

**ST. MARY'S UNIVERSITY
FACULTY OF BUSINESS
DEPARTMENT OF MARKETING MANAGEMENT**

**AN ASSESSMENT OF PHYSICAL DISTRIBUTION
PRACTICE IN THE CASE OF ETHIOPIAN IRON AND
STEEL FACTORY**

**BY
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**JUNE, 2014
SMU
ADDIS ABABA**

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STEEL FACTORY**

**A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT
OF MARKETING MANAGEMENT
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FOR THE DEGREE OF BACHELOR OF ARTS IN
MARKETING
MANAGEMENT**

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The role of physical distributions getting a product to its target market product impact on market channel design must closely correlated with all other aspect of a firm market strategy for dealing with product have particularly shopping the design and structure of channel product attribute new product development product life cycle and brand strategy Bowlersox and Cooper (2004:176).

The student researcher in intended to assess the data practice of Ethiopian Iron and Steel Factory was Established as E.I.S.Co. Share Company Italian entrepreneur on the 19th of Feb, 1959 and nationalized by the government in Feb, 1975 it was again structured in 1993 as the public enterprises under the privatization and public enterprises supervising agency by the council of ministers regulation. The factory is engaged in melting steel scraps in 5(five) tone electric arc furnace for the production of pencil in gets.

The factory is situated at the out skirt of the capital an industrial zone Akaki town it occupied 148,180m² area of land were activity and carried out within the compound living a large reserved for further work.

As a for mention the factory products different construction material such as product and current capacity in tone sap wire 1000 Tone, Re-enforcement Bar from Ø18-Ø32 160,000 Tone, Barbed wire 700, Nails 300, and Fencing net 300 Tone produce and offer for construction sector.

Ethiopian Iron and Steel Factory the Physical Distribution is the overall business plan of the company it's cooperate distribution being the part of the market effort from of critical part of the market Physical Distribution especially concerned with the flow of good

through the Economic system major customer are contracture, real-estate developer, Government institutes, regional states end users, retailer and wholesalers.

Regard to distribution another thing now a day distribution cost high or question whether the company has a problem in distribution on practices the student research asses the distribution practices of Ethiopian Iron and Steel factory.

1.2. Statement of the Problem

According to Pillia and Baugathi (2005: 24) distribution (place) is the delivery of product at the right time and place. The distribution mix is also a combination of decision related to marketing channel, order processing, storage facility, inventory control, location, transportation, warehousing.

Physical distribution activity as the most persuasive of all human activities that involve movement and storage of goods for the purpose of achieving the desired objective of making the right type of product available at the right time and place Khanna (2002: 16).

Even if EISF was one of the dominant firms having lion share in the industry currently the company is facing order processing and warehousing. Based on these the student research's preliminary investigate there is a delay in order processing and warehousing of company. Based on this the student research is motivated to assess the physical distribution practice of EISF.

1.3. Research Questions

To the investigate the stated problem above the following research question are raised.

- What is the company create an appropriate link between each element in the physical distribution activity?
- What is the cause delaying in order processing?
- What is the company offer product customer specification?
- Does the company warehouse location appropriate place?

1.4. Objective of the Study

1.4.1. General Objective

The general objective of the study is to assess the physical distribution practice of Ethiopian Iron and Steel Factory.

1.4.2. Specific Objectives

- To investigate particular problem facing the company distribution practice.
- To point out the causes of order processing and warehousing.
- To identify factor that affect the order processing practice of the company.
- To identify challenges that the company have in relation to order processing and warehousing.

1.5. Significance of the Study

The study would have the objective significance to difference practice it is very important for EISF to know its problem and help to the organization capacity to ward physical distribution. It creates good opportunity for the student research to get more particular knowledge about the area of physical distribution and also help to learn the particular reason process and technique. The students have more knowledge about the company and physical distribution practice of company and to take another study have experienced. For others the Study Use as secondary data.

1.6. Delimitation of the Study

The study is delimitation to the physical distribution practice of Ethiopian Iron and Steel Factory. The company products are black wire, nails, re-bars, bedspring, fencing net and barbed wire. The student researcher focuses on the products are only nails, rebar, and barbed wire. Physical distribution has different elements like transportation, material handling, order processing, warehousing etc. the student research focused on only order processing and warehousing practice of EISF. Furthermore, the student researcher focused on the head office and business customers which are located on Akaki,

Tekelehamanot and Merkato. These location were chosen because most whole seller and retailer are located in this area. Finally the study focused on the period from 2010-2013 G.C.

1.7. Definition of the Term

Distribution

Objective as getting the right good to the right place at the right time for the least cost.

Order

Condition in which every part, unit is in its right place tidiness direction to supply or to pay something good.

Processing

Action or preceding a serious of stage in manufacture, movement something and processed

1.8. Research Design and Methodology

1.8.1. Research Design

The student research used descriptive research method to describe the main physical distribution practice of EISF and to achieve the research objective. The result of descriptive market research are used in order to obtain general conclusions about some customer group of the whole market (Malhotra, 2004: 472).

1.8.2. Population the Study

1.8.2.1 Population and Sampling Technique

The student researcher considered the marketing manager and business customers of the company which are wholesalers and retailers as a population. The population rather than understanding can be used probability sampling technique. These sampling technique conduct through census sampling technique, because numbers of respondents are 5 wholesalers and 55 retailers so the sample size of this research is to be 60 respondents to fill the questioner.

1.8.3. Types of Data Collected

Both primary and secondary data were considered Primary data was collected using questioner and interview while the secondary data were gathered from relevant books, company records, reports and journals, etc.

