

**ST. MARY'S UNIVERSITY
BUSINESS FACULTY**

**DEPARTMENT OF MARKETING
MANAGEMENT**

**ASSESSING THE PHYSICAL DISTRIBUTION
PRACTICE OF NATIONAL ALCOHOL AND
LIQUOR FACTORY**

BY

MESFIN BEKELE

**JUNE 2014
SMU
ADDIS ABABA**

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MESFIN BEKELE

**A SENIOR ESSAY SUBMITTED TO THE
DEPARTMENT OF MARKETING MANAGEMENT
BUSINESS FACULTY
ST. MARY'S UNIVERSITY**

**IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE DEGREE OF
BACHELOR OF ARTS IN MARKETING
MANAGEMENT**

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ACKNOWLEDGEMENT

Firstly I would like to thank my God, and express my special appreciation to **w/o Hilena Mohammed** my advisor especially for active and unforgettable advice for the accomplishment of this research study.

I also would like to forward my special thanks to my brother and my office staff for their supportive ideas and help which make this study to achieve its stated objective.

At the end, I only want to say thank you very much from the bottom of my heart for my mother because I have no words to thank what you have done for me.

THANK YOU ALL!!!

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CHAPTER ONE

Introduction

1.1. Background of the Study

Marketing as the process by which companies, create value for customers and building strong customer relationships (Kotler, 2006:5). Physical distribution in manufacturing and commerce to describe the broad range of activities concerned with efficient movement of finished products from the end of the production line to the consumer, and in some cases includes the movement of raw materials from the source of supply to the beginning of the production line. These activities include freight transportation, warehousing, material handling, protective packaging, inventory control, plant and warehouse site selection, order processing, market forecasting, and customer service (Smayka, 1973:5)

Physical distribution activities are mainly the result of the separation in distance and time between production center location and point of consumption of the market are movement and storage. In addition, information flow especially distribution information is key activity. Actually, the distribution pattern sets guidelines for the total system (Khanna, 2002:16).

An order cycle is the period between the times of the placement of the order by a customer to the time of the arrival of goods at his nominated place. This cycle is made up of the transmission of the order, document processing in the department and shipment of the goods (Ibid).

National Alcohol and liquor factory is a government-owned enterprise that has four branch factories. The branch factories were planted at different time and in different places. These are Sebeta branch factory established in 1898 G.C, Maychew branch which serve as main branch around Mexico 1960 G.C, Akaki

branch factory in 1930 G.C and Mekanisa branch factory on 1949 G.C (company yearly magazine 2005 edition).

The main and dominant product of the company is Baro Gin and also there are different liquor products like, ouzo, double ouzo, super mint, cognac, brandy etc. and the company is selling and distributing its products by using door to door selling and plant sales services for Addis Ababa customers. However for regional customers they use agents. Company promotes its products by using different promotional toll like, sales promotion, public relation, printing media.

1.2. Statement of the Problem

According to Kahanna (2002:16) physical distribution activities 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 place. The distribution audit usually investigates the order processing and order entry operations in the company and compares them with competitive order entry applications to determine the relative cost and effectiveness of the company (Smaykay, 1973:377).

The national alcohol and liquor factory handles its order process in three ways, firstly the customers may call to factory sales supervisors to ask if the product is available or not. Secondly the sales crew may handle their need when they distribute products of the factory to door to door. Thirdly the customer came to the factory to get the product from plant sales.

The company has been a market leader in the industry for several decades. However now the companies challenge with the market and keep their owen market share. So, the student researcher is motivated to address the company's problem through preliminary study in order to investigate the existed problem.

As a result,

- It took them long period of time order and the companies deliver of products requested to their location,
- some of the employees are un skilled in the profession,
- Shortages of vehicles for distribute their owen products to the customers.

1.3. Research Questions

In order to address the above problem the following research questions are formulated:

1. How do customers perceive the existing distribution system and performance of the company compared to other competitors?
2. What factors affect the order processing practice of the company?
3. What are the challenges for the company in relation with order processes practice?

1.4. Objective of the Study

1.4.1 General objective of the study

The general objective of this study is to assess the physical distribution practice of National Alcohol and liquor factory.

1.4.2 Specific objective of the study

1. To determine the firm's performance with particular reference to distribution practice.
2. To identify factors that affects the order processing practice of the company.
3. To identify challenges that the company have in relation to order processing.

1.5. Significance of the Study

The studies have importance for different parties in different perspectives.

The company National Alcohol and liquor factory has been a beneficiary to evaluate their own physical distribution practices and It also creates an opportunity to the student researcher to develop the knowledge in the area. Finally it can help as secondary sources of information for further research made in the area.

1.6. Scope of the Study

The National Alcohol and liquor factory has four branches which are located in regional state and also three branches are in Addis Ababa. Taking all the physical distribution practice of all branches may have an advantage to make the study complete. However, the student researcher delimits its focus on the physical distribution practices of head office plant sales because the overall physical distribution activities performed there and also customers purchased products from head office plant sales. Moreover, even if physical distribution has different elements like transportation, material handling, order processing, etc. the student research focus on only order processing practice of NALF because finding gained from retailers and wholesalers of the firm revealed it as a very crucial problem that create the existing market share decline of the company. The time period for the analysis is for the last three years that is from 2004- 2006 because the companies PPR and BSC apply during three years latter so the study investigate only the last three years.

1.7. Research Design

The student researcher has been use descriptive research method to describe the main physical distribution practice of NALF and to achieve the research objectives. Descriptive research is based on clear understanding of a problem, certain hypotheses already formulated, knowledge about the nature of information that is to be collected during the research, and also on large representative samples. The results of descriptive market research are used in order to obtain general conclusions about some customer group or the whole market (Malhotra 2004:472).

1.7.1. Population and Sampling Technique

The student researcher has taken the customer of the company which is wholesalers and retailers. Furthermore, sales manager has been included in this research as a population.

According to shkula (2010, 62) where researchers and managers want to have a rough idea of population reaction rather than a precise understanding they can use non probability sampling technique. This sampling technique conducted through Convenience sampling the selection of the respondent sample is left entirely to the researcher.

In problem solving research the number of respondents have to be at least 200 according to (Malhotra 2006:339). So the sample size of this research is 200 respondents to fill the questionnaire.

1.7.2. Types of Data to be Collected

To make the research complete and accomplish the stated objective the student researcher used both primary and secondary data. Primarily by using questionnaire and interview and also secondary data is collected from unpublished materials, books, and magazine.

