

Marketing GATE seeds to and through agrovets in Banke and Bardiya regions of Nepal

Seed Marketing in Nepal

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<p>Abstract:</p> <p>Global Agritech Nepal Limited (GATE) is a seed producing company founded in year 2010 with the vision of ensuring continuous supply of high quality seeds for general farmers in Nepal. The company market segment consists of farmers, non-profitable organizations and Agrovets - who are small or large retail and wholesale stores selling agricultural products to general farmers. Majority of the company sales are through agrovets. However, the company being relatively new to the market was facing difficulties in negotiating with the agrovets. The purpose of this study was to find answers to the two research questions: how to help agrovets sell company seeds to the general farmers, and how can the company sustain a profitable relationship with the agrovets. The author felt motivated to undertake this study, because he hopes to do business in Nepal in the near future, and therefore, saw this study as an opportunity to gain experiences in doing business in Nepal. This study begins with a brief introduction, followed by literature review covering both agricultural and marketing literatures. Then the study discusses the research methodology, and findings from the survey, unstructured interviews and observations. After that, in the discussions, the findings are discussed with the relevant marketing literatures from which the recommendations based on the research questions are made. In relation to helping the agrovets sell to general farmers</p> <ul style="list-style-type: none"> • Seed quality and packaging should not be compromised. • Packaging should be semi-transparent and modified to suit the local context. • Production should be based on actual demand. <p>In relation to sustaining a long term profitable relationship with agrovets</p> <ul style="list-style-type: none"> • Company return back policy; warranty policy; pricing and collection policy and terms and conditions for both company sales and purchase should be revised. • Furthermore, innovative solutions based on the understanding of agrovets business should be taken into account while revising them. • Preferred target segment among agrovets would be the retailers. 	
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1 INTRODUCTION

1.1 Company Background

Global Agri-Tech Nepal Private Limited (GATE Nepal) is a business organization established in 2010 with the aim of providing innovativeness in agricultural enterprises of the country. Company shareholders consist of 48 members having background in different agricultural sectors (NGOs, GOs and agrovets). The company is partly funded by DFID (Department for International Development), an international INGO operating in agricultural sector of Nepal. Also, among its shareholders is FORWARD (Forum for Rural Welfare and Development), a local NGO, which aims at reducing poverty of rural communities through integrated and sustainable development interventions (FORWARD, 2010/11).

The Company business plan highlights following objectives:

- To provide high quality seed of a continuing stream of new varieties of legumes, and other crops produced by client oriented breeding (COB) and company research for the benefits of Nepalese farmers. To support these plant breeding objectives, other agricultural enterprises, training consultancies and other services will be undertaken by the company involving the supply of agricultural inputs or purchase of agricultural output from farmers.
- Breed or introduce market superior and commercially important plant breeds and other commodities by engaging in the value chains to improve food and nutritional security and income of all the actors and clients in the value chain (GATE, 2010).

Currently, the company is mainly focused only on producing and marketing of seed varieties such as rice, maize, wheat and legume and other vegetables' seeds.

1.2 Statement of the Problem

Despite all expectations, the much awaited 2nd financial year report is very likely to report losses for the company. The company being relatively new to the market faces strong competition from its already existing competitors.

Having realized this, the company is currently undergoing number of structural changes. The company board has recently appointed a new CEO and incorporated a new mini version of ERP system - Tally with the view of improving company's management and financials. However, the company is yet to produce an efficient marketing strategy that is in-line with the core company objectives and can help provide better returns on shareholders' equity.

According to the company's sales register, Agrovets and other similar private institutions account for 68.4% of the company sales. Agrovets are retail shops for different agricultural products such as seeds, pesticides, fertilizers etc. for general farmers. They control the access to the market for the company's products. Although the company sells 5.21% of its products directly to the farmers, the company doesn't have the resources and credibility to compete directly against Agrovets for direct access route to its end consumers.

Managing relations with Agrovets hasn't been all that easy for the company. They seem to be taking advantage of the new company and that has forced the company to deal on unfair terms and conditions of sale. For example; extended credit terms have been seriously affecting company financials. Seeds have been returned back after they have lost their germination period and the company is forced to lower its prices for the fear of having too much closing stocks.

1.3 Motivation for the Study

The main motivation for the author to conduct this study came during his internship at the company. The author observed that because of the serious competitive nature of the

seed market, the company was facing significant problems while selling its seeds to the market. The author being a marketing student at Arcada decided to take on the challenge to identify what the company can do to improve its market position. Furthermore, the author wishes to start his own company in Nepal in the near future. Thus, this study provided ample opportunities for the author to get to know more about the business situation there.

1.4 Research Questions

As presented above, Agrovets represent the majority of company seed sales. However, the company is facing real difficulties while dealing with the Agrovets. Agrovets are very important customer segment for the company not only because they are the largest customers but because they also are the distributors to company's products through which the company sells its seeds to its end consumers i.e. the general farmers. Hence the following two research questions were developed.

- How can it help the agrovets to sell its seeds to the general farmers?
- How can the company enjoy a sustainable profitable partnership with its primary distributor's i.e. Agrovets?

1.5 Significance of the Study

- This study could help the organisation develop its overall marketing strategy for the company which it desperately needs to overturn its losses and start making profits.
- This study could present findings that will be very useful for developing future marketing plan and strategies for the company.

1.6 Thesis Structure

This following section of the thesis has been divided into Literature review, Research Methodology, Findings, Discussions and Limitations. The first section contains the literature review which also has been subdivided into Agricultural literature and Marketing literature. The agricultural literature provides relevant literature concerning the agriculture within the context of Nepal and more specifically the seed market in Nepal. Marketing literature provides collection of literatures that are relevant for this study from a marketing perspective.

The Second section of this thesis contains the research methodology which constitutes research methods and procedures that were applied to this study, which is then followed by findings. The findings section has been organized based on the research methods used i.e. Survey, Unstructured Interviews and Observations. Survey has been further subdivided into subheadings based on the two research questions mentioned above. The following discussion section discusses the raw finding together with the appropriate marketing literatures. The discussion section also presents author's recommendations with relevant arguments. Recommendations answer the two research questions of this study with author's recommendations based on the findings. Furthermore, the recommendation provides a summary of the discussions with other additional recommendations based on author's own experience having worked in the company and as a marketing student. The final section then discusses the limitations of this study.

2 LITERATURE REVIEW

2.1 Agriculture in Nepal

Nepal is mainly an agricultural country with about two-third of the nation's population being involved in the agricultural sector. In year 2004, Agriculture contributed to 40 percent of the nation's GDP. Agriculture also comprises a huge chunk of the nation's

export- generating US\$ 130 million in the same year. The growth trend for the sector was about 3 percent per year from 1993 to 2003 (Shrestha and Wulff, 2007).

2.1.1 Crop Yields

Despite being a very critical sector to the national economy, the crop yields of major crops in Nepal is considered to be lower than other south Asian counterparts. Crop Yield is the harvested production unit of harvested area for crop products (Gautam, 2008)

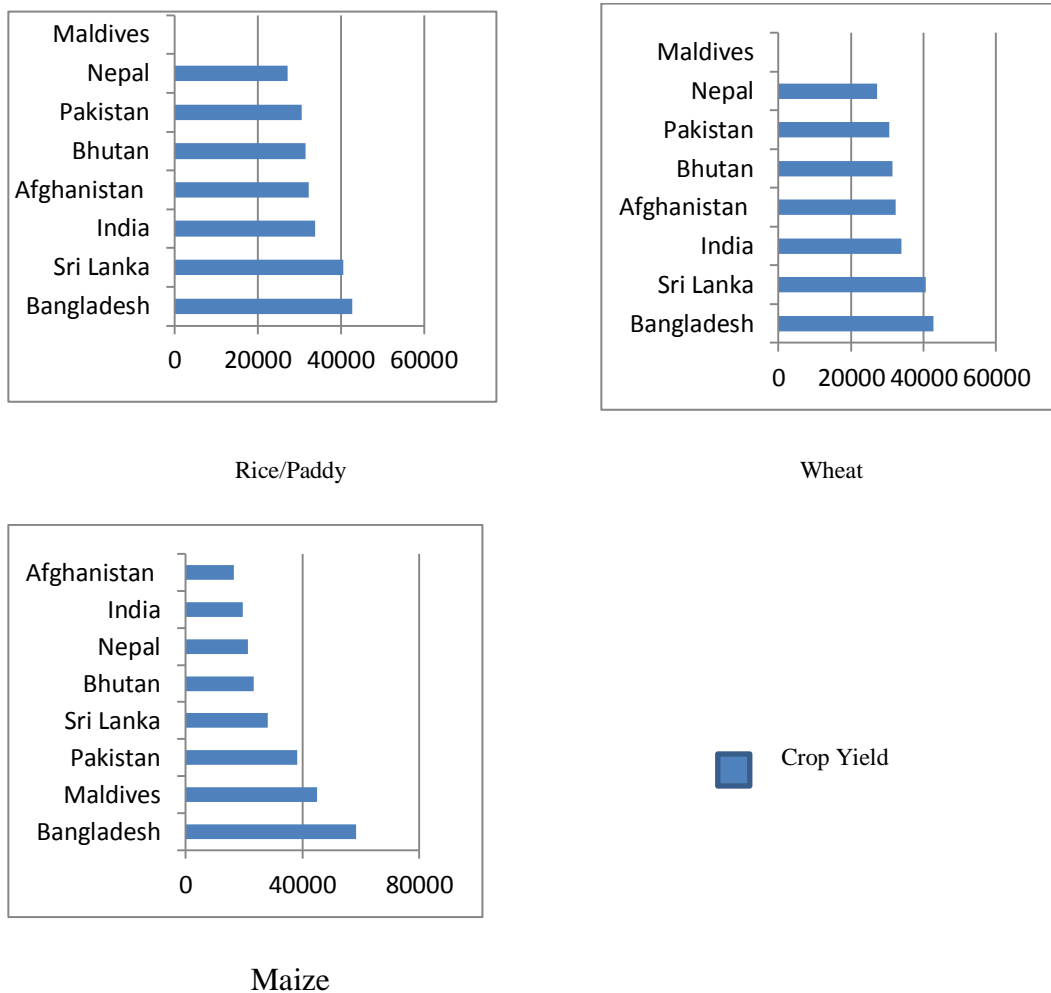


Figure 1: Crop Yields in SAARC nations (FAO, 2010)

Based on the above statistics extracted from the Food and Agricultural Organization of United Nation’s website, in year 2010, wheat yields for Nepal was below all other SAARC nations except Afghanistan. In terms of rice yields, Nepal is still the poorest performer among rest of the rice producing SAARC nations. Even though Nepal fares better than India and Afghanistan in terms of Maize yields, it is far from the top yield producer – Bangladesh, whose maize yield is more than double of Nepal’s.

According to seed country profile for Nepal(SSCP) prepared by Danish seed health care center for Developing Countries, poor agricultural inputs(fertilizers and pesticides) and poor use of equipment are reflected in Nepal’s lower crop yields (Shrestha and Wulff, 2007).

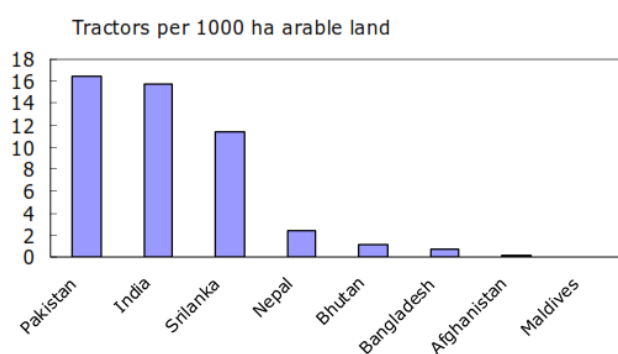


Figure 2: Tractors per 1000 ha arable land in SAARC nations (Shrestha and Wulff, 2007)

In another agricultural development parameter, Nepal ranks 4 among other south Asian nations, in terms of number of tractors per 1000 hectares of arable land. Improving the availability of good quality seeds, another major agricultural input, is one of the pre-requisites that may help to improve the crop yields in Nepal (Shrestha and Wulff, 2007). Quality of the seeds is determined by the measure of characteristics like good genetic purity, physical purity, seed germination and vigor (Parmar, 2013).

2.1.2 Seed supply system in Nepal

The seed supply system in Nepal is clearly under developed as reflected by the seed replacement rate of 8 percentages only, for major crops (Pokhrel, 2012). Seed replacement rate is a widely accepted variable in agricultural field used to measure the availa-

bility of good quality seeds within a given sector. Seed Replacement rate means the percentage of area sown out of total area of crops planted in the season by using certified/quality seeds other than the farm saved seeds (Parmar, 2013).

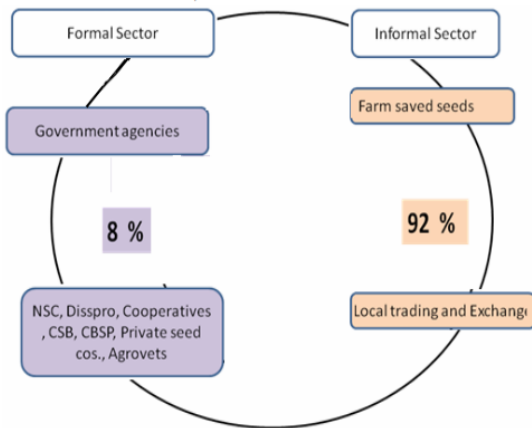


Figure 3: Cereal seed supply system in Nepal (Pokhrel, 2012)

The formal seed system in Nepal are Nepal Agriculture Research Council (NARC) , Department of Agriculture (DOA), other private entities such as various non-profitable organisations, private seed companies, agrovets, farmers’ cooperatives and so on. However NARC is the only authorised institution that is involved in variety development and supplying breeders seeds. NARC, DOA , and other authorised non-government organizations and private institutions are, however, allowed to produce foundation seeds (Gautam, 2008).

