

Marketing analysis of md lanka canneries limited marketing essay



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Socio Cultural Analysis

Country History

The Maldives is a country which is famous for its natural resources of fisheries, which is threatened by global warming and also one of the world's poorest developing countries. The ancestors of Maldives were probably Sri Lankans and southern Indians who went there before 555 B. C. E. as the history begins Maldivians were originally Buddhists but around in the twelfth century Islam was announced as the national religion. It is a vital factor to focus since Islamic perceives different values and marketing products to Maldives will have focus on this aspect.

Geographical setting- Location, Climate and Topography

The Maldives is a country which consists of twenty-six coral islands, in the northern Indian Ocean, where the capital city Male. The closest neighbors are India and Sri Lanka. Due to high alkalinity of the soil and poor water retention agricultural potential is limited. However, people grow vegetables, fruits and yams. The country climate is warm and tropical. Two yearly monsoons determine the seasonal changes. The northern islands are drier comparatively to the southern. The northeast monsoon lengthens from December to April by being dry and mild winds. Although the southwest monsoon extends from May to August brings heavy rains and winds. Concerning about these above stated factors are important to determine the distribution channels and how the eating patterns will change will and the effect of the monsoons since the fisheries industry will be affected.

Living conditions – Diet and nutrition, meat and vegetables consumption rates, typical meals, malnutrition rates and foods available

The most prominent component of Maldivian food is natural fish mainly tuna. However, the different travelers from different parts of the world have been able to add new flavors of vegetables and seasonings were introduced. The Maldivian cuisine currently comprises Arabic, Indian, Sri Lanka and oriental tastes blended into a unique cuisine that represents a cookery identity of its own. Eating in male would be a different; especially the short eats known as hedika which comes in sweet, sour and spicy flavors. Rice and garudhiya (fish soup), with chilli, lemon and onion consists of the traditional meal. Sweet dishes include custard and fruits such as bananas, mangoes and papayas. During the fasting month of Ramazan watermelons are their favorites. Living conditions will be in concern when trying to seek for demand for canned fruits and vegetables and eating patterns of the Maldivians.

Language- Official languages, spoken versus written languages and dialects

Pronunciation and vocabulary differs between islands especially between north and south islands. Maldivians official language is Dhivehi, for business purposes they speak in English. Communicating is an important factor when trying to do business with another country. Languages and gesture observation is needed for business (Tourism Asia, n. d.).

Economic Analysis

There are a number of risks involved in international trade such as regulatory risks, governmental actions, risks unfavorable exchange

movements etc that prevent from doing international business. A comprehensive economic analysis of Maldives will enable MD to identify future prospects and also drawbacks within Maldives. Further, it will give an insight for the past experiences of the dynamic world trade.

Population – Total growth rates, number of live births and birthrates

The understanding of the total population will enable to understand the current demand trends. The total population is 305, 027(2008) out the majority are female. The growth rate is 1. 42% (2008) is comparatively high to countries like USA and India, but not in the extreme high (Index Mundi, 2009). This figure helps to determine the future demand in the market.

Economic statistics and activity

In concern towards the total GDP is \$1. 716 billion (2008). A critical analysis of this factor will help to determine if Maldives economy is growing or rather moving towards recession. Hence it is also a fine tool to determine the monetary health of the Maldivians (U. S. Department of State, n. d.).

Personal income per capita is \$4, 200 (Index Mundi, 2009). The only resource that is of commercial importance is fish. According to the Nations encyclopedia there are no mineral resources in Maldives (Encyclopedia of the Nations, 2010). This indicates that it is a poor country in natural resources.

This will assist the feasibility study in resources allocations and usage.

Furthermore, an analysis of the transportation modes and usage rates will give an understanding to determine the distribution from the origin destination and also mode selection when preparing the marketing plan.

