

DISTRIBUTION CHANNEL AND ITS
EFFECTIVENESS IN
NEPAL TELECOM

A Thesis

Submitted By:

Rabindra Jha

Roll No.: **312**/062-064, TU. Regd. No.: 7-3-39-215-2005

Submitted To:

Department of Management, Shankardev Campus, TU

In Partial Fulfillment of the Requirements of the Degree of Master of Business Studies (MBS)

Kathmandu

December, 2008

VIVA-VOCE SHEET

We have conducted the Viva-Voce examination of the thesis

Submitted by:

Rabindra Jha

Entitled:

DISTRIBUTION CHANNEL AND ITS EFFECTIVENESS IN NEPAL TELECOM

And found the thesis to be the original work of the student written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for Degree of Master of Business Studies (MBS).

VIVA-VOCE COMMITTEE

Head of the Research Department :

Member (Thesis Supervisor) :

Member (External Expert) :

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Rabindra Jha

Entitled:

DISTRIBUTION CHANNEL AND ITS EFFECTIVENESS IN NEPAL TELECOM

has been prepared and approved this department in the prescribed format of the Faculty of
Managemnet. This thesis is forwarded for examination.

.....

Dr. Narayan Krishna Pradhan

(Thesis Supervisor)

.....

Dr. Kamal Deep Dhakal

(Campus Chief)

Tribhuvan University

Faculty of Management

Shankar dev campus

DECLARATION

I hereby declare that the thesis entitled on “*Distribution channel and its effectiveness in Nepal Telecom*” submitted to Shankar Dev Campus, Faculty of Management, TU is my original work done in the form of Partial Fulfillment of the Requirements of the Degree of Master of Business Studies (MBS) under the guidance and supervision of Dr. Narayan Krishna Pradhan, Shankardev Campus, Kathmandu.

Rabindra Jha

Roll No 312 / 062

Date: December 2008

ACKNOWLEDGEMENT

This thesis entitled to “Distribution channel and its effectiveness in Nepal Telecom” has been prepared for the Partial Fulfillment of the Requirements of the Degree of Master of Business Studies (MBS) under Faculty of Management, Shankardev Campus TU.

First of all, I express my best regard to Dr. Narayan Krishna Pradhan under whom I have prepared my thesis.

I also would like to thanks our library staff of Shankar Dev campus for their help.

I would like to express my gratitude to the customers of Nepal Telecom, its employees and Agents for selling the recharge cards of Nepal Telecom and who has given the valuable suggestions & their views which helped a lot for preparing the thesis.

At last but not least, I should furnish my paramount dedication to my family members who have supported me during each and every stage of report writing.

Rabindra Jha
Roll No. 312/062

LIST OF CONTENTS

RECOMMENDATION

VIVA-VOCE SHEET

DECLARATION

ACKNOWLEDGEMENT

LIST OF CONTENTS

LIST OF TABLES

ABBREVIATIONS

CHAPTER I

	Page No.
1. INTRODUCTION.....	1-9
1.1 General Background	1
1.2 Statement of the Problems	6
1.3 Objectives of the Study	6
1.4 Limitations of the Study	7
1.5 Organization of the Study	8

CHAPTER II

REVIEW OF LITERATURE.....	10 - 41
2.0 Background	10
2.1 Theoretical Background	11
2.2 Conceptual View	13
2.3 Distribution Channels	15

2.3.1 Middlemen	17
2.3.2 Retailing and wholesaling	18
2.4 Importance of retailing	20
2.5 Designing distribution channels	21
2.6 Major channels of distribution	22
2.6.1 Distribution channel for consumer goods	23
2.6.2 Distribution channel for business goods	23
2.6.3 Distribution channel for service goods	24
2.7 Selecting the type of channel	25
2.8 Factors affecting choice of channels	26
2.8.1 Market consideration	27
2.8.2 Product consideration	28
2.8.3 Middlemen consideration	29
2.8.4 Company consideration	29
2.9 Conflict and control in channels	30
2.9.1 Horizontal conflict	31
2.9.2 Vertical conflict	32
2.10 Distribution system in Nepal	35
2.11 Review of previous thesis	37
2.12 Research gap	41

CHAPTER III

RESEARCH METHODOLOGY	42- 44
3.1 Introduction	42
3.2 Research Design	42

3.3 Nature & Sources of Data	42
3.4 Population & Samples	43
3.5 Method of Analysis	43
3.6 Data processing	44

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA	45-70
4.1 Customers' view	47
4.2 Agents View	58
4.3 Employees View	64

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS	71- 80
5.1 Summary	71
5.2 Conclusion	72
5.2.1 Conclusion	72
5.2.2 Main findings of the study	75
5.3 Recommendations	78
▪ BIBLIOGRAPHY	81

▪ ANNEXURE	83- 92
Annexure –I	83
Annexure – II	87
Annexure – III	90

LIST OF TABLES

Table :1	Purchase source of recharge cards	48
Table : 2	Availability of recharge cards	50
Table: 3	Kind of Customers who purchase recharge cards	51
Table : 4	Satisfaction of NT’s delivery system of recharge cards	52
Table : 5	Type of delivery system of recharge cards	53
Table : 6	Solution of losses of recharge cards	54
Table : 7	Method of purchase of recharge cards	55
Table : 8	Behaviors of NT staffs in sale of recharge cards	56
Table:9	Physical problem of recharge cards	57
Table : 10	Availabilty of Recharge Cards	58
Table:- 11	Recommendation for better availability	59
Table:- 12	Satisfaction of NT’s delivery system	60

Table:- 13	Solution for the Losses of Recharge Cards	61
Table: 14	Method of Recharge card Purchase	62
Table : 15	Behaviors of NT staffs in sale of recharge cards	63
Table:- 16	Availability of Recharge Cards	64
Table :-17	Physical problem of recharge cards	65
Table :-18	Zone wise Distribution of recharge cards	66

LIST OF GRAPHS:

Graph:-1	Recharge card Denomination Rs.204	67
Graph:-2	Recharge card Denomination Rs.510	68
Graph:-3	Recharge card Denomination Rs.1020	69
Graph:-4	Comparison of Bagmati Zone	70

ABBREVIATIONS

Co.	Company
i.e	That is
MH	Milk Holiday
MIS	Management Information System
NT	Nepal Telecom
Rs.	Rupees
T.U.	Tribhuvan University
W.M.	Weighted Mean
www	World Wide Web
%	Percentage

CHAPTER: - 1

INTRODUCTION

1.1 General Background

The principles involved in sales of goods needs to be changed, owing to improvement in purchasing power of the people. For a country with geographical variations like Nepal, smooth supply and access of goods has always been a challenge. Hence, supply-sales system plays a greater role especially in competitive market.

The focal point in the marketing concept is, obviously “the market”. The focus is on customer and their needs, coordination of all the activities that affects customer and earns profits by satisfying customers.

Marketing is an open system. It includes several sub-systems like distribution system, information feedback system, promotion/communication system, marketing research system, etc.

According to American Marketing Association, *Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational objectives.*

From the above definition, it becomes clear that marketing is required to sell the ideas, goods and services which fulfill the individual or organizational objectives, to do the above mentioned job; we have to focus on major aspects of marketing mix.

There are major four aspects of marketing mix: i) Product ii) Price iii) Promotion iv) Place /Distribution.

Distribution (or placement) is one of the four aspects of marketing. A distributor is the middleman between the manufacturer and retailer. After a product is manufactured, it may be warehoused or shipped to the next store in the supply chain, typically, a distributor, retailer or consumer.

Today, the word “Distribution” is a very common term to all. It figures in each steps of our daily life, may be directly or indirectly.

A **system** is a set of units with relationships among them. In other words, we can say that a system is made up of several sub systems which interact with each other in order to achieve common objectives.

Frequently there may be a chain of intermediaries; each passing the product down the chain to the next organization, before finally reaching the consumer or end-user. This process is known as the '*distribution chain*' or the '*channel*.' Each of the elements in these chains will have their own specific needs, which the producer must take into account, along with those of the all-important end-user.

A number of alternate '*channels*' of distribution may be available:

- J Direct Selling, such as via mail order, Internet, e-marketing and telephone sales
- J Agent, who typically sells direct on behalf of the producer,
- J Distributor (also called wholesaler), who sells to retailers,
- J Retailer (also called dealer or reseller), who sells to end customers,
- J Advertisement typically used for consumption goods.

Distribution channels may not be restricted to physical products alone. They may be just as important for moving a service from producer to consumer in certain sectors, since both direct and indirect channels may be used. Hotels, for example, may sell their services (typically rooms) directly or through travel agents, tour operators, airlines, tourist boards, centralized reservation systems, etc.

Distribution channels can thus have a number of levels.

Philip Kotler defined the simplest level that of direct contact with no intermediaries involved, as the '*zero-level*' channel.

The channel decision is very important. In theory at least, there is a form of trade-off: the cost of using intermediaries to achieve wider distribution is supposedly lower. Indeed, most consumer goods manufacturers could never justify the cost of selling direct to their consumers,

except by mail order. In practice, if the producer is large enough, the use of intermediaries (particularly at the agent and wholesaler level) can sometimes cost more than going direct.

It is difficult enough to motivate direct employees to provide the necessary sales and service support. Motivating the owners and employees of the independent organizations in a distribution chain requires even greater effort.

In much the same way that the organization's own sales and distribution activities need to be monitored and managed, so will those of the distribution chain.

In practice, many organizations use a mix of different channels; in particular, they may complement a direct salesforce, calling on the larger accounts, with agents, covering the smaller customers and prospects.

For getting the effective distribution channel, it is must to have proper planning for resource of distribution.

Distribution Resource Planning (DRP) is a method used in business administration for planning orders within a supply chain. DRP enables the user to set certain inventory control parameters (like a safety stock) and calculate the time-phased inventory requirements.

The research focuses on the relationship between Distribution Channel & its effectiveness in telecom industry. Many studies have been conducted in the context of Nepalese distribution Channel in different products market. But there have been fewer attempts to measure the contribution in service industry yet.

There is three major telecom service provider or operator in Nepal. They are: **Nepal Telecom (NT)**, **Spice Nepal Private Limited (SNPL)**, **United Telecom Limited (UTL)**. Among them, Nepal Telecom has acquired more than 70 % of market share, SNPL has about 25 % and UTL has about 5% market share. For the study purpose, the research focuses up on Nepal Telecom only.

Here, the introduction of the Nepal Telecom for which this research is concerned is mentioned in brief as follows:

Introduction of Nepal Telecom:-

In Nepal, operating any form of telecommunication service dates back to 95 years in B.S. 1970. But formally telecom service was provided mainly after the establishment of MOHAN AKASHWANI in B.S. 2005. Later as per the plan formulated in First National Five year plan (2012-2017); Telecommunication Department was established in B.S.2016.

To modernize the telecommunications services and to expand the services, during third five-year plan (2023-2028), Telecommunication Department was converted into Telecommunications Development Board in B.S.2026. After the enactment of Communications Corporation Act 2028, it was formally established as fully owned Government Corporation called Nepal Telecommunications Corporation in B.S. 2032 for the purpose of providing telecommunications services to Nepalese People.

After serving the nation for 29 years with great pride and a sense of accomplishment, Nepal Telecommunication Corporation was transformed into Nepal Doorsanchar Company Limited from Baisakh 1, 2061. Nepal Doorsanchar Company Limited is a company registered under the companies Act 2053. However the company is known to the general public by the brand name **Nepal Telecom** as registered trademark.

As per the MIS report of 2065 BS, Ashadh, the brief distribution of telecom services offered by Nepal Telecom is as follows:

Total Working staff:	5592
Telephone penetration Overall:	10.12 %
	(Urban area= 11.82 %, Rural area: 0.38 %)
Total number of exchanges:	236
Overall Telephone Distribution:	27, 29,637
PSTN line:	5, 32,391
Post-paid mobile:	102,446
Pre-paid Mobile:	16, 14,176
3-G mobile:	608
CDMA:	
Fixed post-paid subscriber:	44,395

Fixed Pre-paid Subscriber:	127,878
Sky Phone (mobile):	305,631
Data line PCMCIA:	2112
Internet Subscriber:	40,009

1.2 Statement of the Problems:

The research focuses on the relationship between Distribution Channel & its effectiveness in telecom industry. Many studies have been conducted in the context of Nepalese distribution Channel in different products market. But there have been fewer attempts to measure the contribution service industry yet.

The distribution system of a service oriented company is determined by two sets of constraints, one by the internal situation of company and other by external environment of the market related with distribution system.

The research aims at assessing the role of distribution channel in competitive telecom market in the service industry in Nepalese perspective.

The study specifically focuses on following issues:

- What is the role of distribution channel in the *service marketing* sector?
- What is the significance of distribution channel in service marketing?
- Which is the best channel of distribution for Nepal Telecom?
- Does distribution channel help the rural telecom customer as well as service provider in Nepalese environment?

1.3 Objective of the Study

This study adds the new ideas and findings about the distribution network of service sector industry like Nepal Telecom which becomes one of the basic needs for developing countries like Nepal in recent business environment.

Nepal Telecom is a government owned company hence the distribution systems are as traditional pattern which needs to be modified as per market demand. Therefore, this study focuses on the policy maker attitude, government's rules, external environment, customer behavior and agents/ retailer's profit making actions.