1.8.4. Method of Data Collected Analysis

In order to obtain more accurate and reliable data the student researcher used primary and secondary sources. Primary data were collected through distribution of questionnaire to the whole seller and retailer and interview as conducted to collect information from company marketing manager.

Secondary data were gathered from relevant books, company records, related reports journals etc.

1.8.5. Method of Data Analysis

Both quantitative and qualitative data analysis method were used. The quantitative method of analysis technique is used to technique is used to summarize the finding collected through questioner by percentages compute and different tables. Qualitative technique is used to analyze interview data.

1.9. Limitation of the Study

As the student researcher was faced different challenges while conducted this study. Some of this are luck of willingness from business customers to give information, unreturned the questioner on time, and the same as time of the interview the marketing manager of the company unreturned the interview on time and three I'm conduct three advisor this difficult, the main point of to be limited for this study.

1.10. Organization of the Study

The research paper is including the following chapter. Chapter one: concentrated on the background of the study, statement of the problem, objective of the study, significance of the study, research design and methodology, and organization of the study. Chapter two: present review of related literature which as great important in showing the direction of physical distribution theory from different scholars prospection. Chapter three: In this chapter the student researcher try to analyze and interpret the data was collected. Chapter four: include summary conclusion and recommendation of the research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Physical Distribution

According to Pillia and Baguath (2005: 24) Distribution is the delivery of product at the right time and place. The distribution mix is also combination of decision related to market channel storage, facility, inventory control, location transportation and warehousing.

A broad range of activity concerned with the efficient movement of finished product from the end of the production line to the consumer and in some case it also include the movement of raw material from supplier to the beginning of the production line.

Further Khanna (2002: 14) Physical Distribution the Management of activity which facilitate movement and coordination of supply and demand in the certain of time and place utility in goods epically concern with the flow of good through the economic system.

According to Kotle (2002: 490) pointed out a distribution system is a key external source normally it take year to build and it is not easily, changed it rank in important with internal source such as manufacturing, research, engineering and field sales personal and facilities it require significance as will a commitment to a set of policies and practice in order to establish in long term relationship.

Physical Distribution transporting and storage of good to much target customer need with a firm market both with individual firm and along a channel of distribution.

2.2. Overview of Physical Distribution

Physical Distribution a subject of study in a relative new field although the various elementary function have been carried out always by various other department recognized related activity that were previously scattered among various units within the firm its late development was evidence by the fact that the first text book on the subject appeared in 1961 in the united states Khanna (2002: 15).

Physical Distribution takes as number of channel member each level the distribution strategy are intensive distribution stocking a product it has many out late as possible exclusive right to distribution a company product in their territories selective distribution the use of more than but fewer than all of the intermarries who are willing to carry the company product Kotler (2006: 375).

2.3. Definition of Physical Distribution

According to Kumar and Meenkashi (2006: 356) physical distribution focus of the efficient movement of good from manufacturer to customer of the product.

Khanna (2002:14) Also Explained Physical Distribution Management employed in manufacturing and commerce to describe the broad range of activity concerned with efficient movement of finished products from the end of the product line to the customer in some cases include the movement of raw material from the source to the beginning of the production line these activity include fright or transportation warehousing, material handling, packaging, inventory management, order processing and customer service.

Christoper (1994) however noted that distribution is more than simply moving goods from A to B but instead a vital link in the customer satisfaction process. The emphases is on customer service and the use of distribution as a means of gaining leverage in the market place the function of warehousing, order processing, finished goods inventory control will probably be in cooperated in the total distribution activity. Physical

distribution as a process of delivering the product to the user or consumer promptly safely and in time Sherleker (2004: 417).

2.4. Element of Physical Distribution

As an integrated management activity physical distribution consists of various of activity within it these activity include transportation, warehouse, material handling, packaging, inventory management, Order pressing, and customer service.

2.4.1. Order Processing

According to Havaladar and Cavale (2007:15) order processing refers to getting order in time from customer checking in the status of execution and deliver.

Reeder and other (2001: 367) describe that an efficient order processing system is the essential aspect of logistical coordinate on system physical distribution starts the receipt a customer and end when the customer order and ends when the customer receive shipment. Order processing should be as quick, as possible, for a longer period would involve greater inventory costs. The customer's order is the one single document on which the whole physical distribution system is based. It gives information about description of the finished product required to be product at may point of time and dispatched to a particular place at a given time (Khanna, 2002: 75).

Function of Order Processing

According to Reeder and other (2001: 367) order processing function include a credit cheek by a credit department crediting the sales person with the sale recording a translation in the accounting department containing the warehouse the nearest inventory control and transaction shipping document in to an in and permanent sales recorded.

Document processing can be designed as routine activity and should be systemized. Order processing should be as quick, as possible for a longer period would involve greater inventory costs. The customer's order is the one single document to which the whole physical distribution system based. gives information about the description of the

finished product required to be produced at main point of time and dispatched to a particular place at a given time with the given decision making rules it can represented the quantity of different raw materials required by the organization and their schedules. It also compilation of individual customer orders or order forms, it can be prepare statistics for the past and for costs for the future Khanna (2002: 74).

The processing of form involves a number of operations. Its computerization is a major step toward computerization of the logistics system. The order sent by a customer may appear to be only a piece of paper with a name and address and a description of goods. But this information is vital and sufficient for the design and construction of a logistic system and its commitment information system. The acquisition of the customer order is the essential first step in the distribution system. No other activity take place until either the order is received or is anticipated. Strictly speaking it may be considered a part of a seller function considered a part of a sells function to facilitation to facilitate working and minimize the possibility of error preprinted formal are used (Ibid).

