



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF DISTRIBUTION MANAGEMENT
PRACTICES OF BEER PRODUCTS: THE CASES OF META
ABO BREWERY SC**

**BY
MESERET MEHABAW ADUGNA**

MAY, 2017

ADDIS ABABA, ETHIOPIA

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**THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL
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ACRONYMS

MMS	Multi channel marketing system
HMS	Horizontal marketing system
PDM	Physical distribution management
JIT	Just in time
VMS	Vertical Marketing system
SIP	Sales Incentive Plan
KPI	Key Performance Indicator
ROI	Return on investment
SKU	Stok Keeping Unit
ROS	Rate of Sales
NSV	Nate Sales Value
RTC	Route to Consumer
GDP	growth domestic product
SC	Share Company
EPOS	Electronic point of sales
IT	Information technology

ABSTRACT

The study pursued to assess the distribution management practice of beer product in the case of Meta brewery. The study was guided by the following specific objectives: To show in what way and the extent in which, distribution channel affect the sales volume of the company, and to point out the significant factors influencing the distribution channel system of Meta Brewery? Moreover, this study will also try to provide basis for anticipated decision-making process by an analyzing and evaluating what are the mandatory guidelines and standards which must be in place at any distributor to deliver sales growth and to have good physical availability? What are the governance of the business and its relationship with manufacturers? And what kind of structure and capability do a distributors need [staff, assets, processes and s training curriculum] in conjunction with manufacturers?

A company wants a distribution channel that not only meets customers' needs but also provides an edge on competition, and for the purpose of this study, an organized approach is required which comprises of four Sequence decisions: specifying the role of distribution, selecting the type of channel, determining intensity of distribution and choosing specific channel members - that is selecting specific firms to distribute the product.

A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user. Diverse distribution channels exist today, The study focused on Meta abo sales, distribution and customer service team staff and its exclusive distributors, form Addis Ababa and up county markets. The study adopted a descriptive survey design. Purposive judgmental proportion technique was carried out to arrive at a representative sample for the study and 112 willing respondents were found to participate in the study and taken as a target for the sample size. The researcher used primary source of data which was obtained through a semi-structured questionnaire.

The findings indicate that the effective distribution management practice is very important for the companies and distributors due to the effect and the impact on sales volume of the company

The distribution management practice of Meta Abo is done by independent function called distribution management team with the help of 7 propels which they manage different regional markets classified based on their geography and strategic importance. It's evident that the company applied mixed use of different distribution strategy.

From total Meta Abo exclusive distributors most of them are categorized as Gold and Silver standard distributors whereas the rest are bronze and below minimum standard respectively. Though Meta Abo Brewery need to improve or take action to upgrade their standard to gold and silver to increase its sales performance and distribution coverage.

Furthermore; in terms of Gold and Silver distributors number up county has better score than Addis Ababa market. But still upcountry also has significant number of bronze and below minimum standard distributors. Meta Abo brewery distributors didn't have well organized organizational structure as per the company standard, they are less capitalized and equipped with IT, stock management and transaction system.

The result further indicated that the company had a procedure of tracking and analyzing the words of its consumers. The research has opened up the venue for future studies to investigating the effect of distributional methods on sales of companies in the context of emerging economies like Ethiopia.

CHAPTER ONE

1. INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Any organization to be effective there should be effective distribution management process to convey finished products from the manufacturer to the final consumers. This is because without having standardized distributor the best product will not be delivered and the marketing mix will break down and fail. As a result of this, firms are increasingly adopting standard supply chain management to reduce cost, increase market share and sales, and build solid customer relations (Ferguson 2000). Supply chain management can be viewed as a philosophy based on the belief that each firm in the supply chain directly and indirectly affects the performance of all the other supply chain members, as well as ultimately, overall supply chain performance (Cooper et al, 1997). The effective use of this philosophy requires that functional and supply-chain partner activities are aligned with company strategy and harmonized with organizational structure, processes, culture, incentive and people (Abell 1999).

Distribution channel consists of a group of individuals or organizations that assist in getting the product to the right place at the right time. Distribution plays a vital role, primarily because it ultimately affects the sales turnover and profit margins of the organization. If the product cannot reach its chosen destination at the appropriate time, then it can erode competitive advantage and customer retention.

Distributors are responsible for the distribution of finished products to the consumer as well as the public. The distribution business is mostly managed by individuals/families), departmental stores, specialty stores and discount stores. The major challenge now this business facing is the power of the customers or buyers. This is because the customers are becoming increasingly knowledgeable, impatient, not wishing to wait for the suppliers' products for any period of time. This coupled with the fact that firms are now trying to implement specific distribution strategy and standards upon their unique set of competitive priorities and business conditions to achieve the desired level of performance, has led to an investigation into the various distribution strategies and practices available with the view to establish the strategy or practice which has the most influence on performance.

Many companies do not sell their products directly to end users. In mass production and consumption industries in particular, many manufacturers rely on distributors, representatives, sales agents, brokers, retailers or some combination of these intermediaries to distribute their products (Hughes

and Ahearne, 2010). On the same note, the beverage industry is not exceptional either. (The Drink Business, 2013). These intermediaries perform a variety of functions and constitute a marketing channel, that is also referred to a trade channel or distribution channel (Kotler and Keller, 2008).

The environment of the Ethiopia's beer industry has experienced major changes in the last 5 years. The entrants of multinational companies coupled with the necessity of in meeting the timely increasing of the demand and supply requirement made the competition to become stiff. At present time there are seven breweries operating in Ethiopia. BGI Ethiopia, Dashen, Diageo (Meta), Heinken, Zebidar, Habesha, and Raya. One other beer factory, Kangaroo Beer in Modjo, Oromia Region is under formation (Meta Abo brewery competitors SWOT analysis report, 2017).

World beer industry is on the rise especially in the developed countries. This has been propelled by economic growth, technology advancement, high per capita beer consumption, improved quality and globalization of markets that has provided better market opportunities. Likewise some of the developing countries with better economic indexes are expected to experience growth as well. In other regions, the industry has either declined or is stagnant as a result of economic recession, health and social concern, negative influence on globalization of markets, lack of donor funding support, and industrial brewing technology as in the case of some African countries. In many developing nations, demand is expected to rise with the strongest gains being in Asia especially china and Eastern Europe. This is propelled by economic recovery, expanding population, rising disposable income, improvement in beer quality, efficient distribution systems, high per capita consumption levels, and rising popularity of beer at the expense of traditional beverages, especially among women, youth and more affluent consumers (The Drinks Business, 2015).

Ethiopia is Africa's second most populated country (after Nigeria), and the 15th most populated in the world with 85 million people and its beer market, beer and non-alcoholic malt consumption was approximately 4 liters per capita in 2010 which is well below the global average of 27 liters and below per consumption in other countries in the region, such as Tanzania (7 liters), Uganda (9 liters), and Kenya (10 liters). According to access capital 2011 statistics, the beer market in Ethiopia is estimated to continue to grow at more than 10% per annum to 2016, driven by strong GDP growth, increased disposable incomes, high urbanization rates and a young population (73% of population is under 30 years of age) supports the case for investing in the fast moving consumer products (FMCG) sector especially in the beverage industry. The climate of the Ethiopia's beer industry has undergone major changes in the last 5 years. (Foreign companies battle on Ethiopia, January 2015, Reuters).

The researcher explore different institutional data base and there was no single research paper on the topic mentioned above but it doesn't mean that there is no paper in this topic. So, it's the researcher's opinion that it's important to study the effect of Distributors standard on Sales Volume in case of Meta Abo Brewery and to understand on how standard assessment and evaluation is currently implemented and functioning for the company in the Ethiopian market context.

Various kind of distribution strategies are regularly used and played a crucial role in the sales of a company. Beside the well-known factors of marketing mixes namely, price, communication levels and product quality, many of companies have exerting their full potential to penetrate the market through formulating different distribution strategies and widening their destination (Foreign companies battle on Ethiopia, January 2015, Reuters).

The importance of having well standardized distributors has grown in recent years, largely due to increased size, improved level of product knowledge, technical competence, specialization and

various other factors. Despite the importance of distributors: knowing the accurate effect on the sales volume is inconclusive and poorly understood. Thus, the divergent objectives of distributors standard is to describe the required structure, standards and processes moreover it provides a guide for every aspect of the distributor business, and should form the basis of a successful partnership between the distributor and the manufacturers. Consequently, there is a great knowledge gap to fill and this proposal is an attempt to contribute to this effort, yet it's not easy to find research findings on the subject especially here in Ethiopia.

1.2. STATEMENT OF THE PROBLEM

The present day organizations in the Ethiopian context have exerting their full potential to penetrate the market through formulating different distribution strategies and widening their destination (Foreign companies battle on Ethiopia, January 2015, Reuters). However, the challenges posed to beer factories can be illustrated in various ways, the most notable of which include the distribution gap, a major characteristic of a distribution channel is that the retailer is closer to the end consumer than manufacturer. This argument raises some vital issues regarding distribution channel and the actors within it this are:

The factors influencing the distribution channel system activity of the company? (e.g., Anderson et al., 1997; Rangan, 1987; Rangan and Jaikumar, 1991).