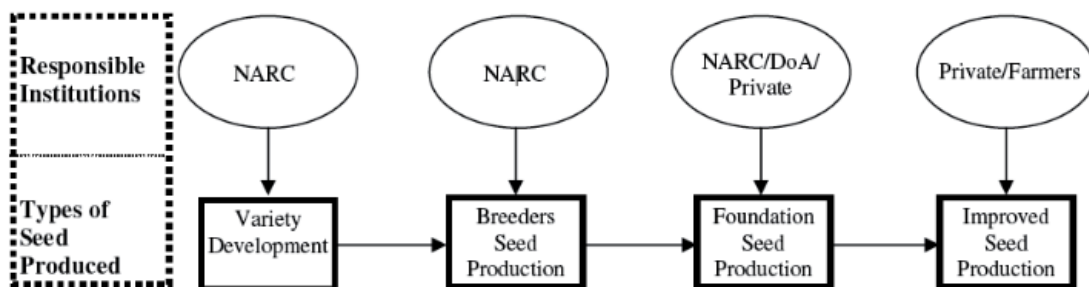


Figure 4: Formal Seed Supply System in Nepal (Gautam, 2008)

“Breeder seed is the progeny of nucleus seed of a variety and is produced by the originating breeder or by a sponsored breeder.

Foundation seed is the progeny of breeder seed and is required to be produced from breeder seed or from foundation seed which can be clearly traced to breeder seed.

Certified seed is the progeny of foundation seed and must meet the standards of seed certification .” (Seednet, 2013).

Remaining 92 percentage of the seeds in Nepal are supplied through informal sectors, such as farmer to farmer exchange systems and farm saved seeds from previous seasons (Pokhrel, 2012). It is estimated that 15-20% increase in production, depending upon the crop, can be achieved solely by the use of improved quality seeds. Furthermore, 45% increase in crop production can be achieved together with efficient management and other agricultural inputs (Seednet, 2013).

2.2 Marketing Literature

2.2.1 Overview

Literature specific to seed marketing is hard to find. Most of the literatures in Agricultural marketing are written for Government or non-profit organisations and only describe the agriculture market in general and fails to provide marketing perspective needed for this study. However, the author was able to find one literature called “Seed Marketing” published in Food and Agriculture Organisation of the United Nation’s website that was written to encourage private sectors in seed producing industry. Thus, this literature in conjunction with other relevant marketing literature has been considered for this study purpose.

The following literature review initially begins with definition of seed marketing and carries on to cover literatures on very basic terms of marketing- needs, wants and demands, in the context of GATE seed company. Then this literature will continue with general topics on market segmentation, evaluation and selection of target market, marketing mix and difference between consumer and business markets in the context of the studied company. This literature then becomes more specific in nature in relation to the

main theme of this study by studying the literatures available in understanding the agrovets. This section of this study will then conclude with a final chapter on more advanced topics on marketing i.e. branding.

2.2.2 Seed Marketing

Mumby defines seed marketing as activities aimed to satisfy the farmer's demand for reliable supply of a range of improved seed varieties of assured quality at an acceptable price. According to him, historically, physical aspects of seed production and storage were given more priority than the more complicated organizational issues that deals with managing sales and distribution (Mumby, 1994). This scenario can be related with the studied company, where only in the second year of operation, when the company found itself unable to penetrate the local seed market that it hired a marketing manager. The first one and half year of operation the company and its operations were more concerned with producing quality seeds and storing them safely.

Mumby highlights following two factors for successful seed marketing

- Farmers' needs must be satisfied
- Seed company's objectives must be realised.

2.2.3 Needs, wants and demands

Even though, these three terms are the most basic terms in marketing, it is worthwhile revisiting them in the context of marketing GATE seeds.

Human Needs – Kotler and Armstrong define need as a state of felt deprivation. As humans we are not free from needs. Our basic needs are physical needs which constitute food, clothing, warmth and safety, social needs for belonging and affection. As an individual we also have needs for different kinds of knowledge and self-expression. These needs are already there and there is nothing a marketer can do to create them (Kotler and Armstrong, 2012). Kotler and Armstrong mentions that an unsatisfied needs produces either of the following two response from the person

- Look for an object that will satisfy it; or

- Try to reduce the need

For an individual farmer in Nepal, he/she needs to produce desired amount of crops from the limited land and resources for the season. Some of it the farmer uses to satisfy the physical needs for his/family such as food, clothing and shelters and some of it to generate extra revenues to fulfill individual needs. Interesting point here is that, depending upon the agricultural knowledge or experience the farmer has, he/she may or may not need good quality seeds to produce the desired amount of crops. In an extreme case, the farmer may not see the relation between good quality crops and the seeds planted. Hence, there is no felt state of deprivation.

Since, farming is a major occupation in Nepal, and most of the farmers continue their family traditions of farming it should be safe to assume that they know quality of seed is important for good crop production. They acquire this knowledge either through their own personal experiences as a farmer, or through knowledge acquired through informal sources such as fellow farmers or forefathers.

Wants- Kotler and Armstrong define wants are the form taken by human needs . Wants are created when the person actively seeks to satisfy the needs. In the context of seed market in Nepal, it can be said that farmers want good quality of seeds to increase their crop productions. According to Kotler, however, wants are shaped by culture and individual personality. Thus, how a farmer defines a good quality seeds and the type of seeds he would want to plant is subject to the level of agricultural education he/she has and the community the farmer belongs to. From an agricultural expert point of view, a typical variety of seeds may be ideal for a given geographic location. Ironically, farmer living in that geographical location may want a different variety of seeds that is popular among his/her village to grow, because the farmer does not belong to the community of agricultural experts.

Demands – Wants become demands only when backed by the buying power (Kotler and Armstrong, 2012). The current low seed replacement rate of 8% in Nepal has been, as the author observed during his few months internship, generally misunderstood as a demand at GATE by. The low seed replacement rate does not mean that the remaining 92% is a gap between supply and demand. It is true that there are many agricultural training initiatives being carried out over the recent years by various government and

non-government and international non-profit organisations to increase the livelihood of farmers. And, many farmers may want the seeds provided by the formal sectors because of the new learning. However, if the farmer feels that the market price for improved quality seeds produced by formal sector is too high, farmers want would not transcend into demand.

Furthermore the different varieties of seeds being produced at various formal organisations such as GATE Nepal may not be what the farmers want. As noted in the SSCP report of July 2007, resource poor farmers in Nepal grow their own varieties of seeds. These varieties are mostly land races with specific preferred qualities depending upon the local tastes. Since these land races are not popular among the formal seed production and distribution system, formal organisations do not invest in research to produce good quality seeds for these varieties. As a consequence resource poor farmers don't have access to quality seeds of local land races (Shrestha and Wulff, 2007).

Thus, this thesis would like to emphasize the need for reevaluating the meaning of seed demand at GATE Nepal and other former seed producing organizations. This finding, however, doesn't mean that there is no future in producing quality seeds business in Nepal. Unlike human needs, wants and demands are the variables a marketer can influence. In fact, this study is precisely aimed at how GATE Nepal can improve its position in the market and recognize demands and trends in the market.

2.2.4 Market segmentation

It is the process of dividing a market into distinct group of buyers who have different needs, characteristics, or behaviours, and who might require separate products or marketing programs (Kotler and Armstrong, 2012). Similarly, Mumby mentions market segmentation as a process of identifying and separating a total market into different parts so that specific marketing strategies can be developed for each part. For the market segmentation to be of any value to the marketing manager each segments should consist of customers that are very similar to each other but be as different as possible from the customers from other segments. Generally a marketer will then look at the most attractive segments that are large enough and have sufficient purchasing power to

give an adequate return for the company, and focus companies marketing strategies towards satisfying them most (Mumby, 1994).

Mumby defines market segmentation is the process of identifying and then separating a total market into parts so that different marketing strategies can be used for each part. This involves collecting marketing information about the different segments that the company has identified.

Distinguishing between the different characteristics and needs of consumers order to identify a particular market segment is called *differentiation* To be of value to the marketing manager the segments should include, *within the segment*, customers that are very similar to each other but, *between segments*, customers that are as *different as possible* from each other. The manager will look for segments that are large enough and have sufficient purchasing power to give an adequate return and make a differentiated marketing approach worthwhile. This information is critical to the selection of target markets.

Kotler and Armstrong present four different ways the market can be divided based on either of the geographic, demographic, psychographic and behavioral factors.

Geographic segmentation – It refers to dividing a market into different geographical units, such as nations, states, regions, countries, cities or even neighbors (Kotler and Armstrong, 2012). According to the official map of Nepal, it is further divided into 75 districts and 14 zones. The company's current major seed market, in terms of districts, are of Banke, Bardiya and Dang (Mid west Nepal), Kapilbastu, Rupandehi and Nawal Parasi (Western Nepal), and Chitwan, Parsa and Makwanpur (Central Nepal).

Geographic segmentation plays a very important role in marketing company seeds in Nepal. Various factors concerning agriculture such as types of soil, irrigation system and climate varies widely across Nepal. This in turn influences the types and varieties of crops the farmers would grow based on their geographic location. Hence, the company needs to do a proper survey on types and varieties of seeds that are popular across dif-

ferent regions of Nepal for production purpose. This study, however, focuses on marketing company seeds to Banke and Bardiya districts of Nepal only.

Demographic segmentation – According to Kotler and Armstrong, it divides the market into segments based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation and nationality (Kotler and Armstrong, 2012).

Dividing farmers into different ethnic groups can be a very useful way of understanding the company's consumers. Nepal is home to various different ethnic groups. These ethnic groups each have different culture and beliefs and some even have their own languages. This study also aims to find out the ethnic groups who are mainly involved in farming and suggest ways of marketing to them.

Psychographic segmentation –It refers to dividing a market into different segments based on social class, lifestyle or personality characteristics (Kotler and Armstrong, 2012).

Household farming occupies almost all of the agricultural outputs. Although there are few large enterprises involve in the Agricultural sector, they are mainly involved in plantation of specialized crops such as tea and coffee. A typical household farmer would grow food crops, plant few trees, have a small garden and keep few animals for meat and dairy purposes. In figures, 65.6 percent of the active working populations of the country are involved in agriculture (Shrestha and Wulff, 2007).

Household farming can further be classified into the following in terms of land ownerships.

- Land holdings of less than 0.5 ha – They comprise of 48 percent of the total households (1600000) and constitute about 15 percent of the cultivated land
- Land holdings between 0.1ha and 1.0ha - Amounting to 27% of the total (916000 households), they constitute 24 percent of the cultivated land
- Land holding between 1 and 2 ha – They are 18 percent of the total (589000 households), they constitute of 30 percent of the total cultivated land.
- Land holding more than 2ha – Despite being only seven percent of the total, these rich households own 30 percent of the cultivated land.

Dividing the farmers' households into different social status according to their land holding might give an additional insight into marketing the company seeds. Since 60% of the arable land belongs to 19% of the family households, these rich households present an attractive market for the company.

Behavioral segmentation – Dividing a market into segments based on consumer knowledge, attitudes, uses or responses to a product. (Kotler and Armstrong, 2012).

Kotler and Armstrong mention that user rate segmentation can be done by dividing the customers by the frequency of their usage i.e. light, heavy and medium usage rate. Although the farmers are the end users for the company's seeds, only few percentage of them buy directly from the company. Majority of the seeds are accessed through various intermediaries. For the purpose of this study, the author has chosen the volume of purchase made by the company's customers to determine the usage rate and has segmented the seed market as follows.

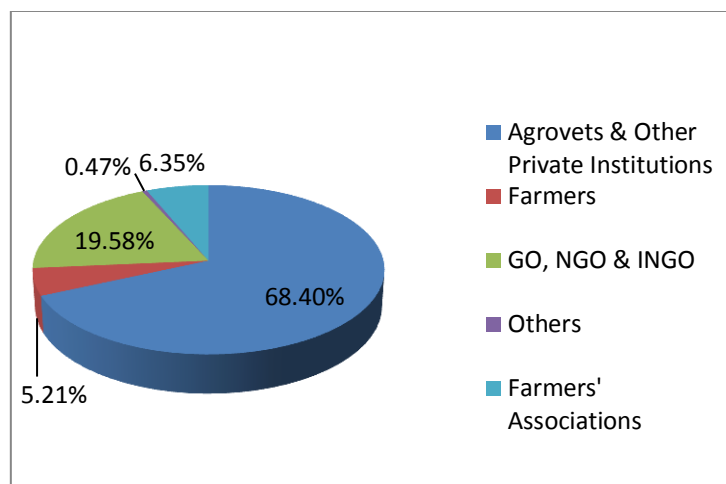


Figure 5: Market Segmentation for Gate (GATE sales register 17 July 2011)

Farmers – They are the individual farmers who come directly to the company to buy seeds. As the above figure shows, they represent merely 5.21% of the total market share. Primary reason for this is that the company doesn't have resources to open store outlets in convenient places to sell company's seeds directly.

Nonprofit organisations: These are various government(GO), non-government(NGO) and International non-profit organisation (INGO) that purchase seeds for non-profit purposes. They carry out various projects in Nepal to increase the agricultural aware-

ness and poverty reduction. They normally breed seeds themselves or buy seeds from company like GATE and distribute them free of charge or at subsidized rate in the project areas they are currently involved in. These kinds of projects have limited time span and are mostly experimental in nature.

They represent about 19.58 % of the total company market share and are the most profitable segment for the company. They are willing to pay higher prices than the market prices for the seeds provided that they are assured of the quality of seeds. Also, they normally pay in time

Agrovets and other similar stores (Profit motive organisations): They are the majority of company's customers and represent 68.40% of the total market share for the company. They purchase seeds for profit making motives. They are the most demanding customers for the company as they want high quality at market rates. As the topic of this study suggests this study primarily focuses on this particular segment for study purpose.