There are taxi's to travel within the main city of Maldives, Male. There are <https://assignbuster.com/marketing-analysis-of-md-lanka-canneries-limited-marketing-essay/>

ferries and taxi boats to travel around to visit the other island of Maldives. There are also inter – island air systems; namely Maldivian Air taxi or Trans Maldivian Airways (Travelspedia, 2007). In more concern towards goods transportation is shipping facilities provided. There are 29 merchant marines in total that engage in transporting goods. This contains four different fields such as total, ships by type, foreign – owned and registered in other countries. In total there 5 Airports which are recognizable from air and out of which include the paved and unpaved ports.

At glance at the Maldivian communication system, one of the best with latest technology and satellite systems (Rio Travels Inc, n. d.). The land telephone lines as well as the fax service and internet connections are provided even via wireless communication techniques. It also comprises of newspapers; television and radio are 3 radio broadcasting channels namely AM radio, FM radio and shortwave, also only 1 broadcasting station (Maps of World, 2009). Such information will be useful to determine promotion mix in the marketing plan, because, there might be high clutter. There are also newspapers available. The Maldives national newspaper in Divehi is Afathis and the national newspaper in Divehi and English is Haveeru. In addition in Male there is the local newspaper in English namely, Evening Weekly (Newspapers24. com, 2006-2010). Investment plays a critical role in the development of Maldives, where Maldives is progressively developing finance. The government of Maldives set up the FISB (Foreign Investment Services Bureau) to provide every potential manner to help and benefit investors. Banking, resource management, accounting, telecommunications, manufacturing and courier services are the key segments that foreign

investment comes from to Maldives. The FISB has identified several sectors with potential of acquiring foreign investments. They are mainly the financial sector, the transport sector, information and technology, fisheries and also tourism (Maps of World, 2009). Such information will assist in determining opportunities for business development. The trade exports are \$113 million (2008) from fish products where the major markets are Thailand, U. K, France, Italy, Algeria and Sri Lanka. There is major imports worth of \$1. 276billion flowing out due to petroleum products, ships, foodstuff, intermediate and capital goods and clothing and the major suppliers are from U. A. E, Malaysia, Sri Lanka, India and Thailand (U. S. Department of State, n. d.). This in sequence, shoes that there might not be potential restriction for business because Sri Lanka is already currently in business with Maldives. There are not many retailers in Maldives, distributors in Maldives, since it's a small country with many atolls. The national distributor is Islanders Maldives PTE LTD and the main retailers are Evince and Timepieces Duty Free.

Since the business needs to operate with Maldivian employees it is important to know the labour size and unemployment rates. The labor size is 144, 000 where as the unemployment rate is 14. 6% (2006). Inflation, year over year has been 12. 80%. This is an important indicator when setting the pricing strategies.

Product

MD Lanka Canneries Ltd is the planning the process of marketing canned Bitter gourd and Jak to Maldives.

Relative Advantage

MD Lanka Canned Vegetables Ltd has become a national icon in Sri Lanka for their distinctive unique brand of ice jam, cordial and canned vegetables and fruits. Hence, it is also the current market leader in Sri Lanka. The well established recognition is an added benefit to the product since we are entering into the state of Male in Maldives which has a relatively low competition. The company places special emphasis on the production of essences that go into the canned vegetables. Especially, their traditionally exquisite canned jak fruit, which is most popular dish among Sri Lankans. The Maldivians have a high tendency of switching brands and the younger generation has a trend towards consuming foreign products over their local products. Canned bitter gourd and jak is extremely high priced compared to other international canned vegetable competitors. A can of bitter gourd and mature jak cost of MRF 16.

Compatibility

In terms of compatibility, canned vegetables are a popular, existing product which has been accepted by almost all the Maldivians. There are no such cultural issues when it comes to consuming canned vegetables in Maldives. Therefore, this product will be purchased as soon as it is released to the market. Male state is a vastly populated state and their consumption of is comparatively not that low compared to Sri Lankans.