1.7.3. Method of Data Collection

The primary data were collected through interview and questionnaire for interviews prepared check list and for questionnaires prepared open-ended and close-ended questions. The interview was made with the company sales manager, and questionnaires were distributed to customers. secondary data was collected by referring unpublished materials, books, and company yearly magazine.

1.7.4. Method of Data Analysis

The collected data has been analyzed by using both quantitative and qualitative method. Quantitative methods of analysis techniques has been used to summarize the findings, collected through questionnaire for customers of the company by percentages computed. Qualitative technique has been used to analyze interview with sales manager of the company.

1.8. Organization of the Study

The paper has been organized in to four chapters, The first chapter includes background of the study, statement of the problem, objective of the study, significance of the study, scope of the study, research design and methodology, limitation of the study and organization of the paper. The second chapter includes review of related literature which is related with the subject matter from different sources about general theories and guidelines on physical distribution practice. The third chapter presents data presentation, analysis and interpretation of the research. The fourth chapter includes summary, conclusion, and recommendations based on the fact found on the research. Finally, bibliography, questionnaires and interview check list are attached.

1.9. Limitation of the study

All studies no matter how they are prepared with high consideration limitation do exist. There are some limitations associated with this particular study. The following limitations are observed.

- Challenging to get relevant books specifically on order processing.
- In convenience of time to approach some respondents
- In convenience of finance for transportation and publications

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This Chapter is providing a review of the literature as related to the topic of physical distribution.

2.1 overview of Physical distribution

According to Engle (2009, 196) physical distribution involves planning, implementing and controlling the physical flows of materials and final goods from points of origin to points of use to meet customer needs at a profit. The starting points for designing the physical distribution is to study what customers want and what competitors are offering. Sherlekar's, (2004:456) Physical distribution would involve not only movement of finished goods from the end of production line to the final customer, but also the flow of materials from the supplier to the factory. Physical distribution involves management (planning and control of the physical flows of raw materials and finished goods from the point of use consumption to meet the customer needs at a profit. It covers all activities in the flow of goods between producer and consumer (James, 1997:60).

To strength authors explains that, distribution activities as the most persuasive of all human activities as that involved movement and storage of goods for the purpose of achieving the desired objective of making the right type of product available at the right place (Khana, 2002:14).

2.2 Nature and importance of Physical Distribution

Physical distribution, as a subject of study which is a relatively various elementary functions have been carried out always by various departments. The discipline aims at integrated management. It recognizes related activities that were previously scattered amongst various units within the firm (Khana, 2002:14).

According to Kotler and Armstrong, (2006:379) physical distribution typically started with products at the plant and then tried to find low-cost solutions to get the customers. However, today, Marketers prefer customer-centered logistics thinking, which starts with the market place and works backward to the factory, or even to the source of supply

Ramaswamy and Namakumari (2003:379) physical distribution is a fertile area for cost saving. Stren and etal (1996), also believed that the physical distribution function offers great potential for profit improvement. They also said that, with an integrated physical distribution system, visible costs, such as transportation, warehousing, and inventory management can be reduced. Therefore, one of the concerns of physical distribution management is to keep these visible costs down. In addition to controlling visible distribution, manger must also be concerned with hidden cost. These are the profit opportunities lost due to failure to ship the product on time and the cost of lost sales, canceled orders, customer dissatisfaction associated with stock outs.

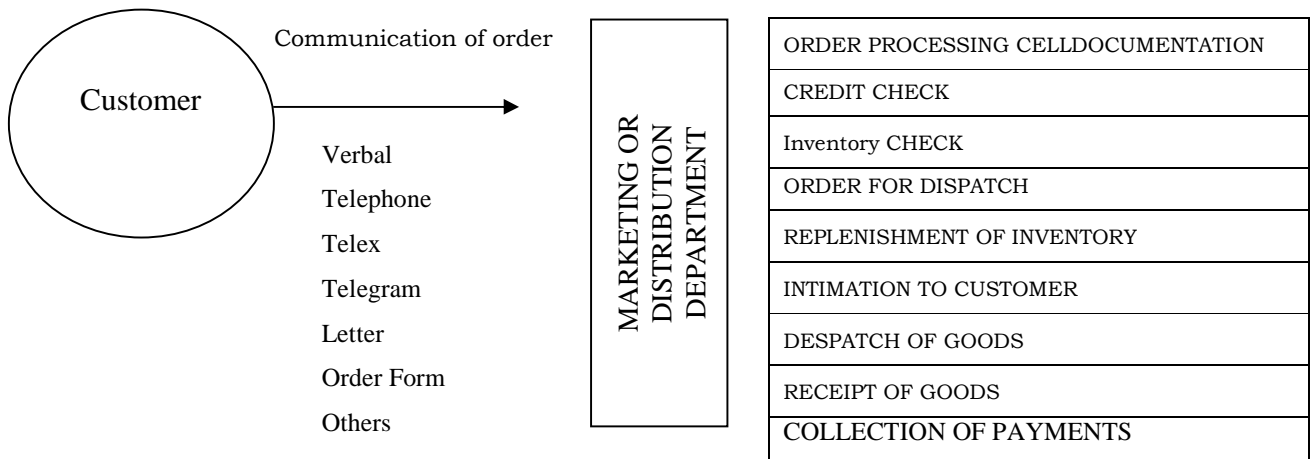
2.3 components of Physical distribution

The major physical distribution function included order processing, Inventory management, warehousing, material handling, packaging and transportation.

2.3.1 Order Processing

Physical distribution begins with a customer order. The order department prepares multi copy invoice and dispatches them to various departments. Items out of stock are back ordered (Plamer, 2000:405) an order cycle is the period between the times of the placement of the order by a customer to the time of the arrival of goods at his nominated place. This cycle is made up of the transmission of the order, document processing in the department and shipment of the goods. 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 on which the whole physical distribution system is based. It gives information about the description of the finished products required to be produced at may point of time and dispatched to a particular place at a given time. With the given decision-making rules, it can represent the quantities of the different raw materials required by the organization and their schedules. On the basis of this one single document, the organization can plan its supplies and production schedules. It also compilation of individual customer orders or order forms, it can prepare statistics for the past and for casts for the future (Khanna, 2002:74).



Elements of order processing

The processing of the form involves a number of operations. Its computerization is a major step toward the 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 logistics systems and its commitment information system. The acquisition of the customer's order is the essential first step in the distribution system. No other activity takes place until either the order is received or is anticipated. Strictly speaking, it may be

considered a part of the sells function to facilitate working and minimize the possibility of error preprinted formal are used (Ibid).