The importance of this study is to suggest the Telecom Company to have such distribution network which can help the rural people in Nepal to get equal opportunity of communication services like in urban areas.

The major objective of this study is to analyze the effect of the distribution channel in service marketing like in Nepal Telecom.

The specific objectives of this study are:

- To examine the role of distribution channel.
- To analyze the significance of the distribution channel in service marketing in Telecom sector.
- To find out the best channel of distribution for Nepal Telecom especially in rural sector.

1.4 Limitation of the Study

No one can do perfect in any field. Hence this study will have some limitations. Basically the study is done for the partial fulfillment of Master of Business Studies. Time constraint, financial problem & lack of sufficient research experience will be the primary limitation of the study also the study is based on primary & secondary data which contains remarkable errors.

The perception of employees also play significant role while taking interview from limited person.

Although this study will try its up most care to cover the important sector like Telecom sector to have most accurate data so that the conclusion can be drawn in accurate manner.

In summary, this study has encountered the following limitations:

- i) One company is selected for study.
- ii) Study only concerns on Distribution channel part only.

- iii) The study mainly depends up on questionnaire survey which may contain personnel views.
- iv) The questionnaire was not very clear to some NT's customer which may influence the conclusion.
- v) Lack of time and resources for this thesis is major limitation since this thesis is only to fulfill the partial requirement of MBS course of Tribhuvan University.
- vi) Time constraint, financial problem & lack of sufficient research experience.

1.5 Organization of the Study

This study is organized into five chapters each of which contains some aspects of Distribution Channel & its effectiveness in Nepal Telecom.

The brief description of each chapter is as follows:

Chapter I: Introduction:

This chapter deals with subject matter of the study. This includes general background of the study, statement of the problem, objective of the study, limitations of the study & organization of the study.

Chapter II: Review of Literature:

Second chapter deals with the review of available literature. This includes conceptual framework along with related books, journals, research works & thesis etc.

Chapter III: Research Methodology:

This chapter three deals with research methodology used in the study. It includes research design, population & sample, sources of data, research variables & method of data analysis.

Chapter IV: Data Presentation & Analysis:

This chapter deals with analysis & interpretation of data by using tools & technique described in chapter three. Similarly this chapter also includes the major finding of the study.

Chapter V: Summary, Conclusion & Recommendations:

This chapter explains summary & conclusion of the study as well as it provides possible suggestion also. It will explain and emphasize the effect of Distribution channel in service industry like in Nepal Telecom which is functioning as government owned company.

Along these chapters, bibliography and annexes are also presented 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

2.0 Background:

The history of distribution began in early times when most people were illiterate 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.

Around the world, as national economies have expanded and personal incomes have increased, so has the use of distribution channel because it has reduced the selling and distribution cost (*Davis, 1985:3*).

This cost has directly affected the product's cost as a whole. International attitudes toward distribution have also changed. Today even socialist countries use distribution techniques in the development of their planned economics.

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

To make money, companies manufacture and sell products 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*).

A marketing channel or channel of distribution is defined as a path traced in the direct or indirect transfer of ownership to a product, as it moves from a producer to the ultimate consumers or industrial users (*Shenlaker, 1986: 256*).

Every marketing channel contains one or more transfer points, at each of which there is either an institution or a financial buyer. Thus, a distribution channel consist of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user.

A channel of distribution always includes both the producer and final customer for the product in the present form as well as many middlemen such as retailers and wholesalers. The channel for a product extends only to the last person or organization that buys it without making any significant change in its form.

When its form is altered and another product emerges, a new channel is started. Besides producer, middlemen and final customer, other institutions aid the distribution process. Among these intermediaries are banks, insurance companies, storage firms and transportation companies.

However, because they do not take title to the products and are not actively involved in purchase or sales activities, these intermediaries are not formally included in the distribution channel.

The buying habits of customers, nature of market, market size and location, volume of sales and geographic concentration of market is to be analyzed in the selection process of distribution channel by the company.

In case of large number of buyers in the market and widely dispersed geographically, it is better to choose one or more channels of distribution. In case of perishable or technical nature of a product and servicing required of bulky and heavy items or custom-made, or product-line of high unit value product, it is beneficial for the company to choose the shortest channel of distribution.

2.1 THEORETICAL BACKGROUND

The essence of modern marketing concept is that all elements of business should be geared towards satisfying the consumers because it has been considered axiomatic for the past several years and that the consumer is the king (*Sharma. 2003: 64*).

The consumer is the basic determinant as to what goods or services should be produced. Besides the question of where, when, how and what price should also be pre-considered so that it is within the limits of the income of the consumer. The consumer today is free to choose the goods to satisfying his needs. This requires a thorough understanding of consumer behavior and buying motives. Without such insights, marketing will fail in segmenting the market effectively and designing strategies for an effective penetration into the defined market segments.

The adoption of this consumers focus is, in fact, the real difference between the traditional concept of selling and modern concept of marketing. It is not enough for the marketing management to suitable reacts to the given wants of the consumer in a passive way. They must play more active role in anticipating consumer needs and wants, in shaping their desires and aspirations and in aiding them in the solutions of their numerous day to day problems.

Recognizing the importance of understating the consumer, research so far carried out in consumer motivations, beliefs, attitude, learning, perceptions, emotions and opinions has made tremendous strides during the last decade. A wide variety of sophisticated research tools and techniques from both qualitative and behavioral areas have been used for this understanding. Industrial development of Nepal has been gaining momentum only in recent years.

Similarly consumer behavioral research is also in infancy. Many things are still to be done regarding consumer and marketing research. Indigenous products are facing competition these days with imported products. The importance of consumer and marketing research is being increasingly felt as the aim is to make business thrive in the present competitive market.

The present marketing environment in Nepal is quite competitive because of the import of foreign goods, like dry battery products. Little had been undertaken so far, to concentrate on the problem of consumer research, but now research activities are gradually gathering importance in the field of marketing. The consumer research is closely associated with the distribution network. The wholesaler as well as the retailer plays an important role in the field of consumer research.

2.2 CONCEPTUAL REVIEW

The distribution system in service sector is new for Nepalese Communication Industry. The distribution system in marketing plays important role. Specially, in Telecom sector, the distributions of different services are critical for customer when he/she needed that service. Though the service provider should think properly for the “demand and supply” of different services.

Marketing is a complex process. Different products and services need different type of marketing strategy. It depends upon the working area of industry and target group.

About the concepts of different scholar regarding the marketing are vague but only for the purpose of research, few of them is mentioned as follows:

Marketing broadly includes product, price, place and promotion. Similarly assembling, advertising, transporting, grading, storing, packaging, processing, sampling, price controlling and consumer's satisfactions are important components of marketing activities (Koirala, 2000:2).

According to modern marketing concept, consumer is the king (Sharma, 2003: 64). The success of every business organization depends on their ability to satisfy the consumer. Marketing consists of all activities designed to generate and facilitate any exchange intended to satisfy human needs or wants. Marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying products, services and ideas to target markets in order to achieve organizational objectives. Marketing and marketing management plays important role in our society and in business firm.

Marketing (the micro views) is concerned with those activities, which direct the flow of goods and services from producer to consumer. This occurs to satisfy the need of the consumers and accomplish company's (the macro view) objectives. The marketing concept says that a firm should focus all of its efforts on satisfying its customer at profit (Shrestha, 2000:3)

Marketing is a network system of producers, distributors and consumers (Stanton, 1987: 359). Under network- marketing, the company distributes its product through a network of dealers who sell their products from house to house, generally to people known to them. This personal knowledge is important to help gain an entry, the selling is done inside the prospects house using a set of samples that each dealer is given for doing this; the dealers can earn margins ranging from 20 to 30 percent of sales.

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 distributing its products in a number of different markets, the managers of the company find themselves being more separated from the final consumers of their products.

2.3 DISTRIBUTION CHANNELS

Distribution channel in mountainous and locked country like Nepal is not so easy task to manage efficiently rather is complex. The settlement of population is mostly in Village area where transportation is a big challenge hence the distribution system also becomes a challenge. Mostly, in telecom sector, the distributions of accessories related with the services avail by subscriber are different in nature.

Hence it requires special attention to the rural area where people are not so literate and the services are modern.

Distributions are concerned with the activities involved in transferring goods from the producers to the final consumers or users, it not only includes physical activities such as transporting and storing of goods but also the legal, promotional and financial activities performed in the course of transferring the ownership of the goods. (*Edward and Richard, 1972: 272,*).

A marketing channel or channel of distribution is defined as a path traced in the direct or indirect transfer of ownership to a product, as it moves from a producer to the ultimate consumers or industrial users. Every marketing channel contains one or more transfer points, at each of which there is either an institution or a final buyer. In other words during the marketing process the legal ownership of the product changes hands at least once (*Davis, 1985: 407*).

A distribution channel consist of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user, A channel of distribution always includes both the producer and final customer for the product in its present form as well as any middleman such as retailers and wholesalers (*Stanton. 1987: 363*).

The channel for a product extends only to the last person or organization that buys it without making any significant change in its form. When its form is altered and another product emerges, a new channel is started. Besides producer, middlemen and final customer, other institutions aid the distribution process. Among these intermediaries are banks, insurance companies, storage firms and transportation companies.

However, because they do not take title to the products and are not actively involved in purchase or sales activities, these intermediaries are not formally included in the distribution channel (*Stanton, 1987: 363*).

A channel of distribution (sometimes called a trade channel) for a product, is the route taken by the product as it moves from the producer to the ultimate consumer or industrial user (*Stanton, 1987, 361*).

The channel structure can be divided into two main parts:

- a) Short channel: - It consists direct selling to consumers. This kind of channel is mostly used when life of the product is short. The perishable commodities like milk, butter, vegetable, fresh meat, fish etc. are the major examples.

- b) Long channel: - It is the channel of more intermediaries and the final consumer gets the desired products long after manufacture. Most of the industrial goods are distributed under four kinds of channels. Channel members are also classified into two groups. One is a wholesaler and other is a retailer. They are called *middlemen* also.

2.3.1 MIDDLEMEN

The business of a manufacture or a primary producer is primarily to produce or manufacture a commodity. The link between the producer and the consumer is really established by the Middlemen. Someone finds a market for the producer and for the consumer. S/he studies his/her wants and supplies the desired goods. A middleman is an expert in marketing and by

his expertise knowledge of the conditions of a market relieves the manufacturers of the task that is really beyond their scope.

Thus, with his/her detailed knowledge of demand and supply, s/he directs the flow of goods from the area in surplus to the region with high demands. It is the middlemen's efforts that are instrumentals in steadying the prices over a period of years and in different places.

It is s/he, who does much by his/her services to see that the goods are placed into the hands of the consumer in the right time at the right place at the right prices.

Thus, the middlemen specialize in performing activities that are directly involved in the purchase and sale of goods in the process of their flow from the producers to the final buyers.

As the name middleman suggests, such institution are situated in marketing channels at points between the producers and the final buyers. Middleman may also be classified into two other major categories: retailers and wholesalers.

The principal basis for distinguishing retailer and wholesaler relates to whether the business sells in very small amounts to the ultimate consumers or in bulk. If it sells in small quantity to consumers the person involved is a retailer. If it sells in large quantities, the concerned person is a wholesaler (*Stanton, 1987: 363*).

2.3.2 RETAILING AND WHOLESALING:

The retailing is the process in which the retailer received goods or services from the wholesaler and distribute it to the actual consumer.

Originally the expression "to retail" means to divide into pieces. This explanation is significant because it indicates the functions performed by the retailers in the marketing process. A retailer is the last link in the chain of marketing process (*Kotler 2005: 535*).

Thus, the retailer comes into the channel picture and becomes a necessary element in the process of marketing.

The retailers buy the goods from manufactures or wholesalers and sell to the ultimate consumers. In fact they constitute a purchasing agent for the consumer. The retailers perform, in the ordinary course of business, a number of services useful to the consumer.

A retailer or a retail store is a business enterprise whose primary function is to sell to ultimate consumers for non-business use (*Koirala, 2000: 117*).

Retailer sells goods directly to final consumers for consumption rather than for processing or resale. The major customers of retailers are individuals and households.

Thus, the retailing consists of the activities involved in selling goods directly to the ultimate consumer (*Kotler, 2005: 535*).

It makes no difference as to who does the selling work but to be classified as retailing. Selling activities must be directly linked with the ultimate consumer. It is not only individuals who act as retailers but also the institutions sell directly to ultimate consumers.

The manufacturers engage in retailing when they make direct sales to the consumers from their own shops or through mail orders. Even a wholesaler may be said to be engaged in retailing when he sells directly to the ultimate consumers, although his main business may still be wholesaling. If the buyer in the transaction is the ultimate consumer, the seller in that particular transaction has been engaged in retailing.

A simple definition of wholesaler consists of those institutions that primarily deal in wholesale transactions.

Thus, wholesale institutions buy merchandise from the producer and sell them to retailers and institutional users. The wholesaler normally does not deal directly with final consumers (*Koirala, 2000: 117*).

Therefore, wholesalers are bulk purchasers with the objective of resale to retailers. They buy or sell on their own account and at their own risk.