Complexity

We are offering them a product unlike a service which has the intangible aspect. Thus, canned vegetables are considered as a fast moving consumer

good (FMCG). Hence, there are no such complexities to a well-known product such as canned vegetables. The only novelty will be the new unique range of vegetables canned which MD offers to the Maldivian market.

Trialability

Trialability is a definite possibility where we can make arrangements for consumers to test the flavor of particular canned vegetables prior to purchasing. This is important since the flavors are new to the Maldivian market.

Observability

Due to the tangible nature of the product, the consumers get the opportunity to evaluate the product in all three stages of consumption, which are pre-purchase, purchase and the post purchase stage.

Implications

No major issues and problems have been essentially identified through the evaluation. As mentioned above, the main issue which has the potential of hindering the growth of the products is the high level of competition. Since canned vegetables are a fast moving items consumers are very price sensitive. We will overcome the barrier of low literacy level of consumers by using both Divehi and English on the package labeling.

Market Analysis

Marketing trends

The most widely used tools for marketing canned vegetables products are trade fairs and retail selling (H. Sinana, personal communication, March 23rd

2010). This is also a feature of overall B2B marketing (Dwyer & Tanner, 2002). Trade fairs prove to be the most effective method of marketing in this industry. Retail selling is also used widely by all canned food producers, since many organizations do not have the facilities to conduct large scale advertising.

Competitor products

There are many competitors in the Maldivian market, and the main market player is Twin elephant it's held 28% of market share and followed by Harvest at 11% and Dily food at 8% (personal word of mouth). All these brands are well known International brands which have already gained recognition and a good reputation in the particular market. Therefore, it is going to be difficult to differentiate ourselves from the competitors. Hence, marketing the product and building brand awareness is vital for the success of this product. The brand name has a huge effect on sales and therefore, it must be ensured that the " MD" logo and brand name is made common in the market, so that the target market can identify with the brand. The other brands hold a significant market share but the " MD" will stand a chance.

The above mentioned brands offer a wide variety of features in their products. Especially brands such as Twin elephant have a wide variety of canned vegetables. Such as soy beans, baby corn etc.

Competitor Prices and Promotions

Canned vegetables providers such as Twin elephant, Harvest and Dily food are less expensive than MD Lanka Canneries Lanka Ltd products which will be MRF 14 because they cater to a slightly different market but on the other

hand MD Canneries Lanka Ltd could end up being more expensive because it has to be produced in Sri Lanka and must bare all transportation and exporting costs. The price will also include some amount of tariff or tax on the product and since it is difficult for Sri Lanka to gain economies of scale, it is nearly impossible to give it at a very low price or rather lower than the local providers in Maldives. MD Canneries Lanka Ltd will be middle of the range product because other local vegetable providers will have very low prices.

Maldivians are very much similar to Sri Lankans in terms of how they approach a new brand and what methods drive them into purchasing that product. The competitors too use various approaches to promote their products through print and electronic media, such as very attractive TV advertisements.

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Marketing Objectives

Target Market

The target market is for all Maldivian who are able to consume any type of hard food. This includes children starting from the age of one year to all adults.

Business objectives and expected sales

Even though canned food is widely available in all supermarkets in Maldives, the two products Bitter Gourd and Mature Jak is not yet available in Maldives as they are vegetables that are really rare. Thus MD Canneries Lanka Ltd would focus on three key objectives. First is to introduce the two new vegetables to the Maldivian market secondly to create value and demand for the two products and then to capture 5-10% of the market within the first one year (year 2011).

In achieving the three main objectives MD Canneries Ltd would work towards achieving the following objectives within the first one and half years,

To attract all the main super markets to sell the products with a good shelf space available for the product.

To rapidly increase sales and thus make the two products an everyday needed product.

To build a good brand name for MD Canneries Ltd so that in the future more products could be exported to Maldives.