2.3.2 Inventory management

Inventory management is the major component of physical distribution task. It will be obvious that without effective management of finished product inventory, it is impossible to run any business efficiently and profitably (Ramasway and Namakumari, 2002:379).

Inventory level represents another physical distribution decision affecting customer satisfaction. Marketers would like their companies to carry enough stock to fill all customer orders immediately. The intent of inventory management is to provide a continuous flow of goods and to match the quantity of goods in inventory as closely as possible with sales demand (Palmer 2000:406).

The other author (Khana 2002:99) Inventories of raw material or finished products are maintained primarily to bridge the gap between availability and demand. Sometimes goods available, but cannot be consumed because the consumption rate is lower than the production rate. In such an event, excess goods have to be stored for consumption after some time. Goods may have to be stored, for they were deliberately produced earlier for consumption at a later date. Goods may have to be stored also because they have to be transported to a far-off destination for consumption, and transport may not be readily available when required, or it may not be desirable to transport the goods to the consumption centre as and when required. Inventory problems are caused primarily because it is impossible to make the goods available at the time and at the place desired by the customers by undertaking the manufacture instantaneously.

2.3.3 Warehouse

According to Ramaswamy and Namakumari, (2002:376) warehousing is the major component of physical distribution. Warehousing management has two distinct and equally important. The first one is physical job of creating and running the network of storage points and the second point is the managerial tasks of controlling inventory levels without sacrificing service levels.

Customer service usually can be improved by decentralizing supplier inventories to provide faster replenishment of customer inventories, thus permitting customers to reduce their inventories. However, this is done at the greater capital cost of physical warehouse facilitates, the higher cost of increased safety stocks, the potential costs of move shorter-haul shipments, and ever trans shipments among ware houses. Thus, the business market must analyze the trade offs between achievement of least-cost warehouse configurations and maximum-service warehouse configuration (Gross, 1998:497). As Kotler and Armstrong, (2006:381) pointed out, production and consumption cycle rarely match. So companies must store their goods while they wait to be sold.

2.3.3.1 Types of Ware houses

There are two basics types of warehouses, namely.

A. Public Warehouses

Public warehouses are those warehouses which are owned and operated by organizations like government, cooperatives, or a company in the private sector. The major benefit of public warehouses are flexibility in terms of ease in changing the location, size, and number of facilities, no fixed costs, economies of scale and capability to offer value-added service. Firms using the services of public warehouses come under the preview of supply chain process (Khanna, 2002:191).

B. Private warehouse

Private warehouse comprises warehousing facilities operated by and owned or leased by a company handling its own goods. They are used by firms whose warehousing needs are stable enough, such as retail chain stores firms or multi brand-multiproduct FMCG companies, to make long term commitments to fixed facilities. Generally, private warehouses assure greater design flexibility with respect to storage and material handling needs, greater and efficient control of warehouses, operational functionality, rapid information flow and lower costs (Ibid).

2.3.4 Material Handling

Material handling is an important activity. Products must be received, moved, stored, and assembled to meet customer order requirements. The direct labor and capital invested in material-handling equipment are a major part of total logistics cost. When performed in an inferior manner, material handling can result in substantial product damage. It stands to reason that the fewer times a product is handled the less potential exists for product damage, and the overall efficiency of the warehouse is increased (Donald and David, 2000:32).

According to (Khanna, 2002:141) the handling of materials is a human activity which has been performed since time immemorial. It does not add to the value of the product. But it is an essential production function. Unless the system is properly designed, it even increases the cost of production. Many organizations do not pay adequate attention to this function. On an average, fifteen to twenty percent of the cost of a product is incurred on material handling. Tangible cost of material handling and of labor and also machinery costs, there are the hidden costs of material handling which arise from damage of raw materials and finished products, delay in transportation, deterioration in the quality of the product, waste of productive labor time, and loss of production. This total material handling cost must be minimized by designing a proper system.

2.3.5 Packaging

According to Khanna, (2002:179).Packaging is the use of containers 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 aids in motivating a customer to buy the product. The degree of motivation depends on the type of 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.

Moreover, (Agrewal 2003:247) define packaging is the design of a package and producing an appropriate and attractive container or wrapper for the product which will protect the attributes of the product till it is used by the user and or creates a demand.

Packaging is generally categorized in to 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, industrial packaging for production-related materials, and institutional packages. There is also packaging aspect to vehicle required for protection during loading and unloading as well as inter-modal containerization (Agrewal, 2003:247).
- 2. Consumer Packaging:** - is often based on marketing consideration in terms of advertising and sales values. At present in the world of globalization packages are playing a very important role in getting competitive advantage 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 rivals(Ibid).

2.3.6 Transportation

The importance of transportation in physical distribution emanates from a variety of factors (Kotler, 2002:372). In some cases, production locations are totally dictated by considerations, like proximity to source of raw material. As a result, the points of production might be far away from the markets for the production. In some cases, huge production capacities get established at a given location on considerations of technology and economical of scale. The product has to be marketed over an extended territory it has to be transported over long distances, stored for a considerable length of time and sold then, there are products, which are impacted by the seasonality factor-either production is continuous but demand is seasonal or demand is continuous but production is seasonal. Physical distribution becomes particularly crucial. It has to perform the balancing act between production and consumption.

According to (Khanna, 2002:269) Transportation confers 'time utility' and 'place utility' to the product, it determines the company customer service it also has a crucial bearing on the other element of physical distribution and marketing, like warehousing inventory control and channel management. Transportation is also a very important cost element in most businesses.

2.3.6.1 Importance of Transportation

The role of transport in national economy is very crucial. It is at once a cause and an effect of increased economic activity steps up the demand for additional transport infrastructure. This important role of transport in national economy has generally not been appreciated by national planners and managers in developing countries, they tend to overlook or underplay its importance. They tend to technical and financial aspects; either ignoring transport infrastructure will somehow solve itself (Khanna, 2002:236).

2.3.6.2 Main tasks in Transportation Management

The main tasks involved in transportation management are discussed below (Ramaswamy and Namakumari, 2002:375).