The wholesaling involves selling to traders but not to the ultimate consumers. These buyers may themselves be wholesalers or retailers who buy in order to resell.

They may be industrial users such as manufactures, mining concerns or firms in other extractive industries, institutional users, commercial users, government agencies or farmers buying items for their agricultural operations (*Kolle, 2005: .547*).

A wholesaler is a trader who purchases goods in large quantities from the producing areas. It may be noted that the activities of the wholesalers are not merely confined to making purchases and sales. They often provide suggestions to the manufactures as to what type of goods they should produce. It is a part of their business to forecast, stimulate and interpret the desires to the customer. One of the important services, which the wholesaler performs, is that they help in keeping the prices steady (*Stanton, 1987: 420*).

Again, the wholesalers relieve the retailers of the trouble and expenses of holding large stock thus enabling them to carry a business with a smaller capital.

Wholesaling is conducted not only by wholesalers but also by manufactures or other producers of business units that sell to those buyers who are not ultimate consumers. If the buyer in a transaction is buying for resale or to further his business or other operations, the seller in that transaction is engaged in wholesaling. All sales not made to the ultimate consumers, such sales could be termed as wholesale (*Stanton, 1987: 421*).

2.4 IMPORTANCE OF RETAILING

The function of the retailer is to make the consumer's job of buying as easy and convenient as possible. The retailer is, essentially, the consumer's purchasing agent. This task involves anticipating the consumer's wants. The retailer has the responsibility of supplying the right kind of goods at a reasonable price.

Thus, the consumer is saved from the laborious task of seeking out the sources of supplying among the wholesalers or producers. The retailer also performs the services of bulk breaking, that is, dividing large quantities into smaller units such as individual cans, bottles or boxes suitable for consumer use,

Customers are so accustomed to receiving the benefits of our modern retailing institutions that they are usually taken as benefits and services for granted. Seldom do we stop to think what a vital and important part the retailer plays in the lives of each of us. Only when we try to visualize a world without the retailer do we realize how much he does for us and how dependent we are upon him in our daily life. The retail stores, each day, serve millions of people.

Before we are aware, these goods are available. He has estimated the style, size and quality of the products that will be wanted and has placed his orders weeks or even months in advance. He has his merchandise consumer expert advice and to help him in making a wise selection. Today, the retailer stands as the connecting link between the manufacturers and the consumers.

2.5 DESIGNING DISTRIBUTION CHANNELS

The design of distribution channel for services sector is quite different than goods. A company wants a distribution channel that not only meets customer's needs but also provides an edge on competition. Some firms gain a differential advantage with their channels. To design channels that satisfy customers and outdo competition, an organized approach is required. We suggest a sequence of four decisions:

1. Specifying the role of distribution

A channel strategy should be designed within the context of the entire marketing mix. First the firms marketing objectives are reviewed. Next the roles assigned to product, price and promotion are specified. Each element may have a distinct role, or two elements may share an assignment.

A company must decide whether distribution will be used defensively or offensively. Under a defensive approach, a firm finds distribution. With an offensive strategy, a firm uses distribution to gain an advantage over competitors.

2. Selecting the type of channel

Once distributions role in the overall marketing program has been agreed on, the most suitable type of channel for the company's product must be determined. At this point in the sequence, a firm needs to decide whether middlemen will be used in its channel and, if so, which type of middlemen.

3. Determining intensity of distribution

The next decision relates to intensity of distribution, or the number of middlemen used at the wholesale and retail levels in a particular territory. The target markets buying behavior and the product's nature has a direct bearing on this decision.

4. Choosing specific channel members

The last decision is selecting specific firms to distribute the product. For each type of institution, there are usually numerous specific companies to choose from.

When selecting specific firms to be part of a channel, a producer should assess factors related to the market, the product, its own company, and middlemen.

Two additional factors are whether the middleman sells to the market that the manufacture wants to reach or whether the middleman's products mix, pricing structure, promotion, and customer service are all compatible with the manufacturer's needs (*Stanton, 1987: 364*).

2.6 MAJOR CHANNELS OF DISTRIBUTION

The major channel of distribution for goods / services for consumer or for business decides the type of channel.

Distribution channel in today's world is diverse and depends upon country to country. The most common channels for consumer goods, business goods, and services are described and summarized as follow:

2.6.1 DISTRIBUTION CHANNEL FOR CONSUMER GOODS

Four channels are widely used in marketing tangible products to ultimate consumers:

- ❖ **Producer Consumer:** The shortest, simplest distribution channel for consumer goods involves no middlemen. The producer may sell from door to door or by mail.
- ❖ **Producer Retailer Consumer:** Many large retailers buy directly from manufacturers and agricultural producers.
- ❖ **Producer Wholesaler Retailer Consumer:** If there is a traditional channel for consumer goods, this is it. Small retailers and manufacturers by the thousands find this channel the only economically feasible choice.
- ❖ **Producer Agent Retailer Consumer:** Instead of using wholesalers, many producers prefer to use agent middlemen to reach the retail market, especially large-scale retailer (*Stanton, 1987: 367*).

2.6.2 DISTRIBUTION CHANNEL FOR BUSINESS GOODS

A variety of channels are available to reach organizations that incorporate the products into their manufacturing process or use them in their operations. In the distribution of business goods, the terms industrial distributor and merchant wholesaler are synonymous. The four common channels for business goods are:

- ❖ **Producer User:** This direct channel accounts for a greater dollar volume of business products than any other distribution structure. Manufacturers of large installations, such as airplanes, generators and heating plants, usually sell directly to users.
- ❖ **Producer Industrial Distributor Users:** Producers of operating supplies and small accessory equipment frequently use industrial distributors to reach their markets. Manufacturers of building materials and air-conditioning equipment are two examples of firms that make heavy use of industrial distributors.

- ❖ **Producer Agent User.** Firms without their own sales departments find this a desirable channel. Also, a company that wants to introduce a new product or enter a new market may prefer to use agents rather than its own sales force.

- ❖ **Producer Agent Industrial Distributor User.** This channel is similar to the preceding one, It is used when, for some reason, it is not feasible to sell through agents directly to the business user. The unit sale may be too small for direct selling or decentralized inventory may be needed to supply users rapidly, in which case the storage services of an industrial distributor are required (Stanton, 1987: 369).

2.6.3 DISTRIBUTION CHANNEL FOR SERVICE GOODS

The intangible nature service creates special distribution requirements. There are only two common channels for services.

Producer Consumer. Because a service is intangible, the production process and/or sales activity often require personal contact between producer and consumer. Thus a direct channel is used. Direct distribution is typical for many professional services such as health care and legal advice, and personal services, such as haircutting and weight-loss counseling. However, other services, including travel, insurance, and entertainment, may also rely on direct distribution.

Producer Agent Consumer. While direct distribution is often necessary for a service to be performed, producer-consumer contact may not be required for distribution activities. Agents frequently assist a services producer with transfer of ownership (the sales task) or related tasks. Many services notably travel, lodging, advertising media, entertainment, and insurance, are sold through agents (*Stanton. 1987: 369*).

2.7 SELECTING THE TYPE OF CHANNEL

Firms may rely on existing channels, or they may use new channels to better serve current customers and reach prospective customers. In selecting their channels, a firm should seek to gain a differential advantage (*Stanton, 1987:367*)

Most distribution channels include middleman, but some do not. A channel consisting only of producer and final customer, with no middleman providing assistance is called direct distribution.

In contrast, a channel of producer, final customer, and at least one level of middleman represent indirect distribution. When a company is going to choose the channels of distribution, it has to consider and analyze the market, its product, its middleman, and nature of its company itself.

The buying habits of customers, the nature of market, the market size, and location, the volume of sales and geographic concentration of market is to be analyzed under market factors by the company. In case of large number of buyers in the market and widely dispersed geographically, it is better to choose one or more channels of distribution. In case of perishable or technical nature a product and servicing required of bulky and heavy items or custom-made, or product line of high unit value product, it is beneficial for the company to choose the shortest channel of distribution. The manufacturer with only one item may have to use wholesaling middleman. However, when products of low-unit value are sold in large quantities or are combined with other goods so that the total unit sale is larger, shorter channels may be feasible (*Davis, 1985:541*)

The marketing channels are affected by the services provided by middleman, availability of desired middleman, same attitude of middleman towards company's policies and the relative costs of using item. All other factors being equal, the company is to select a channel offering the greatest potential sale volume over the

long period. The costs of using different middleman, relative to its own sales and profit, goods influence the manufacture's channel choice.

The producer's own organization has the greatest influence on channel usage. The bigger companies, having financial strength, capable management, and desire to control the channel for its products, are to choose the shortest available channel. The short channel is more expensive than the long channel.

2.8 FACTORS AFFECTING CHOICE OF CHANNELS

If a firm is customer-oriented (better be, to prosper), its channels are determined by consumer buying patterns. The nature of the market should be the key factor in management's choice of channels. Other consideration is the product, the middleman, the company itself.

2.8.1 MARKET CONSIDERATION

A logical starting point is to consider the target market its needs, structure and buying behavior.

- ❖ **Type of market:** Because ultimate consumers behave differently than business users, they are reached through different distribution channels. Retailers, by definition, serve ultimate consumers, so they are not in channels for business goods.
- ❖ **Number of potential customers.** A manufacture with few potential customers (firms or industries) may use its own sales force to sell directly to ultimate consumers or business users. Boeing Aircraft Company uses this approach in selling its aircraft. For a large number of customers, the manufacture would like use middlemen.

Reebok relies on numerous middlemen, notably retailers, to reach the large number of consumers in the market for its athletic footwear. A firm using middlemen does not need as large a sales force as a company selling directly to final consumers.

- ❖ **Geographic concentration of the market.** When most of firm's prospective customers are concentrated in a few geographic areas, direct sale is practical. When customers are geographically dispread, direct sale is likely to be impractical due to high travel costs. Sellers may establish sales branches in densely populated markets and use middlemen in less concentrated markets.
- ❖ **Order size.** When either order size or total volume of business is large, direct distribution is economical. Thus a food- products manufacturer would sell directly to large grocery chains. The same manufacturer, however, would use wholesalers to reach small grocery stores, whose orders are usually too small to justify direct sale (*Stanton, 1987: 373*).

2.8.2 PRODUCT CONSIDERATION

While there are numerous product-related factors to consider, we will highlight three:

- ❖ **Unit value:** The price attached to each unit of a product affects the amount of funds available for distribution. Consequently, products with low unit values usually are distributed through indirect channels (that is, through one or more levels of middlemen). There are exceptions, however. For instance, if order size is large because the customer buys many products at the same time from the company, then a direct channel maybe economically feasible.
- ❖ **Perishability:** Perishable products require direct over short channels.
- ❖ **Technical nature of a product:** A business product that is highly technical is often distributed directly to business users. The producer's sales force must provide considerable presale and post sale service; wholesalers normally cannot do this. Consumer products of a technical nature provide a real distribution challenge for manufacturers.

Ordinarily, manufacturers cannot sell the goods directly to the consumer. As much as possible, producers try to sell directly to retailers, but even then product servicing often poses problems (*Stanton, 1987: 373*).

2.8.3 MIDDLEMEN CONSIDERATIONS

Here we begin to see that a company may not be able to arrange exactly the channels it desires:

- ❖ **Services provided by middlemen.** Each producer should select middlemen offering those marketing services that the producer either is unable to provide or cannot economically perform.
- ❖ **Availability of desired middlemen:** The middlemen preferred by a producer may not be available. They may carry competing products and as a result, not want to add another line.
- ❖ **Attitudes of middlemen toward producer's policies:** When middlemen are unwilling to join a channel because they consider a manufacturer's policies to be unacceptable, the manufacturer has fewer channel options. Some retailers or wholesalers, for example, will carry a producer's line only if they receive assurance that no competing middlemen will carry the line in the same territory (*Stanton, 1987: 374*).

2.8.4 COMPANY CONSIDERATIONS

Before choosing a distribution channel for a product, a company should consider its own situation:

- ❖ **Desire for channel control.** Some producers establish direct channels because they want to control their products distribution, even though a direct channel

may be more costly than an indirect channel. By controlling the channel, producers can achieve more aggressive promotion and can better control both the freshness of merchandise stocks and their products retail prices.

- ❖ **Services provided by seller.** Some producers make decisions about their channels based on the distribution functions desired (and occasionally demanded) by middlemen. For instance, numerous retail chains will not stock a product unless the producer presales it through heavy advertising.
- ❖ **Ability of management.** The marketing experience and managerial capabilities of a producer influence decisions about which channel to use.

Many companies lacking marketing know-how turn the distribution job over to middlemen.

- ❖ **Financial resources.** A business with adequate finances can establish its own sales force, grant credit to its customers and/or warehouse its own products. A financially weak firm uses middlemen to provide these services.

Several factors may point to the desirability of direct channels, others to the use of wholesalers and: or retailers. Or the company may find the channel it wants is unavailable. If a company with an unproven product having low profit potential cannot place its product with middlemen, it may have no other option but to distributing the product directly to its target market (*Stanton, 1987:374*).