The product is expected to be priced at LKR. 1760. The amount of cans expected to be sold are 24, 000 per annum. Thus the sales for the first year (year 2011) are expected to be around LKR. 37, 756, 800 (See Appendix 5).

Market Penetration

Maldives could be considered as an emerging market and although the government encourages foreign business in the country the policies are not as free as it really appears to be. So we've decided the export-based entry is the strategy by which the market can be penetrated.

Indirect exporting is where the home country agents are used to get the product in to the foreign markets which will be competitively feasible. Since they understand the market conditions and etc better the company will have an added advantage and could reduce research costs. And since most of the agents maintain good relationships with retailers it would be easier to enter the markets. The company could reduce risk such investing in unnecessary

markets and so on. Furthermore there is an annual fair every four years and this year it will be done in November. We hope to go there and build up our network among the four leading retailers Red wave, Agora, STO super mart and VB mart

(H. Sinnan, personal communication, May 12th , 2010).

The core component of the product is the canned vegetables. There is no requirement of adaptation or modification to it as it would be sent in the same manner as used in Sri Lanka with brine as a preservative.

The packaging is would not change as the can would be the most appropriate to support transportation. MD's labels are done in both English and Divehi languages. Further the MD labels and packaging are already approved within Sri Lankan and international standards. No specific and unique transportation method need. The taxis could be used for the distribution process. The production, packaging and labeling would be done in the MD Canneries Ltd factory Sri Lanka. Therefore the product sent to Maldives would be a ready sell product.

Advertising and Promotional Mix

Advertising

All advertising and promotional activities would be restricted to Male' only initially as the product would be first only introduced to Male'. The advantage MD has is the acceptance of its brand at Maldives as many of its Cordial and Jam products are already being exported to Maldives. Advertising

methods such as Magazine, Television, Radio and Billboards and both Trade and Consumer Sales promotions are suggested to be used.

Advertising objectives

To create awareness the Maldivian market, of the two new vegetable products by way of emphasising the nutrition factor and the ability to be consumed by the entire family of the products.

To persuade all people in Maldives to purchase it and use it as an everyday product thus increasing repeat purchase.

To further generate awareness of the brand MD in-order so that in the future more Vegetable products could be exported adding to the existing portfolio exported to Male'.

Media Mix

The indoor advertising tools intended to use are TV, Radio and Magazine.

Magazine

The ' Rasrani' (Female Beauty) monthly magazine would be used to publish a full page ad every month, in order to promote the product among all the mothers and house wives in Maldives. This is selected as it directly targets at the house wives, mothers and parents who purchase food for their homes (H. Sinnan, personal communication, May 12th , 2010).

Television

The local government TV channel ' Television Maldives' (TVM) will be initially used for advertising a 30 second commercial. This is because Maldivians rely

on the government messages a lot . The program chosen is Hendunu Hendunu(Morning Morning) program telecasted every morning from 7. 15 am to 8. 30 am which is targeted at females in Maldives which also have specific cookery demonstrations. Recommended is to take two programs every week Monday and Tuesday , so that it will not clash with the Radio commercials on Wednesdays and Thursdays . This is used as it directly targets the house wife or mother's in Maldives where they would be the ones actually using the MD canned vegetable product (H. Sinnan, personal communication, May 12th , 2010).

Radio

The radio channel ' Capital Radio'95. 6, would be used for 10 second radio commercials. The Chef's Talk morning program from 10 am to 12 pm which they have twice a week on Wednesdays and Thursdays where a chef comes on air to speak on cookery will be used to air the radio commercials of the product as it directly target the uses of the vegetable can product i. e. the females in Maldives (Asiawaves, n. d.) (H. Sinnan, personal communication, May 12th , 2010).

Billboards

The billboards are recommended to be published close to the super markets Red Wave, Agora, STO Supermarket and VB Mart where the product is been sold in Male' (H. Sinnan, personal communication, May 12th , 2010).