- ❖ The divergent objectives of retailers and manufacturers especially, in relation with inventory measurement, whole sale margin and effect of gate price subsidy.
- ❖ Absence of well integrated and comprehensive approach to product availability and distribution coverage, safety stock and reordering level, motivation scheme for sales force.
- ❖ Poor channel management and monitoring system (periodical evaluation of channel system and channel members. Marketers have, therefore looking up to the appropriate adoption of distribution channel strategies. (Kotler, 2006).

In selecting the type of manufacturer's vs. distribution channel with which they want to work? (Burt and Sparks, 2003; Gross, 1967) and the interaction between companies as a key aspect in accessing and utilizing other actors' recourses and competencies (Cox and Lamming, 1997; Svahn and Westerlund, 2007).

- ❖ Manufacturer that have production, sourcing, marketing and innovation capabilities.
- ❖ Distribution channel that have warehousing and distribution efficiency and enthusiasm of agents.
- ❖ Fair combination, commitment, and competence of internal and external forces.

Several studies have been undertaken in the adoption of distribution channel strategies both in manufactured goods, locally and internationally as well as in the service industry. Most of this studies exhibits preferential use of certain distribution channel elements as opposed to others and the trend differs from one industry to another, but there effect on sales across industries has not been studied. Even if this is the case, it's very difficult to find research findings on the subject. So, the

general research focus question is ‘‘How should the company organize and manage distribution of its product in the intended market?’’. In order to be able to answer the general research focus question and, consequently, give recommendations, a thorough study must be done and the following research questions must be answered:

1. What is the company’s current distribution strategy?
2. How efficient is the distribution strategy?
3. What channel conflict might arise and how to minimize them?

Moreover, this study will also try to provide basis for anticipated decision-making process by an analyzing and evaluating the following specific questions.

1. What are the mandatory guidelines and standards which must be in place at any distributor to deliver sales growth and to have good physical availability?
2. What are the governance of the business and its relationship with manufacturers?
3. What kind of structure and capability do a distributors need [staff, assets, processes and s training curriculum] in conjunction with manufacturers?

1.3 OBJECTIVE OF THE STUDY

1.3.1 GENERAL OBJECTIVE

The general objective of this study is assessment of distribution management practices of beer products and its impact on sales volume growth and physically availability in Meta abo brewery distributors.

1.3.2 SPECIFIC OBJECTIVES

This study has the following specific objectives:

- To have a clear view on the case company, its current distribution management practice.
- To give the company the insight in to the current market environment in Ethiopia, beer industry, present distribution channels and its effectiveness.
- To show extent in which, distributor standard affect the sales volume of the company
- To point out the significant standard criteria’s which are influencing the distributors of the company?
- To identify the position of Meta abo distributor’s regarding the below major standards [Door to door distribution [Sales] sales system and effectiveness, Inventory management, Warehouse standard, size and fleet management, IT infrastructure availability and usage, Financial strength and arrangements and Satisfaction level of Meta abo brewery distributors Relationship with Meta Abo Brewery SC

1.4 SIGNIFICANCE OF THE STUDY

As it stated in the background of the study, the current growing business environment is becoming more complex and dynamic in nature. Several improvements in marketing of products and services, innovation skills have been observed. So the result of the study believed to give an insight for the company's management as well as other concerned bodies about the existing challenges of distribution system and standardization of distributors on sales volume. This will help to generate information that help how to formulate effective and capable distribution partners and programs suitable for implementation that would considerate the current context of the Ethiopian beer market. As a result it will caution or encourage the manufacturers/producers on the choice of distributors in future. It will also suggest possible solutions that enable the company to improve its distribution system, the study also serves as a base for further studies in the area.

1.5. SCOPE AND LIMITATION OF THE STUDY

16.1 SCOPE OF THE STUDY

The scope of this paper is to study the distribution management practice and distributor's standard adopted by Meta brewery and the impact it's on sales volume and physical availability. The study only considered the beer sector and the data of other industry not included and only focused on Meta Brewery, which have an experience of local and international experience on the competitive environment. Beside this, factors influencing the distribution standard and the extent of distribution channel affecting the sales volume of the company, has been analyzed and evaluated to assess the mentioned research topic.

1.62 LIMITATION OF THE STUDY

It would have been great if the study were considered all sectors of the industry with detailed financial and deepen magnitude of measuring the effect of distributors standard but this is due to the problem of what each companies have, differed on the factor of production with the respective target market, the extent of getting the real financial, sales volume and monetary figures in terms of ROI and NSV with their market share implications.

This paper limited its scope of data source as all distributors and sample retailers as well as wholesalers of Meta Abo Brewery SC. Systematic random sampling has been used to collect Information pool focuses on sales and distribution structures.

This paper as one of any ordinary has faced the following loopholes.

- Respondents was less informed & motivated to engage in the data collection especially those distributors in up county market
- Lack of seriousness on research response by many participants in the study, because despite of being aware of the research topic respondents did not provide detailed opinions/views to some question.

- Resistance from other respondents due to lack of trust on the subject matter on the study, resistance was common among few individuals fearing that the results might have negative impact on their work.

1.7. ORGANIZATION OF THE STUDY

This research paper is categorized into five chapters. The first chapter concentrate on introductory parts of the paper that mainly pinpoints the statement of the problems and objective of the study. The second chapter provide related literature review with specific emphasis to theoretical, methodological and empirical aspects. The third chapter also deal with research methodology and design. The fourth chapter include data presentation and analysis of the descriptive and regression results. Finally the fifth chapter has focused on conclusion and recommendations on the basis of the research outcomes.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. THEORETICAL LITERATURE

One of the major challenges of marketing directors, and producers is how to transfer the target markets for manufactured goods. Decisions about the way of transfer goods to the place of purchase or consume is such major decisions of marketing managers. These decisions will determine what part of the duties related to the sale of goods shall be transferred to the intermediaries and distributors and manufacturer how lost part of surveillance and control over their products. This allows manufacturers with saving money and time spend its funds to her main job and gain more revenue (Sabkara, 2008).

Up on the Baseline survey on competition and Markets in Ethiopia produced and distributed by the Addis Ababa Chamber of Commerce and Sectorial Association with (SIDA, June 2009). Western beer as opposed to the traditional tella beer, was introduced in Ethiopia in the early 20th century, and the first brewery, St. George, was established in the early 1920s. Over time, beer has become an increasingly popular beverage and breweries in Ethiopia are said to have produced 1.56 million hectoliter of beer during 2006 and this represented 37% of all beverages produced by commercial producers in the country. In addition to this, 15% of all beverages produced further included wine and other alcoholic spirits (liquors) while the remaining were soft drinks. (Foreign companies battle on Ethiopia, January 2015, Reuters).

There are hard facts indicating that beer market in Ethiopia has been growing and the demand for it is rising. Consumption of these factory beers are also said to be largely urban. These beer factories have made substantial effort to widening their destination, mainly through working on product availability and using distribution channels. According to EPHA (2007), next to tella, factory beer and draft are thus found to be the most consumed alcohol drinks.

The beer industry has undergone major changes in the last 4 – 3 years. These changes have been brought about by a deepening gap in the demand and supply of beer; this is partly explained by the steady economic growth of the country, which in turn increase the public's purchasing power. The construction of roads that connect different rural areas along with general improvement of the country's infrastructure contributes to the increase in demand for beer, attracted the major multinational world largest breweries come to own old brands in Ethiopia. And yet disrupts the market with a new brands and distribution strategies. As a result, the player in the industry had started critically to review their strategies in order to survive and grow and in turns profit. Since the market is oligopoly, they are exerting their full potential to penetrate the market through promotion and widening their destination. Companies have adopted a global approach to development and marketing of beer.

They now have a global market presence characterized by innovation and standardized distribution approach. (Naikuni, 2014). In today's environment, the beer companies are increasingly recognizing that they face marketing problems. Challenges to firms come in many forms, including changing client attitudes and societal needs, increasing competition and the need to find alternative or substitute products. Effective marketing is essential for helping them to meet these challenges and maintain

vitality, viability and relevance in today's turbulent environment. Product type competition has become intense, so has shelf space and availability competition. Marketing attempts to understand the needs of the client and adapt operations in order to meet those needs and achieve greater sustainability. It addresses the issues of assigning effect distribution channel members, pricing, availing products, the location of operations and the promotion of the institution and its products. Marketing is a comprehensive field aimed at strengthening the institution by maintaining focus on the client. In doing so, it creates exchanges that satisfy individual and organizational goals (Kotler, 1999).

2.1.1 KEY TERMS DEFINITION

Distribution

Distribution is the process of making a product or service available for use or consumption by a consumer or business user, using direct means, or using indirect means with intermediaries. Or are the movement of goods and services from the source through a distribution channel, right up to the final customer, consumer or user, and the movement of payment in the opposite direction, right up to the original producer or supplier. An order or pattern formed by the tendency of a sufficiently large number of observations to group themselves around a central value (Wren, 2007). The familiar bell-shaped curve is an example of nominal distribution in which the largest numbers of observations are distributed in the center, with progressively fewer observations falling evenly on the either side of the center (average) line. See also frequency distribution, nominal distribution, and standard distribution (Wren, 2007).