2.4.2. Transportation

According to Khanna (2002: 17) transportation is an essential one of the most important component of physical distribution its important is illustrated when a strike in the railways an airline or road transportation expenditure is by far the most significance of physical distribution.

Bowersox and Closes (2003: 29) transportation is operational area of logistic that geographically position because of its fundamental important and visible cost transportation has received considerable managerial attention has over the years and currently almost all enterprise big and small manager responsible for transportation.

Havaladar and Cavalla (2004: 15-27) describe transportation as an important element of logistic function which really provide “time” and “ place” utility and it’s the primary function of the physical distribution it is one of the largest element in the logistic cost and can significance influence the final selling price of the product and its profitable.

I. Transportation Functionality and Principle

Transportation functionality according to Bowerex and Class (2003: 312) transportation provide two major a product movement and product storage.

- a. **Product movement:** refer to weather is in the form of material component assemble work in process of finished goods. Transportation is necessary move it to the next stage of the manufacturing process or physical closer to the ultimate customer.
- b. **Product storage:** refer to a less common transportation function which products are temporarily stored on vehicles until they reach to their final destination.

II. Mode of Transportation

According to Altekar (2005: 244) a mode identifies the basic transportation method of form each mode has its own significance depending up on the geographical location and taken to transportation the good from one place to the other and there are five basic modes of transportation real way, water, road, air and pipeline.

Moreover; Sherlekar (2004: 434) also explained by strengthening Aftercare idea that these are five means of transportation: railway, airway, waterway, roadway and pipeline the choose of transports governed by the few other related factors.

1. **Road way :** these is the most popular and commonly used more to transport good Tracers' are used to transport the product the freight payment could be prepaid , to pay or to be done after safe deliver of the product at the final destination.
2. **Railway:** are becoming very response to specific customer need phasing bulk industry and heavy manufacturing and now a days real become the most preferable mode transportation for shipping bulk commodities because it is lower cost
3. **Airways:** the newest but least mode of transportation is a fright its significance advantage lies in the speed with which the shipments can be transported but it's very expensive compared with other mode of transportation these mode of

- transportation is used for high value product for perishable product emergency product and for short life item like fashion items.
4. **Water way:** This mode of Transportation is the link between countries separate by water. Water transportation is classified in too deep water transportation and in land water transportation on lake, river or canal water transportation is used to move externally large shipment its cheap but it also very slow water transportation ranks between rail and road transportation in terms of fixed cost.
 5. **Pipeline:** these kind of transportation used as for the movement of large quantity of liquid and gases over long distance these mode is normally used for petroleum product gases, crud and manufacturing chemical the basic nature of pipeline unique in comparison to all other mode of transport which they operate seven day in a week and twenty four in a day and pipeline have high fixed cost come from construction requirement for control station and pumping capacity however the variable cost is extremely low once the pipeline has been constructed.

III. Element of Transportation Cost

According to Khanna (2002: 242) the following are vital element of transportation cost to be taken in to account tariff of transportation which refer to the fright charge various mode of transport to be paid for the movement of goods from one location to another transit time cost which is the total logistic cost deal with the cost of inventory in transit time of particular time of particular mode of transport is longer it means that the product of the company remains transit time cost.

Protective packaging required for specific product and mode of transportation when there is a requirement for specific package such cost come under total transport cost transit insurance cost another element transport cost which it is the set of insurance paid to insurance company to cover various type of risk but because advance of containerization these cost has been minimized due to less chance of damage of good during transit and at least a part from a above cost element of transport cost there are other miscellaneous cost such as local taxes toll tokens especially toll when good are shipped road ways Agrawa, (2003: 217).

2.4.3. Inventory Management

According to Khanna (2002: 17) inventory level result is high carrying cost and potential obsolescence the control of inventory is these for extremely important in the successful function of a firm.

Altaker (2005: 226) Inventory Management is a key to any successful distribution business it provide everything you need to know about the receipt and movement of good the sale of removal or other disposition of good and the precise valuation and status of goods remaining in inventory management allow a distributor to meet or exceed his customer expectation of product availability with the amount of each item that will maximize the distribution net profit. Sherlekar (2004:428) describe inventory management as a heart of game of physical distribution.

i. Function of inventory

According to Havaladar Carla (2007:15-17) inventory function have a butter between supply and demand both in terms of quantity and timing customer demand requirement for an operation on the shop floor and parts and material to begin an operation and the supplier of the materials its rightly said that inventory is the shock absorber of business however inventory means high carrying cost reduced profit and even loss in market share.

ii. Types of inventory

According to Khanna (2002:102) there are two types of inventory associated with distribution there are location inventories which are they are the combined stock of raw material and finished product and work in process the level of each and combination of inventory level must be determined to minimize the overall cost this inventory are maintained mainly with a view of meeting the seasonal variation in the demand for production or for consumption and the other one is transit inventory which include the material in transit from the vendors depot to the manufacturing center and finished product on the move from the production center to the consumption center.

Inventory Cost Element

According to Agrawal (2003:158) inventory cost the following element procurement cost: these cost of product are due to several factor which include cost of order processing which involves use of stationary and service cost of staff and the exclusive time spent the order processing, fax cost transmit the procurement cost of transportation which include freight transit insurance protective packaging the cost of in voice pricing including checking approval book entries and mailing cost of good handling respecting and entry in the stock register computer.