Message

The message that would be sent across to the target market is the same message used in all MD advertisements in Sri Lanka “ To be a household brand” (Annual Report, 2009).

Media Schedule and Budget allocation

Media

Name of programme

Duration/Size of

Ad

No. of spots per episode/programme/publication

Number of time telecasted/on air/published/ per year

Total spots for an year

Cost per episode/programme/publication/board

Total Cost per year with tax(NBT 3%, VAT 12%)(LKR)

Television Maldives

Capital radio

‘ Hendunu Hendunu’

(Morning Morning)

Chef’s talk

30 sec

10sec

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2 per episode

2 per program

52 episodes

104 programmes

104

208

100, 000

8, 000

13, 553, 031. 00

Magazine

Rasrani

(Female Beauty

Full page

1 per magazine

12 magazines

12 Magazines

33, 330

553, 728. 00

Bill Boards

—

30'x15'

—

—

2 Billboards

250, 000

576, 800. 00

Sales Promotions

Both sales and trade promotions would be used in-order to generate and increase sales at the introduction stage of the product in Male'.

Sales promotions Objectives

Trade Sales Promotion

To ensure the product is available in all main supermarkets in Male'.

To ensure the retailers would promote the product to the customers and give good shelf space.

Consumer Sales Promotions

To give a rapid start for the sales of the product while it's at the introduction stage in Male'.

To ensure the first two months sales target is achieved while creating the brands awareness.

To continue to achieve sales target through the brand name built during the first two months.

To build the brand MD into a household everyday brand by increasing the product portfolio exported to Maldives.

Sales promotion mix

Trade Sales Promotions

Trade Discounting

A discount would be given to the retailers in bulk purchasing. This would be a 10% off on all purchase of over 1000 cans.

Reward Points / Loyalty Card

Reward points will be given to all retailers on the purchase of item. A point each for every 100 cans purchased would be given. Once they have accumulated 100 points, a 20% discount would be given on the next purchase of 1000 cans along with a loyalty card which could be used to get a three months credit period and many other offers that are introduced from time to time. This would be done continuously in order to keep the sales levels high at all times.

Consumer Sales Promotions

Special offers.

A special offer is suggested to be given within the first two months for all

consumers. The offer would give every purchase of a can each of the two
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varieties together i. e. The Mature Jak and Bitter Gourd, a free recipe book with 4 special Sri Lankan recipes to prepare the two vegetables the Sri Lankan way.

This would create the Sri Lankan nature of the brand MD and thus achieve MD's objectiveness of building the local brand and also increase the sales rapidly during the introduction stage of the product in Male'.

Strategy

Price per can (LKR) (Maximum)

QTY purchased to receive discount

(Per time)

Discount (Maximum)

Total Cost(LKR)

Trade Sales Promotions

Trade Discount

Loyalty Cards

Consumer Sales Promotion

Special Offer-Recipe Book

1760

1000 cans

1000 cans

2

10%

20%

LKR20 worth book

38, 016. 00

76, 032. 00

271, 824. 00

Strategy

Price per can (LKR) (Maximum)

QTY purchased to receive discount

(Per time)

Discount (Maximum)

Total Cost(LKR)

Trade Sales Promotions

Trade Discount

Loyalty Cards

Consumer Sales Promotion

Special Offer-Recipe Book

1760

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1000 cans

1000 cans

2

10%

20%

LKR20 worth book

38, 016. 00

76, 032. 00

271, 824. 00

2. 2. 3 Sales promotion budget

Distribution

The canned vegetables will be transferred from Colombo harbor port to the Port of Male. Such port was selected since it is the easiest and faster way to enter Maldives and will be cleared fast and last but not least since it is very convenient for the company's distribution of goods of canned vegetables (Hello Maldives Holidays, 1998). Mode of selection would be taxi's since it is not much to travel within the country. Hence the start up business is intended in Male only it will be easy. But for further expansions to other allots ferries would be used. Selecting such modes would be advantages since it is reliable and cost effective. It is compulsory the packaging is written in Divehi as well as English to meet Maldivian packaging standards.