Distribution channels

A collection of affiliate organizations and individuals that place product or service to end-customers. Distribution channels connect the goods producers and customers to each other. Intermediaries form the components of the distribution channel.

The words of distributor encompass a wide range of different means and refer to different people. There are basically two different types of distributors. At one end of the spectrum, there are general distributors who can provide a variety of different goods in different geographic regions. On the other side, there are specialist distributors that offer information and technology services and applications of handful products. Public Distributors titles like Wholesaler, Distributors of general shopping, Association distributors and Storekeeper distributors (Philip Kotler, Aemstrang Gary 2012).

Components of distribution networks include:

- Manufacturers and importers of goods to networks
- Wholesale that is intermediary between producers and final distributors.
- Exclusive agent
- Retailers that are final supplier of goods and services to consumers.

Indirect Distribution Channel

The indirect channel is used by companies who do not sell their goods directly to consumers. Suppliers and manufacturers typically use indirect channels because they exist early in the supply chain (Aaker, 2001). Depending on the industry and product, direct distribution channels have become more prevalent because of the Internet. Distributors, wholesalers and retailers are the primary indirect channels a company may use when selling its products in the marketplace. Companies choose

the indirect channel best suited for their product to obtain the best market share; it also allows them to focus on producing their goods (Aaker, 2001).

Direct Distribution Channel

A direct distribution channel is where a company sells its products direct to consumers. While direct channels were not popular many years ago, the Internet has greatly increased the use of direct channels. Additionally, companies needing to cut costs may use direct channels to avoid middlemen markups on their products. Selling agents and Internet sales are two types of direct distribution channels (Anderson et al, 2006). Selling agents work for the company and market their products directly to consumers through mail order, storefronts or other means. The Internet is an easy distribution channel because of the global availability to consumers (Bakosi et al, 2006).

Wholesaling

Wholesaling includes all activities involved in selling goods or services to who buy for resale or business use. Manufactures use wholesalers because wholesalers can perform function better and more cost effectively than the manufacture can. These functions are not limited to selling and promoting, buying and building bulk barking, warehousing, and transporting financial risk bearing dissemination of marketing information and provision of management services consulting. Like retailers wholesaler must decide on target market, product assortment and services promotion and place (Berman, 1996). The most successful wholesalers are those who adopt their services to meet and target customer's needs, recognizing that existing add value to the channel (Berman, 1996).

Retailing

Retailing includes all the activities involved in selling goods or services directly to find consumer for their personal non-business use. A retailer or retail store is any enterprise which sales volume comes primarily from retailing. All marketer retailers must prepare marketing plans that includes decision on target market. So the marketing channels can be viewed as a set interdependent organization with high potential for conflict. Then why would any business chosen to become part of channel system (Berman, 1996).

Coverage

Channel selection depends on Coverage (Market Size).This refers to the intensity of distribution required by the manufacturer. The number of intermediaries required in a specific geographical area influences the market coverage or market exposure strategy. A manufacturer may opt to have intensive distribution, Selective distribution or exclusive distribution coverage for its products or services (Berry, 2010). Intensive Coverage is adopted when many intermediaries are used at each level of the channel. This is typical of consumer convenience goods distribution where as many different outlets as possible are used. Exclusive Coverage refers to a highly selective pattern of distribution where only a single selected intermediary is involved in distributing the goods or services in a specific geographical area. In this situation customers are willing to search for the products or services extensively. Specifically goods are often distributed in this manner (Borden, 2004). Selective Coverage in between intensive and exclusive Coverage lays Selective coverage which refers to a distribution strategy where a few selected intermediaries are used in this distribution channel. This is typical in the distribution of consumer convenience goods (Borden, 2004).

2.1.2 CONCEPT OF DISTRIBUTION CHANNEL

Coughlan et al. (2006) defined a distribution channel as a set of independent organizations involved in the process of making a product or service available for use or consumption. The ultimate goal of a distribution channel is to bridge the gap between producers and consumers by adding value to products or services (Kim and Frazier, 1996). Typically, manufacturers, intermediaries (wholesaler, retailer, specialized) and end users are perceived as the key actors of a distribution channel (Coughlan et al., 2006). Based on these definitions, it is not easy to determine where the distribution channel actually starts, since there might be multiple producers involved in manufacturing the final products at different levels. Some of these producers are close to the end at which raw material is supplied, while others are closer to the end that deals with final buyers or users.

There are two essential decisions when designing a channel of distribution: a strategic decision and a tactical decision. The former one decides the number of levels between supplier and consumer, while the latter determines the intensity of the selected structure and policies of channel management (Rangan and Jaikumar, 1991). The complexity of these decisions is increased by widely different social, culture, economic and political patterns (Ensign, 2006). Compared to supply chain management, distribution channel seems to have a view of “inside the chain”. It is more common for distribution channel studies to investigate the seller-buyer dyad, and they often take either the seller’s perspective or the buyer’s perspective (e.g., Amato and Amato, 2009; Deusen et al., 2007). In contrast, supply chain management appears to have a view of “over the chain”, which means that studies of supply chain management tend to take a globe angles and try to encompass multiple interfaces (e.g., Gunasekaran and Ngai, 2005; Love et al., 2004).

A product is not important to the consumer, if it is not available when and where it is wanted. A product Reaches customers through a channel of distribution. Decision areas include: selecting and manning the Middlemen, storage, handling and transporting the product. Marketing channels are very crucial in structuring marketing decisions. This is because without the channels; products will never get to the customers who need them. Channel decisions can only be productive if there is goal congruence between the company and its channel members. However, intermediaries/middlemen who direct products to dysfunctional ties will set in if channel conflicts occur between them as marketing channels are very crucial for the success or other wise of marketing efforts. Pride and Ferrell (1985) define marketing channel or channel of distribution as “a group of interrelated customers”. Rachman and Mescon (1982) see channel of distribution as “a sequence of marketing agencies (such as wholesalers and retailers) through which a product passes on its way from the producer to the final user”. Richard (1976) et al defines channel of distribution as “a combination of middlemen that a company uses to move its products to the ultimate purchaser”. Bonne and Kurt (1980) regard marketing channels as “the paths that goods and title to them follow from producer to consumer”. A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user. A channel of distribution always includes both the producer and the final Customer for the product in its present form as well as any middlemen such as retailers and wholesalers. The act of bridging the gap between producer and consumer and provide the purchaser with a convenient Means of obtaining the product that he or she wishes to buy. In moving goods to convenient location for the consumer, channels provide form, time, place and ownership utility. Form utility is the want satisfying Capability that is created when a good produced. .Time utility is the want satisfying

capability that is created when a product is made available to customers when they want it. Place utility is want satisfying capability that is created when a product is made readily accessible to potential customers. Products have no value to the consumer in the manufacturer's warehouse until it is made available to consumers where they want to buy them. Possession utility or ownership utility is want satisfying capability that is created when title of a product is transferred from the manufacturer to the buyer at the point or time of purchase (retail store). Possession utility is the want-satisfying capability that is created when a customer buys the product – that is when ownership is transferred to the buyer. Marketing functions performed in channels of distribution can be grouped as those that are necessary to a transaction those that are required for the physical exchange of goods and those that facilitate both the transaction and the physical exchange. Channel decision-making involves establishing and maintaining the institutional structure in marketing channels.

A company wants a distribution channel that not only meets customers' needs but also provides an edge on competition. Some firms' gain a differential advantage with their channels to design channels that satisfy customers and outdo competition, an organized approach is required which comprises of four Sequence decisions: (i) specifying the role of distribution (ii) selecting the type of channel (iii) determining intensity of distribution (iv) Choosing specific channel members - that is selecting specific firms to distribute the product.

Selecting the Type of Channel

Some firms adopt direct distribution a situation where producer deals with final customer, with no middlemen providing assistance. In contrast, a channel producer, final customer, and at least one level of Middlemen represents indirect distribution.

Major Channel of Distribution

Diverse distribution channels exist today. The most common channels for consumer goods, business Goods, and services are described as follows:

Distribution of Consumer Goods

Five channels are widely used in marketing tangible products to ultimate consumer:

- Producer consumer
- Producer retailer consumer
- Producer wholesaler retailer consumer
- Producer agent wholesaler retailer consumer

Distribution of Industrial/Business Goods

A variety of channels is available to reach organizations that incorporate the products into their manufacturing process or use them in their operations. The four common channels for business are:

- Producer user
- Producer industrial distributor user
- Producer agent user
- Producer agent industrial distributor user.

Distribution of Services

The intangible nature of services creates special distribution requirements. There are only two common Channels for services.

- Producer consumer
- Producer agent consumer

Multiple Distribution Channels

Many perhaps most, producers are not content with only a single distribution channel. Instead, for reasons such as reaching two or more target markets or avoiding total dependence on a single arrangement, they employ multiple distribution channels. The user of multiple channels occurs in several distinct situations such as reaching different types of market when selling:

- The same product to (for example, sporting goods or computers) to both consumer and business markets.
- Unrelated products (margarine and paint; rubber products and plastics).
- Multiple channels are also used to reach different segments within a single market when:
- Size of the buyers varies greatly. Ethiopian airlines may sell directly to travel departments in large Corporations, but rely on travel agents to reach small businesses and ultimate consumers.
- Geographic concentration differs across parts of the market. A manufacturer of industrial machinery may use its own sales forces to sell directly to customers that are located close together, but may employ Agents in sparsely populated markets.