Evaluation and selection of target market:

Kotler and Armstrong highlight three factors; segment size and growth, segment structural attractiveness and company objectives and resources, while evaluating the targeted market. In terms of resources, the newly formed company faces major limitations. The company basically is a five man team consisting of a company CEO, marketing officer, production officer, Field technician and an accountant. The company is yet to produce profits from its initial investments. Even though, the company may still continue to serve all of the above market segments, the upcoming marketing strategy for the company will have to particularly focus on few of the above mentioned segmentation to achieve the optimal marketing results from the limited amounts of resources it has.

The academic requirements for this study at ARCADA are very specific. Hence, to study all of the market segmentation mentioned above is beyond the scope of this study. Psychographic segmentation, although, looks very promising, has been totally left out from this study due to time constraints. Banke and Bardiya regions of Nepal was chosen from the geographical segmentation perspective mainly because they are near to the company's office location and hence easily accessible and requires fewer resources to study them. Also, it would be interesting to see what ethnic groups majority of the

farmers belong in these areas for market targeting purpose. However, this study is limited to only identifying these ethnic groups and does not provide a comprehensive study on them.

Among the three behavioral segments mentioned above, this study will only consider the Agrovets market segment for this research. Kotler and Armstrong mention that the company will particularly be interested in right size and growth characteristics of a particular segment before deciding to target that segment. Furthermore, they mention that “right size and growth” is a relative matter. Both the nonprofit and profit oriented segments of the company seem attractive business for the company.

Nonprofit oriented segment is financially attractive for short and middle term for the company. Since, these organisations carry out various projects with limited time spans and are ready to pay higher than market prices for the company products; they can be a very good source for company’s short and mid-term cash flows. However Kotler and Armstrong argue that, even if a particular segment has right size and growth factors, the company must consider its own objective and resources. In short, the company’s objectives are to provide high quality seeds for the benefits of general farmers in Nepal.

Non-profit organisations provide seeds for the local farmers at no or little costs during the limited amount of time they operate in that location. After the projects have been completed, farmers are left to obtain the quality seeds for themselves. Hence, the company has to ultimately offer the products through convenient sources at attractive market prices that the farmers can afford, if it were to truly consider farmers ‘benefits in the long run.

Agrovets market segment looks the most promising segment to through which the company can finally achieve its objectives. Agrovets are the convenient places where farmers would go to buy quality seeds provided by the formal seed sectors in Nepal. In addition, unlike non-profit market segments they provide opportunity for the company to grow in a long term. Considering the above mentioned factors, this market segment was particularly chosen for this study purpose.

2.2.5 Market Differentiation and Positioning

Kotler and Armstrong define positioning as arranging for a product to occupy a clear, distinctive place relative to competing products in the minds of target customers. For positioning, it is necessary to identify key customer value differences that provide competitive advantage. They highlight differentiation as a must for effective positioning as it provides more value for customers.

The way a company chooses its value proposition to customers for positioning can be classified as follows (Carpenter, 2010)

Classical Value Proposition

Here the differentiation is achieved mainly on the functional benefits of the product category. This positioning method is the currently being applied at GATE. Majority of the company's shareholders and majority of the company's human resources have extensive agricultural background. Hence, the company carries out extensive research on improving the quality of seeds it produce. However, according to Carpenter, this kind of positioning is short lived as competitors would normally respond with competitive imitation and escalation.

Uniquely satisfy a neglected goal

Uniquely satisfying a neglected goal can help the company stand out among its competitors and thus provides a more enduring advantage (Carpenter, 2010).

Satisfy a unique combination of common goals

Alternatively the companies can provide an effective value proposition by satisfying a unique combination of common goal. For this, the company not necessarily should excel in satisfying any one of the goals. A careful packaging of different value propositions by studying the customers can provide distinct value propositions and harder for competitors to grasp and imitate (Carpeneter, 2010).

This study hopes to identify the latter two value propositions for positioning of GATE seed products to its customers.

2.2.6 Marketing Mix

According to Kotler and Armstrong developing a marketing mix is the next step of product positioning. Marketing mix comprises of all the factors through which the company can influence its product demands. All the possible ways through which the consumer demand can be influenced can be summed up into following four elements of marketing mix.

Product – These are the goods-services or both that the company offers to the market. It can be anything that has been offered to the market for attention, acquisition, use or consumption that might satisfy consumer needs or demand (Kotler and Armstrong, 2012).

Although many aspects of the product are not marketing responsibilities (such as plant breeding, seed production and processing), marketing is concerned with the product's attributes and what these mean to the farmer. Such factors include quality, appearance and performance.

Kotler and Armstrong further divide products and services into three levels. As the figure below suggest, at the center lies the core product which is basically what the consumers are buying. Then, lays the actual product, which consists of design, brand, packaging and features. Finally, at the outer level is the augmented level, which provides additional services and benefits for the customers, such as delivery and credit, after sales service, product support and warranty.

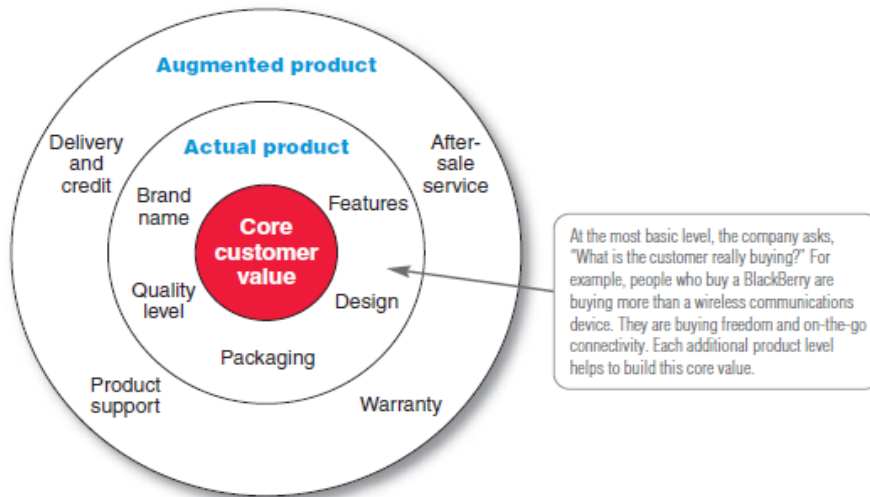


Figure 6: Three levels of Product & Services (Kotler & Armstrong, 2011)

Core Product - The core products for the company are basically different types of cereal, vegetables and legume seeds. Although majority of the company seeds are open pollinated varieties (OPV) of seed, the company also sales Hybrid varieties of vegetable seeds.

Open pollinated varies of seeds are as nature created them whereas hybrid varieties are created by the breeder by cross pollinating different types of compatible types of plants. They are specifically bred for particular characteristics like specific pest and disease resistant or drought resistant.

Although, the company doesn't produce the hybrid seeds it is selling hybrid vegetable seeds purchased from carefully selected Indian seed producers under its own brand name and packaging.

Actual Product – The Company sells its seeds under its brand name Global Agritech Nepal or GATE Nepal. Vegetable and legume and maize seeds are packed in attractive polythene packaging's that contain different weights of seeds whereas Rice and wheat are packaged in standard 35kilo jute bags. Seed packaging of the company, however, look similar to the company's normal competitors in the market and there is plenty of room for improvement. This study will also cover the packaging of company's products to some extent in the research section of this report.

The company's production team strongly believes in the quality of the products they are producing since they go into great length to ensure that the quality is not compromised. The company is even willing to cut its sales targets if they are not sure of the quality of the products.

Augmented Product – The company provides verbal warranties for the quality of products while selling its seeds. The company provides return back policy on vegetable seeds and offer reasonable amount of credit terms for its buyers. Extended credit terms however has been a major issue for the company as the sales register of the company shows huge amount of accounts receivable that hasn't been collected in time since past six months of when this study began. . Similarly return back policy seems to backfire as seeds are being returned after the seed planting season has expired. These were the particular main reasons why this study was carried out so that right balance between providing extra services to the customer and profit generation for the company can be identified.

Pricing – Unlike other elements of the marketing mix, pricing is the only element that generates revenues. All other marketing mix elements represent costs for the company. Furthermore, Pricing is the most flexible element as it can be adjusted quickly while responding to the market situations (Kotler and Armstrong, 2012). In terms of seed marketing, Mumby mentions that price is ultimately determined by how much value the farmers perceive the seeds' of a particular variety to be. When making pricing decisions it is important to identify both the farmer's perceived value of the seeds and how much they are willing to pay for it (Mumby 2013).

Kotler and Armstrong present following three major pricing strategies that the companies may choose to pursue.

- Customer value-based Pricing is a method of setting prices for the company products based on buyer's perception of the value rather than on the seller costs
- Cost based pricing strategy is to setting the price for products based on costs for producing, distributing and selling company products plus a fair trade of return.
- Competition-based pricing is a method employed by setting prices based on competitors' strategies, prices, costs and market offerings.

The company, at present, employs a mix of cost based pricing and competition based pricing strategies. According to Kotler and Armstrong, Customer value-based Pricing represents the maximum amount the customers can be charged for the company products; whereas cost based pricing strategy presents the minimum amount of price the company can offer its products in the general market. Thus, ideally, it would be for more profitable for the company to pursue customer value-based pricing strategy. However, GATE being a relatively new entrant in the market has very low brand recognition among its customers and currently is not in a position to implement customer value-based pricing strategy.

Place: This involves all the activities the company undertakes to make the product available to the target consumers (Kotler and Armstrong, 2012). When marketing seeds, place here stands for various activities undertaken to make seeds available to the farmers such as; transportation, storage and the distribution systems. Distribution systems are chosen depending upon the market circumstances and the nature of the seeds and the farmers (Mumby 2013).

GATE, as already mentioned in this document, only sells little percentage of its sales through directly to its customers. Majority of the company products are made available to its end users through Agrovets and non-profit organization. A more detailed literature review on distributing through Agrovets is provided in the later section of this document.

Promotion: Promotion are the various activities of an organization designed to communicate different benefits of the product and to convince the targeted market to eventually buy them (Kotler and Armstrong, 2012). The authors list five major tools for promotion i.e.; advertising, personal selling, public relations and direct marketing.

Mumby defines promotion as the business of communicating with and influencing the customers. Although, it might seem that promotion costs sometimes represent a significant portion of the seed costs, it is important to understand that it increases sales revenue and the amount spent on it are spread over a greater yield. Mumby further mentions that promotion activity shouldn't be a single campaign only but be a constant flow of message with visibility in the market place (Mumby, 2013).

At GATE, the company relies very little on advertising. The company has very few printed brochures which are mainly circulated among its shareholders and few of the customers. Apart from the brochures there are no other printed advertising materials for the company. The company has also tried few times by advertising through local radio stations. However, the results were not satisfactory. On the contrary, the company's Indian competitors in the market use of extensive printed advertising materials. These printed materials ranges from small leaflets to huge posters that are hung in the walls of different agrovets in Nepal.

In terms of marketing to non- profit organisations, the company makes extensive use of public relations. Majority of the company shareholders have agricultural backgrounds, and some of them are even employed in these various non-profit organisations. Hence, most of the shareholders believe strongly in the company's visions and are actively involved in promoting the company products' merits among their peers in the non-profit sectors. Also, through these active shareholders, the company is immediately made aware of the current and future demands for its products in the non-profit sectors that are involved in agriculture

Direct personal selling is the strategy currently being employed at GATE to market its products to the agrovet segment. GATE is the only seed producing company in Nepal that sales directly to agrovets. All other national and international seed producing company outsource their marketing and distribution to few dealers who are mainly large agrovets with extensive market coverage.

2.2.7 Differences between Consumer and Business markets

The company, as already specified in this report, sales its products both to the end consumers (i.e. farmers) and organisations (i.e. non-profit organisation and agrovets). Generally speaking both consumer and business markets have needs and buy products to satisfy their needs Although there are few similarities between consumers and business markets, there are many differences between them (Kotler and Armstrong 2012). Hence, this study will briefly look at these differences here below.

Table 1: Difference between business and consumer markets (Kotler and Armstrong, 2012)

Market Structure and Demand

Business markets contain *fewer but larger buyers*.

Business buyer demand is *derived* from final consumer demand.

Demand in many business markets is *more inelastic*—not affected as much in the short run by price changes.

Demand in business markets *fluctuates more* and more quickly.

Nature of the Buying Unit

Business purchases involve *more buyers*.

Business buying involves a *more professional purchasing effort*.

Types of Decisions and the Decision Process

Business buyers usually face *more complex buying decisions*.

The business buying process is *more formalized*.

In business buying, buyers and sellers work more closely together and build close long-term *relationships*.

Kotler and Armstrong sum up the main differences between them in following three categories.

2.2.8 Market Structure and Demand

Consumer markets have a wide range of customers – a company can have only one to million or more number of end-users whereas, in comparison, business markets have fewer buyers. Business buyers, however, make large amount of purchases than the consumers. Consumers are the main source for demand or where demand actually arises from. On the contrary, business organisations are only responding to the demands coming from the end users (source for demand) while making their own demands. Thus, business demands are derived demands.

Kotler and Armstrong mention that business demands are also more inelastic in nature. They emphasize that unless the purchase discounts are not ultimately reflected on the business selling prices business purchase demands are not increased. In the context of the studied company, dropping seed prices alone may or may not have a serious impact on an agrovets' seed demand. The agrovets may decide that saving in purchase may actually be more profitable than increasing its sale on the particular product which it

bought in cheaper prices than the market. Unless the agrovets decide to lower its selling price for the seeds, the seed demand for agrovets would be inelastic. In contrast consumer market for the agrovets would respond quickly to the lowered seed price. Lowered seed price may attract non category users - farmer who uses their own home grown seeds, or buyers who buy competitors' products, or both.

Also, business market demand has more fluctuating characteristics compared to the consumer demand. A mere 10 percentage of increase in consumer demand can increase business demand by as much as 200 percentage (Kotler and Armstrong 2012).