- i. Assessment of the transportation requirement:** - A transport manager makes an assessment of the transport requirements based on the sales forecast, sales plan and schedules.
- ii. Choosing the mix of the transport modes:** - Depending on the product, the market and the cost factors, firms select the transport mode, or the combination of modes.
- iii. Deciding the routing plans:** - Routing has two dimensions: first, systematic assignment of territories to each production or supply point, secondly service the retail points. When a firm has more than one production location or supply point, it should clearly demarcate the marketing territory to be serviced by each location.
- iv. Developing Operational Plans:** - The Transport manager must work out detailed operational plans from the overall transportation plan. Detailed plans/schedules must be developed for each product and each supply point/warehouse, month-by-month and week-by-week. The plan must indicate the mode or combinations of modes.
- v. Implementation of Plans:** - The transportation job does not end with preparation of plans, the determination of optimal mode mix, development of operational plans and putting in place the required service contracts. The smooth movement of the product and efficient execution of the whole plan with minimum deviation is the real task.
- vi. Controlling Transportation costs:** - Transport cost is a major element of distribution costs in most businesses. It is essential that the transportation costs are controlled tightly; this has to be done without sacrificing the minimum guaranteed distribution service level to the channel and consumers.

2.3.6.3 Modes of Transportation

According to (Smaykay, 1973:153) The Basic modes available of transportation are rail, highway, water, pipeline and air. (Kottler and Armstrong, 2006:382) adds that, an alternative mode for digital products: The Internet choice of transportation carriers affects the pricing of products, delivery performance, and condition of the goods when they arrive-all of which will affect customer satisfaction. In shipping goods to its warehouses, dealers, and customers, the company can choose among five main transportation modes.

In choosing a transportation mode for a product, shippers must balance many considerations: speeds dependability, availability, cost, and others. If a shipper needs speed, air and truck (highway) are the prime choices: if the goal is low cost, then water or pipeline might be best (Kotler and Armstrong, 2004:426).

- i. **Railways:** - Are one of the most cost-effective modes of shipping large amounts on bulk products over long distances. Such as the volume of forest products, grain, chemicals, metals, and farm products (Sherleker 2004:434).
Railway transport is more certain, regular and uniform than any other transport it has a very large carrying capacity. For long distance journey and for bulky goods it is the most popular transport (Ibid)
- ii. **Highway:** - highway is the most popular mode of transportation is truck. Its importance in shipment of selected industrial products can be seen in the fact that more than eight percent of the weight of all machinery, fabricated, metal products, and rubber and plastic products in the United States moves by truck.
- iii. **Water:** - In land water ways are rivers and canals. Oceanic area transport is important for international trade and coastal trade water

- transport provides natural highway. It is the cheapest means of transport. Steam ships and boats are the means of water transport.
- iv. **Pipelines:** - This mode of transport is a very significant but with a very restricted scope. Pipeline is used primarily for the shipment of liquid and gas like crude petroleum, and refined and natural gas. The basic nature of this mode of transport is unique in comparison to all other modes; It includes a significant initial fixed cost in setting up the pipelines and related infrastructure lowest variable cost, eighty to ninety percent optimization of pipeline capacity utilization (Agrawal 2003:222)
 - v. **Airway:** - when goods are transported by air, the mode of transport is called airways. This mode of transport is the newest and least preferred mode, especially for international purposes. One of the significant advantages of the air transportation lies in the speed. It needs only a few hours for a shipment from one place to reach another, in contrast to the days required with any other modes. That is the reason why, it's a most preferred mode of transport for perishable goods like flowers or for emergency service like supply of a spare part during the break down of a machine. In the present day's considerable international trade and growing awareness about logistical services, the growth of this mode is gradually increasing. However, the freight of this mode is highest in comparison with other modes. (Ibid).

2.4. Market forces influencing Physical Distribution

The number of market forces emerged that have an impact upon effective physical distribution management. This section briefly explains the more important market forces influencing the rate and nature of increased interest in physical distribution management by business firms (Smoky, 1973:42).

i. Geographical Shifts

The market no space place is dynamic and constantly shifting in geography as workers, firms, and government seek to gain strategic and operational advantage. As the concentration of consumers or industrial users geographically shift within the market place, the physical distribution system of the firm must be adjusted to maintain an effective balance between customer service and costs.

ii. New product Development

To maintain sales volume and profit position, most firms find it necessary to introduce new product regularly. The net effect of an expanded product line is an increase in the complexity and scope of the distribution logistics. Today's markets there are more than seventy national brands, with new product introductions occurring almost monthly. With this explosion in the number of brands, stock-outs, inventory investment, shipment size, and decentralized placement of inventory emerge as serious physical distribution problems.

iii. Transport and unit-loading technology

New technology in transportation, unit loading and closely related functions continually because business firms to evaluate the adequacy of their operations. The new interest highway system has shortened both the time and cost of motor carrier movement of goods to the market place and of raw materials movement to the production site. Containerization, developments in packaging and material handling innovations have introduced unit loading as a standard method of product movement. New products, new applications, and new technology have caused alterations in cost, and management most constantly monitor innovations that will allow lower costs or improve customer service.

iv. International marketing

Improvement in physical distribution technology has helped develop an emerging world market for products and services. This world market is two-sided, because the same development makes it possible for foreign business to compete for a share of the United States domestic market. As result of their expanding market, the demands on physical distribution have considerably broadened. With variations in export-import documentation and regulation, carrier availability and reliability taxes and business regulation, international physical distributions a formidable task.

v. Competition

In addition to multinational competition, a substantial increase in competition among domestic firms has also developed in consumer and industrial markets. The increasing cost of new product introduction raises the cost failure. A soundly developed and administered physical distribution system also offers means to gain advantages over the competition in terms of delivery service. This is particularly true in industrial market or in markets in which there are alternatives between competitive products. In this sense, a superior physical distribution system provides a competitive tool for the firm.

vi. Channel pressures

Institution in the channel of distribution may be viewed as a competitive system, with each element in the system attempting to gain an advantage other channel members. The extent to which any member of the channel can exert pressure to achieve his objectives at the expense of other channel members depends on the economic power of the firm and on governmental regulation of competitive and cooperative relationships. As the structure of distribution changes and can be expected. Middlemen at all levels in the channel become more scientific in their management of physical distribution; some increased pressure can be expected.

2.5 Customer Perception

Individual act and react in the basis of their perceptions not on the basis of objective reality. For each individual, reality is a totally personal phenomenon, based in that person's needs, wants, values, and personal experiences. Thus, to the marketer, consumer's perceptions are much more important than their knowledge of objective reality. If one thinks about it, its not what actually is so, but what consumers think is so, that affects their actions, their buying habits, their leisure habits, and so forth. And because individuals make decisions and take actions based on what they perceive to able reality, its important that marketers understand the whole nation of perception and its related concepts to more readily determine what factors influence consumers to buy. The introduction of law-calorie beer, consumers had no pre-conceived view of the product. The behavior of beer drinkers, it provided the company will as way to interpret the new offering in a manner congruent with their needs. (Clean and etal, 2007:152).