Typical Activities of a Middleman

Sales Specialist for Producer Purchasing Agent or Buyer Provides market information Anticipates wants, Interprets consumers' wants , Subdivides large quantities of a product , Promotes producers' products, Stores product and Creates assortments.

MIDDLEMEN

- Transports products
- Stores products Creates assortments
- Negotiates with customers Provides financing
- Provides financing Makes products readily available
- Owns products Guarantees products
- Shares risks

These channels or intermediaries are institutions that have specialized in rendering distributive services both to the producers and consumers. They are of three types:-

a) Merchant Middlemen:-

This category of intermediaries buy and take title to the goods they buy from producers (e.g. wholesalers and retailers).

b) Agent Middlemen:-

They look for markets for the producer and receive commission or fee for expediting exchanges e.g. sales representatives.

c) Facilitators:-

This group of intermediaries render services that facilitate the movement of goods and services from the point of production to point of consumption e.g. warehousing, transportation etc. Intermediaries also perform what we call equalization function by providing time, place and ownership utilities, which help to increase the value of products. Intermediaries equally obtain information about consumers (Social outlook, economic profit, demographic characteristic, concentration and dispersion etc.) and pass them to Producers to assist them in planning their productions to attune them to the environment. They assist producers in advertising, promoting and pricing of their products for the markets. In addition they are risk takers (e.g. goods becoming obsolete in their hands with time during storage, pilfering, damage from fire etc.). Also some production/economic activities are financed by them. In most cases they buy from and pay the producers and sell to consumers in appropriate sizes at credit.

The importance of middlemen in the marketing of goods and services shall not be overemphasized. In conclusion, the reasons for their importance are as summarized below:

- Middlemen reduce the number of transactions required, thereby reducing cost:- The contribution Of middlemen is important. Shipping products to too many retailers by manufacturers without a wholesaler who can perform this duty incurs costs, which are reflected in the prices charged for products. If the number of transactions can be reduced through the use of middlemen, costs will be less and lower prices will result.
- Middlemen are valuable for companies marketing new products: - Companies trying to sell products in new markets may lack the experience of these new markets which middlemen who possess such can perform.
- Middlemen perform marketing function: - Middlemen are valuable because they perform almost every marketing functions. They can conduct marketing research, advertise, employ sales force and engage in physical distribution. They can also maintain inventories, extend credit and collect debts, and provide a variety of services to their customers. Manufacturers therefore can shift the performance of these functions from themselves to middlemen.
- Middlemen are specialists: - Since middlemen may be specialists in performing some marketing Functions, their efficiency in performing these functions which are normally shifted to them by manufacturer's results to lower costs and hence lower prices for the products in the hands of customers.
- Middlemen bring buyers sellers together: - They also play the role of bringing buyers and sellers together by matching buyers who seek certain products with sellers who offer them.
- Middlemen perform the concentration and dispersion functions: - Two important functions by Middlemen are the concentration and dispersion functions. Concentration is the consolidation of small lots into larger lots for more economic shipment performed mainly by

wholesalers/distributors and dispersion, which is breaking large lots into smaller, lot sizes for convenient purchase by consumers performed by retailers.

- Middlemen save companies money: - For new companies that lack financial competence or established companies that do not have adequate financial resources as they expand their operations, middlemen perform these costly marketing functions for them.
- Middlemen enhance the value of products: - Mainly because of the ability of middlemen to store and transport products, the values of these products are enhanced. Through storage, time utility is created. These products become more valuable to consumers because they are made available when the consumers want to purchase them. On the other hand, products are more valuable if they are made available at convenient locations to the customers i.e. the products have place utility. This utility is created by middlemen who transport these products to stores close to population concentrations.
- Middlemen are valuable for companies marketing new products: - New products that are substantially different from existing product lines always pose as problems for the innovating firm to market. Middlemen who possess the requisite skill and experience help these companies for the introduction of these new products.
- Middlemen act as information sources: - They provide information on the market and competition to the companies.
- Middlemen are helpful for small companies: - Small companies which are not strong financially and often lack product and market expertise, make use of retailer and wholesalers to their advantage.

Distribution's role within a marketing mix is getting the product to its target market. Distribution is the arrangement necessary to transfer ownership of a product and transport the product from where it is produced to where it is finally consumed. The most important activity in getting a product to market is arranging for its sale and the transfer of title from producer to final consumer. Other common activities (or Functions) are promoting the product, storing it, and assuming some of the financial risk during the distribution process. Typically however, firms called middlemen perform some of these activities on behalf of the producer or the consumer.

Functions of Marketing Channels

The following are the important functions member of the marketing channel perform:

- Gathering information on the changing needs in the market and pass them on to the producers. By so doing, they perform part of the research team.
- Ordering goods, usually in bulk, thereby, reducing the cost of storage by the producers. Ordering is a way of letting the producers know of the demand level in the market.
- Taking title to the products they help to the market.
- Bearing risks of storage due to theft, climatic changes and even cost of warehousing.
- Helping in financing trade through acquisition and allocation of funds required to carry inventory at any level of the marketing channel.
- Being responsible for negotiating the final price and other terms of the offer for the eventual transfer of ownership.
- Providing a sales force enabling manufacturers to reach many small customers at a relatively

low cost. These intermediaries have more contacts and are often more trusted by the buyers than is the distant manufacturer.

Merits of Distributors

- The distributor can reach markets and customers not concentrated on by the producer's salaried sales force, e.g. small contractors, infrequent users, etc.
- The distributor can reach markets and customers not concentrated on by the producer's salaried sales force, e.g. small contractors, infrequent users, etc.
- The distributor provides an additional sales force.
- Additional advertising is provided if the distributor has a catalogue and the manufacturer's products are presented in it.
- Reduce the cost of dealing with small order is eliminated.
- A distributor network provides an opportunity for the producer to promote his name and image on a large scale.
- The distributor can reach markets and customers not concentrated on by the producer's salaried sales force, e.g. small contractors, infrequent users, etc.
- The local distributor is well placed to service end users through immediate availability of the end product, though such a service obviously depends on the distributor's stocking and physical distribution capability.
- Advertising and promotion are available through distributor mailing lists.

Demerits of Distributors

- The manufacturer's field sales force may be reluctant to process orders through distributors as this lessens the commission enjoyed by the sales force.
- The manufacturer must put out time and effort to monitor the activities of distributors.
- Assistance and education of distributor personnel may be mandatory.
- A reorientation of the manufacturer's sales and marketing personnel to distributor thinking must be achieved.
- The manufacturer's own local sales force must spend time servicing the distributor.
- There is always the possibility of conflicting sales efforts.
- The producer must have distributor-oriented advertising and product literature available if required.
- Assistance and education of distributor personnel may be mandatory.

2.1.3 DISTRIBUTION CHANNEL LEVELS

All products whether they be consumer goods, industrial goods or services require a channel of distribution. Mallen (1996) stated that industrial channels tend to be shorter than consumer channels because of the small number of ultimate customers, the greater geographic concentration of industrial customers, and greater complexity of the products which require close producer-customer liaison. Kotler and Keller (2006) presented three levels in consumer channels strategy. According to him a one – level channel contains one selling intermediary such as a retailer. He found that the growth in retailer size has meant that it becomes economic for producers to supply

retailers directly rather than through wholesalers, hence consumers now have the convenience of viewing and testing the product at the retail outlet. A two – level channel contains two intermediaries, a wholesaler and a retailer. According to him channels like this tend to occur where there are influxes of small retailers with limited order quantities; wholesalers can buy in bulk from producers and sell smaller quantities to numerous retailers. He maintained that a three– level channel contains three- intermediaries that is sometimes used by companies entering into foreign markets and may delegate the task of selling the product to an agent (who does not take title to the goods). Moreover, the agent contacts the wholesalers who supply’s the retailers till it gets to the ultimate consumer.

Black (2002) described the service channels as distribution channels of short services using either direct channel or an agent, and posits that since stocks are not held, the role of the wholesalers, retailers or industrial distributors does not apply. Examples of service provider to consumers or industrial customers include healthcare, office cleaning, accountancy, marketing research and law. Agents are used when the service provider is geographically distant from customers and where it is not economical for the provider to establish their own local sales team. Examples include insurance, travel, secretarial and theatrical agents.

There are different channel levels available to a marketing manager and these include:

1. Zero Level: This is when producers sell directly to consumers without any intermediaries.
2. One Level: When the producer sells through two intermediaries.
3. Two Level: When the producer sells through two intermediaries.
4. Multi-Channel: When producers sell through several intermediaries.