Nature of the Buying Unit

According to the referenced authors, business purchases normally require more players in the buying role and demands a more professional approach (Kotler and Armstrong, 2012). Although, many of the agrovets in Nepal are small family owned outlets, nevertheless, the above statement is still applicable. These agrovets are purchasing with the hope of generating profits and making a living out of them. Thus, they would take seed purchases for their business more seriously than other personal purchases. They would have to give many of the business factors into considerations such as; estimate their consumer market size, the demand for the types and varieties of the seeds, seed quality offered, the terms and conditions of the purchase and so on.

Types of decision and decision process

Another differentiating factor of demand in business market in comparison with the consumer market is that they tend to be more complex and formalized. Business demands are more complex because they normally involve huge sum of money and business have to take other business factors other than financial factors such as technological, environmental and economic factors into consideration before the buying process. Formalized means that, normally in a business purchase situation, people at different organisational hierarchy have to approve the decision and has to follow other company rules, procedures and guidelines. Hence, business buying process tends to be much slower than the consumer buying process.

The above literature can be compared to situations where the studied company has to make formal bids and submit the proposal in response to the seed demands published by

various non-profit organisations in news magazines. Also, before buying seeds from GATE, agrovets have to assess their consumer market demand, the weather conditions (esp. drought), the types of competition it faces in the market, market price of the seeds and various other relevant factors.

Dependency between the buyer and seller is the final factor that distinguishes the nature of business demand from the consumer demand. In business demand situations, buyers and suppliers are more interlinked and heavily rely on each other. Kotler and Armstrong argue that business buying situation demands a lot more from the seller's perspective as they often have to help their customers define problems, provide solutions for them, and perform post purchase operations. Often, it means that the product offerings are customised according to individual needs of the business buyers.

GATE however, relatively being a new market entrant is only now trying to study the agrovet market more closely. As already mentioned above in the introducing chapter of this study, lack of understanding of the agrovet market has been seriously affecting the company's current cash flow and future growing prospects. This study, in fact, as clearly evident in the research questions of this study, was carried out particularly to address these issues. The next section of this literature review will further study the nature of the company's distributors in more detail.

2.2.9 Understanding the Agrovets

Mumby defines seed distribution as the process of moving packaged seeds from the stores where it is held following processing and packing to the farmers. It could be a direct selling method or through various intermediaries involving wholesalers and retailers (Mumby, 2013). Distribution system effectiveness is ultimately reflected in the consumer satisfaction and it is related to getting the right products, in the right mix, in the right quantity, at the right time, in the right place, in the right condition at the right price (Wisner, Tan & Leong, 2008). Besides these 7Rs, Mumby emphasizes that right contractual terms are also important when deciding on the distribution channel (Mumby 1994).

Every supplier enter into the business assuming that they provide top class products for their customers and should have no problem selling them. However the reality is only few suppliers are eventually able to achieve their desired position in the market. Majority of them are surprised to find out different kinds of problems while dealing with their distribution channels. Understanding the distribution channel is thus essential for the suppliers since they control the route access to the targeted market.

From distributors' perspective they are only but little concerned with the actual products and their functional and aesthetic benefits. They are more interested from a business point of view such as; the margins they will make, the products life cycle and turnover rates, support and service that comes with the products, the terms and conditions offered, stocking requirements, the overall demand for the product and other relevant business factors. Before considering a supplier, a distributor would carefully weigh every suppliers based on these factors in terms of suppliers and choose among them which supplies the combination of the right amount of these commercial aspects (Dent, 2008).

Given the above consideration, it is thus not surprising to find out the difficulties GATE is currently facing while dealing with agrovets. As already mentioned above in this document company's return back policy has back fired and an effort to please the agrovets by extending the credit period is seriously affecting company's current cash flows. Furthermore agrovets are putting pressure on the company to lower its prices beyond the market prices.

According to Dent, distribution channel for a supplier is a key medium to convey its brand image to its final customers and product differentiation. As Dent argues, routes to market control brand. Hence, the fulfillment and delivery of brand promise is only possible by properly managing the routes to the market and controlling the distribution. It is absolutely true in the context of marketing GATE seeds through agrovets. As already discussed, majority of Gate sales are through agrovets which signifies they can play a substantial role in conveying Gate's brand image to its final customers. For example, how the product is pitched to the farmers by sales representatives at Agrovets, how and where GATE products and promotional materials are displayed there, how they handle consumer complaints and so on. Dent further mentions that incentives and rewards to

the channels would ultimately be reflected in the customer experience and the company's brand.

2.2.10 Branding literatures

Kotler and Armstrong mention that brand represents everything that a product or a service means to its customers (Kotler and Armstrong, 2012). Similarly, Calkins and Tybout define brand as a set of associations linked to a name, mark or symbol associated with a product or service. They further explain that a name by itself may not have any associations and what differentiates a brand from a name is that it has set of associations linked to it much like a reputation (Calkins and Tybout, 2007).

Brand thus influences the perception that people have about a typical product or service. Having the best product or a service in terms of attributes only is not just enough . In order to really stand out among its competitors the product or service should be perceived as best within the minds of its customers. In relation to the importance of perception in branding, Kotler and Armstrong draw on an analogy of a well-respected marketer whom they claim to have said that “Products are created in the factory, but brands are created in the mind”.

Hence, marketers need to understand their product or service from the customers' perspective. However easy as it may seem, creating and building a strong brand is one of the toughest challenges marketers face today. It is easy to remember famous brands like Apple & Coca-Cola . But on the flip side, there are several soft drink makers and technology producers that went bankrupt. Even having a strong brand is also not enough as people's perception change over time. Even strong brands struggle to meet up to the competition now and then. For example, Nokia a once mobile technology giant is nowadays falling behind as Apple and other competitors are taking the lead on the smartphone devices.

Calkins and Tybout identify three key challenges – cash, consistency and clutter, that brand managers face today. Their conclusions were drawn from a study that they carried out in 2003 by interviewing 30 brand leaders from a range of industries.

Cash

Brand investment is usually a long term and benefits of which are not very likely to be felt within a short term. However, businesses have to frequently deal with short term cash flows and business executives are in a position where they have to deliver short term financial results to impress their superiors and shareholders. In many business situations today there is a practice of rewarding executives for hitting the short term quarterly profits. Therefore, managers are sometimes forced to choose hitting the short term numbers against investing in building brands. According to Calkins and Tybout, only a small portion of the brand's value is reflected on the current year's financial return and most of the value can only be realised in the long term future. He mentions that if a brand is to generate steady cash flow in perpetuity, current year's return will reflect less than 5percent of the total value, assuming a discount rate of 5 percentages (Calkins and Tybout, 2007).

Given this scenario where executives choose to boost short term financial results at the expense of not investing in long term brand building, businesses often fall into, which Calkins and Tybout mention as, "price promotion doom loop". Executives often make short term oriented decisions like price discounts which for a short term will boost sales.

However, the short sightedness of the executives might eventually cost much more than the profits made in the short run. Short term decisions such as price war is very likely to prompt a competitor's response which can affect the industry pricing for a long term. Customers' expectations about how the much the product or service is worth in terms of money can shift for a long term as well. Thus, the business is forced to commit to the discounted price for long term with competitors offering a somewhat near pricing policy. Unless the company is positioned properly and have enough resources to outlast the price war, profits based on discounted pricing strategy can be a self-destructive move; since, it ultimately means less profits for the future. Finally, of course, brand's future value may also decrease as investments on brand were cut to boost short term sales.

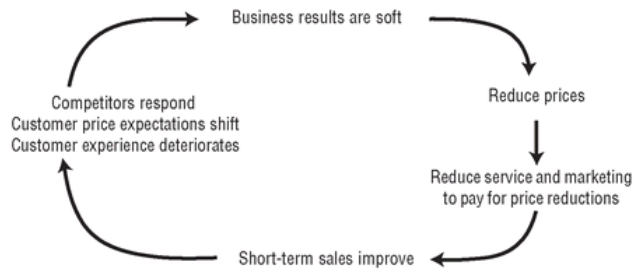


Figure 7: Price promotion doom loop (Calkins and Tybout, 2007)

Added all these factors, they position the company in a much weaker position in the market than previously. So, to improve the situation executives may again implement short term measures continuing the doom loop and erosion of brand value.

It is interesting to note that at GATE, the company is recently pricing its products somewhat lower in order to boost sales.

Consistency

Building a brand is not just a job a brand manager but the entire organisation has to embrace and live up to it. As Calkins and Tybout put it, “ the brand is the every touch point and every thought the customer has about the company”. Every time customers interact with the brand they form associations and opinions about the brand within their minds. Often, the employees are unaware of the impact they have regarding the company brand through their casual interactions with their customers. Organizational culture matters and trivial matters like unsatisfied employee expressing his disappointment towards his/her job with the customers in a casual conversation might lead to the customer forming long term bad perspective towards the company (Calkins and Tybout, 2007).

To simply put it, branding happens not just when the company sales representatives pitch the customers in a pre-planned way; or when the company is promoted in advertisements in a favorable setting. Branding happens in every interaction the company has with its customers. And the brand message needs to be effectively promoted within the organisation so that it becomes equally consistent in every interaction with its custom-

ers. In the context of the studied company GATE, the company needs to form equal positive associations with its suppliers, buyers, distribution channels and other stakeholders to build brand consistency.

Clutter

Having the right products or services are often not enough. Customers are continuously exposed to thousands of advertisements on a daily basis. Companies often struggle to break through the clutter of all these advertising campaigns in order to get their customer's attention. However, getting the customers' attention is only the first step. Companies then have to get their customers to form meaningful associations with the products and services offered.

As discussed in previous literature reviews, market positioning and product differentiation are initial measures companies can take to break through the clutter. However, Calkins and Tybout mention that in order to really stand out amidst its competitors, companies have to find out creative ways to break through the clutter. However creative thinking without a good focus can confuse the customers. Innovative solutions with good strategic focus are required to get the customers attention and to have them form meaningful associations with the brand (Calkins and Tybout, 2007).

This study has been carried out with the intention of being both creative and also having a strategic focus so that it may help the future marketing strategy for the studied company. As mentioned above, the new company has been struggling to stand out amongst its competitors and get agrovets to purchase its products in fair terms and conditions and not being bullied by them.

3 RESEARCH METHODOLOGY

3.1 Approach

Since the author had a limited experience in the seed industry, inductive approach was applied to the research methodology. In an inductive approach, data are collected first and subsequent theories are developed or collected as a result of the findings. Alternatively, deductive approach is where theories and hypotheses are developed first and research is designed to test them. (Saunders, Lewis and Thornhill, 2009).

The company was relatively new to the market and had very little understanding about the general seed market. Also, as mentioned above in the literature review section, literatures specifically addressing marketing seeds are limited. Therefore, due to lack of relevant theories the author decided to use the bottom up approach of collecting data first and developing or comparing theories later. Hence, Inductive approach was chosen mainly because the research is exploratory in nature, as evident in the already mentioned following research questions.

- How can it help the agrovets to sell its seeds to the general farmers.?
- How can the company enjoy a sustainable profitable partnership with its primary distributor's i.e. Agrovets?
-

3.2 Methods

The study relies on a mix method approach for information gathering meaning both qualitative and quantitative methods form the part of the study. The respondents chosen for this study were the Agrovets owners. A survey questionnaire was prepared to get a general understanding of the Agrovets business. Since, this study uses an inductive approach of study, the author did not want the findings to be limited by the already prepared questionnaires.

The purpose was to go with an open mind and find out as much as possible. During the process, while the participants were asked to answer the questionnaire, the author was open to any discussions that may arise concerning the theme of the research questions. Company seed breeder Mr. Ram Babu Neupane was later consulted about certain new findings that the author came across during the survey. Furthermore, this research also draws findings from a discussion with the company chairman - Mr. Yam. Bahadur Thapa. Finally, the findings section of this research also includes author's own experience and observation while working at the company.

3.3 Survey Questionnaire

According to Saunders, Lewis and Thornhil, questionnaire consists of all techniques of collecting data through which each respondent in the sample is exposed to the same set of questions in a predetermined order. The survey form used during this study contained both open and close ended questions and were handed out by the author in person. The techniques used to fill the questionnaire fall into both self-administered questionnaire and interviewer administered questionnaire types. Self-administered questionnaire is where the respondents record the data themselves, whereas; in interviewer-administered questionnaire technique the interviewer records the data (Saunders, Lewis and Thornhil, 2009).

Primary reasons for the application of both techniques were to create a favourable and comfortable situation for the respondents. In situations where the respondents felt comfortable to fill the survey form themselves, self-administered technique was used, and in circumstances where the respondents were more comfortable just answering the questions verbally, interviewer-administered technique was used.

Results from the survey where statistical methods could be applied were later recorded and analyzed using Microsoft Excel and SPSS.

3.4 Unstructured Interview

Interview can be structured - where questions are based on standardized or predetermined set of questions, semi-structured – where it has a basic standardized question in relation to the theme of the study or unstructured – which are informal and are used to explore in depth about the topic of interested. In semi-structured interviews, the interviewer is willing to bypass certain questions allowing more flexibility depending on the context. (Saunders, Lewis and Thornhil, 2009).

Both discussions with the company seed breeder and the company chairman fall into unstructured Interview types. The author chose this method of interview as opposed to the more formal types (structured and semi-structured) of interviews mainly because the research uses an inductive approach. During the short internship period at the company, the author could collect only limited experience and knowledge about the company. The author wanted to find out in depth what was going on in the company and he felt that structured interviews would limit the findings to the questions to only where the author could generate questions.

3.5 Observations

Although, observations are the most neglected form of data collecting methods, they can be very rewarding and enlightening when used effectively. There are basically two types of observations. Participatory observations are informal observations where the researcher takes active part in the lives of the subjects and structured observation are where the researcher makes observation based on predetermined order (Saunders, Lewis and Thornhil, 2009).

