

Study on the Physical Distribution Practice of Burayu Packaging and Printing Industry

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1. Background of the Study

The term physical distribution was first used in the army in connection with supplying and quartering of troops. Nowadays, the term is not limited to military, it is applied to the various areas of business, whether agricultural or industrial. In the agricultural sector it involves procurement, storage, movement and distribution of food grains. In the industrial sector, physical distribution is applied to the movement and storage of raw materials and finished products. As a subject of study physical distribution is relatively a new field, although the various elementary functions have been carried out always by other departments. The discipline aims at integrated management. It recognizes related activities that were previously scattered amongst various units within the firm and includes major activities like transportation, inventory control, packaging, warehousing, material handling, order processing, location analysis, and customer service (Khanna, 2002:13).

Currently, physical distribution becomes one of the core aspects that firms must give emphasis to get competitive advantage within the industry. The Burayu Packaging and Printing Industry (BPPI) is one of the largest firms which practice physical distribution activity in a manner to create smooth interaction with its customers. The Burayu Packaging and Printing Industry which was named as the Burayu Development PLC was established in 1997 G.C as a private limited company with initial capital of 15,000,000 birr; and started to commercialize its products in 2001 G.C. The company has a production plant located in the Oromia region at Burayu city, 10km far from Addis. At its initial stage it was only producing cartoon box for packing different kinds of commodities based on customer specification. But after four years, starting from August 2005, the company has begun to launch new product lines such as duplex board, labels,

cone paper, paper tube and other related products using the state of art technology. The company has different branches in Addis Ababa; the main branch is located around Bulgarian Embassy within the Kirkos Sub City. The firm has 350 employees, out of which 180 are permanent and the rests are on contractual basis. The key products the firm produces and offers to the market are different types of cartons in different sizes based on the customer specification such as two, three, five layers, cake tray, egg tray, paper cone, label, packet, calendar, paper tube and others as per the order of customers. So this study will focus on the physical distribution practice of Burayu Packaging and Printing Industry.

2. Statement of the Problem

Physical distribution encompasses broad range of activities with in a company (or other type of organization) concerned with the efficient movement of goods and raw materials both inwards to the point of manufacture and outwards from the production line to the customer (Cannon, 2002: 338). Sherlekar (2004:417) classified distribution as physical distribution which includes *order-processing, transportation, warehousing, inventory management, material handling, packaging, and customer service* and channel members mainly include *wholesalers, agents and retailers*. But this research tried to focus on the physical distribution activity practiced in BPPI, since it uses direct distribution channel without the involvement of intermediaries.

Even if BPPI was one of the dominant firms having a lion's share in the industry, currently, its market share is reducing. Because of this, the researcher was motivated to conduct the study to understand the reasons that lead to a reduction in market share by focusing on the physical distribution aspect (since it uses zero degree channel) with the intention of helping the company to get back to its previous position by giving special emphasis to the following basic questions:

1. Does the company give equal attention to all elements in the physical distribution activity?

2. Does the company create an appropriate link between each element in the physical distribution activity?
3. What are the factors that should be considered to make the company's physical distribution practice effective?
4. How does the company's physical distribution practice affect its market share?

3. Objectives of the Study

The main objective of the study is to assess the physical distribution practice of Burayu Packaging and Printing Industry. Moreover, the study has the following specific objectives:

- ❖ To find out the organization's performance by giving equal consideration to all elements in the physical distribution activity.
- ❖ To assess the company's physical distribution practice by making a link between each elements within the physical distribution activity.
- ❖ To study the extent to which the company's physical distribution practice is effective.
- ❖ To study how the company's physical distribution practice can affect its market share.

4. Research Methodology

Since the purpose of the study was to assess and describe the current physical distribution practice of Burayu Packaging and Printing Industry, descriptive research method was used. Population of the study comprised company's managers (marketing, procurement, and inventory) and also those industrial customers found in Addis. Since the company has a list of its target customers, probability sampling technique was used. Among the probability sampling technique simple random (lottery) method was employed. Out of the total population of customers found in Addis (which is 190 industrial buyers), 30% was taken as a sample since industrial buyers exhibit similar characteristics.

Both primary and secondary data were used in order to make the study complete and achieve its stated objectives. The primary data was collected by conducting interview with the company's procurement, inventory control, and marketing managers. Structured questionnaires, in both open and close ended format, were used as a primary tool to collect information from customers. Secondary data was collected by reviewing the company's published documents such as company's profile.

Qualitative and quantitative data analysis techniques were used. Quantitative data analysis technique, using percentage, was computed to get the total picture of the data collected from sample respondents. Then the summarized data were presented in the form of tables. Qualitative data was transcribed to substantiate the above findings.

5. Summary, Conclusions and Recommendations

Based on the analysis and interpretation made, the following summary, conclusions and recommendations were drawn.