2.9 CONFLICT AND CONTROL IN CHANNELS

Distribution occasionally is characterized by goals shared by suppliers and customers and by cooperative actions. But conflicts as well as struggles for control are more typical. To manage distribution channels effectively requires and understanding of both conflict and control,

including techniques to (1) decrease conflict or at least its negative effects, and (2) increase a firm's control within a channel.

Channel conflict exists when one channel member perceives another channel member to be acting in a way that prevents the first member from achieving its distribution objectives. Firms in one channel often compete vigorously with firms in other channels; this represents horizontal conflict. Even within the same channel, firms argue about operating practices and try to gain control over other members' actions: this illustrates vertical conflict (*Stanton, 1987: 377*).

2.9.1 HORIZONTAL CONFLICT

Horizontal conflict occurs among firms on the same level of distribution. The main source of horizontal conflict is scrambled merchandising, in which middlemen diversify' by adding product lines not traditionally carried by their type of business. Supermarkets, for instance, expanded beyond groceries by adding health and beauty aids, small appliances, records, snack bars, and various services. Retailers that originally sold these product lines became irritated both at supermarkets for diversifying and at producers for using multiple distribution channels.

- ❖ **Middlemen of the same type:** Independent retailer versus another independent retailer.

- ❖ **Different types of middlemen on the same level:** An independent retailer versus a store within a large chain versus a single department in a store within a giant chain.

The main source of horizontal conflict is scrambled merchandising and the resulting horizontal competition may stem from consumers, middlemen, or producers. Many consumers prefer convenient, one-stop shopping, so stores broaden their assortments to satisfy this desire.

Middlemen constantly strive for higher gross margins and more customer traffic, so they increase the number of lines they carry. Producers seek to expand their market

coverage and reduce unit production costs, so they add new outlets. Such diversification intensifies horizontal conflict (*Stanton, 1987: 377*).

2.9.2 VERTICAL CONFLICT

Perhaps the most severe conflicts in distribution involve firms at different levels of the same channel. Vertical conflict typically occurs between producer and wholesaler or producer and retailer.

Producer versus Wholesaler: A producer and a wholesaler may disagree about aspects of their relationship, why do conflicts arise? Basically, manufacturers and wholesalers have differing points of view.

On the one hand, manufacturers think that wholesalers neither promote products aggressively nor hold sufficient inventories. And wholesalers' services cost too much. On the other hand, wholesalers believe that producers either expect too much (such as requiring an extensive inventory of the product) or do not understand the wholesaler's primary obligation to customers.

Channel conflict sometimes stems from a manufacturer's attempts to bypass wholesalers and deal directly with retailers or consumers. Direct sales occur because either producer is dissatisfied with wholesalers' services or market conditions call for direct sales. Baffles about direct sales are more common in channels for consumer, rather than business, goods.

To bypass wholesalers, a producer has two alternatives

- ❖ **Sell directly to consumer:** Producers may employ house-to-house or mail-order selling. They may also establish their own distribution centers in different areas or even their own retail stores in major markets.
- ❖ **Sell directly to retailers:** Under certain market and product conditions, selling directly to retailers is feasible and advisable. An ideal retail market for this option consists of retailers that buy large quantities of a limited line of products.

Direct distribution — a short channel — is advantageous when the product (1) is subject to physical or fashion perishability, (2) carries a high unit price, (3) is custom-made, or (4) requires installation and technical service.

Direct distribution, however, places a financial and managerial burden on the producer. The manufacturer must operate its own sales force and handle physical distribution of its products. Further, a direct-selling manufacturer also faces competition from its former wholesalers, which no doubt now sell competitive products.

Wholesalers too can improve their competitive position. Their options include:

- ❖ **Improve internal management:** Many wholesalers have modernized their operations. Functional. Single-story warehouses have been built outside congested downtown areas, and mechanized materials-handling equipment has been installed. Computers have improved order processing, inventory control, and billing.
- ❖ **Provide management assistance to retailers:** Wholesalers have realized that improving retailers' operations benefits all parties. Wholesalers help meet certain retailer's needs, such as store layout, merchandise selection, promotion, and inventory control.
- ❖ **Form a voluntary chain:** In a voluntary chain a wholesaler contractually agrees to furnish management services and volume buying power to a group of retailers. In turn, the retailers promise to buy all, or almost all, of their merchandise from the wholesaler.
- ❖ **Develop middlemen's brands:** Some large wholesalers have successfully established their own brands. A voluntary chain of retailers provides a built-in market for the wholesaler's brands.

Producer versus Retailer: Another struggle for channel control occurs between manufacturers and retailers. Conflict between these channel members

in fact, between any two parties is likely to intensify during tough economic times.

Conflict is also bound to occur when producers compete with retailers by selling from house to house or through producer-owned stores. Producer and retailer may also disagree about terms of sale or conditions of the relationship between the two parties.

Producers and retailers both have methods to gain more control. Manufacturers can:

- ❖ **Built strong consumer brand loyalty.** Creative and aggressive promotion is a key in creating such loyalty.

Establish one or more forms of vertical marketing system. This system deals with Special teams to work with key customers.

- ❖ **Refuse to sell to uncooperative retailers.** This tactic has to be defensible from a legal standpoint.

Effective marketing weapons are also available to retailers. They can:

- ❖ **Develop store loyalty among consumers.** Skillful advertising and strong store brands are means of creating loyal customers.
- ❖ **Improve computerized information systems.** Information is power. Knowing what sells and how fast it sells is useful in negotiating with suppliers.
- ❖ **Form a retailer cooperative,** in this form of vertical marketing system, a group of retailers (usually fairly small ones) bands together to establish and operate a wholesale warehouse. Their primary intent is to gain lower merchandise costs through volume buying power (*Stanton, 1987: 379*)

2.10 DISTRIBUTION SYSTEM IN NEPAL

Nepal being a mountainous, developing and land-locked country, considerable attention is paid to the development of transportation, industrial growth, and trade. Due to the topographical diversity of the county 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 macro-economic 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 (*Pandey, 1997: 7*)

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 (*Agrawal. 2000:31*).

Wholesalers and retailers are dominant market intermediaries in Nepal. Agents are gradually emerging. Stockbrokers, who number about three dozen, are active in the stock exchange. Big manufacturers have sales representatives (*Agrawal. 2000:37*),

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.

2.11 REVIEW OF PREVIOUS THESIS

The review of thesis related with marketing which was done before are mentioned below as per ascending order of the year.

Aryal and K. C. (1995) have written a thesis based on the market analysis of dairy products in Kathmandu valley. The scope of those studies has been confined in the following areas:

- Present market situation of dairy products in Kathmandu valley
- Competitive situation of different dairy producing companies
- Distribution situation of different dairy products

The suggestions and recommendations of retailers and consumers on distribution system have been similar. They complain that DDC milk is delivered to them irregularly and in the late morning hours. Hence, this has led many consumers to go in for milk sold by local vendors or even skimmed milk.

If DDC can make its delivery more prompt and regular, it would have been earning the goodwill of all parties concerned. In addition to that, DDC should see to it that the distributions themselves do not resort to black marketing by creating artificial shortages and later selling it at an inflated price.

Subedi (1998) 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 DDC, to suggest methods to overcome existing marketing problems of farmers, cooperatives, milk

production centers and DDC.

In his conclusions, he has stated that MH (milk holiday) is an obliging decision of DDC. This MH causes anxiety and financial losses to the milk producer. The quantity of milk not collected due to the MH cannot be accurately determined. In order to establish a true base for future projection and to understand the magnitude of the problems caused by the MH, the data relating to actual loss to 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 promotion 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 (TV) should broadcast promotional programs for milk and milk products.

He suggests that, there is need to develop more appropriate and economical chilling center technology for future 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.

Farmers do not depend completely on DDC for marketing their milk but establish their own processing and marketing systems. The price of milk should be set in consideration of the actual cost of milk production.

Bhatta (2000) has written a thesis on distribution channels of DDC, with the basic objective to study the channels of distribution followed by DDC to transfer its product (especially milk) from its factory to ultimate consumers. To meet the basic objective, additional objectives have

been proposed as to investigate the attitudes and behaviors of channel members towards its distribution system.

Mr. Bhatta had used both primary & secondary data and concluded that there are nearly 681 unauthorized milk sellers (retailers) who are selling milk purchased from authorized milk sellers who are generally grocery shops equipped with freezer.

The production of milk by DDC and demand of the milk by milk-seller is nearly same. The commission received by the dealers is very small so that the proper care of the milk to be sold to the consumers cannot be maintained by them.

Consumers have preferred DDC milk because they are well pasteurized and refrigerated and habituated with it from many years, while regular supply, easy availability and cheaper rate are the causes of preferring private dairy milk. Although main objectives of DDC is to serve the customers by providing them its production in proper time and proper place, still consumers have to face so many difficulties to get milk.

His thesis also mentions that. DDC has a formal channel of difficulties viz: factory- dealer-consumers. The other channels are formed informally due to shortage of milk.

Wagley (2003) has written a thesis on the distribution network of Battery Company in Kathmandu valley. The main objective of this study is to analyze the distribution system of battery from manufacturer to ultimate consumer.

For this purpose, Mr. Wagley collected both primary and secondary data. The main findings of his thesis are all of the ultimate consumers purchased battery from retailers, retailers purchased from wholesalers or sales agents and wholesalers or sales agents purchased from manufacturer. Reliability in the delivery process, prompt & quick service is the main benefit of this channel system.

Dahal (2004) has summarized in her thesis that, there is high competition between DDC and other dairy farms. It is found that DDC has been successful in fulfilling demand as well as supply. But after the establishment of different private dairy industries in last two three years, the DDC has not been operating effectively and efficiently in terms of supply and sales. It is also assumed that this trend also found that most of the farmers are being attracted towards private sector as they receive higher prices and higher commission than DDC.

She has found that the production, collection and distribution of milk have increased to a great extent in comparison to past years. DDC is about 90% successful in attaining its objectives. The farmers and booth centers are attracted towards private sector due to the high prices and commission being offered by private dairy farms. It is also assumed that supply and sales may decrease due to the emergence of private sector. There is high increment of booth centers for supply in Kathmandu. Demand is also increasing due to increase in population. People are much conscious about their health.

Dahal (2007) has written a thesis on the Distribution Channel Analysis of Dabur Nepal private Limited and Unilever Nepal Limited. According to his analysis, most of samples of wholesalers were satisfied with the distribution system of that company.

In his analysis, it is clear that mostly retailers used to do some manipulation in some product during scarcity of that product.

2.12 RESEARCH GAP:

The present study is little bit different from previous studies. All the previous studies have been related with distribution system of dairy and battery products in Kathmandu valley. Therefore, this study is designed to highlight the distribution channel of Nepal Telecom (NT). For this purpose especially the primary data have been collected and analyzed for finding distribution channels of manufacturing organization. Similarly, this research reflects various findings and recommendations for immediate and long-term improvement and corrections of distribution system of NT.

CHAPTER: - III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the mechanism by the application of which the objectives of the study are empirically tested & some kind of inference is drawn. This is the core aspect for result finding in any research.

3.2 Research Design

Research design is the most crucial stage in the research process and it refers to the entire process of planning & carries out the research study. To carry out this study descriptive

& correlation research design will be employed. Descriptive research design will be used for the purpose of conceptualization & description. However for the purpose of analyzing the relationship between the variables, different statistical tools will be used.

3.3 Nature & Sources of Data

Since the study is related to the distribution channel and its effectiveness in service marketing like Nepal Telecom and needs primary data collection. Hence the study will totally base on primary as well as secondary data.

The necessary information & supplementary data will be collected from various sources like:

- 1) Interview of NT's management.
- 2) Interview of its employees Association personnel & customers.
- 3) Journal and Information from MOIC, Govt. of Nepal.
- 4) Nepal Telecommunication Authority.
- 5) Annual Reports of Nepal DoorSanchar Company Limited .
- 6) National Planning Commission.
- 7) Central Bureau of Statistics.
- 8) Previous Research studies & Relevant Articles & Journals.
- 9) Different Web sites.
- 10) Newspapers & magazines.

3.4 Population & Sample

For the purpose of opinion survey, this study divides the population in two groups. In first group, company's management/employees & agents are considered and try to get the view of distribution channel allocation in whole country. In second group, the customers are taken, which are the actual user and facing the problem due to inadequate distribution of outlet.

For the purpose of this study, the time period of five fiscal years, from 2001/2002 to 2005/2006 has been taken for financials, administrative and marketing perspective. For questionnaire, about 100 customers, 35 Agents and 35 employees of different group have been interviewed and responses of those were taken.

3.5 Method of Analysis

Since the major part of this study is descriptive in nature hence it concerned less with the statistical techniques, such as: Weighted Mean analysis. Mostly analysis shall be dependent on survey of end users and analysis of questionnaire. This study makes an empirical investigation on different opinion of respondent like different customer, employees of Nepal Telecom and the management.

3.6 Data Processing

The collected data, Information, facts and figures have been processed by editing, tabulating prior to their analysis in order to obtain proper results and shown in the form of weighted mean value for clean presentation.