This study makes use of participatory observation. The researcher accompanied the company sales representative while selling rice seeds in Banke and Bardiya regions of Nepal. The researcher was also assigned the responsibility of delivering the rice seeds and collecting money from the Agrovets. Furthermore, the researcher having worked in other areas of the company such as accounts and warehouse, made note of certain find-

ings that can be applied to this study. The author felt the need of using observation method for this study; because there were findings those other previous methods mentioned above could not produce. For example; comparing company seed packaging to competitors, Agrovets' store design etc. Most of the observations have been used throughout this document i.e. from Introduction to Conclusions, so that the observations appear in their relevant context and the readers don't get confused. Only some major observations have been separately mentioned in the findings section of this study.

3.6 Reliability and Validity

Since, all the respondents in the survey were Agrovets owners, it can be safely assumed the data collected through survey to be reliable and reflects the Agrovets owners' true opinions. There are only about 30-35 Agrovets operating in the Banke and Bardiya regions of Nepal. Initially, the researcher tried to collect data from all of them. However, it was not possible to reach all due to practical reasons such as busy schedule of the Agrovets owners, or owner not being at the store. Therefore the study was carried out with the participation of 25 Agrovets owners who were available and willing to participate in this study. The sample size of 25 used for this study is closer to the total population and therefore can be considered a reliable sample size.

The survey questions were handed out in person by the researcher, and the respondents were clarified about every question during the survey process; therefore, the responses recorded are valid opinions. Furthermore, while designing the questionnaire, the study also took cultural context into account to avoid confusion. Questions were asked in Nepalese and standard likert questions, where the number 1 would signify "poor ratings" and 5 "excellent" in the western society was modified to suit the cultural context of Nepal. In Nepal, generally 1 would signify an excellent rating and 5 the opposite. Responses were then altered to western standards while analysing the data for academic purpose.

A pilot study was carried out in which one Agrovets owner was asked to fill out the survey form. His suggestions were recorded and changes were made to some survey ques-

tions for clarity. The company seed breeder and the company chairman have been with the company from the start, and hence, were considered reliable respondents for the unstructured interview. Marketing officer of the Company was unreachable due to his busy schedule and was always on field trips. Because of the small size of the company, company seed breeder was the main sales representative in Banke and Bardiya regions of Nepal while the marketing officer handled other parts of Nepal. Therefore, his opinions were considered valid for this study.

4 FINDINGS

The findings presented below have been organised according to the research methods used for this study to add clarity to the structure of this thesis. Survey questions have been further sub-divided into farmer specific questions and Agrovets specific questions. Here, farmer specific questions were designed so that relevant factors could be identified that helps the Agrovets to sell or promote the company products to general farmers. Similarly, Agrovets specific questions were developed to understand the Agrovets business in more detail in order to develop future strategies for mutual benefits.

4.1 Survey Questionnaire

4.1.1 Farmer Specific Questions

This section presents findings from the survey questions that were more related to understanding the company's end consumers i.e. the farmers. It is important to note that all of the respondents in the survey were Agrovets owners and mainly provided their own opinions while answering the questions. However, they deal with the farmers on a daily basis while selling seeds and other agricultural goods. Therefore, the author decided that their opinions could be used as a reference for this study to understand the farmers.

Product Complaints

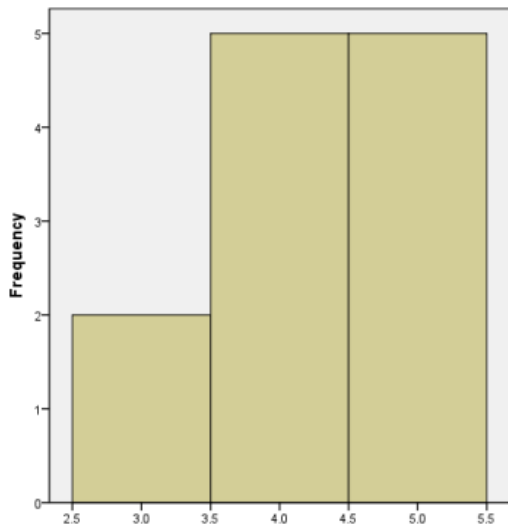
A total of 25 Agrovets were surveyed across the Banke and Bardiya regions of Nepal. Out of the 25 respondents, only three of them were not GATE's previous customers. Since the company was new to the market, and the sales team were not able to approach

these Agrovets with company products in appropriate time, they hadn't purchased from the company previously.

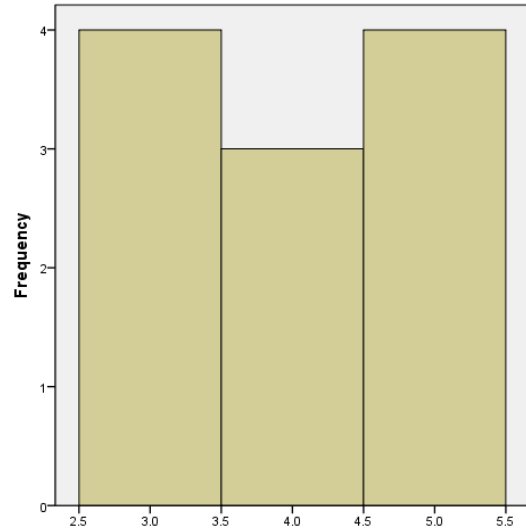
Out of the customers of those 22 Agrovet companies, three of them had complaints about a specific brand of maize seeds called "Arun2". They reported that the seeds were low in germination. When asked to rank company's response to product complaints on a standard likert style question, all three cases mentioned above answered differently. The answers were satisfied, somewhat satisfied & dis-satisfied.

Product Ratings

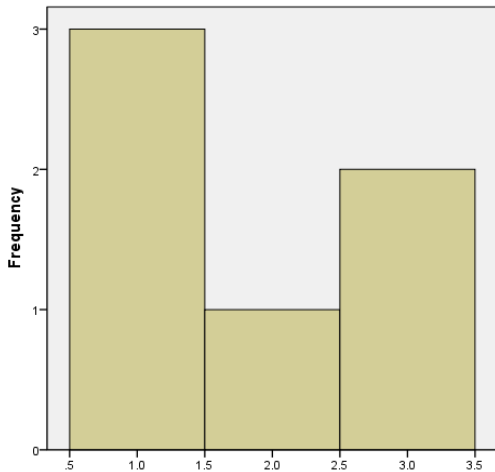
Each respondent was asked to rate the company's seeds on a 5 interval ordinal scale. Within the scale the number "1" meant the lowest ranking whereas number "5" signified the highest rank for a given product. The products included in the ranking system were rice of two varieties (radha4 and sabitri), maize of one variety (Arun2) and vegetables with all groups and types included in one single variable termed "vegetable". The reason behind treating all vegetables as one was that the company had only sold few quantities of vegetable seeds during its 2nd year in the business. These vegetables were mainly hybrid seeds that were not produced by the company but imported from Indian suppliers.



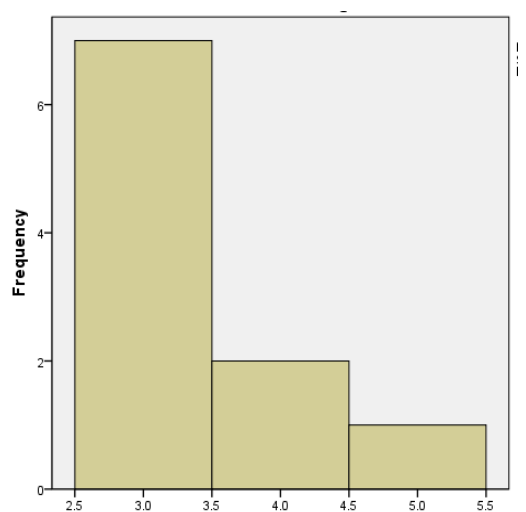
Radha -4 (Rice)



Sabitri (Rice)



Arun-2 (Maize)



Vegetables (Hybrid)

Figure 8: Seed Ratings

As the figure above illustrates, in total, 83.4% of the Agrovets equally ranked company's radha -4 rice seeds 4 and 5. Above average ratings (meaning 4 and 5 ranking) for Sabitri rice seeds in total was 63.6% while 36.4% gave the product average ratings. However, majority of the participants i.e. 70% ranked the company's vegetables as average and 20 % gave it a rank of 4 (meaning slightly above average) and 10% were totally dissatisfied with the product by ranking it 1 only. Consistent with the complaints of maize seeds, out of the 6 respondents who purchased them, 3 of them gave the product

the worst ranking, 1 of them gave it slightly below average ranking and 2 of them gave it an average ranking.

Launching new varieties of seeds

There seems to be a difference of opinion on how to launch new varieties of seeds on the top management team at GATE. Hence, the survey questionnaire contained two separate questions to get Agrovets owners' perspective on this matter.

In the first question, participants were asked to rank attractive packaging, information, promotion and aesthetic quality of seeds in terms of launching the new varieties of seeds in the market. The question format was a standard likert question with value of 1 signifying the least important and the value of 5 signifying very important. The variable "attractive packaging" here meant packaging in terms of design and colours, "information" meant the information about the product on the packaging and leaflets, "promotion" meant posters and advertisements similar to other competitors, and "aesthetic quality" meant uniformity in size and appearance of the seeds. In order to confirm that the Agrovets owners understood the questions, the researcher explained each variable thoroughly to them before getting them to answer the question.

Surprisingly, while ranking the aesthetic quality of seeds all of the respondents ranked the variable as very important. For the variable attractive packaging, all of the respondents gave higher rankings with 84% giving it 5 ranking and 16 % ranking it 4.

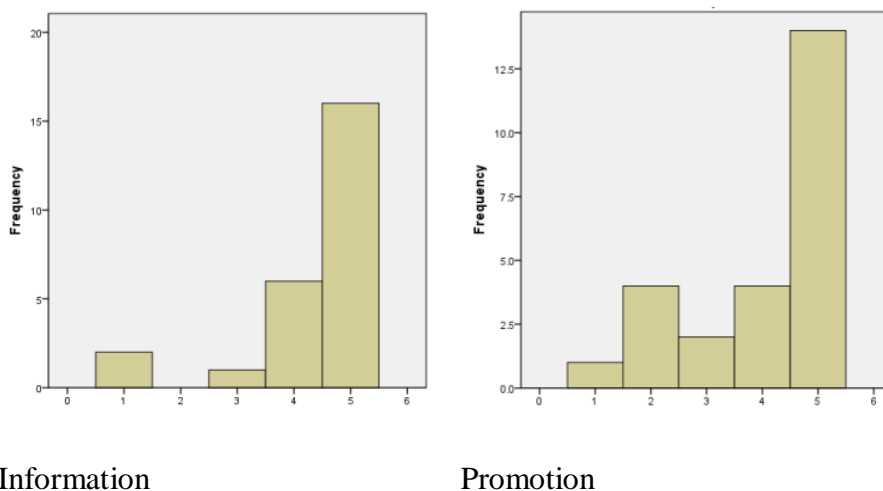


Figure 9: Launching new varieties of seeds

As for the importance of information while launching new products, participants view varied. 64% of them gave 5 rating, 24% of them gave 4 rating and 4% gave 3 rating. Furthermore, 8% of the participants' (2 participants) view varied drastically from rest of the respondents as they mentioned "information" as the least important factor by giving it a rating of 1. Thus, these 2 participants' answers have been considered as outliers for the purpose of this study.

As the figure 10 illustrates, participants view also varied while considering importance of promotion while launching new varieties of seeds with majority of them i.e. 56% giving it a rating of 5 and 16% rating it 4, 8% rating it 3, 16% rating it 2 and 4 % rating it 1.

To sum up the findings from the above mentioned question, it can be concluded that all four variables play very important role while launching the new products. Especially aesthetic quality of the seeds and packaging should never be compromised while launching new company products.

The second question in relation to the launching of new variety was about pricing. Ratings applied for this question were cheap, below average, average, above average and expensive.

Table 2: Price for new variety of seeds:

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below average	2	8.0	8.0	8.0
Average	12	48.0	48.0	56.0
Above Average	3	12.0	12.0	68.0
Expensive	8	32.0	32.0	100.0
Total	25	100.0	100.0	

As the frequency table above illustrates, majority of the participants agree that the price for new varieties of seeds should be average or above.

Farmers' pre-purchase questions

The respondents were asked about the frequently asked questions the local farmers normally have before making purchase of seeds from the Agrovets. The frequently asked questions from the farmers normally fall into following three categories:

- Concerning seed germination, purity and aesthetic (uniformity and colour)
- Concerning seed plantations such as harvesting periods, pesticides and fertilizers required
- Concerning terms and conditions of sales such as seed guarantee and price.

Rice Seed Demand

Respondents were asked to estimate the amount of last year's rice seed sales based on rice seed varieties. Out of the total respondents, 16 of them were willing to answer the question.

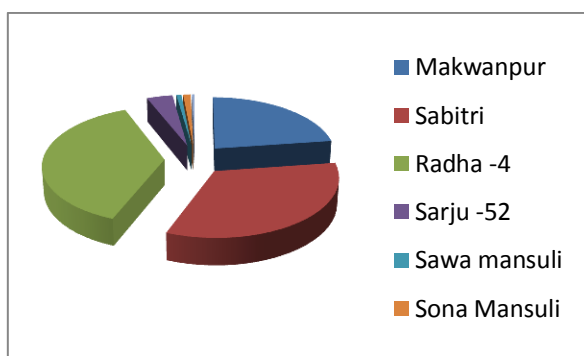


Figure 10: Rice seed variety demand

Out of the total 179950 kilograms of total rice seeds sold by the participants, rice seed variety of Radha -4 represented 37.94%, Sabitri 33.18% and Makwanpur 22.79%. The rest of the total sales were sarju – 52(3.83%), Swawa Mansuli (0.75%), Sona Mansuli (1.11%) and Hardinath (0.40%).

4.2.1 Agrovets Specific Questions

This section of the findings mainly covers the survey questions designed for market segmentation and trying to understand Agrovets business model in relation to the problems the company is currently facing while dealing with them.