5.1 Summary of findings

- Regarding the company's transportation potential, 55.1% of the respondents rated it as medium, 20.41% of them as high, 16.33% of them as low and 8.2% of them considered it as very low.
- In relation to transportation management and operation, 59.2% of them replied that it's not guided by the principles of economics of scale and distance, and the rest of the respondents said the don't know about it.
- Regarding the company's inventory management in relation to producing the ordered quantity at the right time, 22.45% of them said it is very high, 42.86% them high, and 34.69% of them said it is medium.
- Concerning the company's overall order processing potential in relation to order taking capability, 63.29% of them rated it as high and very high, 30.61% of them rated it as medium and 6.12% of them as low.

- Regarding the company's capability of producing goods based on customers' specification, 61.22% of them evaluated it as very high, 24.49% of them evaluate as high, 8.2% of them as medium and 6.12% of them evaluated as low.
- In relation to the company's reliability, 18.4% of them said it is very high, 26.53% of them gave their response as highly reliable, 44.89% of them evaluate it as medium and the rest 10.2% said it is low.
- With regards to the company's warehouse location the majority of the respondents i.e. 61.22% of them indicated that it is not located in the appropriate place, 26.53% of them replied positively, and the rest of them said they don't know about it.
- Concerning the company's material handling practice in relation to perceiving defective products, 28.57% them rated it as medium, 61.22% of them measured as low, and 10.21% of them as very low.
- Regarding the company's package majority of the respondents (i.e. 53.06%) of them has faced problems on their products, where as 40.82% of them replied that they haven't faced such kind of problems, and the rest 6.12% did not remember whether they have faced or not.
- In relation to customer service, particularly company's responsiveness to handle customers compliant, 12.24% of them evaluated it as very high, 18.4% of them as high, 53.06% of them evaluated it as medium, and the rest 16.33% of them evaluated it as low.
- Finally, concerning the overall physical distribution practice of the company 12.24% of the respondents rated it as very high, 36.73% of the respondent customers as high, 42.86% of them as medium and the rest 8.2% evaluated the overall physical distribution practice of the company as low.

5.2 Conclusions

Based on the findings indicated above the following conclusions are drawn.

- As it is revealed in the research findings, the company has not enough transportation to facilitate its activities. This will have significant impact in the over all physical distribution activity since it is the primary function and a very important element of physical distribution which really provides the time and place utility that can increase the mutual benefit of both customers as well as the company.
- The study also indicated that the company is highly capable in producing the ordered quantity at the right time. Even though this is the case, where the majority of them agreed upon, a significant number of respondents were against the idea. This situation gives, the company, to pay attention to its inventory management activity so as to reconcile the above contradictory ideas
- Based on the findings majority of respondents evaluated the overall order taking capability as high. In relation to the company's capability of producing based on customer specification majority of the respondents evaluated it as very high. From this we can deduce that the company is producing customized products which really match with the need of its customers, which in turn will have a paramount importance in creating long lasting relation for the mutual benefit of both parties.
- In relation to reliability of the company while delivering the promise at the right time, the figure shows that the company is not at the right position and this is not good for the company because reliability is the indicator for customers either to continue or stop their relation with the company.
- As it is revealed in the findings, majority of customers responded that the company's warehouse is not located at the appropriate place. Nevertheless, the company's inventory control manager would not agree with this, and he has said that the Company is not producing to stock; it is rather based on an order made from customer.
- In relation to material handling practice of BPPI, the figure has revealed that the company has good material handling practice.
- With regard to the company's package, majority of customers have made complaints; meaning, sometimes the company distributes the products by

covering with a hard plastic sheet. During this time the product may encounter some kind of damage which can in turn raise complaints from their ultimate customer too.

- Concerning customers' service of BPPI, specifically in relation to responsiveness to handle customers compliant, figures revealed that majority of the respondents rated it as medium. And this is a red light for the company to stop and think about it because customer service creates customer value or benefit, and has an impact on market share, total cost and profitability.

5.3 Recommendations

Making reference to the major findings which have been discussed so far, the following points are recommended by the researcher

- The company should give due consideration to have enough vehicles so as to overcome problems related with the company's transportation capability. In addition to this, as much as possible, it should try to guide itself with the basic principles of economics of scale and economics of distance which can really reduce the company's cost of transportation.
- In relation to inventory management, even though the company is in a good position, still it should work with the principle of just-in-time concept by reducing the lead time which is the time gap between order delivery and receipt.
- The company should give due consideration to the reliability of the service delivered to its customers. Since, as it is mentioned before, it is the encounter for customers either to continue or to break their relation.
- In relation to packaging, the company must distribute its products through containers made of thin layer of zinc or through wood made containers rather than through hard plastic sheet. This is because the dissatisfaction will not be only from buyers of the company, but it's also from ultimate customers of product too. And as the level of compliant increase, these industrial buyers may shift to competitive firms.

- Regarding the company's 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. Besides, it should improve the order cycle time which is the time gap between order and delivery and improve the consistency between order delivery. Furthermore, it should give fast response for customers compliant so as tackle unforeseen problems.

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