Source: Kotler, Philip and Keller, Kevin (2006). Marketing Management, Pearson Educational Prentice Hall NY

A cursory look at marketing channels in everyday use is enough to convince the marketing manager that there is nothing as the best marketing channel. The best for one product, may not be the best for another. Instead of searching for a best channel for all products, the marketing manager has to analyze alternative channels in the light of consumer needs in order to determine an optimum channel (s) for the firm’s products. Today’s marketing channel may change tomorrow, putting into consideration the other marketing variables.

Factors Affecting Choice of distribution Channel

For the purpose of this paper, the factors influencing the choice of distribution channel levels have been grouped into four thus:

- A. Marketing Considerations:** Type of Market, Number of potential customers, Geographic concentration of the market and Order size
- B. Production Considerations:** Unit value, Perishability and Technical nature of a product
- C. Middlemen Considerations:** Service provided by middlemen, Availability of desired middlemen and Producer’s and middlemen’s policies
- D. Company Considerations:** Desire for channel control, Services provided by seller and

Determining intensity of Distribution

Here, the company most desired on the intensity of distribution - that is, how many middlemen will be used at the wholesale and retail levels in a particular territory. There are three major categories of intensity ranging from intensive to selective to exclusive.

❖ Intensive Distribution

A firm with intensive distribution policy seeks to achieve a wide distribution for its products. This in essence means that the firm will make use of as many outlets as possible perhaps a combination of both direct and indirect methods of distribution are likely to be out into use. Such intensive distribution aims the product at the mass marketing and the distribution strategies implemented tend to carry the product to all the nooks and corners of the market. For instance soft drinks industries such as NBC plc. 7up plc. Cosmetics industries like PZ Plc. and others. With this type of distribution there is likelihood that the company is unable to have adequate control over the product and the cost is likely to be higher.

❖ Selective Distribution

With selective distribution however, not every outlet or channel will be utilized. The firm will rather rely on a few outlet to handle the products. The firm may resort to this method if the product involved is of a durable nature and requires an after-sales service or it is associated with certain prestige. The firm will therefore use as the criteria for selection the middlemen's experience and the ability to handle the product effectively in terms of after sales servicing required and the necessary promotional activities to be undertaken.

These conditions will certainly eliminate opportunist's middlemen who may only be interested in making quick fortune and brisk money without paying adequate attention to the desire of the firm and the need of the customers. It is therefore not uncommon for firms with this selective distribution strategy in view to advertising for middlemen handle certain product place a lot of emphasis on the financial capability, product experience and other virtue, considered as pre-requisite.

❖ Exclusive Distribution

Exclusive distribution entails the granting of exclusive rights to a single seller in with a particular territory or area to sell the company's products such a right therefore provides that the firm supplies all the necessary tools including promotional device to the seller. The seller in turn undertaken to handle only the Firm's middlemen all stand to gain from such arrangement. The middlemen get larger commission because his mark-up is high, he also commands the prestige of such a role. The firm on the other hand, is free from the burden of having to handle completely the marketing of its products and it is in the better position to fight off competition. Example of products that lend themselves to exclusive distribution include product like computer, air-conditioner, oil product, auto products, accessories, lift etc. Shapiro (19 77) observed that one of the

most frustrating problems facing marketing is the management of their distribution channels. Additionally, the issues such as of degree of coverage, degree of control, cost of distribution, dealer support and training are important issues that should be considered by a manufacturer choosing its distribution scope (Paley 1999, 301).

2.1.4 DISTRIBUTION CHANNEL MATTERS

Strategic management of distribution channels is growing in both popularity and significance in the business world (Levi and Weitz, 2008). There are several reasons for this. Firstly, as value has shifted towards customer, distribution has moved from being the backwater of strategy to the main stream, since it is where much of the profit in many industries can be found nowadays (Wise and Baumgartner, 1999). In other words, distribution and its network have become an important source of success and competitive advantage. This phenomenon has been emphasized extensively. Anderson and Narus (1990) reported that it is mutually recognized and understood that the success of manufacturers and distributors depends on the other firm. Their statement indicates that a manufacturer's success cannot be reached from their own effort alone; having a good partner in distribution is very important. Loomba (1996) also suggested that in order to compete effectively, today's firms must re-evaluate their existing distribution and make adjustments when necessary. Hyvönen and Tuominen (2007) claimed that the changing business environment has recently challenged many firms to seek out new methods to achieve sustain performance advantage through market orientation and distribution channel collaboration.

Secondly, distribution channel strategies affect many other aspects of marketing strategies. According to Kotler and Keller (2008), distribution affects sales, since if the product is not available, it cannot be sold. Most customers will not wait until it can be reached. Delivery is seen as a part of the product that influences customer satisfaction.

Thirdly, the choice of distribution network has long-term consequences. The structure of the distribution network is one of the most difficult decisions to change. According to Chopra and Meindl (2007), the impacts of selecting a distribution network often lasts for decades. Changing on the channels and channel shifting is too costly. In the long run, distribution channel strategies involved in strategic alliances and partnerships that are founded on trust and mutual benefits create distinguishable interests (Chopra and Meindl, 2007).

2.1.5 CHANNEL FUNCTIONS

The channel function concept has already been extensively discussed by academics (e.g., Ajzen and Fishbein, 1980; Mallen, 1973; Rangan et al., 1992). McCammon and Little (1965) argued that functions are considered to be the basic determinants of channel structure; that is, a system designed to carry out necessary tasks. Some researchers have discussed channel structure in terms of the functions performed by channel members (Mallen, 1973). The basic idea was that channel functions could be allocated in different combinations among various channel actors depending on the characteristics of the channel (Wren, 2007). Channel functions are categories of activities and services that add value to physical goods as they move from manufacturers to customers (Atwong and Rosenbloom, 1995). Rangan et al.'s (1992) list of eight channel functions is described briefly below:

- Product information: Provide information about products for customers, particularly for those products that are new to market and are technically complex.

- Product customization: Adjust product technical configuration to fit the customer's requirements. Even a standard product must satisfy a specific customer's requirements for factors, such as size or grade.
- Product quality assurance: Ensure product reliability for customers.
- Lot size: Provide jointed purchase effort if the product has a high value.
- Assortment: In some cases, a customer may need a broad range of products under one roof. In other cases, assortment may be related to the breadth of the product line.
- Availability: Customer demand might be difficult to predict; if so, the channel must support a high degree of product availability.
- After-sales service: Provide services, such as installation, repair, maintenance and warranty.
- Logistics: Provide transportation, sorting and supplying products to end users (ibid)

2.2. EMPIRICAL LITERATURE REVIEW

Fengyi. Wu, and Yuehua. Lee (2009) in their study investigation channel power and satisfaction in a marketing channel. He study adopted case study design in Guangzhou province-china. It was found out that the competition faced by business organizations is no longer mere inter-firm competition, but also inter-channel competition caused by adapting to industry globalization. Considering this trend, this study found out that there was a correlation between distribution channel power customer commitment and satisfaction. The results provide non-coercive power had a positive and significant impact on the channel firms' communication and commitment, as well as the supplier communication and commitment had a positive and significant impact on the economic satisfaction and non-economic satisfaction of channel firms.

Nadin (2008) in his study "managing relationship in distribution networks: evidence from the alcohol drinks market" "The paper was concerned the relationship among alcohol drinks manufacturer and its dealers, focusing, especially, on the trust determinants. The nature of the rapport is controversial since asymmetrical power but at the same time, strong exclusive bonds influence the perception and the decisions of the parties. In addition, a recent evolution in the European retailing contract regulation has given new rooms for improvement for the dyad but has also left dark areas as regards potential opportunistic initiative.

Based on the emerging theories on trust and the construct in relationship, the paper explored the deep nature of relationship and trust in order to understand and reinforce the distribution of products to the end users (customer). A field research, run in the Italian domain (Nadin, 2008), has demonstrated the coexistence of power and trust determinants as drivers of the relationship between the alcohol drink producers and the dealer. It has suggested, furthermore, that alcohol drink producers can influence, by a cause-effect chain approach, the feeling of dealer toward the relationship and consequently can bust the dealer collaboration on an affective commitment base.

Accordingly with the results of the Lado, Dant and Tekleab (2007) study our research has remarked too the importance of the competitive tenure in the relationship as determinant of the innovation in the relationship and widely in the distributive network. Daugherty (2009) in her study titled "reverse logistics in the automobile aftermarket industry.

The study employed case study design whereby 112 respondents participated in the study data collection was done through the questionnaires and interviews. The results indicated that trust

exists when one party has confidence in an exchange partner's reliability and integrity. Trust involves an expectation held by an individual that another can be relied on. The existence of trust is particularly important with respect to buyer-seller exchange relationships. Buyer-seller relationships are almost always unequal; one party has more power, better positioning, and/or more resources. Because of the unevenness of power, the other party is likely to feel vulnerable unless trust is present. As such, trust is the mutual confidence that no party to an exchange will exploit another's vulnerabilities. It was shown that downstream channel partners that trust suppliers exhibit higher levels of cooperation and exert more effort on the part of the supplier. Channel partners that trust suppliers also tend to be more committed to and intend to stay in the relationship. Trust is viewed as a highly effective means of fostering cooperation across all types of inter-organizational relationships. Thus, trust in their customers appears important for suppliers who want to reap maximum benefits from the exchange relationship.