Segmentation

In order to further segment the Agrovets into wholesaler and retailer, each Agrovets was asked about rough estimates of percentage of sales they sell in wholesale and retail market. Wholesale market here meant cases where sales were made to other Agrovets, non-profit organizations and farmer's associations with a bit of commission and below the retail price. The criterion for an Agrovets to be a wholesaler for this study was that the wholesale market for an Agrovets had to be equal to or above 50% of the total market share for the studied case.

This study found that majority of the total 25 observed cases (75%) belonged to retail category whereas remaining 25% i.e. only 5 of them belonged to the wholesale category. Furthermore, only 7 of them, i.e. 28% of the total studied cases, mentioned that they only sell in retail market.

Credit percentages

Here again, the study relied on rough estimates provided by the respondents on average percentages of sales they sell in credits. The researcher of this study observed a unique pattern between the wholesaler and retailers when they estimated the amount of credit percentages of their total sales. With the exception of one wholesaler who claimed to sell only 20% in credit, three wholesalers, who chose to answer this question (out of the total 5 wholesalers), estimated their credit sales to be higher than 50% i.e. 60%, 70% and 80% respectively. None of the retailers claimed to sell more than 35% of their sales in credit as the figure below shows.

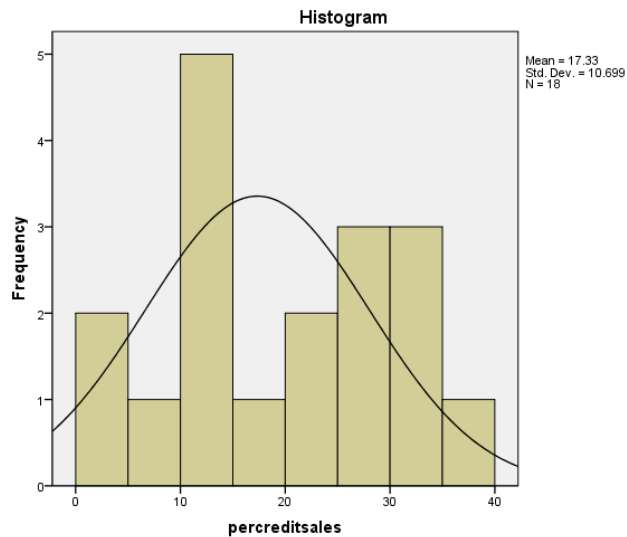


Figure 11: Percentage sold in credits by Agrovets

Out of the 20 retailers, 18 chose to answer the question. The data obtained showed mean percentages of credit sales for retailers to be 17.33, median of 17.50 and mode being 10. Standard deviation was 10.699 indicating a wide spread of data between 0 till 35 percentages of credit sales.

Margin difference between wholesale price and retail price

Respondents were asked to roughly estimate the minimum profit margin difference for most seeds between retailer and wholesale prices for seeds when they sell in the market. Minimum margin was chosen for simplicity, because there are many types and varieties of seeds in the market under different pricing conditions.

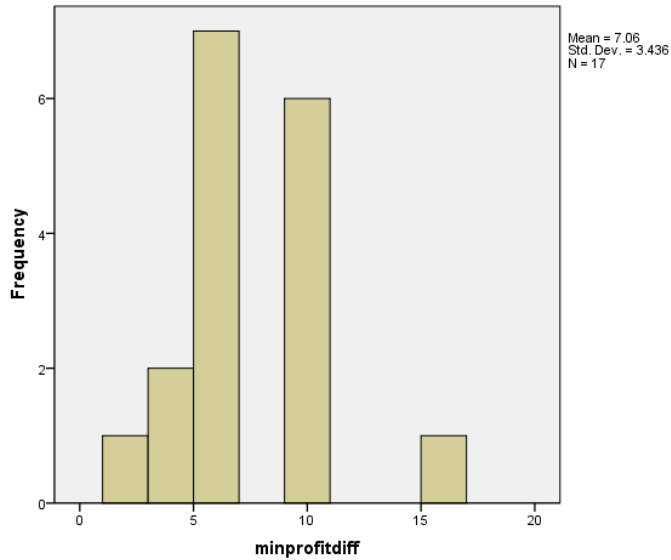


Figure 12: Margin difference between wholesale and retail price

Out of the total 17 respondents who cooperated with this study by providing their rough estimates, the data showed that the mean for minimum margin difference between wholesale and retail price was 7.06 % , median and mode was 5% and standard deviation of 3.436.

Measurement of risk

Participants were asked whether they considered hybrid seeds or OPV seeds or both to be more risky when doing seed business. Furthermore, the participants were asked to explain their choices.

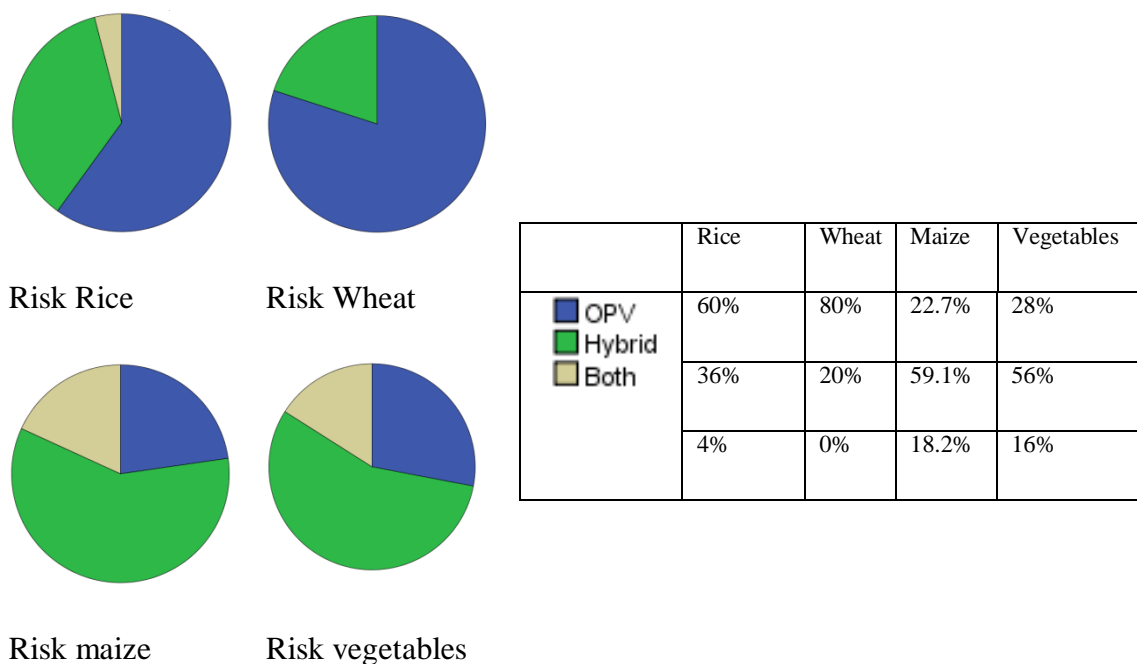


Figure 13: Risk to Agrovets in relation to type and variety of seeds

As the figure above illustrates majority of the participants chose OPV variety to be riskier in terms of rice and wheat seeds, whereas for maize and vegetables Hybrid varieties were considered more risky. These variations can be explained by studying the explanations each respondent gave while making their choices.

Rice and Wheat seeds were considered more risky because suppliers of OPV varieties normally do not sell under return back policy whereas, for Hybrid seeds return back policies apply. Additional explanations were that the purchase volume of OPV varieties of rice seeds are normally higher than their hybrid counterparts and hence more money involved and logistical challenges.

In case of maize seeds, majority of Agrovets reported bad images of hybrid varieties in the minds of customers due to past experiences. According to the Agrovets, in recent past, some farmers reported incidence where the maize seeds failed to bear fruit long after the plant had fully grown. The issue would not have been big if the seeds were low in germination since they can be replaced before the season was over. However, to find out that the seed qualities were bad only during the harvesting period is much riskier.

In terms of vegetable seeds, hybrids were considered riskier by the majority of the respondents because hybrid seeds are far more expensive than the OPV varieties. Some

Agrovets also claimed that the hybrid seeds for vegetables don't have return back policy while purchasing from the suppliers.

In general, hybrids were ranked riskier for all products because they were more expensive and OPVs were ranked riskier because they have less production capacity and hard to trust suppliers to provide quality OPV seeds.

Agrovet's buying behaviour

To better understand the purchase decision process for Agrovets during making their seed purchases, the survey included a question where participants were asked to rate different variables in a 5 scale likert question similar to the one mentioned in the preceding section of this document. Variables included in the question were seed quality, seed price, packaging, supplier loyalty, Terms and conditions, brand and supplier's reliability.

Although seed quality, price and packaging have been used as variables to find out their importance in launching new types of seeds, the context in which these variables are used in this question here is different. In this question the Agrovets were asked how much these variables affected their own buying process. Supplier loyalty meant whether or not previous business relationship mattered and brand meant the demands from the farmers for specific company products.

Table 3: Frequency table with variables concerning Agrovet's buying behaviour

Ratings	Quality		Price		Packaging		Terms & Conditions		Supplier loyalty		Brand		Weather	
	Freq	%	Freq	%	Freq.	%	Freq	%	Freq	%	Freq	%	Freq	%
1	-	-	4	16	1	4	-	-	3	12	2	8	-	-
2	-	-	-	-	-	-	-	-	-	-	2	8	-	-
3	-	-	3	12	3	12	4	16	5	20	3	12	-	-
4	-	-	10	40	7	28	1	4	4	16	4	16	10	40
5	25	100	8	32	14	56	20	80	13	52	14	56	15	60

Again, all of the participants considered seed quality a very important part of their buying process. In rest of the variables mentioned in the question, majority of the partici-

pants rated them above average. In total, above average ratings given by majority of the respondents for Price was 72%, Packaging 84%, Terms & Conditions 84%, Supplier loyalty 78%, Brand 72.5% and weather 100% . .

The findings above clearly signify that both quality of seeds and weather play the most important role in purchase decisions. Agrovets also give significant considerations to terms & conditions and previous supplier relationships (Supplier loyalty). 72% of the participants ranked price above average means that it is also a very important part of pre-purchase decisions for Agrovets. However, some of the participants are willing to compromise with price slightly provided that seed quality is as to their standards with other variables remaining constant.

Challenges for Agrovet business

When asked about the main challenges Agrovet owners face while managing an Agrovet retail or wholesale store, the respondents in general mentioned the following: Competition, Availability of good seeds in time, Shortage of good quality seeds, Credit and weather.

4.3 Unstructured Interviews

Following are the findings from the unstructured interviews with the company seed breeder and the company chairman. The company seed breeder was consulted several times by the author regarding questions generated by the findings since he was easily available at the time of this study. However, the interview with the company chairman was conducted only once because of his busy schedule.

4.3.1 Poor ratings for some company products

The above findings of the survey concerning the poor ratings of company seeds were later discussed with the company seed breeder, and company chairman. According to them the maize seed variety of arun-2 that was rated bad was not actually the compa-

ny's own product. They were bought from a different supplier but packaged under the company's brand name and sold to the market. The reason behind this was that the marketing officer saw an immediate demand for arun-2 in the market and thus the seeds were immediately purchased based on a trust relationship with the original producer. Therefore the seeds did not go through company's quality control practices.

Similarly, in the previous year, the marketing officer also recommended the demand for hybrid seeds in the market. Once again, the company bought hybrid seeds from an Indian supplier and sold it under the company brand name. Actually the matter gets worse as the vegetable seeds that were sold in the market were part and not whole of the purchase. During the period this study was carried out the company still held a large amount of hybrid seeds in the stock which lost their germination quality and thus needed to be disposed.

4.3.2 Production Targets

It was found that there seems to be some disagreement between the company staffs and the company board about the production targets. The quantity of production for rice and wheat seeds seems to have been based on the original business plan for the company. Company seed breeder recalled one moment when the marketing officer decided to produce rice seeds of radha-4 and Sabitri varieties, some members of the board were unhappy about it. It became clear to the author during the interviews that the company board was interested more in pushing new varieties of seeds in the market than producing local varieties of seeds, the board members mostly having technical agricultural backgrounds

4.3.3 Choice of Distribution method

According to the company chairman, there have been considerations in the company about outsourcing distribution to larger Agrovets. However, the meetings with the potential distributors did not go very well mainly because the terms and conditions they offered were not favourable for the company. They were demanding conditions like extended credit term period and return back policy.

4.3.4 Distribution Channel clashes

The company chairman and the company seed breeder mentioned of incidents where some larger Agrovets were unhappy when they found out that the company was selling company seeds directly to smaller Agrovets near their area.

4.4 Observations

4.4.1 Company name

There seems to be two official names for the company i.e. Global Agritech Nepal and GATE. Even though GATE is only an abbreviated form of the company's full name, the author observed that GATE and Global Agritech can mean two different things for its customers. First of all, there already exists a competitor in the market called GLOBAL seeds and Agrovets, and farmers both sometimes confuse the studied company with GLOBAL seeds. Furthermore, Global Agritech Nepal seems to be too long and difficult for the general farmers to remember. Whereas, GATE can be easy to remember since this word has already been adopted in the Nepalese language and is widely used.

4.4.2 Company seed packaging vs. competitors'

The author noted that the information provided in the company seed packaging were all in English language and were designed similar to most competitors. During the field visits, the author took a look at all the competitors' seed packaging that he could find. Although, most competitors have similar packaging styles, some competitors like Manisha Agri Biotech had really attractive seed packaging. These attractive packaging's had the following characteristics

- Semitransparent so that the aesthetic quality of the seeds could be viewed. Packaging of GATE seeds, however, are all non-transparent. For the aesthetic quality of seeds the company relies on the images produced by image enhancing software that is printed on the seed packaging

- Product information printed in several languages. Although, most of the product information found on these packaging were in English some companies like Manisha printed the company's name, slogan and seed variety in English, Hindi, Urdu and other languages.
- Additional Product Information: Apart from the general product information found in most seed packaging, these attractive seed packaging contained additional seed information such as production capacity, maturity date and plant height(for rice and wheat)

4.4.3 Quality Maintenance

During the few months the author did internship in the company, he observed that the production team on their part was doing its best to maintain the seed quality. The author had the opportunity of accompanying the production team during seed inspections, and was allowed to visit the seed production and packaging sites. There, he observed that the production team was really committed to the quality of the final seeds.