CHAPTER: - IV

PRESENTATION AND ANALYSIS OF DATA

The entire number of questionnaire have been collected and sorted out for the analysis purpose. For the customer, about 125 sets of questionnaire were distributed out of which 106 responses were collected and out of which, only 100 questionnaires were analyzed. Similarly, about 35 sets of questionnaire were distributed for agents and same numbers of responses were collected. In the same way, 35 sets of questionnaire were distributed to employees and same numbers of responses were collected for analysis.

Here, the Nepal Telecom has divided its regional offices not in accordance with development region rather as per control with considering the technical environment hence the questionnaire also distributed to outside Kathmandu valley.

The distributions of numbers of subscribers who are using the recharge card in different regional directorate are as follows:

Regionwise Pre-Paid Subscribers Distribution

S.N.	Name of Region	Number of subscriber	Remarks
1	Kathmandu (Bagmati)	808,333	
2	CDR (Except Bagmati)	194,596	Narayani & Janakpur Zone
3	EDR	191,104	
4	WDR	242,420	
5	MWDR	142,449	
6	FWDR	35,274	
TOTAL		16,14,176	

(Source: MIS report of NT Ashadh, 2065)

For the above mentioned subscriber, different data for recharge cards were analyzed.

The calculation of the different options of the questionnaire is done with the help of Weighted Mean method which is as follows:

The Weighted Mean or Weighted Average of a set of data (x_1, x_2, \dots, x_n) with non-negative Weights (w_1, w_2, \dots, w_n) is the quantity calculated

As:

W.M. = Weighted Mean

$$(X_1 \times W_1 + X_2 \times W_2 + \dots + X_n \times W_n)$$

W.M. =

N

N= Total number of Samples.

X_n = Number of responders for that item.

W_n = Weight of that item.

So the data elements' having high weight contributes more to the weighted mean than the elements with a low weight. The weight must not be negative. They may be zero, but not all of them.

If all the weights are equal, then the weighted mean is the same as the arithmetic mean. While weighted means generally behave in a similar fashion to arithmetic means.

Analysis of Questionnaire

The analysis for questionnaire for customer, agents and employees are explained as follows:

Analysis of questionnaire for Customer:

The analyses for different questions are analyzed and tables are mentioned only for those questions which show remarkable points by considering the research objectives. There were 100 responses analyzed for research purpose and the findings are as follows:

Table :1

Purchase source of recharge cards

Rank Source	I	II	III	IV	Total	W.M.	Rank
Purchase from NT offices	14	28	56	2	100	2.46	III
Purchase from Agent	-	58	42	-	100	2.42	II
Purchase from Retailers	86	14	-	-	100	1.14	I
Purchase from others	-	-	2	98	100	3.98	IV
Total	100	100	100	100			

(SOURCE: Field Survey, 2065)

- Calculation for option “Purchase from NT offices”

$$\begin{aligned}
 & 14x_1 + 28x_2 + 56x_3 + 2x_4 \\
 \text{W.M.} &= \frac{\text{-----}}{\text{-----}} \\
 & \qquad \qquad \qquad 100 \\
 & \qquad \qquad \qquad 246 \\
 &= \frac{\text{-----}}{\text{-----}} \\
 & \qquad \qquad \qquad 100 \\
 &= 2.46
 \end{aligned}$$

Similarly, all other calculation has been done and the results of other options are as follows:

- Calculation for option “Purchase from Agents” = 2.42
- Calculation for option “Purchase from Retailers” = 1.14
- Calculation for option “Purchase from Others” = 3.98

Above table and its calculation clearly shows that the purchasing source of recharge card is from Retailers as it is ranked *first* since the weighted mean for it is 1.14.

Therefore, purchase from retailers is more popular in Nepalese customer among all options.

Table : 2

Availability of recharge cards:

Rank	I	II	III	IV	V	Total	W.M.	Rank
Source								
Always available	-	-	-	2	98	100	4.98	V
Mostly available	72	26	-	1	1	100	1.33	I
Scarce	16	63	9	11	1	100	2.18	II
Mostly Scarce	12	6	5	77	-	100	3.47	IV
Difficult to buy	-	5	86	9	-	100	3.04	III
Total	100	100	100	100	100			

(SOURCE: Field Survey, 2065)

Similarly, all other calculation has been done and the results of other options are as follows:

- Calculation for option “Purchase from Agents” = 2.42
- Calculation for option “Purchase from Retailers” = 1.14
- Calculation for option “Purchase from Others” = 3.98

Above table and its calculation clearly shows that the purchasing source of recharge card is from Retailers as it is ranked *first* since the weighted mean for it is 1.33. But the weighted mean for Scarce is closed to rank I which has to consider. Therefore, it shows that NT should try to remove the scarce situation.

Therefore, purchase from retailers is more popular in Nepalese customer among all options.

Table: 3

Kind of Customers who purchase recharge cards:

Value Description	Rs. 200	Rs. 500	Rs. 1000	Remarks
Youngsters < 15 years	18 %	6 %	< 1 %	<i>For Rs. 1000, accurate data analysis was difficult.</i>
Between 15 to 20 years	46 %	44 %	< 4%	
Above 20 years	36 %	50 %	95 %	

(SOURCE: Field Survey, 2065)

The above data clearly explain about the purchase behavior of Nepalese customer for recharge cards i.e. mostly above 20 years aged customer used to buy recharge cards. However, some customer used their children to buy Rs. 200 denomination recharge cards due to low cost.

Table : 4

Satisfaction of NT's delivery system of recharge cards

Rank	I	II	III	IV	V	Total	W.M.	Rank
Source								
Very satisfied	-	-	-	8	92	100	4.92	V
Satisfied	54	39	-	-	7	100	1.67	I
Moderately satisfied	33	44	23	-	-	100	1.90	II
Dissatisfied	7	11	71	10	1	100	2.87	III
Very dissatisfied	6	6	6	82	-	100	3.64	IV
<i>Total</i>	100	100	100	100	100			

(SOURCE: Field Survey, 2065)

- Calculation for option “very satisfied ” = 4.92
- Calculation for option “satisfied” = 1.67
- Calculation for option “Moderately satisfied” = 1.90
- Calculation for option “Dissatisfied” = 2.87
- Calculation for option “Very dissatisfied” = 3.64

Above table and its calculation clearly shows that the Satisfaction of NT's delivery system of recharge card is satisfactory as it is ranked *first* since the weighted mean for it is 1.67. But the weighted mean for *Very Satisfied* is 4.92 i.e. Rank V, which shows that Nepal Telecom should improve its recharge card delivery system so that the dissatisfaction can be reduced.

Table: 5

Type of delivery system of recharge cards:

Rank Source	I	II	III	IV	V	Total	W.M.	Rank
Collection from NT store	0	0	51	29	20	100	3.69	IV
NT should deliver	72	24	4	0	0	100	1.32	I
Delivery through agent	28	66	6	0		100	1.78	II
NT should sale	0	10	39	27	24	100	3.65	III
Others	0	0	0	44	56	100	4.56	V
Total	100	100	100	100	100			

(SOURCE: Field Survey, 2065)

From the above table, the delivery system what the customer wants is NT should deliver as it is falls under rank I. Though the delivery through agents is at rank II, also the weighted mean value is much closed to rank I. Hence the service provider should deliver the recharge cards by itself or using the agents which the analysis reflects.

Table : 6

Solution of losses of recharge cards

Rank Source	I	II	III	IV	V	Total	W.M.	Rank
Supply the copy	33	47	10	0	10	100	1.57	I
Send with security	32	0	31	15	22	100	2.00	III
Send with insurance	0	0	47	23	30	100	2.56	IV
Who lost should pay	35	53	12	0	0	100	1.77	II
Others	0	0	0	62	38	100	3.10	V
Total	100	100	100	100	100		11.00	

(SOURCE: Field Survey, 2065)

For the losses of recharge cards, after the analysis and the interview of NT employees, agents clearly indicates that NT should make provision for the copy of those cards which sold already and loss during transportation or anywhere. As the rank shows, the legal aspect shows that who lost should pay.

Table : 7

Method of purchase of recharge cards

Rank Source	I	II	III	IV	Total	W.M.	Rank
E-payment	28	65	2	5	100	1.84	II
Bank voucher	10	5	52	33	100	3.08	III
Debit card or Master card	0	4	34	62	100	3.58	IV
By cash	62	26	12	0	100	1.50	I
Total	100	100	100	100		10.00	

(SOURCE: Field Survey, 2065)

By above table analysis, it shows that mostly customer still want to buy the recharge cards by cash instead of any electronic means. It means NT should focus to sale the cards by cash. This is not the case in other country due to automation in different field and awareness of electronic means for marketing purpose.

Due to advancement in technology, NT should also take the benefit of technological cost-effectiveness in the field of recharge card sale system, though the customer has to be educated properly in new marketing environment.

Table : 8

Behaviors of NT staffs in sale of recharge cards

Rank Source	I	II	III	IV	Total	W.M.	Rank
Most required	35	57	8	0	100	1.73	II
Required	0	10	56	34	100	3.24	III
Not required	0	4	30	66	100	3.62	IV
Government employee no change	65	29	6	0	100	1.41	I
Total	100	100	100	100		10.00	

(SOURCE: Field Survey, 2065)

By the analysis of behavioral nature of NT's employee, it shows that mostly customers are fed up with government employees and they do not hope for changing in their nature. As the rank for "Government employees no change" is comes under I clearly indicates this situation.

Though the rank for "change most required" comes in II shows that there should be probability of changing behavior is must hence NT should focus to train their staff for behavioral change.

Table : 9

Physical problem of recharge cards

Rank Source	I	II	III	IV	Total	W.M.	Rank
Number wipe out	68	30	2	0	100	1.34	I
Recharge fail due to card	0	10	56	34	100	3.24	III
Unclear digit	4	14	30	52	100	3.30	IV
Bad scratchable part	28	46	12	14	100	2.12	II
Total	100	100	100	100		10.00	

(SOURCE: Field Survey, 2065)

Above table clearly indicates that the qualities of recharge cards are not satisfactory to the customer. Among mostly cases, the number on the scratchable part wipe out while doing scratching process, hence NT should focus on this so that customer should not suffer.

The quality of any material or item must be as per standard so that the customers of any level should not suffer. The back bone of any business is consumer hence that has to be respected in all respect.

Analysis of questionnaire for AGENTS:

Now let us focus on the questionnaire for the agents for selling the recharge cards and its analysis which are as follows:

Table:- 10

Availability of recharge cards

Rank	I	II	III	IV	V	Total	W.M.	Rank
Source								
Always available	0	3	18	8	6	35	1.22	III
Mostly available	30	5	0	0	0	35	0.40	I
Scarce	3	26	6	0	0	35	0.73	II
Mostly Scarce	2	0	0	18	15	35	1.49	V
Difficult to buy	0	1	11	9	14	35	1.41	IV
Total	35	35	35	35	35			

(SOURCE: Field Survey, 2065)

From the above table, it is clear that the availability of recharge cards for the agents is mostly available. As the weighted data shows, the rank of “mostly available“ is first hence Nepal Telecom should focus on supply of cards properly so that demand and supply should be balanced.

Table:- 11

Recommendation for better availability

Rank	I	II	III	IV	Total	W.M.	Rank
Source							
Supply More	19	13	3	0	35	1.54	I
Balanced supply	16	15	4	0	35	1.66	II
Market Control	0	7	26	2	35	2.86	III
Alternet way	0	0	2	33	35	3.94	IV
Total	35	35	35	35		10.00	

(SOURCE: Field Survey, 2065)

From the above table, the “Recommendation for better availability” by the agents are clearly indicates that the supply of recharge cards is not adequate in the view of agents as analyzed and placed in rank I.

Hence NT should focus on the recommendation of agents so that if the supply is sufficient then the sale of recharge cards shall be more and which provides positive impact on revenue.

Table:- 12

Satisfaction of NT’s delivery system

Rank Source	I	II	III	IV	V	Total	W.M.	Rank
Very satisfied	0	0	27	6	2	35	3.29	III
Satisfied	0	26	6		3	35	2.43	II
Moderately satisfied	29	5	1	0	0	35	1.20	I
Dissatisfied	4	0	1	29	1	35	3.66	IV
Very dissatisfied	2	4	0	0	29	35	4.43	V
Total	35	35	35	35	35			

(SOURCE: Field Survey, 2065)

From the above table, it is clear that the “Satisfaction of NT’s Delivery System of recharge cards” for the agents is moderately satisfied as analyzed and placed in rank I. As the weighted data shows, the delivery system has to be modified to get more satisfaction for the agents.

Hence Nepal Telecom should focus on delivery of recharge cards properly so that the demand of agents can be fulfilled.

Table:- 13

Solution for the Losses of Recharge Cards

Rank	I	II	III	IV	V	Total	W.M.	Rank
-------------	---	----	-----	----	---	-------	------	------

Source								
Supply Copy	29	5	1	0	0	35	1.20	I
Send with Security	0	1	7	27	0	35	3.74	IV
With Insurance	0	3	24	6	2	35	3.20	III
Loser pay	6	26	3	0	0	35	1.91	II
Others				2	33	35	4.94	V
Total	35	35	35	35	35		15.00	

(SOURCE: Field Survey, 2065)

From the above table, it is clear that most agents were in favor of supply the copy of lost recharge cards. As the weight age of 1.20 in rank first for supply of copy of recharge cards and the weightage of 1.91 for loser should pay are very near with each other.