According to Khanna (2002:103) Carrying cost of stored good sis due to the following point space rent for the storage a goods the last of capital tide down in the stored good the cost of insurance of good against fire the pilferage and taxes.

Out of stock cost: the cost of inventory maintains also include the cost inventory when goods are out of stock the position occur when demand is normal but ordered goods are received late car load time increases or when there is a sudden spurt in the demand for good or a combination of or the circumstance and out of stock position for raw materials may lead to lose of production while an out of stock position of raw material would require constant chasing the supplier by telephone , telex massager or letters which would involve what is termed as back order cost beside these tangible cost intangible cost are incurred because of the psychological change in the customer demand.

2.4.4. Warehousing

According to Khanna (2002:18) warehousing is another important functional of physical distribution particularly when a manufacturer produces consumer good the optimal location warehouses having regard to minimum transportation cost customer service level of inventories and company warehouses versus are operated by the sales department or arrangements are made with public warehouse.

Alterak (2005: 275) a warehouse is a location adequate facilities where volume shipment are received from a production center broken down reassemble in to combination representing or particular order or order and shipped to the customer location.

Moreover Havaldarsand Carals (2007:15-24) defined warehousing as part of the companies logistics frame work that stores items raw material, packaging, materials tools work in process or finished goods at and between the point of origin and the point of consumption and also provide information to management on the state and also provide information to management on the status and condition of the item being stored let us see the major function type and location selection criteria of warehouse.

Function of Warehousing

According to Khanna (2002:198) this function of warehousing include consolidation of material or goods from different plants and dissipative his with a single track, bulk break stock sealing watch focus on seasonal storage of good to select business for instance agriculture product are produce as a specific time but consumed throughout the year being stored in such as manner and finally value added service such packaging and labeling.

I. Operating Function: the essential processing of mistrial in a warehousing involve receiving of good identifying good by giving an item code tag code of the carrier or and by physical properties sorting of good displacing of good to store in a sense that the good are keep a side holding of good retrieving of good mass holding of good where several item making up single order are brought together and checked for completeness and order record are prepared or modified, dispatching of goods and order recording are prepared or modified dispatching of good and finally preparing records and a advices. Khanna (2005: 273).

II. Type of Warehouse:

According to Altakare (2005: 276) warehouse can be classified based on two bases: on the bases of ownership and on the bases of service.

- a. **Private warehouse:** it comprises ware facility operated and or leased by company in the handling its own good there are normally used by firm whose need are stable enough such as retain chain stores or multiproduct company to make long term commitment on fixed facilities.
- b. **Public warehouse:** all those warehouse which are owned and operated by organization like government, cooperative, or company in the private sector. The space of public ware can be used by any other company or organization or individual public on certain terms and condition of payment.

The bases of service: based on service provision warehouse can be categorized

According to Khanna (2002: 207-209).

- a. **Bounded warehouse:** it is rented and authorized by the custom authorities for storing of good till import duty on it paid down other by government or private parties.
- b. **Field warehouse:** the warehouse are managed by public warehousing agency in the premise of the factory or company which need to facility for borrowing from a bank against the certification of goods in storage in process by an independent professional warehouse man.
- c. **Agriculture warehouse:** These warehouses are used for storing agriculture product grown certain area.
- d. **Cold storage:** This facility provided for perishable against payment of storage change for the space utilized by different parties.
- e. **Distribution warehouse:** there warehouse are located close to the manufacturing concern or consuming areas there location depend on the nature of the product the time taken for transit operation cost and the need to make product available in the market in obedience to the demand for it.

- f. **Buffer storage were house:** these warehouse are built strategy location with adequate transport and communication facility and further transmitted to the distribute warehouse.
- g. **Export import warehouse:** there warehouse are located near to the parts firm where international trade is undertaken they provide transit storage facilities for good a waiting on word movement.

Warehouse location selection criteria:

According to Khanna (2002: 208) these various factor that should be before making decision on warehouse location these factor are market service area and cost distribution from the warehouse to the market area satisfaction of transport requirement and facility availability of various infrastructures: power, water, road, and other important utility labor supply and labor cost in the area in the potential for expansion cost of land a warehouse and other related cost.

2.4.5. Material Handling

According to(Khanna2002: 141) material handling is under taken at every stage of logistic activity and is an integral part of the other element of logistic function through every material handling does not add to the value of the product it's un essential product function and un less the system is property designed it even increase the cost of production.

Moreover Agrawal (2002: 371) explain material handling system is the logical and physical manifestation of all requirement, police and practice intended for particular facility in the logistic pipeline and supply chain process.

a. **Function of Material Handling:**

Material handling service as a basic tool in reduce wastage on machine and order packing times uninterrupted production and distribution schedules for avoidance of movement bottleneck such as loading and un loading problem protection of good from breakage /damage during movement offering safety to worker and provide safe working condition

in ensures better customer service and satisfaction and can enhance productivity and efficiency reducing handling cost.

b. Major type of equipment used in material handling:

Major type of equipment used in material handling system are pallets fork lift truck, cranes, conveyors, elevator movable ramps and tractor.

Basic material handling principles:

Datta (2003: 273) also explain that while material handling practice vary from industry to industry the basic principle remain the same the principle are

- a. Least Handling is best handling its best of keep handling cost does not have value for the product.
- b. Loading and unloading since major portion of material handling activity lie in loading is un loading this function must be given a great deal of attention were ever economical loading and unloading should be done by mechanical device such industrial truck cranes conveyers etc.