2.5.1 Definition of perception

According to (Solomon, 2002:42) define that, perception is the process of by which these sensations are selected, organized, and interpreted. The study of perception, then, focuses on what we add to these raw sensations in order to give meaning. Perception is defined as the process by which an individual, organized, and interprets stimuli into a meaningful and coherent picture of the world (Leon and etal, 2007:152).

2.5.2 Perception and marketing strategy

Information is the primary raw material the marketer works with in influencing consumers. Therefore, an understanding of the perception processes an essential guide to marketing strategy (Hawkins, 2003:298).

i. Retail Strategy

In recent years, many retailers have felt a need to reduce the number of skus (stockkeeping units' individual items such as brands, sizes, and versions) within product categories in order to reduce operating costs. However, they have been reluctant to do so for fear that consumers would perceive this has a reduction in choice and shop less where. Research shows that eliminating low-preference items while holding total product category shelf space constant does not have a negative impact on consumer perceptions. (Hawkins 2003:298) retailers often use exposure very effectively. Store interior, are designed with frequently purchased items, such as, canned goods, Fresh Fruits/vegetables, and meats are separated so that the average consumer will travel through more of the store. This increases total exposure. High-margin items are often placed in high traffic areas to capitalize in increase exposure

ii. Brand name and logo Development

It indicates that brand names can influence how food products to consumer. The tendency toward global brands. It is imagine how complex creating an appropriate name can be. The unique spelling attracts attention. And gives a "scientific" impression. In general, concrete terms with relevant established visual images such as mustang, Apple, or cup-a-soup are easier to recognize and recall than are more abstract terms. However, alphanumeric names (world and letter combinations such as 2210) are very effective for some product categories and target markets.

iii. Media strategy

The fact that the exposure process is selective rather than random is the underlying basis for effective media strategies. Since exposure is not random, the proper approach is to determine to which media the consumers in the target market are most frequently exposed and then place the advertising messages in those media. For some products and target markets, consumers are highly involved with the product category itself and will go to considerable trouble to secure product relevant information. For other products and target markets consumer have limited involvement with the product category product such as gasoline or detergents. In a situation such at this, the market must find media that the target market is interested in and place the advertising message in those media.

2.6 Market Opportunities

Assessing Market opportunities is basic to strategic planning. In our increasingly competitive and changing world, effective market performance depends on the continues gathering and analysis of information on customers, competitors, and internal and external forces to support strategic decision making. Strategic decision making must be based on knowledge about market potential, customer segments, and requirements and other forces in the firm's internal and external environment. The assessment of environmental opportunities and threats, and the company is capacity to respond, however, must be performed with systematic care. In the strategic decision making process to analyze market potential, market share, sales, business trends, and competition they also use market research to establish sales forecast and quality for customers and territories, to study new product a acceptance and potential, and to determine market characteristics. As we move into the era of computer designed support systems, the perspective and use of research in strategic decision making has changed considerably. Computerized systems no

stores, calculate, and retrieve data and enable managerial interaction to facilitate decision making at conveniently located terminals. Today's decision makers use market research in a dynamic manager/machine interface in which a synergistic effect is achieved in analyzing the marketing environment and mitigating problems (Robert, 2004:172).

According to (Kotler,2006:189) defines a company marketing opportunity as an attractive area for company marketing action in which the particular company would enjoy a competitive advantage.

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This part of the research paper is devoted to presentation, analysis and interpretation of data gathered from participant of this study which are customers of the company and sales manager of the company. 200 questionnaires were distributed to customers and 200 are filled and returned to the researcher and also interview with the sales manager of the company.

3.1 General Characteristics of the Respondent

This part of the paper presents general characteristics of the respondents.

Table 1 Background of the respondents

No	Item	Customer respondents	
		Customers Number	Percentage %
1	Gender		
	Male	140	70%
	Female	60	30%
	Total	200	100
2	Age		
	18-29 years	10	5%
	30-41 years	90	45%
	42-53 years	50	25%
	54-65 years	40	20%
	66 years and above	10	5%
	Total	200	100
3	Educational Background		
	Under 12 th	120	60%
	12 th complete	55	27.5%
	Certificate	10	5%
	Diploma	10	5%
	First Degree	5	2.5%
	Total	200	100

As it can be seen from item 1 of table1, from the total respondents, 140(70%) where male respondents and 60(30%) are female and the number of male respondents is much greater than female. From this we can understand that majority of the company's customers are male.

The second Item in table 1 summarizes different age groups. From the total Respondents 10(5%) in the age category between 18-29 years, the age category of between 30-41 years 90 (45%), respondents where in the age category of 42-53 years are 50(25%), respondents where in the age category between 54-65 years 40(20%) and the remaining respondents were 66 years and above is 10(5%) from the total respondents from the above figure we can understand that majority of the respondents are adults.

The third item of table 1 summarizes and presents the educational background of customer's respondents.

From the total respondents 55(27.5%) of them are under 12th, 120(60%) respondents were at 12th complete, 10 (5%) of the respondents were Certificate level, 10 (5%) of the respondents were Diploma level, and the remaining respondents which is 5(2.5%) were First Degree this implies somehow the customers are educated.

3.2 Analysis of the Findings of the Study

For the purpose of analysis 200 questionnaires were distributed to customers and 200 are filled and returned to the researcher. Thus, in the next section, the major findings of the study are presented, analysis and interpret of the data gathered customers respondents of this study.

Table 2 Customer Purchasing Frequently

No	Item	Customer Respondent	
		No	Percent %
1	Do you purchase NALF products frequently?		
	Yes		
	No	190	95%
		10	5%
	Total	200	100
2	Please Mark the time periods you have purchased NALF products?		
	Daily	10	5%
	Weekly	150	75%
	Monthly	32	16%
	Holydays	8	4%
	Others	-	-
	Total	200	100

The first item of table 2, Summarized regarding distributor of the company product 190(95%) of respondents responses purchases of the product while, 10(5%) respondents don't purchase company's product frequently. Thus, the implication here is that the company's making the product available to the ultimate users (distributors or agents).

The second item of table 2 summarized the periods which customers purchases the product. Out of the total respondents of customers group 10(5%) has been purchased during daily, 150(75%) of them were weekly. 32(16%) of them are buys monthly, 8(4%) of the respondents were purchased on holidays.