However, the researcher cannot say specifically that NT should manage for copy rather the losers are responsible for it.

Table:- 14

Method of Recharge card Purchase

Rank	I	II	III	IV	Total	W.M.	Rank
Source							
E- Payment	29	6	0	0	35	1.17	I
Bank Voucher	6	26	3	0	35	1.91	II

Debit / Master Card	0	3	30	2		2.97	III
Cash	0	0	2	33	35	3.94	IV
Total	35	35	35	35		10.00	

(SOURCE: Field Survey, 2065)

From the above table, it is clear that mostly agents were in favor of purchase the recharge card electronically as the weight age 1.17 placed in rank first. They were not in favor of cash for purchase purpose.

Hence NT should think to manage the mode of payment for recharge card should be electronic method.

Table :- 15

Behaviors of NT staffs in sale of recharge cards

Rank Source	I	II	III	IV	Total	W.M.	Rank
Most required	29	6	0	0	35	1.17	I
Required	6	27	2	0	35	1.89	II

Not required	0	2	0	33	35	3.89	IV
Government employee no change	0	0	33	2	35	3.06	III
Total	35	35	35	35		10.00	

(SOURCE: Field Survey, 2065)

From the above table, the weightage Mean for NT's staff behavior changes is 1.17 which is falls under rank first. It means company should focus on the employee's behavior so that agents should not get any grievances against staff.

The behavior of employee can play significant role to the sale of recharge cards and the positive impact in competitive business environment.

Analysis of Questionnaire for Employees:

In the same manner, 35 employees' responses were collected for analysis. Mostly employees' responses and customer responses are similar in many cases.

Table:- 16

Availability of Recharge Cards:

Rank	Source	I	II	III	IV	V	Total	W.M.	Rank
------	--------	---	----	-----	----	---	-------	------	------

Always available	0	0	0	7	28	35	1.2	I
Mostly available	0	25	10	0	0	35	1.91	II
Scarce	2	8	25	0	0	35	3.2	III
Mostly Scarce	33	2	0	0	0	35	3.74	IV
Difficult to buy	0	0	0	28	7	35	4.94	V
Total	35	35	35	35	35			

(SOURCE: Field Survey, 2065)

From the above table, it is analyzed that mostly employees were in favor of “Always availability of recharge cards” but the analysis of customer for the same aspect is different. Customers were responded for sometimes scarce for recharge cards.

Here, the analysis shows that employees’ may have some biasness towards their own company which influenced the responses.

Table No:- 17

Physical problem of recharge cards

Rank Source	I	II	III	IV	Total	W.M.	Rank
Number wipe out	29	6	0	0	35	1.34	I
Recharge fail due to card	0	1	4	30	35	3.24	III
Unclear digit	6	0	28	1	35	3.30	IV
Bad	0	28	3	4	35	2.12	II

scratchable part							
	35	35	35	35		10.00	

(SOURCE: Field Survey, 2065)

From the above table, the analysis shows that mostly scratch able number used to wipe out during scratching process as the weighted Mean value shows. This analysis is nearly same as analyzed for the customer which means NT should concentrate on the quality of recharge cards so that there should be less complain from the customer.

It is notable that the employees of NT have same view as customers have for the quality of recharge cards.

Now, let us analyze the sale of recharge cards in the month of Asadh 2065 in different zone for three denomination values. Though, some customer may buy in one zone and can use in another zone.

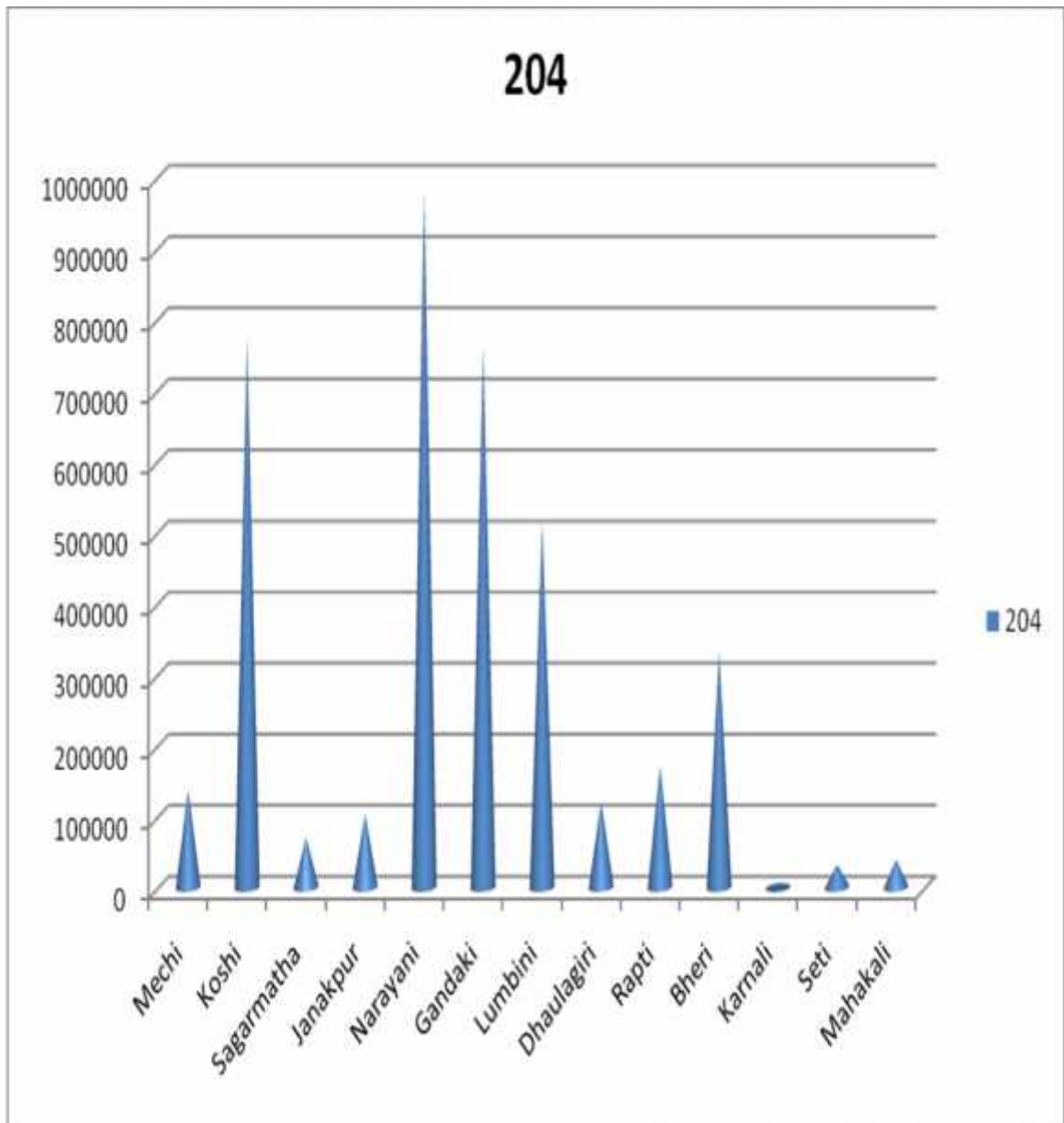
Table no:- 18

Zone wise Distribution of recharge cards:

Zone	Recharge Card Denomination & Used numbers			Remarks
	205	510	1020	
Mechi	138691	30790	0	
Koshi	773779	275757	0	
Sagarmatha	71207	28198	637	
Janakpur	105033	84398	205	

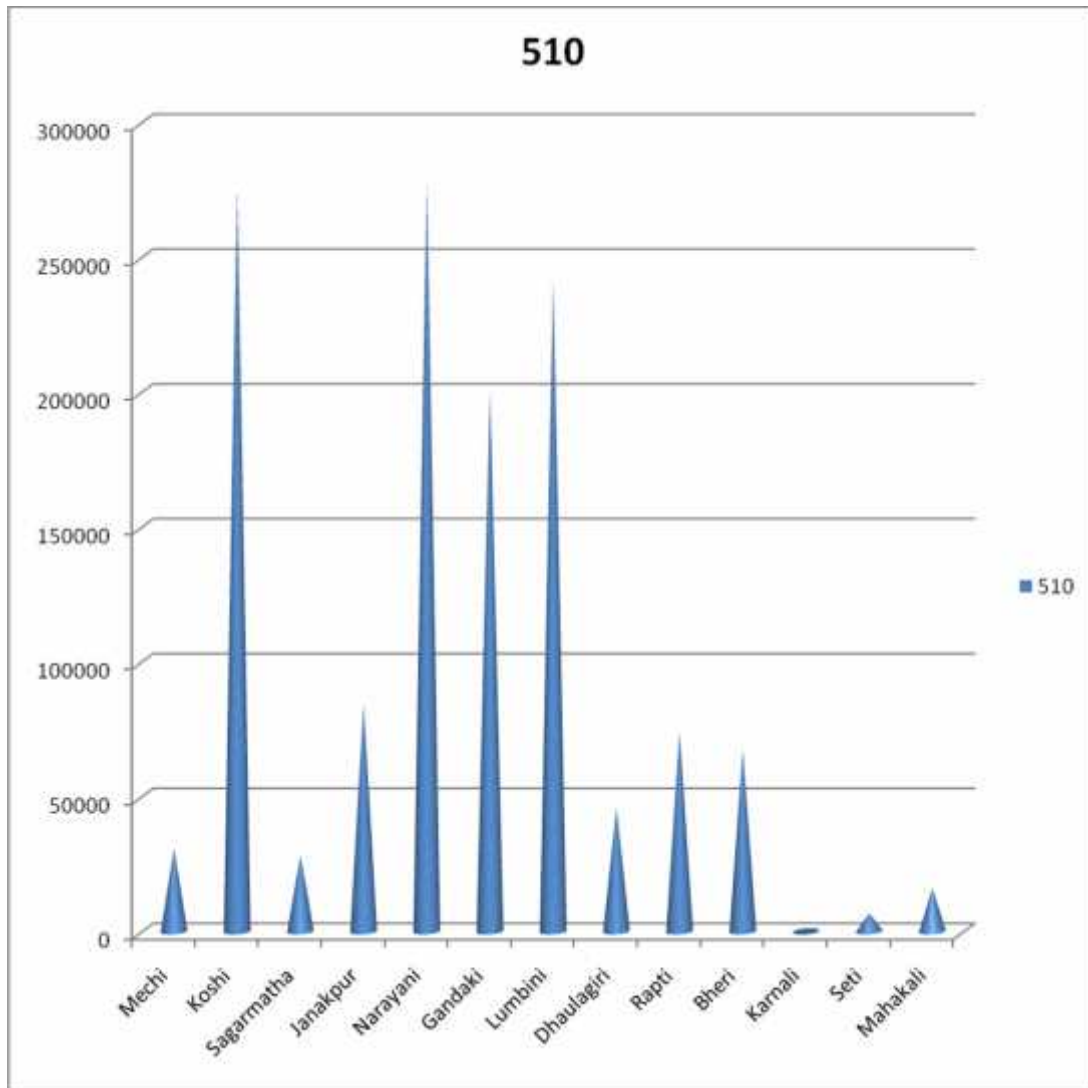
Narayani	982930	277868	3919	
Gandaki	764393	200827	6857	
Lumbini	514947	241388	2114	
Dhaulagiri	121446	45756	1453	
Rapti	172159	74102	1019	
Bheri	333289	67621	1626	
Karnali	0	0	0	No mobile service during study period
Seti	32852	6768	0	
Mahakali	39725	16026	0	
Bagmati	8251247	2961501	98715	

(SOURCE: Nepal telecom's MIS report Asadh,, 2065)