In a recent review of the literature on trust, Atuahene-Gima and Li found that both the academic literature and the popular press have a "strong normative bias toward the inherent value of trust - that is, trust is good for performance." However, they continue, "there is little empirical evidence to support the validity of this viewpoint". One study by Smith and Barclay, however, did find a positive relationship between trust and a firm's ability to achieve superior performance [23]. The first hypothesis is offered to further explore the issue.

Atafar et al, (2011) in their study "Assessing the Effectiveness of Distribution Channel in Isfahan Zamzam Company in their research, they gathered data by interviewing the top marketing managers who have high experiences in marketing, finally the variables in the research assumptions been used to incorporate flow table model for measuring the Effectiveness of Distribution Channel in Isfahan Zamzam Co. The study revealed that Zamzam distribution channel was successful in product transportation, gathering market Information was effective in payment procedures but distribution channel of this company is not been effective in trade promotion programs and communication with retailers and wholesalers.

McFarland (2001) in his study "the marketing position of industrial distribution"; the article discussed the position of industrial distributors in channels of distribution. The study was conducted in Johannesburg, South Africa, interviews and questionnaires were employed as methods of data collection. The result indicated that, doing business with industrial distributors is more cost effective than doing business with sales branches, sales offices and agents. The author notes that when compared to alternative agencies, the gross margin required by industrial distributors is similar. Also it was noted that industrial distributors are better qualified than alternative agencies to offer services such as emergency deliveries, credit clearance and knowledge of sources of supply for buyers.

Torii et al (2004) On the Length of Wholesale Marketing distribution Channels in Japan. The study adopted case study design; data collection was conducted through the use of questionnaires and interviews. It was revealed that wholesalers enter distribution channels to capitalize on their private information about demand and supply. The channels become long only when such private information is valuable. Also, the result indicated that there was a close link between wholesalers' private information and length of the marketing distribution channel, based on analysis of panel data for five wholesale industries drawn from the last three decades of Japan's Census of Commerce. Specifically, it was shown that marketing distribution channels tend to be longer--that is, they have more wholesale steps--where wholesalers tend to be in close geographic proximity to the final demanders, where wholesalers tend not to be organized into distribution keiretsu by

manufacturers, where regional variation in demand tends to be idiosyncratic, where producers advertise less intensely and distributors advertise more intensely, and where the density and heterogeneity of retail outlets is greater. All of these are factors likely to be associated with the value of wholesalers' private information.

David (2005) in his study “Distribution Keiretsu, Foreign Direct Investment, and Import Penetration in Japan” based in directed marketing channel known in Japan as distribution keiretsu are more likely than others to be headed by a primary wholesaler that is vertically integrated with the manufacturer, which for foreign manufacturers entails their directly investing in Japan-based wholesale subsidiaries. Briefly stated, vertical integration better aligns the non-contractible wholesaler effort levels with the Manufacturer profit, but necessarily forgoes the inherent advantage of an independent wholesaler at market-widening efforts. This establishes a trade-off bearing on the decision to vertically integrate. Where market-widening efforts complicate the resolution of retail externalities, it can be better to forgo market widening efforts altogether and instead focus exclusively on resolving the externalities, vertically integrating with the wholesaler in order to better administer a distribution keiretsu.

2.2.1 PHYSICAL DISTRIBUTION MANAGEMENT (PDM)

Physical distribution management (PDM) is the term used to describe the management of every part of the distribution process. PDM can be contracted out to a specialist or is best developed as a specialist function within the organization. It is the process which ensure that the correct customer within a given timescale, as cost-effectively as possible (Little and Marandi 2003).

Part of PDM would include being aware of what your competitors are offering, as suggested above. Elements for consideration would include costs involved, methods of transport – road, rail, plane, shipping, routes used, stock, storage and stock control, protection and delivery of stock, timing – a key element evaluating the effectiveness of methods of distribution and being aware of other alternatives.

Distribution is an integral part of the marketing mix. With the right distribution strategy in place that is with the right mode of delivery the right speed of delivery to the appropriate place of purchase, customer satisfaction can be significantly increased. Failure to deliver these practical points will result in the loss of orders and income to the company and long-term customer loyalty will decline (Drummond and Ensor 2001)

The key objective of PDM is to find the most cost-effective way of meeting customer needs in relation to purchasing their product, whoever they are and wherever they are.

Physical distribution management includes the following functions customer services, order processing, materials handling, warehousing, stock/inventory management and transportation

The key success factors of physical distribution management include all elements of the marketing mix product characteristics – how do they affect delivery requirements and Packaging, Pricing – how much does distribution add to the cost of the product, Promotional campaigns – creating an awareness of the product and where and how it can be purchased.

Timing is a critical element of PDM, as many co companies work on the delivery of materials and components on a ‘Just in Time’ basis (JIT).

JIT is just as it sounds; it means that the manufacturer of products, or the supplier of raw materials, must deliver the necessary material or components as and when required. For example, a window manufacturer, who makes windows for office buildings, will be making windows to order and will be required to deliver them at certain periodic times in the construction of the building. Because storing glass and the metal or plastic structures is difficult, the organization will deliver as and when the office block construction company needs it.

The concept of JIT was developed to encourage maximized efficiency of manufacturing. The process will reduce the storage space requirements, which is a direct cost saving to the organization, but it also means that the organization will only pay for the materials when they have taken delivery of them, rather than in a bulk order at the beginning of the contract. Both save significant amounts of money, which means that the cost saving can be passed onto the customer, making products cheaper to purchase.

JIT is much linked to quality applications and improvements. Should the organization take a mass delivery of a component, and leave stock standing around, it could be damaged or problems with the delivery may not be discovered until it is too late. Therefore, quality assurance controls and measures can be implemented as the components are dispatched which then aids the quality improvement process. This then enables organization to work towards zero defects, which means zero wastage of time and material, which means cost effectiveness and quality improvement and ultimately a higher level of customer satisfaction.

Within the retail sector, JIT plays the same sort of role. You will note that retail outlets very rarely run out of standards of stock products, because they have good stock control processes and systems that enable JIT delivery of those stock items (Joan Feldman 1984).

Most retailers now work with electronic point of sale system (EPOS). EPOS registers your purchase at the point of sale, i.e. the payment checkout. The product is scanned into the computer as sold and the computer automatically registers this as a stock reduction. When the stock reduction reaches a certain minimum level, the computer automatically generates a message to place a stock order for that particular product to be in store by a certain delivery date. The EPOS system allows retailers to monitor frequency of purchase of certain products, which then enables them to forecast demand of their stock products. This in turn helps them plan for their stock requirement and come to appropriate agreements with their suppliers on delivery and storage requirements (Jobber 2001)

2.3 RESEARCH GAP

Subsequently empirical literature review of previous studies have shown that in the current complex business environment, the competition faced by business organizations is no longer more inter-firm competition, but also inter-channel competition caused by adapting to industry globalization. Considering this trend, this study discusses and focuses on the effectiveness of distribution management practice in the organization sales performance. This study employs the beverage industry as the research subject. Many studies on distribution channel were conducted in various places of different culture, political and economic systems, therefore, it is important to conduct another study in order to understand the performance trend especially on sales of alcohol drinks.

2.4. CONCEPTUAL FRAMEWORK

With conceptual frameworks theories are connect to all aspects of inquiry such as problem definition, purpose, literature review, methodology, data collection and analysis. Conceptual framework can act like maps that give coherence to empirical inquiry. Because conceptual frameworks are potentially so close to empirical inquiry, they take different forms depending upon the research question or problem (Patricia Shields, 1998). As mentioned eariler, Marketing/selling channels may involve many diverse players at different levels of distribution that have their own goals (Ferrell & Hartline 2011, 272). Four types of channel structures can be identified, where various levels of control and management are exercised through integration. These four types include conventional marketing channel, vertical horizontal and multichannel marketing systems. (Hollensen & Opresnik 2014, 253.).

For the purpose of this study, the researcher has adopted the Conventional marketing channel methods as defined by, (Kazmi 2007; Panda 2009). They said, the traditional marketing channel, i.e. the conventional marketing channel, can consist of independent manufacturer(s), distributor(s), wholesaler(s), and retailer(s). Responsibilities of each member are limited to its task, for example, manufacturer worries about making products, and retailer selling the products. None of them has significant control over each other. Their goals are to maximize own profits and minimize own costs even if some of their action are harmful for the system as a whole. Evolution of this marketing channel led to development of three marketing systems: vertical, horizontal, and multichannel marketing systems. (Kotler et al. 2012, 716; Hollensen & Opresnik 2014, 253.)

Vertical marketing system (VMS) includes the manufacturer(s), wholesaler(s) and retailer(s) who act as a unified system. In VMS one of the members can own the others, franchise them or possess so much power that the other members find it beneficial to cooperate. The strongest member attempts to control the channel, and it tries to eliminate conflicts over other members, i.e. independent organizations perusing their own goals. (Kotler et al. 2012, 717; Panda 2009, 442.) VMS can be classified into three types:

- ❖ Corporate VMS. Successive stages of production and distribution are combined under the ingle ownership.
- ❖ Administrated VMS. A dominant, in regard of size and power, member of the channel coordinates stages of production and distribution.
- ❖ Contractual VMS. A number of independent companies get involved in the process of production and distribution.