4.4.4 Different plantation periods

While on the field trips selling rice seeds, the author realised that some of the Agrovets have already made their sales order with other seed companies whereas others were only beginning to consider about making purchase decisions. The Agrovets who had already made their sales order mentioned that irrigation facility on nearby fields were readily available and therefore the local farmers normally start plantation quite early contrary to other locations where irrigation facilities are scarce.

Furthermore, the availability of irrigation facility also affects the varieties of seeds farmers' plant. For example, rice seed of seed variety of Sabitri was mostly popular in locations with good irrigation systems whereas rice seed variety of Radha -4 was popular in locations where farmers relied solely on rain fed method of irrigation.

4.4.5 Farmer's ethnic groups

The author during his field visits observed that almost half of the Agrovets owners belong to “Tharu” ethnic groups. Furthermore, he also noted that among the farmers majority of whose mother tongues are different than the Nepalese language, within the studied locations, belong to Muslim and Tharu ethnic groups. These observations were confirmed by the statistics available from the Central Bureau of Statistics Nepal’s website. The available National Sample Agricultural Census of 2001/02 presents data according to the number of land holdings based on ethnicity. In the following table, the required data was extracted from the original census and the percentages of both ethnic groups were calculated.

Table 4: Land holdings of Tharu and Muslim ethnic groups in Banke and Bardiya (2001/2002)

Total Area of Holding	Number of holdings				
	Total	Holder's Ethnicity			
		Tharu	Tharu out of the total	Musalman, Muslim	musalman out of the total
57 BANKE	49,375	8,519	17.25%	6,165	12.49%
58 BARDIYA	47,520	23,560	49.58%	894	1.88%

The table shows that Tharu ethnic groups held a significant portion of the total land holdings in both Banke and Bardiya districts of Nepal whilst Muslim ethnic groups held a sizeable amount of land holdings in Banke district.

4.4.6 Handling of Product Complaints

The author observed that the above mentioned mixed responses to the question asked in the survey regarding satisfaction of the Agrovets during product complaints were mainly due to lack of company’s clear policy on product complaints. The company doesn’t

have a policy on how to handle product complaints. Marketing personnel have been handling product complaints differently. For example, some of the products have been returned with no question asked concerning the validity of the claims while the marketing officer was handling the product complaints. Whereas, production team when involved in marketing activities have been conforming the validity of the claims by physically visiting the plantation sites. The author witnessed one instance when there was a complaint regarding the rice seed variety of Radha -4, the company seed breeder visited the site and found out that the claim to be invalid since the farmer had mistaken the company's seeds to the competitors.

4.4.7 Entry of the new CEO

The new CEO of the company observed the negative cash flows in company's financial statements and hence decided to take tough actions to get it on the right track. Among his first action was to take hard approach on collecting overdue payments. Also, he and the marketing officer decided to price the rice seeds below the market price in order to boost sales. Furthermore, the CEO was constantly sending people to collect money from the Agrovets to whom the company had recently sold rice seeds.

5 DISCUSSIONS

This discussion analyses the findings of the study in relation to the relevant marketing literatures mentioned above. Most of discussions below have been organised into heading based on marketing literatures and discussed along with the findings and authors recommendations. Marketing literature concerning difference between consumer and business markets, however, appear in several of the following discussions and the following recommendations. Similarly, literature concerning the market proposition covers a broad topic and has been left for the recommendations section of this study.

5.1 Needs, Wants and Demands

In the marketing literatures, the author presented his arguments stating a need for high quality seeds in crop productions in Nepal. Even though, the farmers want good quality of seeds their definition of good qualities can be somewhat different to what agricultural experts recommend. The findings from the interview with the company chairman and company seed breeder shows that there were instances of conflicts between the company stakeholders on which rice seed varieties to produce while deciding to produce local rice seed varieties of Radha -4 and Sabitri. However, the finding makes it clear that these varieties of rice seeds are of high demand within the region.

From a long term perspective, the company has to encourage newer or higher quality varieties of seeds in the market contrary to what the locals may want to fulfill its company objectives. However, in the short run the company has to offer seeds that are currently in high demand to be able to sustain and make profits. Fortunately, wants and demands can be influenced by marketing activities. As mentioned above, the company has been introducing new varieties of seeds such as rice seed variety called “Barkhe 2013” in the market in smaller quantities. But the observations present findings that the company has not felt the need for supporting marketing activities such as promotional materials and other advertising campaigns while introducing new varieties of seeds. Worst of all, the new seeds are packed in jute bags which doesn't even contain the company name. As the findings from the survey makes it clear, attractive packaging, product information, aesthetic quality of seeds and promotion all play very important roles while launching new varieties of seeds.

5.2 Market Segmentation

The marketing literature of this study presents several ways the company's customers can be segmented. Although, all of the methods of segmentation presented in the literature are all equally important, this study, however, is specific in relation to the research questions. In the behavioural market segmentation literature, company's customers have already been divided into farmers, Agrovets and non-profit organisations. In relation to

the research questions the author further decided to segment Agrovets and farmers into sub-segments so that appropriate marketing strategies could be developed by targeting customers more specifically.

5.3 Agrovet Segmentation

It was found during the survey that Agrovets fall into two different behavioural segments i.e. wholesaler and retailers. As mentioned in the findings of the survey the wholesalers are Agrovets who sell 50 percentages or above of their purchases to other Agrovets and retailers vice versa. Furthermore, in the findings the author took note that the credit sales percentages of the wholesalers were 50 or above, while the retailers' credit sales percentage were below 35. This survey finding was further confirmed by the findings from the interview. While trying to decide to outsource the distribution to large Agrovets, among the demands these large Agrovets made, were extended credit sale term. It is clear that since these Agrovets are selling to other Agrovets, they need extra time to collect the sales revenue.

5.4 Farmer Segmentation

In the observations, the researcher has identified certain demographic segments based on ethnicity that could be interesting from the marketing perspectives for the company. Tharu ethnic groups represent a significant portion of the total local population within the studied locations and these communities haven't been targeted specifically by any of the marketing activities within the seed industry in Nepal. Thus, this ignored market segment presents a huge marketing opportunity for the company.

5.5 Marketing Mix

Core Product: Based on the survey results, it is clear that the core product of the company is sending out mix messages to the market. On one hand, the company's rice and wheat seed were rated one of the highest qualities available in the market by the Agrovets; whereas company's maize seed quality ranking fell below the market. Furthermore,

vegetable seeds were rated as industry's average. From a marketing perspective, marketing activities by themselves only can do only little, if the core product is itself at fault.

Actual Product: The findings make it clear that there is a lot the company can do to improve its actual product. Although, the survey question concerning the importance of certain mentioned variables to farmers were asked in the context of marketing new varieties of seeds, the responses can further be utilized by studying them in terms of farmer's pre purchase behaviour. Since, aesthetic and product packaging play extremely important roles in farmers' pre purchase behaviour, it would be wise for the company to modify the company's current seed packaging. The current non-transparent packaging should be replaced by transparent packaging so that the aesthetic quality of the seeds could be viewed before purchase. Seeing the actual product instead of a modified image on the packaging removes confusion for the farmers before purchasing the seeds. Furthermore, both information and promotion also play important roles in farmer's pre-purchase behaviour. It doesn't make sense to provide product information in English language while selling to general Nepalese farmers. Most of the company packaging should be in Nepalese language and alternatively, the company could target specific ethnic groups such as Tharu and Mulims by packaging the seeds in their local languages. Furthermore, the company could learn from competitors packaging information that are presented in the observation section, and add more product information to the packaging and promotion materials based on farmer's pre-purchase questions which was presented in the survey findings. Following is a list of the additional information required in promotional materials and seed packaging based on the above findings.

- Instructions for seed plantation and harvesting methods
- Production capacity of the seed, maturity period and heights
- Warranty label and terms and conditions for the warranty to be valid.

Augmented Product: Even though the company provides product warranty on all seed, and return back policy on some, the findings make it clear that these services have been used more as a sales pitch to generate immediate sales rather than as a marketing tool to satisfy customer's needs. The author didn't find any clear company policy on how to handle product complaints. Some of the products have been returned without even veri-

fying the validity of the claims. Warranty label have been assigned verbally to all the seed sold in the market without making arrangements for the future to handle them.

5.6 Understanding the Agrovets

In the marketing literature the author presented relevant theories that put emphasis on understanding the distributors' business model. Hence, the Agrovets specific findings from this study have been discussed below for the purpose of understanding the Agrovets business.

5.6.1 Agrovets' buying behaviour

The finding that all of the Agrovets mentioned product quality as very important part of their buying process may seem contrary to the marketing literature, where it was mentioned that the distributors care less about the product attributes, and more about the margins and other business factors. However, the author here would like to argue that product quality on its own may not play the most important role in Agrovets buying decision. Seed quality is very important in the sense that Agrovets would like to satisfy their customers after the purchase. On the other hand, Agrovets always have a choice between competing seed producing companies who offer products with similar product attributes. Based on the findings, product packaging once again plays important role in Agrovets' buying behaviour. In the section -difference between consumer and business markets, in the marketing literature, it was presented that business demands are derived demands, and hence ,product quality and packaging are important to the Agrovets as well since the findings already suggests that they play an important role in farmers purchase decisions.

The findings that more importance was given to seed quality than the price suggests that Agrovets are willing to negotiate with the price provided that the seed quality is good with other variables remaining constant. Similarly the importance of supplier loyalty and the brand of the seeds mean the Agrovets would like to make repeat purchases from the same supplier, preferably purchase the same brands and don't easily switch their

suppliers. This presents both an opportunity and challenge for the company. The company should have unique value proposition to lure the Agrovets from the competitors. However, once the Agrovets have switched from the competitors to the company would not have much difficulty retaining them. The value proposition and branding strategies would further be discussed in the later section of this discussion.

The importance of terms and condition highlights the fact that the company should devise innovative strategies and policies to offer a win-win proposition for the Agrovets. As already discussed, the company lacks clear policies that can guide the salesman to offer a reasonable terms and conditions during the sales process. For example, if the company is to continue with the return back policy in the future, the terms and condition should mention the deadline until which time the return policy is valid so that the seeds don't get returned back after the seed has lost its germination or the seed plantation period has already passed. Similarly as already stated above in this discussion warranty periods should also be specified within the terms and conditions.

Furthermore, the company can be creative with its terms and conditions so that it may be more appealing to the Agrovets. For example, in one instance, one of the small Agrovets ordered for more rice seeds. However, the quantity demanded was less and the Agrovet's location was far. Thus, the company didn't want to pay for the additional transportation costs. The company seed breeder made a creative suggestion. He calculated the transportation costs the company would have normally paid had it been a large delivery. Then, he calculated the cost that would have been incurred while delivering the required quantity by fractioning the large delivery cost. His suggestion was that the company would offer only relevant fraction of the amount that it would have been responsible for had it been a larger delivery. His suggestions worked and the deal was finalised. Furthermore, several other such deals were offered to similar purchases after that incident, and the company got additional sales which otherwise would have been lost.

Weather was rated as very important part of the Agrovet's pre purchase decisions by all Agrovets. Even though, the company mostly being founded by agricultural experts are well aware of the effect on the weather on farming, there are few other things the company could take into consideration while developing its terms and conditions for the

sale. For example, the company could specify different debt collection periods depending upon the weather conditions. For example, during the sales of rice seeds, there was drought in the beginning and Agrovets were having difficulty selling Sabitri rice seed variety which requires more water during plantation. In such cases, the company could delay its credit collection period in order to maintain the relationship with the Agrovets by understanding their problems. Putting pressure on Agrovets to pay the debt in such conditions can only ruin the company's image in the long run. Furthermore, different varieties of seeds have different sowing periods. This means that some seeds of the season are sold in the early phases, some at the end and some throughout the season. Understanding this can help the company management to better understand the company's cash flows. Trying to understand cash flows merely in terms of numbers can lead the management team to make wrong decisions. For example, some seed varieties are only planted at the end of the season and the management team fearful of unwanted closing stocks might offer price discounts to get rid of the seeds. Price discounts in this case would have been totally unnecessary and only result in loss of company profits.

5.6.2 Margin difference between wholesale price and retail price

To restate the findings, the mean for minimum margin difference between wholesale and retail price was 7.06 % , median and mode was 5% and standard deviation of 3.436 among the 17 Agrovets who answered the question. This finding can be useful for the company while devising pricing policies. Based on the interview with the company chairman it was found that the company was considering outsourcing its distribution to large Agrovets. Hence, the findings above can help the company to decide the seed price to be applied for large distributors. Alternatively, should the company choose not to have sole large distributors , this finding can help the company in marketing plan by calculating how much additional profits the company can make by dealing with individual small Agrovets directly and what price should be applied to them.

5.6.3 Credit percentages

Agrovets have been further segmented into wholesaler and retailers in the above discussions. The findings from the question asked about the percentage of their credit sales,

the author observed a distinct pattern between these two segments. Agrovets belonging to wholesaler segment all reported their percentage of credit sales to be above 50% while none of the retailers mentioned their credit sales to be above 35%. These means that the company should expect delay in payment from the wholesalers when compared to the smaller Agrovets. This finding can be helpful in determining the terms and conditions for the sale concerning the credit collection period for the company. Furthermore, these findings can be compared with all the overdue payments and it can be understood whether the company debtors have been deliberately delaying their payments or not.