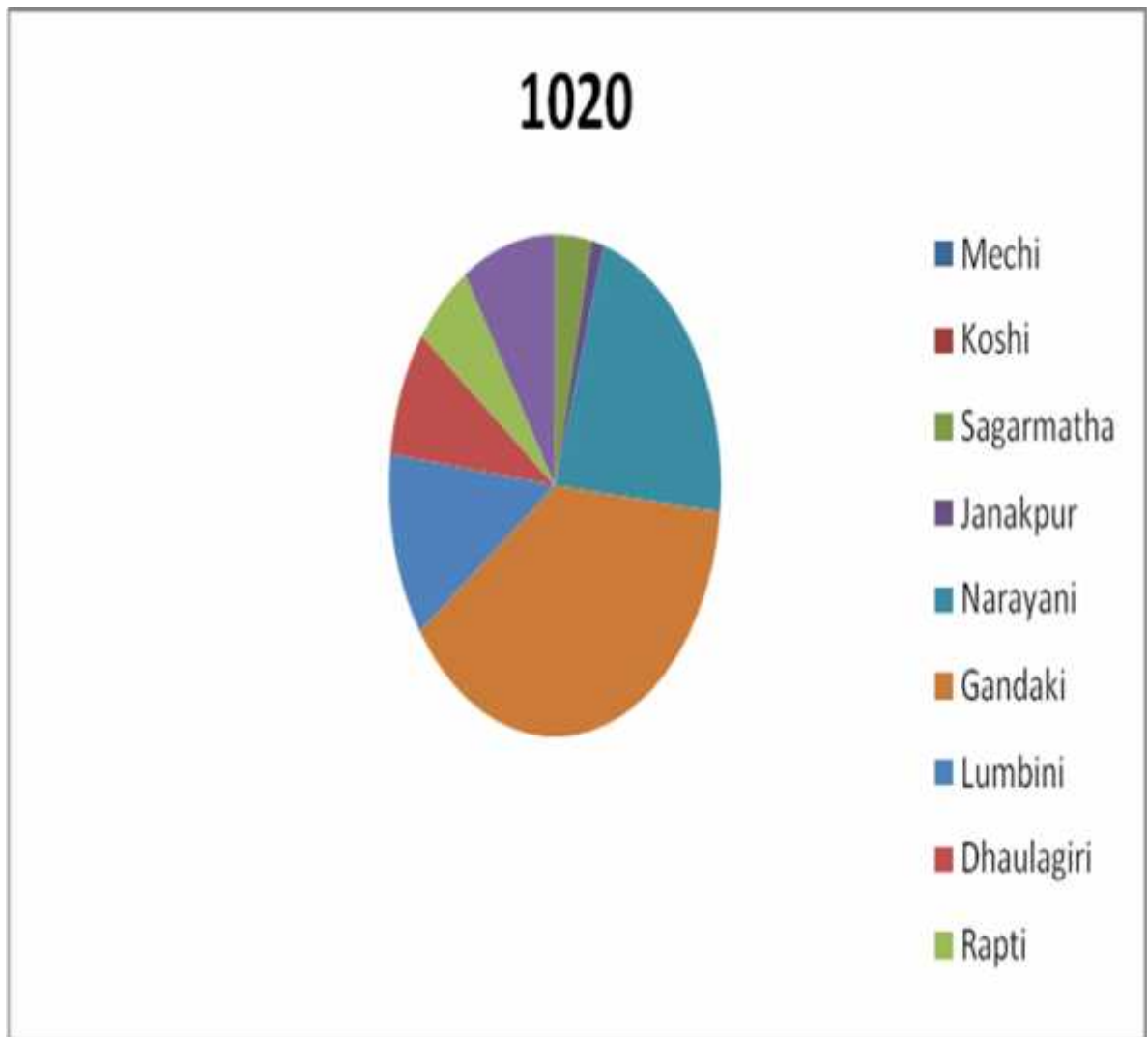
Graph:-1

From the above graphical view clearly mention about the popularity of Rs. 200 card in Narayani Zone among all except Bagmati. It shows the customers are more interested in low value recharge cards than high values cards.



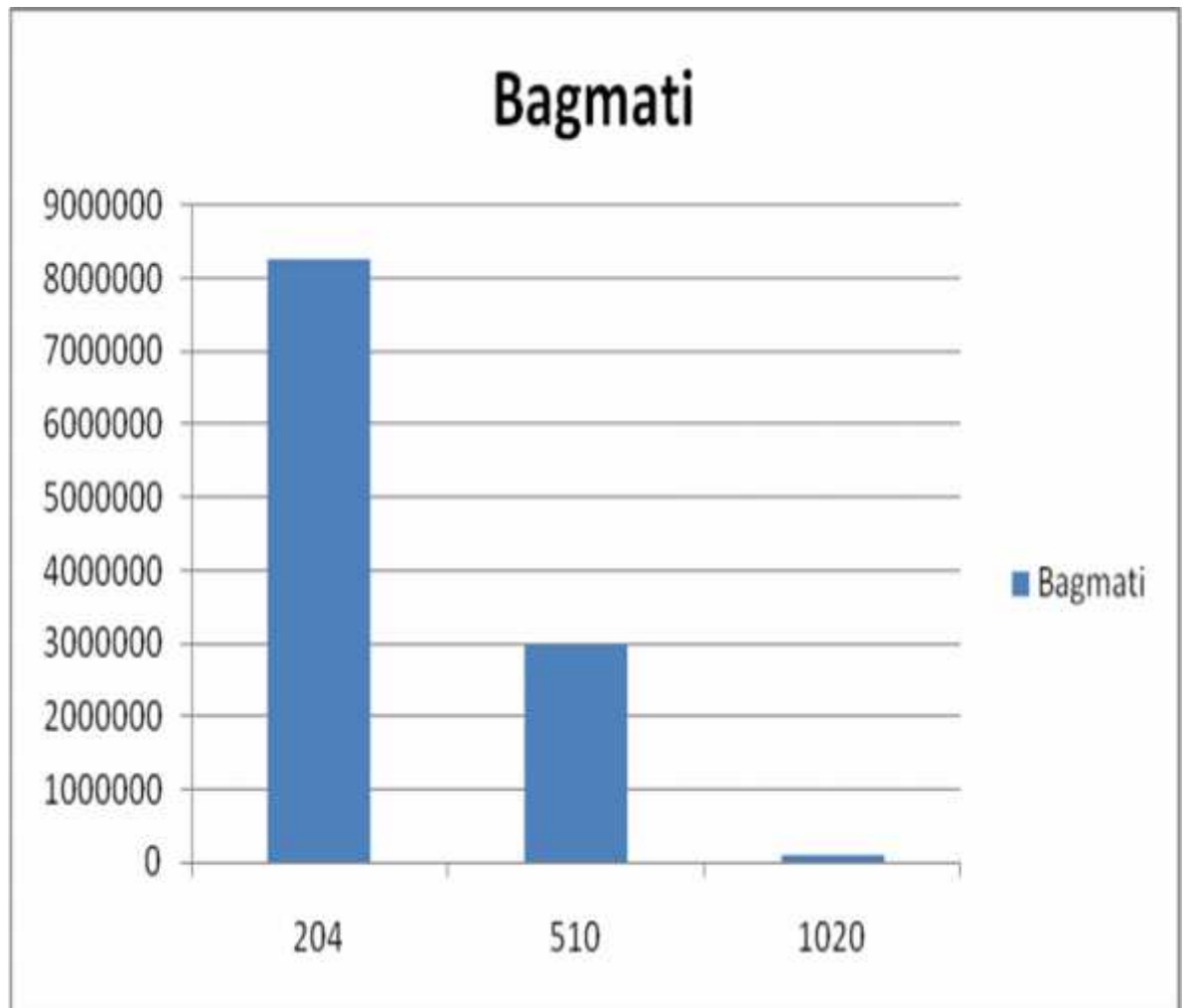
Graph:-2

From the above graphical presentation, one can clearly found that Rs 500 denomination of recharge cards are more popular in Koshi than in any other zones. But it is understood that the delivery of those cards are the most effecting factor for consumption. If the Rs 500 only delivers in any area shall shows the consumption of those card only though subscriber will manage by transfering the amount from one mobile to another.



Graph:-3

From the above graph, it shows the customer of Narayani, Gandaki and Lumbini zones are interested in Rs 1000 denomination recharge cards. Though during study, more employees of NT said that during scarcity of 200 & 500 denomination cards, sale of 1000 denomination was only the way to recharge the mobile. Also the customer has facility to transfer the credit to the another mobile which also encourage to recharge by Rs. 1000.



Graph:-4

From the above graph, it is clear that in capital city where the purchase power of customer is more than other area even though they used to buy more Rs 200 denomination recharge cards. It shows the service provider should provide more talk-time in 500 & 1000 denomination recharge cards so that customer will be attracted towards it.

It gives the clear idea to Nepal Telecom to focus on Rs 200 recharge card more in all over the country.

CHAPTER: – V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In the previous chapter, the researcher tried to analyze distribution channel of Nepal Telecom with the help of structured questionnaires. To meet the stated objectives of the study, the researcher followed various research methods. It is clear evident that the selected customers have relatively good position of distribution system because the respondents showed positive attitude in many cases. On contrary, the distribution channel of the companies was not found in satisfactory level in many other situations.

To meet the stated objectives of the study, it becomes clear from the study that Nepal Telecom has good position to distribute its services all over the country but availability of the different services is in scarce situation. Based on above objectives, an attempt is made in this chapter to make general summary and conclusion of the result.

The next attempt in this chapter has been made for the Recommendations on the basis of findings. For this whole purpose, the chapter is sub divided in to summary, conclusion and recommendation as following:

5.1 SUMMARY:

First chapter of the study paper deals about the basic concept and plan of the study. This chapter basically presented research issues, basic objectives, and limitations of the study and brief introduction of the study.

The **second chapter** deals with literature review helped the researcher to provide knowledge about the development and progress made by the earlier scholars on the concerned field of study. It also helped the research work, undertaken by him. It discussed about some related concept used in this study. It also summarized the findings of previous literature to provide knowledge about the background of the work done by earlier research work and to step duplicate of the previous work.

Various research methods to analyze the data related were followed by the researcher in **third chapter**. Research Methodology basically signifies research design, nature and sources of data,

sample and population of survey design, data collection and processing techniques and procedures, and various tools and techniques employed to analyze the data.

Presentation and analysis of data are studied in the **fourth chapter**. In this chapter, the generated data were presented in tabular form and analyzed it systematically as per requirement. The researcher attempted to analyze the distribution channel and its effectiveness in Nepal Telecom.

5.2 CONCLUSION:

5.2.1 A distribution channel consist of the sets of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user. A channel of distribution always includes both the producer and final customer for the product in its present form as well as any middleman such as retailers and wholesalers.

Most distribution channels include middleman, but some do not. A channel consisting only of producer and final customer, with no middleman providing assistance is called *direct distribution*.

Type of market, number of potential customers, geographic concentration of market, order size, unit value, perish ability, technical nature of the products, availability of desired middleman, services provided by middleman, financial resources etc. determined the distribution channel and system of the company.

In contrast, a channel of producer, final customer, and at least one level of middleman represent indirect distribution. When a company is going to choose the channels of distribution, it has to consider and analyze the market, its product, its middleman, and its company itself.

- Most of sample consumers of Nepal Telecom is used to purchased first from retailers and then from agents, NT's offices and from friends respectively because of near to

purchase, quick service, credit facility as well as benefits. Therefore, Nepal Telecom must take these matters on mind during the selection time of distribution channel.

- Most of sample consumers of NT's pre-paid recharge card replied that they were not satisfied with the quality of card because of not clear digit, digit wipe out and sometimes the scratchable part is not properly maintain.

Hence NT should manage to rectify the card so that customer should not get any problem.

- Most of sample retailers give preference to purchase the NRs 200 denomination card only because of market demand. Mostly Nepalese customer used to buy the NRs 200 denomination of recharge card due to less purchase power, though the ratio of talk value for NRs 1020 denomination card has more with respect to NRs 200 & NRs 500.

Therefore, NT should concentrate on these matters during the selection time of distribution channel.

- According to the analysis, present distribution system of Nepal Telecom is nearly satisfactory for their respective agents, retailers and consumers but it needs some improvement in the rural area where the retailers exploit the customer by taking more money than mentioned in card.
- The recharge function can be automatism by electronics means such as PIN card distribution electronically than to distribute the Plastic money.

NT should think over it in future so that customer will have less difficulty.

- The behavior of NT's employee also play great role to the agent while buying bulk recharge cards. NT should motivate those agents for better circulation in rural areas which affects the goodwill, services as well as revenue of the Company or for the country.

Nepal telecom should provide some promotional campaign for the retailers so that they should sell the electronic recharge PIN in bundling service.

- Each Village Development committee (VDC) can be used as a distribution point especially for rural areas which will give the better service to the people of that area and generate more revenue.
- Mostly consumers were answered about the ill-mannered behavior of NT's staff. NT should take care and try to train its employee to have better customer relationship management.

5.2.2 MAIN FINDINGS OF THE STUDY:

Based on the presentation, interpretation and analysis of data, the major findings are summarized as follows:

Necessary data were collected through questionnaires as well as unstructured interviews with various related persons like Agents, retailers, employees as well as consumers of Nepal Telecom mobile service.

In this research, 180 sets of structured questionnaires were chosen out of which 110 sets for consumers, 35 sets for Dealers / retailers and 35 sets for NT's employee were distributed. Among them, 106 responses were collected from consumers, 35 sets were collected from agents / retailers and 35 sets were collected from employees. There were some answers of 4 consumers which are conflict with their own answers and 2 consumers answer were incomplete hence those were not included for the purpose of analysis.

- Most of sample consumers are preferred to purchase the particular recharge card (Rs. 200) from retailers because of low expense and it controls the long calling habit.
 - Most of sample consumers of Nepal Telecom selected the best purchasing source based on near to purchase like small shopkeepers or PCO booth.
- Mostly consumers of Nepal Telecom were in positive side of easy accessibility of recharge card out of which 35 were in negative side of when it searches for accessibility purpose.
 - Most of sample consumers of NT's mobile were waited to get recharge card but do not switch to other operators service.
 - Only six consumers are answered negatively about the availability of recharge card in their area easily. It shows that availability of recharge card in different area is satisfactory if we analyze as outlet of retailers.
 - Most of sample consumers replied about the better alternate of recharging process for mobile instead of plastic recharge card.
 - The satisfaction of NT's delivery system of recharge card is found moderately satisfied which shows that NT should take care for promptly delivery to the retailers shop.
 - Only 4 sample consumers out of 100 replied that they used mostly Rs 500 denomination recharge card otherwise about 96 % customer used the Rs. 200 cards
 - The retailers mostly used Rs. 1000 card because NT has provided Credit transfer facility by which some one can get some amount in their account to make call without recharge.
 - Not a single customer has answered about the losses of recharge card while purchasing from NT's outlet or from any retailers shop.
 - Here, in the case of retailers, sometime they faced problem of losses of recharge card while carrying on motorbike. For this, they were suggested to get the duplicate of those cards from NT. They have suggested that NT may take some charge against it.