2.4.6. Packaging

According to Kotler (2003:436) packaging defines all activity and designing and producing the container for product and the container is called a packaging.

Packaging is the use of container and parts, together with the decoration and labeling of a product in order to contain, protect and identify the merchandise and facilitate the use of the product. It is true that an attractive packaging aid in motivating a customer to buy the product, the type of customer and the demand and supply situation. The printing matter and the company trade mark project the manufacturer's image to the customer Khanna, (2002: 179).

Packaging is generally categorized in two broad types: logistical packaging and consumer packaging.

1. **Logistical or industrial packaging:** - is what facilitates product flow during manufacturing, shipping, handling, and storage. It includes shipping containers for consumer goods, packages. There is also a packaging aspect to vehicles required for protection during loading and unloading as well as inter-modal containerization (Agrewal (2003: 247)).
2. **Consumer packaging:** - is often based on marketing considerations in terms of advertising and sales value. At present, the world of globalization packages are playing a very important role in getting competitive advantage in the market and now a day we can see that firms which produce and offer the same product to the market but effective packaging has getting competitive advantage over their (Ibid)

2.4.7. Customer Service

According to Bowesex and Closes (2003:66) also explain customer service as processing providing significance value add benefit to supply chain in a cost effective way in the above definition that the efficiencies of other elements in the physical distribution activity has an impact on customer service is one element of physical distribution.

2.5. Setting and Coordinating Distribution Objectives

Bloom (1995:22) having reorganized that the channel design decision is needed, the channel manager should try to develop a channel structure, whether from scratch or by modifying existing channels, that will help achieve the firm distribution objective efficiently. Distribution that are well coordinated with other marketing and firm objectives and strategies channel manager need to perform three tasks.

1. They should familiarize themselves the objective and strategy in the other marketing mix areas and any other relevant objective and strategy of the firm.
2. They should set distribution objective and state them explicitly.
3. They should check to see the distribution objective they have set are congruent with marketing and other general objectives and strategies of the firm.

2.6. The Importance of Distribution

Kotler and Keller (2006: 468) a marketing channel system is the particular set of marketing channel employed by a firm, Decision about the marketing channel system are among the most critical facing management. One of the chief roles of marketing channel is to convert potential buyer in profitable order. Marketing channel must not just serve markets they must also make markets. The channel chosen affect all other marketing decision. channel decision involve relatively long term communication to other firm as well as a set of policy and procedures in managing its intermediaries the firm must decide how much effort to push versus pull marketing . a push strategy involve the manufactures using its sales force and trade promotion money to in duce intermediaries to carry promote and sale the product to end users.

2.7. Build and Manage Effective Third Party Distribution Channel

Ragagopale, (2009) Money Company for years has looked at third party distribution channel as a vehicle for fast acceleration of their sales. There's plethora of different type of third party distribution channel out there that a company can select develop and manage for sales success. Those value added resellers, to system integrator, to manufactures reps, to distributers and to agent as well as international representative.

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This data deal with presentation, analysis and interpretation. This chapter deals with the Presentation, Analysis and Interpretation of the data. The data were gathered from Ethiopian iron and steel factory customer which are wholesalers and retails who are located in Tekelehamanot, Merkato in Addis Ababa region and Akaki town.

As described the data before obtained through questioner and interview the questionnaires had been distributed to wholesaler and retailer and interview where conducted with EISF marketing manager of the company.

A total of 60 copies of the questionnaire were disturb ted to respondent customers of which 55 of them were proper it filled out and returned this results in the response rate of 91.67%.

3.1. General Characteristics of the Respondents

Table 1. Below indicate that the general 3.1 characteristics of which include the respondents, which include sex and educational level.

Table 1: Characteristics of the Study Population

No	Item	N ^o of Respondent	Percent %
1	Gender		
	Male	41	74.55
	Female	14	25.45
	Total	55	100
2	Age		
	A. 18-30	8	14.54
	B. 31-42	34	61.81
	C. 43-54	9	16.36
	D. 55 and above	4	7.29
	Total	55	100
3	Education background		
	1-12 grade	14	25.45
	Certificate	8	14.54
	Diploma	21	38.18
	First degree	11	20
	Second degree	1	1.81
	Total	55	100

As indicated in term table 1 of item 1, 41(74.55%) are respondents were male, 14(25.45%) of them were female. This implies that the majority of the respondent are male.

According to table 1 of item 2 34(61.81%) are respondents 31-42 age, 9(16.36%) of them are 43-54 age, 8(14.54%) respondents are 18-30 age and 4(7.29%) respondents 55 and above. Thus implies the majority of the respondents' age between 31-42.

According to item 3 of table 1, 21(38.18%) of respondents are diplomaholder,14(25.45%) of respondents are 1-12 grade,11(20%) of them are first degree, 8(14.54%) of them are certificate and 1(1.81%) the least number of category Second degree. Thus, implies that the majorities of the respondent were well educated and have intellectual profile. Thus, it is possible to collect will get reliable information.

3.2. Analysis of Major Findings

The next table show customers how long have been stay with company this indicated the respondents how money years stay with company.

Table 2: Regarding Relationship with EISF

No	Item	N ^o of Respondent	Percent %
1	For how long have you been customer of Ethiopia Iron and Steel Factory		
	1-3 year	14	25.45
	4-7 year	9	16.36
	8-12 year	13	23.65
	13 and above	19	34.54
	Total	55	100

Table 2 shows that 19(34.54%) of them are 13years and above, 14(25.45%) of them are 1-3 years, 13(23.65%) of them are 8-12 years, and 9(16.36%) 4-7 years of relationship. Most of them are implies the majority of the respondent have been long time relationship with the company there for the respondents are able to get reliable information.