5.6.4 Measurement of Risk

Most of the Agrovets ranked rice and wheat seeds of OPV varieties to be more risky than their hybrid counterparts because the return back policies don't apply, more money involved because of larger volumes and logistical challenges involved due to larger volumes. It is an interesting finding for this study's purpose. Prior to the period the author did internship at the company, rice and wheat seeds were sold with return back policies. Only during the recent sales of rice, the company chose not to offer the return back policy. This is because the new CEO of the company took notice of the negative cash flows in the accounts and decided to take tough actions. This also presents serious questions on how well the company understands the Agrovet business and whether the marketing decision for the company are based on facts or mere intuition. Thus, the company should not normally offer return back policy on OPV variety rice and maize seeds. However, the return back policy could be used as an incentive at the near end of the seed variety sowing period in order to get rid of the unsold stocks.

Furthermore, the company could take initiative to solve the logistical challenges for the Agrovets in order to ease their burden. For example, the company seed breeder while selling rice seeds proposed that delivery for small multiple orders within the nearby location could be all timed for a specified date so that smaller costs are incurred while transporting them as a single large delivery than smaller delivery. Additionally, the company could choose to rent nearby godowns and store expected sales quantity for the season there. This will not only minimize the transportation costs but also allow the

possibility for small individual orders. Furthermore nearby godown can prevent the Agrovets from switching to competitors because the seeds were not available in right time. Furthermore, it will ensure sales of seeds even during the political unrests that happen frequently in Nepal which cause hindrance to transportation systems. As mentioned above in the marketing literature where 7Rs were the key components to measure distributor's effectiveness, ensuring the supply of seeds even in difficult times would help the Agrovets to exceed their customers' expectations. Having nearby godowns could also be an alternative to return back policy. It would provide security for the Agrovets in terms of availability of seeds in right time. As for the company, it would know beforehand if the expected sales quantity is likely to fall short and take quick actions to minimise the unsold stocks by either offering price discounts or transporting them to other locations where they are likely to be sold.

The findings that the hybrid maize seeds were considered more risky because of previous bad experiences suggests that higher margins should be offered to the Agrovets while selling hybrid maize seeds and the company should have no difficulty selling OPV variety of maize seeds. Furthermore, hybrid maize seeds could be offered under special warranty that justly compensates the loss for the Agrovets and farmers in case of seed germination failure. Since the company doesn't itself produce hybrid seeds and purchase them from Indian suppliers, this finding also emphasize the need for careful screening of potential suppliers. The hybrid maize seeds should go through rigorous product testing before the company decides to purchase them and the company should demand higher margins because of the risks involved.

In terms of vegetable seeds, hybrids were considered riskier by the majority of the respondents, because hybrid seeds are far more expensive than the OPV counterparts. Some Agrovets also claimed that the hybrid seeds for vegetables don't have return back policy while purchasing them from the suppliers.

The finding suggests that hybrid vegetable seeds are more risky for Agrovets than their OPV counterparts because they are more expensive, less production capacity and hard to trust suppliers. The lack of faith of seed supplier presents both an opportunity and challenge for the company. It is an opportunity because the company could assume the responsibility of finding high quality hybrid vegetable seeds by selecting from different

suppliers. And, it is a challenge because it involves great deal of study and more risk involved. To minimize the risk the company has to take special considerations during the negotiation process with its international suppliers. It would be best for the company if the company could find high quality seeds with return back policy. Currently the company's Indian supplier doesn't offer return back policy and the company has to bear the losses on its own if the seeds it sold are returned back. Also, the company should demand higher margins from the Indian supplier because of the higher risks involved.

5.7 Branding

In the marketing literature the author presented branding literature that highlights that consumer perception matters more than the product attributes and building brands resembles much like building reputation and have following challenges.

5.7.1 Cash

As the marketing literature suggests building brand requires long term perspectives and short term thinking like focusing too much on price discounts in order to generate immediate sales revenue might actually end up the company being caught in price promotion doom loop.

Based on the observation, it is likely that the current CEO wanting to create an immediate difference in the company decided to drop the price of rice seeds. However, as the marketing literature suggests, such price discounts could be counterproductive for the company. Furthermore, the author has already presented several arguments in previous discussions where price discounts would be pointless and in some cases reduced profits for the company. Also, business demands are inelastic. Thus, little fluctuation on seed price changes may not necessarily result in increased sales order except in few circumstances which have been discussed above.

At its worst, CEOs tough action to collect debts without carefully considering the reasons behind the delayed payment could result in harming the relationship with the Agrovets unnecessarily. As already discussed, Agrovets who are retailers could be expected to pay most of their payment quite early compared to Agrovets wholesalers since

they sell less than 35% of the seeds in credit. However, even the smaller Agrovets should be given some extra time for them to collect their remaining credit sales and to pay back the company. The company should find a balance between collecting the debts in time and not having to ruin its brand with the Agrovets.

5.7.2 Consistency

As per the marketing literature, branding happens at every interaction the company has with its consumers and the company has to be consistent with its brand and the message it carries. The observation and the survey findings present several inconsistent messages that the company is unknowingly passing to its consumers. First of all, the product quality itself is passing out inconsistent messages. Rice seed varieties of the company are among the industry's best in terms of product quality whereas maize seeds have received poor rankings. It should be noted that bad image of one product can result in the loss of sales of another product. Thus, as recommended above in the previous discussions, seeds should go through proper quality tests before being allowed to enter into the market.

Secondly, product complaints have been handled differently due to lack of clear company policy, and appropriate selling terms and conditions. Finally, as the observation suggests the company has unknowingly promoted two names to its customers. Unfortunately, the company full name Global Agritech Nepal is often mistaken with its competitor with a similar name called Global Seeds. Thus, it would be wise for the company to drop the name Global Agritech Nepal and stick with GATE as its company name to avoid being mistaken for the competitor and be remember easily by the customers.

5.7.3 Clutter

As the marketing literature suggests, a company needs to be able to stand out as a distinct brand among all its competitors' in a market where customers are continuously bombarded with different advertisements and promotion carried out by the competing firms. The studied company also faces similar problems since there are several different local and international seed companies competing for the same customers. The solution to this problem lies in carefully designing value proposition based on the specific mar-

ket segments. The recommendations for this study will further elaborate on how the company can develop its value proposition in relation to the farmers and Agrovets segments mentioned above.

6 RECOMMENDATIONS

According to the marketing literatures of this study, market positioning means identifying key customer value differences that provide competitive advantage to the company over its competitors and targeting them. Furthermore market positioning is best effective when it is developed in relation to specific market segments. Thus, the following recommendations have been structured so that it may provide answers to the two different research questions concerning two different market segments of GATE i.e. Agrovets and farmers. Furthermore, among the three different value propositions mentioned above in marketing literature, following recommendations are based on literatures concerning uniquely satisfying a neglected goal and satisfying a combination of common goals.

6.1 Helping Agrovets to sell company seeds to the general farmers?

Product : Product quality should never be compromised and the seeds should go through appropriate quality tests before selling them to the market. Product Packaging should be transparent, and information concerning the packaged seeds should be available in Nepalese language. Furthermore, the company could target specific demographic segments such as Tharus and Muslims by packaging the seeds in their local languages. . As discussed above in branding section perception matters. Since, none of the agricultural and non-agricultural products sold in Nepal have so far been packaged in language spoken by the Tharu ethnic groups, the company could create a long lasting impression within the ethnic groups by being the first company in Nepal to produce packaging in their language. Thus, developing packaging in language spoken by Tharu and Muslim ethnic groups can help the company uniquely satisfy a neglected goal.

Packaging and promotional content should contain relevant information which has already been recommended in the discussion section of this study. Additionally, the company could modify the seed packaging to help the farmers' choose the company seeds over its competitors. Following are some recommendations the author would like to make while redesigning the product packaging.

- Promote positive Images: Information such as 98% pure should be mentioned in front of the packaging in a distinct manner.
- Provide sense of Security: The product packaging could have Warranty label with phone numbers on its front cover also in a distinct manner to give the farmers a sense of security before the purchase.
- Create own shelf space: Since the vegetable seeds are normally packaged and sold in small polyethylene bags the company could develop a pouch bag that can be hung in walls, similar to the figure below, of the Agrovets which can hold several different types of vegetable seeds along with room for product brochures and additional information. This would help the company vegetable seeds to be distinctly noticed from its competitors by acquiring a prominent space shelf space in the Agrovet locations.



Figure 14: Pouch bags model to hold company seeds and promotional materials

Balance the long term perspective and short term goals: New seed varieties have to be launched slowly into the market with attractive packaging with relevant information printed and backed by promotional materials like wall posters and other advertisements. In the long run, new seed varieties present a potential for huge success both in terms of realising company vision and making higher profits. However, it is very important for the company to sustain for the short term. Hence the company should regularly conduct

studies in the market that identifies the current demand and future trend and be able to produce appropriate seed varieties to meet them. According to the findings, apart from rice seed varieties of Radha-4 and Sabitri the company could also consider producing rice seed variety of Makwanpur which occupies 22.79 percentages of total sales of the Agrovets who provided their last year rice sales information.

6.2 Sustainable profitable partnership with Agrovets

Since business demands are derived demands, all the above mentioned recommendations should be implemented at first. As already mentioned business buying faces a more complex buying decision process than customer buying. Thus, following further recommendations are recommended in order for the company to sustain profitable partnerships with the Agrovets.

Appropriate terms and conditions: Sales terms and conditions should be carefully thought out and prepared. Policies like return back policy and product warranties have to be used wisely as recommended in the above discussions. The terms and conditions should take into consideration type of Agrovet segment i.e retailer or wholesaler, variety of seeds i.e. sowed at the early, middle, later or throughout the season, weather conditions . Furthermore, return back policy should be used only in special situations as mentioned above while selling OPV variety of seeds. Hybrid vegetable and maize seeds could have return back policies. However, the company has to make the required arrangements such as, negotiating fairer terms and condition with its international hybrid seed suppliers, so that part or whole of the loses due to returned seeds may be shared by the company's suppliers. The terms and conditions should be prepared in order to have both consumer satisfaction and increases revenue for the company. In other words, there should be a win-win situation. Thus, the marketing team has to always try to understand the Agrovets problem and be innovative in solving them like the above mentioned example where the company seed breeder suggested unique solution that generated additional small quantity sales for the company which otherwise would have been lost.

Warranty policy: The Company should devise clear company policy and build proper infrastructure to handle product complaints. Warranties should also be backed by allo-

cated budget so that appropriate actions could be taken in case of seed quality default claims.

Pricing and Collection policy: Like devising terms and conditions the pricing and collection policy should also consider the type of Agrovets segment, variety of seeds sold weather into consideration. Pricing strategies should not hurt the company's brand in the long run. Similarly, the company has to be finding a balance between collecting its payments and not offending its customer Agrovets by constantly bothering with unreasonable demands for payments.

Alternative policies: The company marketing team needs to be creative and be constantly searching out for alternative policies that could replace the current company policies that are not providing the desired results. The author has already suggested renting go-downs in nearby locations as an alternative to return back policy.

Choice of distribution: GATE is the only seed company that directly deals with all of the Agrovets. All other national or international seed companies normally outsource their distribution to large Agrovets who in turn supply to smaller Agrovets. In author's opinion, this could be a huge advantage for the company since it has already developed several personal contacts in the Agrovets market. Dealing with Agrovets directly gives the company distinct advantage of understanding the Agrovets more and to quickly spot the trends in the market.

However, in the near future, the company can no longer choose to target both the wholesale and retail Agrovets markets. As evident by the author's observations, channel clashes are likely to occur. Larger Agrovets are likely to get more offended since the company is taking away their profits by continuing to supply seeds to smaller Agrovets directly.

The current five men team is insufficient for the company if it chooses to deal with the small Agrovets directly. Then, the company would have to hire more sales person to manage the marketing more effectively. As mentioned in the observations, different geographic locations have different plantation period within the season which affects the time the Agrovets would place an order. Futhermore, the locations of the Agrovets are far apart from each other and it often take days to reach some of them. It is impossible

for the current small number of employees to be able to reach all the Agrovets before the time they would normally place their purchase order, deliver the seeds in right time, and to collect money. The author would like to recommend that some of the new hired sales persons should belong to the majority ethnic groups Tharus and Muslims to build a good rapport with the locals. Furthermore, the sales persons should be fully trained so that they don't make the same mistake of thinking just in terms of cash flows and numbers.

Should the company choose to outsource its distribution to large Agrovets, it should stop selling to smaller Agrovets. The company then would have to be prepared for longer credit terms and little bargaining power since the company is relatively new to the market and yet to have a strong brand image.

Based on these considerations, the author would recommend the former option of dealing with smaller Agrovets directly as oppose to the larger Agrovets as a viable solution for the company's future. Smaller Agrovets are easier to negotiate with and require less credit terms.

In summary, it is the combination of the all the recommendations mentioned above that presents a value proposition for the company that both satisfies a neglected goal and combination of common goals.

7 LIMITATIONS

Following are the limitations of this study

- All of the Agrovets surveyed were customers or potential customers of the company. Hence, there might be possibility that the responses given were biased. Similar study conducted by a third party would have perhaps improved the reliability of the responses given.
- Statistical validity: Some of the findings like segmenting the Agrovets into wholesalers and retailers were based on the sample size too small which questions the validity of the findings, according to statistical principles. Neverthe-

less, the author would like to again argue that since the sample size is closer to the population the findings and the discussions that follow, although does not follow statistical principles, provide practical applications

- Thesis topic too broad: Even though, the author tried his best to be more specific with the thesis topic, after the completion of this study, the author realised that the topic was still too big since it covers a huge subject. Perhaps, a topic solely focused on packaging of the seeds would have been more specific and appropriate for academic requirements for thesis
- Could have developed Marketing Plan: The topic of this study is more suitable for developing marketing plan than as a thesis. The amount of time devoted to this study would perhaps have been best utilised by developing a marketing plan for the company. Academic requirements of the thesis are very strict and therefore the study is more formal which made this study unnecessarily too long. Alternatively marketing plan would have been more direct, concise and practical.

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APPENDICES

Appendix A: GATE maize seed packaging front cover



Appendix B: GATE maize seed packaging back cover



Appendix C: A typical agrovet store in Nepal



Appendix D: Competitor's seed packaging



Appendix E: Agrovet shelf space