They integrate their programs on contractual basis in order to achieve more economies or sales impact, than they could achieve on their own. (Kotler et al. 2012, 717.)

Horizontal marketing systems (HMS) is a type of channel arrangement, where two or more different independent organizations join their forces and combine their resources to exploit a new market opportunity. These organizations can work either on permanent or temporary basis. Generally, companies get involved in HMS for lack of capital, knowledge, and marketing resources or production capabilities, or in case they are afraid of taking a risk on their own. This is an opportunistic arrangement. Each company has identified the strength of the other that

it can utilize to its own advantage, as a result, both of them can achieve better results and beat the competition. (Panda 2009, 443; Kotler et al. 2012, 718; Havaldar & Cavale 2006.)

Multichannel marketing systems (MMS) occur when a company employs two or more channels in order to serve one or more customer segments (Hollensen & Opresnik 2014, 260). The number of companies adopting this system is increasing. The main reasons of that phenomenon are the possibility to increase market coverage, lower channel costs, and organize more customized selling. The consequences of having multiple channels are complexity of channel management, control, and cooperation, as well as high chances of channel conflict. Thus, before implementing MMS or adding an extra channel, companies should carefully plan their channel structures identifying which functions each channel should perform. (Panda 2009, 443; Doyle & Stern 2006, 335.)

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter includes the Research Design; Study Area; Sample and Sample Size; Sampling Procedures; Data Collection Methods; and Data Analysis Plan

3.1 RESEARCH DESIGN

Research design is a plan of collecting and analyzing data in an economic, efficient, and relevant manner. It is a plan of organizing framework for doing the study and collecting the necessary data. (C.R Kotari, 2004). Various authors recommended the use of descriptive design (Orodho, 2004) contends that, to produce information that is of interest to marketing professionals even for policy makers descriptive design is helpful. This involved collection of information by administering questionnaires and interviewing a sample of individuals. So, the researcher adopted the descriptive designing aiming to receive in depth information in respect of how distribution channels work and what achieved by the company. A descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variable of interest in a situation (Kothari, 2008).

2.2 RESEARCH APPROACH

This study adopted qualitative research approach because qualitative approach assumes that social reality is within us and therefore the act of investigating reality has an effect on that reality. Furthermore, this approach emphasizes the subjective aspects of human activity by focusing on the meaning, rather than the measurement of social phenomena (Collis and Hussey. 2003: 53). It is believed that social reality is dependent on the mind and there is no reality independent of the mind. Thus, what is researched cannot be unaffected by the process of the research. Leedy and Ormrod (2005: 133) says that qualitative researchers believe that the researchers ability to interpret and make sense of what he or she sees is critical for understanding any social phenomenon.

3.3. DESCRIPTION OF THE RESEARCH AREA

Diageo is the world's leading premium drinks business with an outstanding collection of beverage alcohol brands across spirits, beer and wine. Diageo has entered Ethiopian market by acquiring Meta Abo Brewery Share Company SC ('Meta Brewery') in January 2012.

Meta Brewery is one of the largest beer company in Ethiopia with a volume share of approximately 15%. Source its brewery near the Ethiopian capital Addis Ababa, it produces and distributes its flagship national lager brands Meta classic, Meta Premium and Malta Guinness [which is the leading non - alcoholic product with 82% market share]. Meta Abo 2017 markets share track report.

The acquisition gives Diageo direct access to the Ethiopian beer market and will complement Diageo's existing premium spirits business in the country. Diageo currently distributes its premium spirits brands in Ethiopia through third party distributor.

For the purpose of this study the focus area is only the beer distribution system and its distributors. Distributors located in Addis Ababa and up country market were dressed in the study

3.4 SAMPLING TECHNIQUE & PROCEDURE

Meta Abo Brewery design its market areas based on the new philosophy called RTC [Rout to consumers] which considers major points like market potential, sales trend and planned volume, geographical advantage, sales force size and profitability and umbers of retailers, wholesalers and consumers bases

After designing the national market based on the major criteria's Diageo has divided its market in to two markets which are Addis Ababa and Up country and this two markets has also divided in to regional sales areas and districts based on their potentials and accessibility to manage. Therefore In order to capture a representative sample, two stage sampling techniques will be used.

Purposive judgmental proportion technique has been used to arrive at a representative sample for the study. Since, Meta abo distributors and staffs were the one who has the most appropriate exposure in assessing the effect of distribution management practice and the impact on sales volume of the company. And in consideration of the availability of data with the relevant experience of the market (Local and international), and marketing strategies, the study focused on Meta Brewery only.

Distributors in Addis Ababa and upcountry market respectively were used as purposive sampling technique due to high sales contribution and importance of the market. Moreover, wholesalers and retailers are also part of the research and this is selected by using simple random sampling technique.

The main reason selecting these distribution channels is due to their high importance of delivering the Meta Abo brewery products to customers and consumers and will help us to evaluate the door to door distribution effectiveness and physical availability.

Table 1: Respondent sample size

SN	Respondent	Total population	Sample size	Percent from total sample size	Remarks
1	Distributors	79	57	72%	Exclusive distributors
2	Wholesalers	201	50	25%	No exclusive

3	Retailers	6,289	100	2%	Retailer who are selling Meta Beer
4	Meta Abo sales staff	105	10	10%	
	Total	6,674	210	3%	

Source: research proposal

To strength the reliability of research data and supplement the information missing in the questioner survey, interview and focus group discussion information collected from monthly/annual performance reports, and distributor’s record were collected.

3.5 SOURCES OF DATA

Mugenda (2003) refer to target population as the entire group of individuals, events or objects having common observable characteristics to which the researcher wants to generalize the results of the study. Population of the study comprised of distributors, wholesalers and retailers with a focus on Door to door distribution [Sales] sales system and effectiveness, Inventory management , Warehouse standard, size and fleet management, IT infrastructure availability and usage, Financial strength and arrangements, Relationship with Meta Abo Brewery SC, Embedment of Safety, Health, and Environment agenda and other vital information related to the research objectives.

3.5.1 PRIMARY DATA

Primary data are those which are collected afresh and for the first time, and thus happen to be original in character. These could be collected using observation, interviews, questionnaire and schedules (Kothari, 2009). The primary data were collected from distributed questionnaires, interview, and focus group discussion.

3.5.2 SECONDARY DATA

Secondary data are those collected by someone else and have already been passed through the statistical process for this study the secondary data were also obtained from various departments on distribution strategies which has been put to manage supply chain of meta Beer products. For example, published and unpublished data. Published data include, research reports, magazines, books and newspapers. This study collected relevant information from various written documents concerning distribution channels

3.6. DATA PRESENTATION AND ANALYSIS

The study analyzed through both qualitative and quantitative data pertaining to the problem. Hence, both qualitative and quantitative data analysis techniques employed to analyze the data. The data from interview, focusing group discussion and open ended questioner presented in narrative form by using tables, graphs and charts. Analysis of quantitative data will be using statistical techniques of descriptive and narrative analysis has been used to present the data. Especially secondary data of sales performance, numeric distribution [availability of products] and

out of stock situation, distributors selection and evaluation process and wholesalers and retailers satisfaction survey result has analyzed.

CHAPTER FOUR

4. DATA ANALYSIS AND DISCUSSION

4.1 DATA ANALYSIS

This chapter presents data analysis and interpretation of the data collected from the field on the study using questionnaire as a data collection tool. The data is generated through a set of interviews, questionnaire administered to the respondents. Tables, simple percentage and other common statistical tools are used in presenting and analyzing the data generated. Furthermore brief explanatory discussions are attached to tables for clarity purpose.

4.2. QUESTIONNAIRE DISTRIBUTION

Table 2: Meta abo brewery employee sample

Function	Distributed	Returned	Not Returned	Collection %age
Distribution Management Function	7	7	-	100%
Customer Service Function	5	3	2	60%
Total	12	10	2	83%

Source: Survey Questioner 2017

The study sought to establish the function of the respondents. From table 2 it is evident that the research addressed 100% of distributor management function and 60% of customer service.

Table 3: Distributors & wholesalers sample

Company	Distributed	Returned	Not Returned	Collection %age
Meta Abo Brewery	70	57	13	81%
S't Gorge Brewery	18	11	7	61%
Habesha Brewery	12	6	6	50%
Total	100	74	26	74%

Source: Survey Questioner 2017

As the above table shows, 112 copies of questionnaire were distributed, 84 were returned, while 28 were not returned this is 74% turn out.

The study sought to find out about the year of experience in current distribution business. It is evident that most of the respondents, (56%), had ten years of experience, followed by seven years

of experience (24%), and five years of experience (18%) respectively. Only (2%) had above five years' experience.

4.3 DISTRIBUTION MANAGEMENT PRACTICE USED BY THE COMPANY

The study sought to find out about the kinds of distributional strategy used by Meta brewery which. It is evident that all of Meta staff respondents (100%) were agreed that Diageo [Meat Abo] is using 100% indirect distribution channel method through its exclusive distributors across all part of the country and the company also use local beverage exporter to export its product to foreign market like South Sudan, USA, German, Israel and Jordan. This direct distributors will have defined sales territory which they are going to cover and serve their customers/retailers or wholesalers/ with specifically assigned sales quotas/sales target based on the potential of the market/ area and sales trend history.