Thus, from the above figures we can understand that, majority of the respondents purchases the company products during weekly. Thus, the

implication here is that the company's provide the product at their Owen weekly program.

Table 3 Availability of the product at the right time

No	Item	Customer Respondents	
		No	Percent %
1	NALF delivers bottled liquors as per your request at the right time?		
	Strongly agree	20	10%
	Agree	35	17.5
	Neutral	15	7.5
	Strongly Dis agree	105	52.5
	Dis agree	25	12.5
	Total	200	100
2	If your response for the above question is strongly dis agree, explain the extent of shortage		
	High	85	42.5%
	Less	15	7.5%
	medium	5	2.5%
	Total	105	52.5
3	What is the condition of availability of the product in distribution?		
	Extremely good	10	5%
	Very good	10	5%
	Average	40	20%
	Very bad	90	45%
	Extremely bad	50	25%
	Total	200	100

According to the respondents in table 3 item 1 customers point of view 20 (10%) of them Strongly agree, 35(17.5%) has been Agree, 15(7.5%) has been Neutral 105 (52.5%) where strongly dis agree and the rest 25 (12.5%) of them are dis agree. From the above response we can understand the company has poor performance regard with delivers their products to the customers.

Regarding table 3 item 2, as it is observed by the outcome of questionnaire 85(42.5%) of the respondents is the extent of shortage during delivery replied high and 15(7.5%) the extent was less, 5(2.5%) of them medium. the responses customers indicates the extent of shortage is high so we can understand from this the company has shortages of stock available or products.

As it is revealed in table 3 item 3, with respect to condition of availability 90(45%) of the respondents is very bad and 50 (25%) of the respondents has been saying that extremely bad. This implies that customers getting poor condition of availability of the product from the company. On the other way, 10(5%) of the respondents the concerning condition of availability of the product saying that Very good while, the remain 10(5%) of them the respondents were replied the same as pervious numbers of customers which prefer extremely good.

Thus majority of the respondents complain on condition of availability of the company's product.

Table 4 Over all Distribution Practice of Delivery time and order process of the company compared to other companies and perception

No	Item	Customer Respondents	
		No	Percent %
1	order process of a NALF compared to other competitors is the fastest		
	Strongly agree		
	Agree	15	
	Neutral	10	7.5%
	Strongly Dis agree	25	5%
	Dis agree	80	12.5%
		70	40%
			35%
	Total	200	100
2	There is change and improvement of order processing practice in the company		
	Strongly agree	10	5%
	Agree	18	9%
	Neutral	25	12.5
	Strongly Dis agree	37	18.5
	Dis agree	110	55%
	Total	200	100
3	After you became a NALF's customer how is your perception regarding its order processing practice?		
	Very high	5	2.5%
	High	15	7.5%
	Average	20	10%
	Poor	70	35%
	Very poor	90	45%
	Total	200	100

The result summarizes in table 4 item 1, out of the total respondents 80(40%) of customer group of them were replied strongly dis agree, 70(35%) of the respondents evaluated as dis agree, 25(12.5%) of them as Neutral. 10(5%) of the respondents has been Agree and 15 (7.5%) of the respondents replied that, strongly agree. Thus, the company's overall perception compared to other s company activity where poor.

The result obtained from the questionnaire table 4 item 2, 10 (5%) of the respondents are strongly agree, 18 (9%) of them are agree, 25(12.5) of them are neutral, and 37 (18.5%) of the respondents replied are strongly dis agree, where as the rest respondents replied dis agree 110 (55%).

Thus implication for here is that the company should practice different activities with different types of customer in order to build better relationship greater than competitors.

As clearly indicated in table 4 item 3 of 5(2.5%) customers answered that their perception regarding order processing were very high, 15(7.5%) of them replied are high,20(10%) of the respondents of them said average,70(35%) of them replied are poor, and the remaining 90(45%) of the customers are answered very poor.

Thus the overall perception of most customers was poor and very poor it is not good news to the company.

Table 5 Customers perception with regarded to product quality, and customers of company

No	Item	Customer Respondents	
		No	Percent %
1	I want to be customer of the company to the future?		
	Strongly agree	28	14%
	Agree	45	22.5%
	Neutral	20	10%
	Strongly Dis agree	34	17%
	Dis agree	73	36.5%
	Total	200	100
2	NALF can full fill all the qualities of Alcohol in the future?		
	Strongly agree		
	Agree	40	20%
	Neutral	105	52.5%
	Strongly Dis agree	13	6.5%
	Dis agree	18	9%
	Total	200	100

As indicates in table 5 item 1, 28(14%) of the respondents are strongly agree, 45(22.5%) of respondents says agree, 20(10%) of them has been replied neutral, 34(17%) of the respondents are strongly dis agree, and lastly 73(36.5) of them has been replied dis agree. The higher numbers of respondents which are more than 50% of the respondents are totally do not the customers of the company this implies that the company has their own problem regarding with customers handling system.

As can be seen in table 5 item 2, customers has been asked to rate the qualities of the alcohol according to their perceives. Regarding the respondents 40(20%) of them respond that strongly agree, 105(52.5%) of the respondents answered agree,13(6.5%) of them has been neutral,18(9%) of the respondents replied strongly dis agree and the remaining 24(12%) of respond that dis agree.

From the above figures we can say that most of the respondents are full confidents regarding with the quality of the company products.

Table 6 related with giving training for the sales personnel of the company

No	Item	Customer Respondents	
		No	Percent %
1	NALF gives training for their sales person related to order processing practice		
	Strongly agree	15	7.5%
	Agree	20	10%
	Neutral	25	12.5%
	Strongly Dis agree	42	21%
	Dis agree	98	49%
	Total	200	100

As indicated in table 6 item 1 15(7.5%) of the respondents are replied strongly agree, 20(10%) of them has been agree,25(12.5%) of them are replied neutral, 42(21%) of the respondents answered strongly dis agree, and the remaining 98(49%) of customers replied dis agree.

From this we can understands the company somehow do not give up to date training for their sales personnel as a result the customers dis satisfy with practice of order processing.