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The port authority of Male should receive certain documents 24hrs prior to the arrival at the Port authority for clearance at the port. Documents such as the name of the vessel, name of master and nationality, port of registry and number, type of vessel, cargo of discharge, ETA to the port, LOA/Beam/ and maximum draft, name of the local agent and Call sign. Such documents are needed to get the clearance from the port (Hello Maldives Holidays, 1998).

3. 1 Channels of Distribution (Micro Analysis)

The channels of distribution could vary since there are wholesalers, retailers and sales representatives. There are 4 main retailers in Maldives namely; Red wave, Agora, STO super mart and VB mart.

Retailers

We decided to distribute our product through retailers in Male, the direct exporting method. Initially, all the transactions will be done on cash. We will briefly explain the retailers the standards associated with frozen products once the shipment is cleared from the port until it is sold to the consumer. The retailers we have selected to distribute our product are Red wave, Agora, STO super mart and VB mart.

Price Determination

Cost of Shipment of cans

The shipping cost would be same as the shipment of other products which are transported to Maldives by MD (Jam, Cordials etc...).

A shipment of a standard container with 10, 000 cans would be LKR 75, 000(Annual Report, 2009).

Transportation cost

Transportation cost will be borne by the Maldivian Retailers when the goods land at Male'. The transportation cost from MD Lanka Canneries to the Sri Lankan Port would be less as it would be shared with the transportation of the other goods other than the two products expected to transport (Mature Jak, Bitter Gourd) Therefore the cost portion for the transportation would be a total of LKR 12, 000 per tour (transportation turn) done (Annual Report, 2009).

4. 3 Handling Expenses

Handling charges inclusive of pier charges, warfare fees, loading and unloading fees and all other overheads while goods are transported to the port would include LKR15, 000 per tour (Annual Report 2009).

4. 4 Insurance Cost

The total insurance cost per annum for transportation of the two product variables only to Maldives is LKR250, 000. The figure is not as high as transportation bottled Jam or Cordials as the risk of damage for the products are less since the packaging is done in aluminum can.

4. 5 Wholesale and Retail Mark-Ups

A mark-up of 90% is kept over the production cost of a can of vegetable, exported to Male'. Such high mark-up is kept to cover the cost of shipping, handling, insurance and other costs. The products would directly be transported to the retailers and thus, the retailers could enjoy a markup of 12% on the whole-sale price before selling it at their super markets.

4. 6 Company's Gross Margin

The mark up that MD Lanka Canneries Ltd could have over each can's production cost is 15% if sold locally. This is sufficient to enjoy a profit of 10% even after covering the local marketing, advertising and promotional costs.

MD Lanka Canneries Ltd could set a mark-up of 90% after marketing promotion and advertising costs on each can exported to Male (Mark-up of 90% should cover an estimated cost of 30% for shipping, handling, insurance and other costs). Thus a net profit of 60% could be enjoyed on each can exported to Male.

4. 7 Retail Pricing

The retail price is kept MRF2 higher than the Twin Elephant Competitor brand's price of MRF14 for a 560g can. Thus the price is MRF16($16 \times 110 =$ LKR1760). The price is kept higher to indicate the better quality of the product and also as MD is already one of the most recognized and trusted brands in Maldives and thus has a good demand.

4. 8 Terms of Sale

4. 8. 1 Cash on Delivery

We have chosen the payment term as cash on delivery. These terms require payment to the transportation company for the full invoice document which shows the terms of sale. This includes a full description of the goods, sale price, charges, and discounts and of course the amount at the time of the delivery. If the buyer will refuse to accept the shipment which means that the seller will have to bear the costs of freight charges to and from the

buyer's location, preparation and packaging costs and possible deterioration of the product, unlike