3.3. Analysis of Finding of the Study

3.3.1. The Order Processing Time Performance of Company With Other Competitor

Table show how the company has be done effectively order processing practice of the company regard to other competitor the mentioned item are presented as follow.

Table 3: Order Processing Time Performance

No	Item	N ^o of Respondent	Percent %
1	How do you evaluate the order processing time of EISF compared to other competitor		
	Very fast	4	7.27
	Fast	7	12.74
	Medium	10	18.18
	Late	25	45.45
	Very late	9	16.36
	Total	55	100

Table 3 the company's order processing practice of the company compared to other competitor the mentioned item is presented as follow.

According to table 3 the order processing time of the company 25(45.45%) of the respondents confirm that the company's order processing time is late, 10(18.18%) of respondents answer is medium, 9(16.36%)of respondents stated very late, 7(12.74%) of answers is fast and 4(7.27%) of them replied very fast. The above finding tell as that how the order processing performance was decreased compare to others competitor, More than half percentage of respondents rated late and very late. Therefore, in order to investigate this critical issue further this question has raised to the company marketing manager during the interview.

The management also admits that the order process time is late and said that the companies try to overcome this problem with quality and price.

3.4. Responses on the Availability of Product Desired Level of Customer

The company how to order the desired customer availability of the product how the company.

Table 4: The Availability of Product

No	Item	N ^o of Respondent	Percent %
1	How do you evaluate the availability of product with desired level of customer		
	Very high	4	7.27
	High	8	14.54
	Medium	25	45.45
	Low	11	20
	Very low	7	12.74
	Total	55	100

Table 4 Presented availability of the product based on the desired level to customers 25(45.45%) replied medium, 11(20%) of the respondents is low, 8(14.54%) stated high 7(12.74%) who the respondents who answered very low regarding to this the company need to have taken more effectively fulfill the desired of customer and 4(7.27%) of them are response is very high this implies. it is the one of the primary function of distribution is insuring that the product or servicemade available to the consumers which an arm's length of his desired by providing time, place and possession utility therefore the above concept the researcher can learn that how making the product availability have a great value more over it can be used as a mechanism to acquire retain and grow customers.

Table 5: Capability of Producing the Order Quantity

No	Item	N ^o of Respondent	Percent %
1	How do you evaluate the company's capability of producing the order at the right time		
	Very good	7	12.72
	Good	10	18.18
	Medium	11	20
	Poor	20	36.36
	Very poor	7	12.72
	Total	55	100

As table 5 show the capability of order quantity of the company is 20(36.36%) of them are that the company's capability of producing the order quantity at the right time is poor, 11(20%) of respondents answer medium, 10(18.18%) of them are answer is good, 7(12.72%), 7(12.72%) of them are similar with very good and very poor. The above finding tell us that capability of producing the order quantity at the right time is difficult for customers to gain the product at the right time.

Table 6: Availability of the Product

No	Item	N ^o of Respondent	Percent %
1	Do you agree with the statement of that the product are available when you want		
	Strongly agree	6	10.90
	Agree	8	14.54
	Neutral	11	20
	Disagree	26	47.27
	Strongly Disagree	4	7.27
	Total	55	100

Table 6 shows that the availability of the product 26(47.27%) of respondent replied disagree, 11(20%), 8(14.54%) replied neutral and agree respectively, 6(10.90%) respondent replied strongly agree and the rest 4(7.27%) of respondents stated strongly dis

agree. This clearly indicates that the company not serving properly including making the product availability at the right time when customers need it.

Table 7: The Capability of Producing Customer Specification

No	Item	N ^o of Respondent	Percent %
1	How do you measure the company capability of producing according to customer specification		
	Very high	5	9.09
	High	10	18.18
	Medium	23	41.83
	Low	13	23.63
	Very low	4	7.27
	Total	55	100

Table 7 shows that 23 (41.83), of them replied medium, 13(23.63%),10(18.18%) replied low and high respectively, 5(9.09%) of them rated very high and 4 (7.27%) of respondents implied very late.

Table 8: The Reliability of the Company

No	Item	N ^o of Respondent	Percent %
1	How do you measure the reliability of the company		
	Very high	6	10.90
	High	10	18.18
	Medium	16	29.09
	Low	16	19.09
	Very low	7	12.72
	Total	55	100

Table 8 item 16(29.09%), 16(29.09) of respondents replied medium and lower respectively, 10(18.18%) them are high, 7 (12.72%) of them are very low and 6 (10.90%) them rated very high. This is clearly indicated the majority of respondents confirm the reliability of the company is low the company need to done effectively serving properly including making the product quality desired of customer.

3.5. Does the Company have Enough Warehouse

Warehouse refer to the storing and assorting in order to create time utility.

Table 9: The Company Ware House

No	Item	N ^o of Respondent	Percent %
1	Do you agree that the company has enough ware house		
	Strongly agree	7	12.72
	Agree	8	14.54
	Neutral	19	34.56
	Disagree	10	18.18
	Strongly Disagree	11	20
	Total	55	100

As indicated in terms of table 9 of item 1 19(34.56%) of them replied medium, 11(20%), 10(18.18%) stated strongly disagree and disagree respectively 8(14.54%), 7(12.72%) replied agree and strongly agree respectively. More than half of respondents believe the company ware house is not enough.