Table 7 customers' complaints and cause of order processing practice in customers of the company

No	Item	Customer Respondents	
		No	Percent %
1	Do you think NALF receives any complaints from customers related with order processing?		
	Strongly agree	20	10%
	Agree	65	32.5%
	Neutral	38	19%
	Strongly Dis agree	25	12.5%
	Dis agree	52	26%
	Total	200	100
2	The order processing practice of NALF cause any problem to your business activities		
	Strongly agree	45	22.5%
	Agree	100	50%
	Neutral	25	12.5%
	Strongly Dis agree	16	8%
	Dis agree	14	7%
	Total	200	100

The result obtained from the customers table 7 item1, 20(10%) of the respondents replied strongly agree, 65(32.5%) of them are responds agree, 38(19%) of them are responds neutral, 25(12.5%) of the respondents responds strongly dis agree, and lastly 52(26%) of customers are replied dis agree. This implies that somehow the company received the customer's complaints.

Clearly shows in the table 7 item 2 45(22.5%) of the respondents are respond as strongly agree, 100(50%) of them are respond as agree, 25(12.5%) of them are respond as neutral, 16(8%) of the respondents replied as strongly dis agree,14(7%) of customers are replied dis agree,

from this we can understand that the company order processing practice is affected their business activities farther in open ended quotations most of the customers are lists the company delaines in delver the product and because of this decries on their profit.

3.2.1 Analysis of Interview with sales manager of NALF and customers response

Based on the questionnaire that is gathered from customers and sales manager of NALF. I am going to analysis what the real practice of the company in regard is with order processing practice.

According to the sales manager of the company NALF was established at different times by private owners. The company established with four branch factories situated in different places and established in different times. For instance sebeta branch in 1906. This can show the company has a long term experience in the field. In addition to this the market share of the company is very high b/c the brand already being in the mind of the customers.

as indicated the manager related with the impact of physical distribution market share of the company. It has big impact b/c distributing its products mean its biggest goal of achieving its success but the physical distribution on of the company has a lot of draw backs. If a company has problems with physical distribution it will lose its market share through time and help its competitors to get chance to share its market.

Also the manager answers in relation with give equal attention to all elements within the physical distribution. No, the company does not give equal attention to elements of physical distribution. This may lead the company not to perform the physical distribution well. In fact the elements do not get equal attention but at least they need their own attention otherwise the strength of physical distribution will be affected.

In relation to measure the order processing practice of the company the sales manager replied.

The company is doing its best to handle the order processing practice but according to the customers the practice of order processing has been done very poorly to strengthen this whether the customers get bottled liquors as per their request at the right time, for this the customers answers strongly disagree

So this implies the order processing practice has drawbacks. Not only this has the sales manager also given an idea which can best show the problem that hinders the practice to be poor. This can be discussed with the major problem of the company in accordance with order processing practice. He stated that the major problem of the company in regard with order processing practice is not to address what is set to deliver on the right time and place.

In addition to this the company try to give the important feedback towards the complaints raised by the customers according to the sales manager, however many of the customers are not happy by the way that the company is handling their compliance related to order processing practice. This may lead frustration to the customers and they may look for other choice that can solve the problem they face with the company.

From this and other questions one can generalize the order processing of the company is really poor even if there are some good signs which helps the company to solve its problem like give training and handling of customers compliance. So that the company has to do more to solve what is going on in regard to order processing practice which is now takes place in the company immediately.

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter is the last part of the study which deals with summary of the major findings, conclusion and recommendations. The student researcher used both primary (questionnaire and interview) and secondary source of data.

4.1 Summary of the Major Findings

This part of the research paper is devoted to summarize the major findings of the study.

- ◆ out of the total respondent's majority of them are male that means 140 (70%).
- ◆ In the case of their age the majority of customers group which covers 90(45%) of total respondents were between the age range of 30-41years.
- ◆ the summary of educational back ground shows that, 120 (60%) of respondents were under 12th grade.
- ◆ regarding their purchasing period the majority of the respondents 150 (75%) have been replied during weekly.
- ◆ With respect to know where respondents to get the product respondents105 (52.5%) replied are strongly dis agree
- ◆ concerning condition of availability of the product it the right place the majority of respondents replied very bad 90(45%).
- ◆ In relation order process of a NALF compared to other competitors majority of respondents are replied Strongly Dis agree 80 (40%).

- ◆ from the response obtained in any change and improvement in distribution practice, majority of respondents answered Strongly Dis agree 110 (55%).
- ◆ from the response obtained to be customer of the company to the future majority of customer's respondents answered Dis agree 73 (36.5%).
- ◆ Majority of Customers response regarding with fulfillment all the qualities of Alcohol in the future they have Agree 105 (52.5%).
- ◆ In relation to perception regarding its order processing practice majority of the respondents are reted Very poor 90 (45%).
- ◆ Related with giving training for the sales personnel of the company majority of the respondents are replied Dis agree 98 (49%).
- ◆ In relation to receiving any complaints from customers related with order processing, majority of the respondents are Agree 65 (32.5%).
- ◆ In relation with order processing practice of NALF cause any problem on business activities of their customers majority of them are responded agree 100 (50%).

Summary of interview with sales manager of NALF

- ◆ In relation to the company established period the manager states that the company has been established since 1906.
- ◆ In relation to the impact of physical distribution on market share as the manager answered its biggest goal of achieving its success.
- ◆ regarding giving equal attention to all elements in the physical distribution the manager replied no because all elements has their owen concentration.

- ◆ In relation to measuring the order processing practice of the company the doing its best to handle according to the manager.
- ◆ regarding with major problems of the company with related to order processing as the manager discusses do not meet the agreed time and order as it is set.
- ◆ In relation to the attainment of the organization goal the manager answered it is very relevant because it is the backbone of the company market share.
- ◆ regarding responsiveness to handle customers compliant as the manager replied the company handle compliant of customers by developing and implementing compliant handling procedure.
- ◆ In relation to problems faced in distributing the product lack of enough vehicles, shortage of stock and lack of man power according to the manager.
- ◆ In relation to strategy of over order processing the manager answered for this doing solution for problems stated in question number 8 and other mechanisms.
- ◆ In relation to giving training for sales personnel the manager replied that the company gives training not specifically related to with order processing

4.2 CONCLUSIONS

Depending on the findings discussed the following conclusions are drawn.

To begin with the customers has problem with the order processing practice of the company. To strength the idea the time that the order has been processed is not as effective as the customers demand to have the product. Many of the respondents has complain regard the order processing practice time so that this may lead frustration of customers and it also decrease the company's reliability.

With regard to customer's perception, the level of satisfaction of most customers is lower than expected. Based on this it is possible to conclude that the company has not implemented a customer's perceived value.

