brand of the product
 - c) profit margin
 - d) Credit Facility
 - e) Regular Supply
 - f) Incentive and bonus

7. While purchasing the goods which types of schemes are you marked.
 - a) Commission purchase
 - b) Good
 - c) Cash Discount
 - d) Best

8. What type of the response regarding schemes as compared to competitor?
 - a) Normal
 - b) Good
 - c) Better
 - d) Best

9. What factor motivated you when you sell SDPL products?
 - a) High Profit
 - b) Good Image
 - c) Delivery Factor
 - d) All of above

10. If the products are shortage in market then what will you does at the time?
 - a) Wait and again recall
 - b) Purchase similar product

11. What types of response about brand loyalty of SDPL products?
 - a) Again purchase of SDPL product
 - b) Will not come the next time

12. How many time you ordered SDPL products in one month?
 - a) One time in month
 - b) Two time in month
 - b) As per requirement

13. Is it necessary to improvement of present distribution channel?
 - a) Not necessary
 - b) necessary to further improvement

Thanks for your co- operation