According to marketing manager of the company some product are easily perishable they need to have more attention if we produce much more product we believe doesn't face the shortage related with for feature we can expand and increase number of warehouse than this because we need to increase our production previous and then today for future.

Table 10: The Company Warehouse Location

No	Item	N ^o of respondent	Percent %
1	Do you think that the company ware house is located at appropriate location		
	Yes	16	29.09
	No	30	54.55
	I don't know	9	16.36
Total		55	100

Table 10 shows 30(54.55) of them answered No, 16(29.09), 9(16.36) of them respondent answer yes and I don't know respectively this implies the customers have a problem with company warehouse location.

From this the student researcher understands that the company marketing manager no any kind of warehouse customer place now it is so difficult. We gives more emphasizes for this because this is basic and necessary for company regarding customer place.

Table 11: Customer Buying Capability

No	Item	N ^o of respondent	Percent %
1	How do you evaluate your customer buying capability of end users		
	Very high	8	14.54
	High	10	18.18
	Neutral	21	38.18
	Low	14	25.45
	Very low	2	3.63
Total		55	100

According to table10, 21(38.18%) of respondents replied neutral, 14(25.45%) rated low, 10(18.18%) respondents reply high, 8(14.54%) of them rated very high and 2(3.63%) of the respondents is very low. this implies the majority of customers buying capability is poor.

Table 12: Over All Distribution

No	Item	N ^o of Respondent	Percent %
1	Overall distribution practice of the company		
	Very high	2	3.63
	High	7	12.72
	Neutral	16	29.11
	Low	22	40
	Very low	8	14.54
	Total	55	100

The last table 11 shows 22(40%) of the respondent answered is low, 16(29.11%) of them are Neutral, 8(14.54%), 7(12.72%), replies very low and high respectively, 2(3.63%) of respondents very high. This indicated that the majority of respondents agree that the overall physical distribution practice of the company is low the company to do more effectively physical distribution elements because more than half of business customer has does not confirm the overall distribution practice.

Finally regarding open ended question, the given suggestion option are summarized as follow

1. Most customers confirmed that for more than 8 years they have been engaged in business.
2. In relation to order processing performance most respondent said that, the company should need to be change the activity of order processing.
3. Regarding distribution practice majority of the business customer agree that the company shall give emphases the distribution practice.

3.6. The Interview Question of Marketing Manager

1. Where do you purchase the raw material available to produce your product?

We purchase the raw material more than 80 percent purchase from china, turkey, Malaysia, and Ukraine the rest of the raw material purchased from local market like the variety metals Staffa metals used as the input of raw material.

2. How does your firm handle customer complain?

Oral or any kind of customer complain we receive in side of the company have a form any customer full this form and give any kind of suggestion

3. What major problem do you face with regard to the distribution facility?

Most of our company equipment is not modernized because of this sometimes we can face some problem the rest of others is normal.

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter deal dealing with the summary of the major finding of the study, conclusion drawn and recommendation made by the student researcher.

The main objective of the study is to assess the physical distribution practice of Ethiopian Iron and Steel Factory this student research used both primary (questionnaire and interview) and secondary source of data. Besides, that all the data are presented percentage with table according their relevance for convenience. Based on finding the summary, conclusion and recommendation are drowning up.

4.1. Summary of Major Finding

The main finding arising out of the survey and implication of the study are summarized have under as follows:

- It has been revised that 41(74.54%) of the respondents were male and the rest 14(24.45%) were female.
- With respect to age 34(61.81%) percent of respondent 31-42 age and 9(16.36%) percent of them are age between 43-54.
- As the scope of the study limited in business customer regarding educational level of respondents 21(38.18) percent were diploma, 14(25.45%) percent were 1-12 grade, 11(20%) percent were degree.
- With respect to how long have you been customer 19(34.54%) percent of respondent 13 and above 14(25.45%) percent of them are 1-3 years.
- Regarding order processing compared to other competitor 25(45.45%) percent of them are late, 10(18.18%) percent of respondent answer medium, and 9(16.36%) percent of are very late. From this decide the order processing of the company is other competitor is late.
- In relation to availability of product with desired level of customers majority 25(45.45%) rated medium and 11(20%) rated low.

- With regard to the order processing at the right time 20(36.36%) percent of replied that poor, 11(20%) percent respondents medium. From this decide the capability of order quantity at the right time cannot deserve.
- Majority respondents 30(54.54) disagree that companies product is available when they want it.
- Issue rated to producing product customer specification 23(41.83), 13(23.63) rated medium and low.
- In relation to evaluate the reliability 16(29.09), 16(29.09) percent of answer low and medium respectively 10(18.18) of them rated high. The majority of the respondent are agree that the cannot be reliable.
- Regarding whether the company has enough ware house majority 19(34.56%), 21(38.18%) rated neutral and disagree respectively.
- Majority of respondents 30(54.55%) replied that the warehouse located is not in appropriate location.
- Customer buying capability of end users 21(328.18%), 14(25.45%) evaluated medium and low respectively.
- Over all distribution 22(40%) percent of respondent low, 16(29.11%) percent of respondent answer medium and 8(14.54%) percent of them are very low. From this decide the majority of the respondents are agreeing that the overall distribution is very low.

4.2. Conclusions

All the data analysis and discussion that have been made in the preceding part of the study are mean to lead the student researcher to possible conclusion and recommendation precisely the conclusion that can be made from finding of the research are portrayed here under.

- According to the finding the EISF the order processing performance compared to other competitor is poor or unsatisfactory. Therefore from the above discussion it is possible to conclude that customer are not happy the order processing performance offered by the company, on the other side the order processing

efficiency means the ability to reduce the timing order taking is lower due to this reason EISF is going to lose its customer as well as its market share.