The NALF order processing performance related to other competitors is poor or unsatisfactory. This may lead customers to switch to other suppliers. Similarly, the findings proved that customers are getting poor delivery service from the company. Therefore, from the above discussion it is possible to conclude that customers are not happy by the delivery performance offered by the company.

The respondents also mentioned that the poor performance of order processing practice cause a lot of problem to their business. Because they don't satisfy their customers and they may change their market to other competitors.

In addition, the company's delivery time doesn't meet the promised and set time as the customer needs to have. This may lead the customers to look for other opportunities that can meet their promised time with the same product. This may cause to the company to lose its market share.

In general the company has big problem in handling the order processing practice, so that as the respondents respond the company is in poor condition so that the company has to work very hard to improve its problem in regard to order processing practice.

4.3 RECOMMENDATIONS

This part of the study has been tried to state certain recommendations that would help the company marketing management to solve the problem faced or occurred. The suggestions which were recommended or stated allow the firm to analyze different solutions that hinder the marketing management to achieve its objectives.

Accordingly I would like to recommend the following possible solutions that must be taken by the marketing management of the company.

The company has to need to improve the problem which is related to the order processing practice. To do this the following points are important. The company

- Has to evaluate its order processing practice and give solution where the problem lies
- Has to give training to its sales personnel related to order processing practice
- Has to take complaints from its customers and give the necessary measures which improve their need of the company.

The company should have to establish and maintain good relationship with its customers to fulfill their requirements based of the feedback of customers and has to design information gathering mechanism.

In relation to order process the company is not in a good position still it should have to work with the principle of just in time concept, as much as possible by reducing the lead time which is the time gap between order deliveries and received.

In relation to customer service the company should improve its product availability in terms of delivery at the promised time and in terms of the right assortments of products, and improve the order cycle time which means shortening the time between order time and delivery time, as much as possible it should improve its flexibility by developing contingency plans for urgent orders, and it should give fast response for customers complaint so as to tackle unforeseen problems.

In addition the company has to work hard to use technological advancement to strength the overall physical distribution and also need to give training to its workers specially to sales personnel to attain good service because it will help to sustain the market share as the company is very popular by its quality regarding to it product.

Finally taking in to account adequate market coverage is found necessary to gain optimum volume of sales in each market, secure a reasonable market share and attain satisfactory market penetration and also expand their market.

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Appendix-A
St. Mary's University
Faculty of Business
Department of Marketing Management

Questionnaire to be filled by customers

This questionnaire is prepared by St. Mary's university prospective graduate degree student department of marketing management in order to assess the physical distribution practice of national Alcohol and liquor factory. You are requested to fill this questionnaire honestly and with due care because the correctness of the answer will have a paramount importance for the outcome of the research.

Thank you in advance for your cooperation to fill this questionnaire.

General Instruction: It is not necessary to write your name

- For multiple choice items answer by putting "✓"
- For open-ended items you are kindly requested to give your opinions briefly.

I. General Characteristics of the Respondents

1. Gender

A. Male

B. Female

2. Age

A. 18-29 yrs

B. 30-41 yrs

C. 42-53 yrs

D. 54-65 yrs

E. 66 yrs and above

3. Educational Background

A. Under 12th

B. 12th complete

C. Certificate

D. Diploma

E. 1st Degree

F. If other, please specify _____

I. Question Related to the Study

1. Do you purchase NALF products frequently?

- A. Yes B. No

2. Please Mark the time periods you have purchased NALF products?

- A. Daily B. Weekly C. Monthly
D. Holiday's E. Others _____

3. NALF delivers bottled liquors as per your request at the right time?

- A. Strongly agree B. Agree C. Neutral
D. Strongly Dis agree E. Dis agree

4. If your response for the above question is strongly dis agree, explain the extent of shortage

- A. High B. Less C. medium

5. What is the condition of availability of the product in distribution?

- A. Extremely good B. Very good C. Average
D. Very bad E. Extremely bad

6. Delivery time and order process of a NALF compared to other competitors is the fastest

- A. Strongly agree B. Agree C. Neutral
D. Strongly Dis agree E. Dis agree

7. There is change and improvement of order processing practice in the company

- A. Strongly agree B. Agree
C. Neutral D. Strongly Dis agree E. Dis agree

8. After you became a NALF's customer how is your perception regarding its order processing practice?

- A. Very high B. High C. Average
D. Poor E. very poor

9. I want to be customer of the company to the future?

- A. Strongly agree B. Agree C. Neutral
D. Strongly Dis agree E. Dis agree

10. NALF can full fill all the qualities of Alcohol in the future?

- A. Strongly agree B. Agree C. Neutral
D. Strongly Dis agree E. Dis agree

11. NALF gives training for their sales person related to order processing practice

- A. Strongly agree B. Agree C. Neutral
D. Strongly Dis agree E. Dis agree

12. Do you think NALF receives any complaints from customers related with order processing?

- A. Strongly agree B. Agree C. Neutral
D. Strongly Dis agree E. Dis agree

13. The order processing practice of NALF cause any problem to your business activities

- A. Strongly agree B. Agree C. Neutral
D. Strongly Dis agree E. Dis agree

14. What is your suggestion about the company's overall physical distribution activities?

Thank you!

Appendix-B
St. Mary's University
Faculty of Business
Department of Marketing Management
Interview check list

This interview questions are prepared to held interview with sales manager of National alcohol and Liquor Factory in order to get input for the student researcher paper that aimed at to assess the physical distribution practice of National Alcohol and liquor factory.

The outcome of this interview is intended to support a research report to the partial fulfillment for the degree of BA in marketing management

1. When and how NALF was established?
2. How do you see the impact of the overall physical distribution on market share of your company?
3. Does the company give equal attention to all elements within the physical distribution activity?
4. How do you measure the order processing practice of your company?
5. What is the major problem of your company in accordance with order processing practice?
6. To what extent do you think that order processing practice of the firm contributes towards the attainment of the organization's goals?
7. How do you see the company's responsiveness to handle customer's compliances?
8. What are some of the problems faced in distributing your product to the customers?
9. What is your strategy over order processing to improve the company's market share
10. Do you give training for your sales personnel related with order processing practice?

Thank you!

DECLARATION

I undersigned, declare that this senior essay is my original work prepared under the guidance of w/o hilena mohammed

All resource of materials used for the manuscript have been duly acknowledged

Name mesfin bekele

Signature -----

Place of summation- st. Mary's university department of marketing management

Date of summation June 12 2014

ADVISOR APPROVAL SHEET

This paper has been summated for examination with approval as the university advisor

Name hilena mohammed

Signature -----