- Mostly consumers were answered about the ill-mannered behavior of NT's staff. NT should take care and try to train its employee to have better customer relationship management.
- About 90 % of consumer answered about the poor clarity of digit in the scratch-able part of recharge card. It means the quality of recharge paper has to be improved or another method of recharge should be adopted to fulfill the desire of consumer.
- Most of sample retailers give preference to print Rs 205 instead of Rs 200 on the recharge card as NT has fixed the price of 200 values cards at Rs. 205 due to Nepal government tax system. Hence NT should manage to accommodate its talk value so that customer should pay as written on the card.
- The first reason of selecting retailers to purchase the recharge card for a customer is the distant from their house and second reason is the poor behavior of NT's employee while going to buy from their outlet.
- Most of sample retailers purchased the Rs 200 cards and stock it because of high demand and sometimes they used to sell in high price.
- Most of sample retailers purchase the Rs. 200 recharge card twice in a month.
- The method of purchasing order is quite different for NT's recharge card because being a government owned company; the buyer has to go in NT's office to buy the cards.
- All of sample retailers were agreed on NT's to provide quick and efficient services for their retailers.

5.3 RECOMMENDATION:

Distribution channel and system must be determined concentrating on type of markets, number of potential customers, geographic concentration of market, Order size, unit value,

technical nature of the services, availability of desired middleman, services provided by middleman, financial resources and competitive environment etc.

From the above study, the recommendation can be drawn in following manner though it depends up on Nepal Telecom whether to accept the suggestion or reject it.

Findings of the study may provide important information for those who are concerned directly or indirectly with distribution channel of Service Company.

On the basis of analysis and findings of the study, following suggestions and recommendations can be outlined:

- Most of sample consumers of Nepal Telecom is used to purchased first from retailers and then from agents, NT's offices and from friends respectively because of near to purchase, quick service, credit facility as well as benefits. Therefore, Nepal Telecom must take these matters on mind during the selection time of distribution channel.
- Most of sample consumers of NT's pre-paid recharge card replied that they were not satisfied with the quality of card because of not clear digit, digit wipe out and sometimes the scrachable part is not properly maintain.

Hence NT should manage to rectify the card so that customer should not get any problem.

- Most of sample retailers give preference to purchase the NRs 200 denomination card only because of market demand. Mostly Nepalese customer used to buy the NRs 200 denomination of recharge card due to less purchase power, though the ratio of talk value for NRs 1020 denomination card has more with respect to NRs 200 & NRs 500.

Therefore, NT should concentrate on these matters during the selection time of distribution channel.

- According to the analysis, present distribution system of Nepal Telecom is satisfactory for their respective agents, retailers and consumers but it needs some improvement in

the rural area where the retailers exploit the customer by taking more money than mentioned in card or the rule of the company.

- The recharge function can be automatism by electronics means such as PIN card distribution electronically than to distribute the Plastic money.

NT should think over it in future so that customer will have less difficulty.

- The behavior of NT's employee also play great role to the agent while buying bulk recharge cards. NT should motivate those agents for better circulation in rural areas which affects the goodwill, services as well as revenue of the Company or for the country.
- Nepal telecom should provide some promotional campaign for the retailers so that they should sell the electronic recharge PIN in bundling service.
- Each Village Development committee (VDC) can be used as a distribution point especially for rural areas which will gives the better service to the people of that area and generates more revenue.
- Mostly consumers were answered about the ill-mannered behavior of NT's staff. NT should take care and try to train its employee to have better customer relationship management.

*At last, the best distribution channel for the Nepal Telecom services especially in selling of Pre-paid recharge card will be, **Service Provider(NT) – Dealer (Agent) – Retailer – Consumer.***

For Urbanites, electronic recharge should be enhanced due to rising use of plastic money while for remote areas; VDC staffs' help should be taken for recharge card distribution as they have the superlative approach to rustic parts. This will have better efficacy in service to the rural people, revenue generation as well as goodwill for the company.

By this way, the efficacy of distribution channel in Nepal Telecom may play imperative role in future.

(The end)

BIBLIOGRAPHY:

Agrawal, Govinda Ram (2000): *Marketing Management in Nepal*, M.K. Publishers and distributors Pvt. Ltd: Kathmandu.

Annual Reports of Nepal Telecom (Fiscal Year 2001 – 2007).

Batra, Pramod (1995): *Management Homework*, New Delhi: Father Son & Co.

Dahal, L.R. (2003): *Distribution Channels in Public sector* Kathmandu, an Unpublished Masters Level Thesis, Central Department of Management: Tribhuvan University

Davis, Kenneth R. (1985): *Marketing Management*, University of North Cajoling: New York

Edward, W. Chundiff and Richard, R. Still (1972): *Basic Marketing concept, decisions and Strategies*, Prentice Hall of India: New Delhi

Koirala, K.D. (2005): *Marketing Research*. Kathmandu: Buddha Publication, Pvt Ltd.

Kotler, Philip (2005): *Marketing Management*. Singapore: Pearson Education, Pvt. Ltd.

Pandey, D. R. (1997): *Nepal Failed Development*, Nepal South Asia Centre: Kathmandu

SMARICA 2064 of Nepal Telecom

Stanton, W. J. (1987): *Fundamental of Marketing*, Mc-Graw Hill Publishing Company: New Delhi

Websites:

http://en.wikipedia.org/wiki/Distribution_Resource_Planning

http://findarticles.com/p/articles/mi_m0EIN/is_1998_Nov_13/ai_53213159

www.nta.gov.np

www.ntc.net.np

www.ntc.net.np/smarika/smarika64/smarika2064.php

www.telecompaper.com/news/article.aspx?cid=617132

ANNEXURE-I

Questionnaire for Consumer

Questionnaires

Name:

Signature:

Place:

Instruction: Rank the following aspects of your view in order to your preference by indicating 'I' to the most preferred aspect 'II' to the second most referred aspect and so on where necessary.

1. Are you using “Namaste Pre-paid” Nepal Telecom mobile?
a) Yes b) No
2. Where do you purchase recharge card for your Pre-paid mobile? (Rank I for most & IV for least)

Rank	Reason	Value
I	Purchase from NT offices	
II	Purchase from agent	
III	Purchase for retailer	
IV	Purchase from others	

3. Why do you purchase from there? (Rank I for most & V for least)

Rank	Reason	Value
I	Commission & discount	
II	Credit facility	
III	Nearest to resident	
IV	Matter of trust	
V	Others	

4. In your view, what are the merits you face if you purchase from NT rather agents? (Rank I for most & IV for least)

Rank	Reason	Value
I	Time & effort saving	
II	High volume purchase	
III	For discount & Commission	
IV	Others	

5. What is your view about availability of recharge card in your area? (Rank I for most & V for least)

Rank	Reason	Value
I	Always available	
II	Mostly available	
III	Scarce	
IV	Mostly scarce	
V	Difficult to buy	

6. What will be the recommendation to NT for better availability? (Rank I for most & V for least)

Rank	Reason	Value
I	More Supply	
II	Balanced supply	
III	Control for black marketing	
IV	Manage alternate way to recharge	

7. What type of card mostly you buy from counter / market?

Type	Reason
200	
500	
1000	

8. Are you satisfy with NT's delivery system? (Rank I for most and V for least)

Rank	Reason	Value
I	Very satisfied	
II	Satisfied	
III	Moderately satisfied	

IV	Dissatisfied	
V	Very Dissatisfied	

9. What is your frequency of buying recharge card?

Time	Type of Card	Number of time
Once a month	200:	
	500:	
	1000:	
Twice a month	200:	
	500:	
	1000:	
Thrice a month	200:	
	500:	
	1000:	
Depends upon sell	200:	
	500:	
	1000:	

10. Do you face the problem of loss during collection to recharge your mobile?

a) Yes b) No

11. What will be the solution of such losses? (Rank I for most and V for least)

Rank	Reason	Value
I	Supply the copy of lost Card	
II	Send with security	
III	Send with insurance	
IV	Who lost should pay	
V	Others	

12. Which method do you prefer to purchase recharge card? (Rank I for most and IV for least)

Rank	Type	Value
I	E-payments	
II	Bank voucher	
III	Debit card or any master card	
IV	By cash	

13. Do you think that NT staff involved in delivery system should change their behaviors?
(Rank I for most and IV for least)

Rank	Reason	Value
I	Most required	
II	Required	
III	Not required	
IV	Government employee no change.	

14. Have you suffered any problem by recharge card's quality?

Rank	Reason	Value
I	Sometimes number wipeout	
II	Recharge fail due to card	
III	Not clear digit	
IV	Scratchable part bad	

15. If you suffered, what is your good suggestion for Nepal Telecom to improve recharge card's quality?

(You may write in Nepali)

Thanks a lot for your kind information

ANNEXURE- II

Questionnaire for Agents / Retailers

Questionnaires

Name:

Signature:

Place:

Instruction: Rank the following aspects of your view in order to your preference by indicating 'I' to the most preferred aspect, 'II' to the second most referred aspect and so on where necessary.

1. Do you sell recharge card for “Namaste Pre-paid” of Nepal Telecom mobile?
a) Yes b) No
2. What is your view about availability of recharge card in your area? (Rank I for most & V for least)

Rank	Reason	Value
I	Always available	
II	Mostly available	
III	Scarce	
IV	Mostly scarce	
V	Difficult to buy	

3. What will be the recommendation to NT for better availability? (Rank I for most & V for least)

Rank	Reason	Value
I	More Supply	
II	Balanced supply	
III	Control for black marketing	
IV	Manage alternate way to recharge	

4. What type of card mostly you sell from your counter?

Type	Reason
200	
500	
1000	

5. Are you satisfy with NT's delivery system? (Rank I for most and V for least)

Rank	Reason	Value
I	Very satisfied	
II	Satisfied	
III	Moderately satisfied	
IV	Dissatisfied	
V	Very Dissatisfied	

- 6 Do you face the problem of loss during collection to recharge card?
a) Yes b) No

- 7 What will be the solution of such losses? (Rank I for most and V for least)

Rank	Reason	Value
I	Supply the copy of lost Card	
II	Send with security	
III	Send with insurance	
IV	Who lost should pay	
V	Others	

- 8 Which method do you prefer to purchase recharge card? (Rank I for most and IV for least)

Rank	Type	Value
I	E-payments	
II	Bank voucher	
III	Debit card or any master card	
IV	By cash	

- 9 Do you think that NT staff involved in delivery system should change their behaviors? (Rank I for most and IV for least)

Rank	Reason	Value
I	Most required	
II	Required	
III	Not required	
IV	Government employee no change.	

10. Have you suffered any problem by recharge card's quality?

Rank	Reason	Value
I	Sometimes number wipeout	
II	Recharge fail due to card	
III	Not clear digit	
IV	Bad Scratchable part	

Thanks a lot for your kind information

ANNEXURE - III

Questionnaire for Employees of NT

Questionnaires

Name:

Designation:

Office / Department:

Signature:

Instruction: Rank the following aspects of your view in order to your preference by indicating 'I' to the most preferred aspect 'II' to the second most referred aspect and so on where necessary.

1. What is your view about availability of recharge card in different area?

Rank	Reason	Value
I	Always available	
II	Mostly available	
III	Scarce	
IV	Mostly scarce	
V	Difficult to buy	

2. What will be the recommendation for better availability? (Rank I for most & V for least)

Rank	Reason	Value
I	More Supply	
II	Balanced supply	
III	Control for black marketing	
IV	Manage alternate way to recharge	

3. What type of card mostly sold from your counter?

Type	Reason
200	
500	
1000	

4. Are you satisfy with your delivery system to agent? (Rank I for most and V for least)

Rank	Reason	Value
I	Very satisfied	
II	Satisfied	
III	Moderately satisfied	
IV	Dissatisfied	
V	Very Dissatisfied	

5. What will be the solution of such losses? (Rank I for most and V for least)

Rank	Reason	Value
I	Supply the copy of lost Card	
II	Send with security	
III	Send with insurance	

IV	Who lost should pay	
V	Others	

6. Which method do you prefer to sell recharge card? (Rank I for most and IV for least)

Rank	Type	Value
I	E-sale	
II	Bank voucher	
III	Debit card or any master card	
IV	By cash	

7. Do you think that your behavior should change towards agents / customers?
(Rank I for most and IV for least)

Rank	Reason	Value
I	Most required	
II	Required	
III	Not required	
IV	Government employee difficult to change.	

8. Have you suffered any problem by recharge card's quality?

Rank	Reason	Value
I	Sometimes number wipeout	
II	Recharge fail due to card	
III	Not clear digit	
IV	Scratchable part bad	

Thanks a lot for your kind information