- According to the research findings the availability of the product is also in question since customers do not always get the product whenever they need it. Primary function of distribution management is ensuring that the product or service is made available to the customer. From the above statement one can notice that how the data obtained contradicts the distribution principle. Therefore, conclude the situation may lead to customers move to other company, ultimately the influence of it on the performance of the company is dangerous.
- According to research finding the availability of the product is also in question time of they want the customer they don't believe that because they are not satisfied the availability of product cannot be get they want on the other side EISF is going to lose its customer.
- Based on the data obtained the capability of producing customer specification is low the company doing now perform better respective customer. Thus, can be taken as the performance is good but need to give more emphasized for future.
- From the conducted research the company that has not enough ware house the client are agree this as regard to distribution management warehouse the storing assorting product in order to create time utility. At the result it will be the company continue for future efficiently that this condition.
- Based on research finding the warehouse location is not an appropriate place it's difficult for customer regarding the availability of on time. Thus it is impossible the sequence of product to handle of customer.
- With regard distribution performance, the study revealed that the level of satisfaction is lower than expected. It might be one of the main reasons for sales decline including the market share, the overall distribution the broad range of activity concerned with the efficient movement of finished product from the end of production line to the customer. At the result the companies have a challenge over all distribution.

4.3. Recommendations

This part of the study tries to forward certain recommendation that would help the company management to overcome the problem faced or occurred. The opinion which can be recommended or forwarded allow the firm to analyze different that handle the management archive its objectives.

- Concerning the order processing the company should establish strong link between starting production up to handling product to customers in order to provide modern equipment all the facility.
- Regarding availability of product the company needs to give emphasize the distribution element increase the production capacity and it can be need to done inter link between production activities to fulfill the customers desired
- The company should determine the right capability integrated with distribution elements modern operational carry and bulk product to handle customer when they want. Effectively and offer at the right time.
- The company should determine the availability of product offer when customer want Based on this for future the importance of making maintain quality product improve the company market effort.
- Regarding distribution performance the company should increase number of warehouse and to assess customer from different location (area).
- The company should try to decentralize it's warehouse were the market assess easily and make the distribution channel effective and efficient reaching target market.
- Finally, the company for future effective distribution mechanism consider in order to improve the overall distribution practice to satisfy the customer need. Besides these the company need to give emphasizes the overall distribution element.

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APPENDIX

Appendix A

St. Mary University
Business faculty
Department of Marketing Management
Questioner to be filled by the Customer

Dear Respondent

This questionnaire is prepared to gather information which is the input of the research. The objective of the research is to analyze the performance and challenges regarding the distribution practice of Ethiopian Iron and Steel factory. I assure you that all information you will provide to the research will be kept strictly confidential.

You're though response to question are sought to be greater help to the success of this study. There for pleas kindly extend your cooperation by finely and honestly responding to the item continued in this questionnaire.

General direction

- Thank you very much for your kind cooperation
- For each multiple question ,please put (√) mark for your choice

Personal Characteristics respondent

1. Gender
A. Male B. Female
2. Age
A. 18-30 B. 31-42 C. 43-54 D. 55 and above
3. Education Background
A.1-12 B. certificate C. Diploma
D. 1stdegree E. 2nd degree

Basic information

4. For how long have you been customer of Ethiopian iron and steel factory?
A. 1-3years B. 4-7years C. 8-12 years D. 13 and above

5. How do you evaluate the order processing time of E.I.S.F compared to other competitor?
 A. Very fast B. Fast C. Medium D. Late E. Very late
6. How do you evaluate the availability of product with desired level of customer?
 A. Very high B. High C. Neutral D. Low E. Very low
7. How do you evaluate the company's capability of producing the order at the right time?
 A. Very good B. Good C. Medium D. Poor E. Very poor
8. Do you agree the statement of that the product is available when you want?
 A. Strongly agree B. Agree C. Neutral
 D. Disagree E. Strong disagree
9. How do you measure the Company capability of producing according to customer specification?
 A. Very high B. High C. Neutral D. Low E. Very low
10. How do you measure the reliability of the Company?
 A. Very high B. High C. Neutral D. Low E. Very low
11. Do you agree that the company has enough ware houses?
 A. Strong agree B. Agree C. Medium
 D. Disagree E. Strong disagree
12. Do you think that the Company Warehouse is located at appropriate location?
 A. Yes B. No C. I don't know
13. How do you evaluate your customers buying capability?
 A. Very high B. High C. Neutral D. Low E. Very low
14. Over all Distribution Practices?
 A. Very high B. High C. Neutral D. Low E. Very low
15. Finally if you have any kind of additional comments please try to mention it _____
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Appendix B

St. Mary University
Business Faculty
Department of Marketing Management

Structured interview Question for Marketing Manager of the Company.

1. Where do you purchase the raw material available to produce your product?
2. How do you measure the order processing practice of your company?
3. How does your firm handle customer complaint?

4. What major problem do you face with regard to the distribution facility?
5. Do you believe that you have enough warehouses for your production?
6. Do you believe that the warehouse is located appropriate place?

Candidate Declaration

I under signed declare that this senior essay is may original work prepared under the guidance of W/ro Meaza G/Medhin all source of material used for the manuscript have been duly acknowledge.

Name: _____

Signature: _____

Date of sub mission: _____

Advisor Declaration

This paper has been submitted for examination with my approval as the university.

Name: _____

Signature _____

Date _____