Diageo [Meta Abo] design its market areas based on the new philosophy called **RTC** [Rout to consumers] which considers the below major points:

- Market potential, sales trend and planned volume
- Geographical advantage, sales force size and profitability
- Numbers of retailers, wholesalers and consumers bases

After designing the national market based on the major criteria's Diageo has divided its market in to two markets which are **Addis Ababa** and **Up country** and this two markets has also divided in to regional sales areas and districts based on their potentials and accessibility to manage. Therefore; Diageo is manging its market through three stage territory management which are pointed hierarchy:

Meta Abo Brewery [Diageo] has setup a function called distributors management which is solely dedicated to manage and support all of their distributors throughout the country this function has 7 team members. Meta Abo has set distributors standard and criteria to all of his distributors and assess them periodically based on the standard and evaluate their effective and impact on the sales performance.

This chapter will discuss and analysis the standard and the current status of Meta Abo brewery distributors

4.4 DISTRIBUTION METHODS USED BY META BREWERY DISTRIBUTORS

It is evident that most of the respondents (66%) were agreed that they use intensive type of distribution strategy and (16%) of exclusive type of distribution strategy, aiming to deploy products for more than hundreds of exclusive Meta House Channel's while (18%) of selective distribution strategy for only key account outlets.

Table 5 Distribution Methods

DISTRIBUTION STRATEGY	FREQUENC	PERCEN
INTENSIVE	38	66%
SELECTIVE	9	16%
EXCLUSIVE	10	18%
TOTALS	57	100%

4.5 EFFECTIVENESS OF DISTRIBUTION SYSTEMS ON THE SALES OF META BREWERY

The majority of respondents 76% indicated that effectiveness of product delivery from retailer to consumers was to a great extent on sales whereas the rest 24% indicated the effectiveness was to a moderate level.

The effectiveness of door - to -Door Distribution /outlet coverage and Frequency of Distribution/ call rate) on sales was a very great and moderate effect as indicated by 78% and 71 % of the respondent as well said that effectiveness of distributor allocation by Segment (like allocation of distributors for key account channels & segmentation for Draft, beer and cellar products) was to a great extent and Having a wider distribution network was to a moderate extent on sales..

Moreover, significant amount of respondents (89%) indicated that effectiveness of offering the product needed at the right time and place had an immense impact on the sales of the company's product. They further indicated that; using of segmentation & wining customer offer design (through proper implementation of route – to - market (RTM) & Route – to- consumer (RTC) strategies) on sales was to a very great extent with 87%.

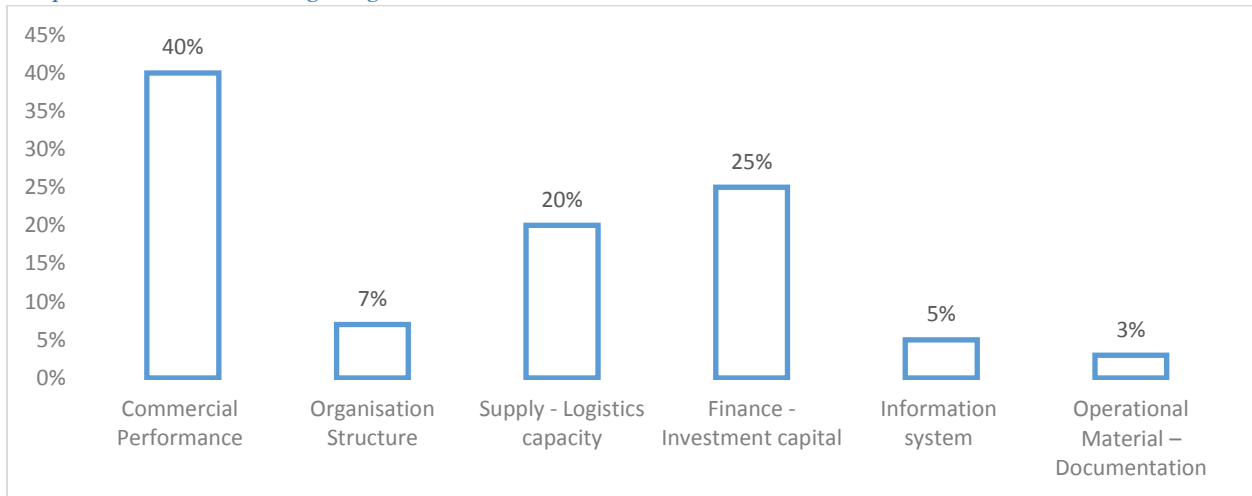
4.6 THE DISTRIBUTION SYSTEM ATTRACTIVENESS

The study wanted to find out if the company's distributional system were attractive enough in relation to other competitor beer companies. The results showed majority of the respondents (87%) indicated that the company's distribution system were not attractive enough. they further indicated that the problem of product availability due to the factors of strategic market product allocation, seasonal factors, unbalance of draft availability with the standard beer (high cost of draft machine & its spillover effect on the consumption of standard beer), competitors activity and glass holding problem.

4.7 SIGNIFICANT STANDARD CRITERIA'S OF THE COMPANY

Standards provide a guide for every aspect of the distributor business, and should form the basis of a successful partnership between the distributor and Meta Abo. The study found out that Meta abo has defined major standards and criteria to its distributors and partners regarding how they should operate this imply that the distribution management practice is backed by system and it's helping the company to identify challenges and opportunity and implement perfect distribution management. The major standard and score weighting is disclosed in the below graph.

Graph 1: Standard's Weighting



Source: Meta Abo brewery distributor's standard manual, 2017

The above major standards will be breakdown in to the General Performance, Meeting schedule, target setting, organizational design, Logistics & warehousing, Financing, Performance Management, Health & safety, Stock Report, Training, SOP Material and IS infrastructure, Moreover considering the above standard Meta has categorizes its distributors in two four categories depending of their assessment score. This are:

Table 6: standards' weighting

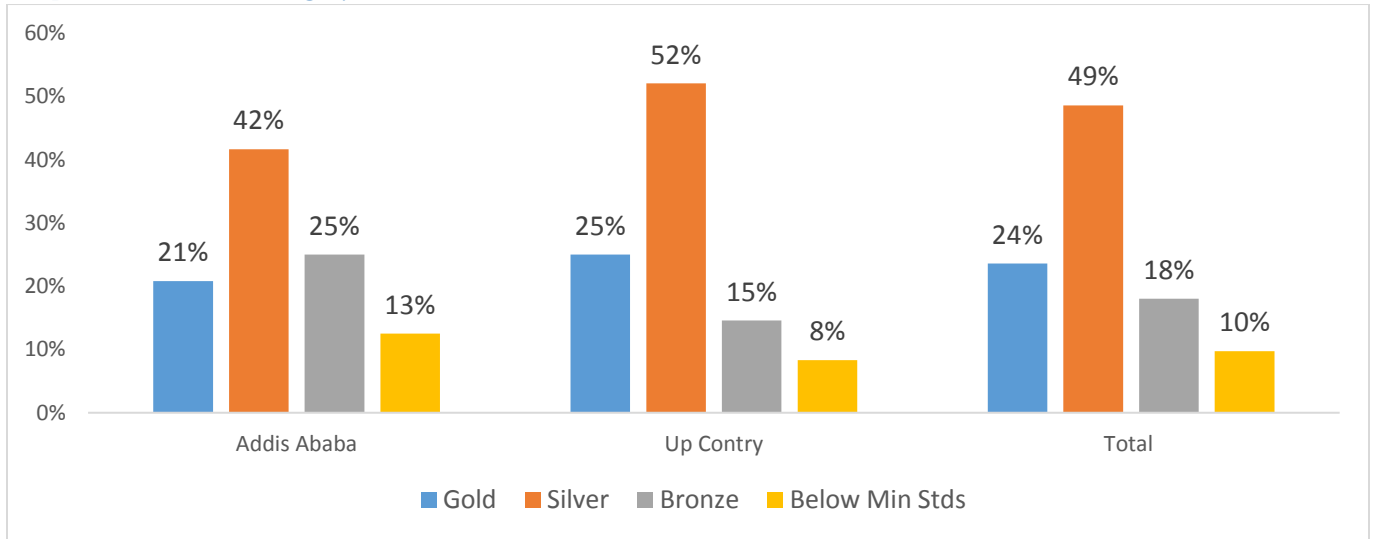
Score	Standard
80% and above	Gold
60%-79%	Silver
40%-59%	Bronze
< 40%	Below Min Stds

Source: Meta Abo brewery distributor's standard manual, 2017

Therefore those distributors score above 80% will be gold standard distributors and those between 60%- 79% also will be silver which is the two better standard as mentioned by Meta Abo distribution management team. Whereas distributors categories in the remaining two standards are in performance review and need close follow up by the team.

4.5 META ABO BREWERY DISTRIBUTORS ASSESSMENT CATEGORIES

Graph 2: standards' category



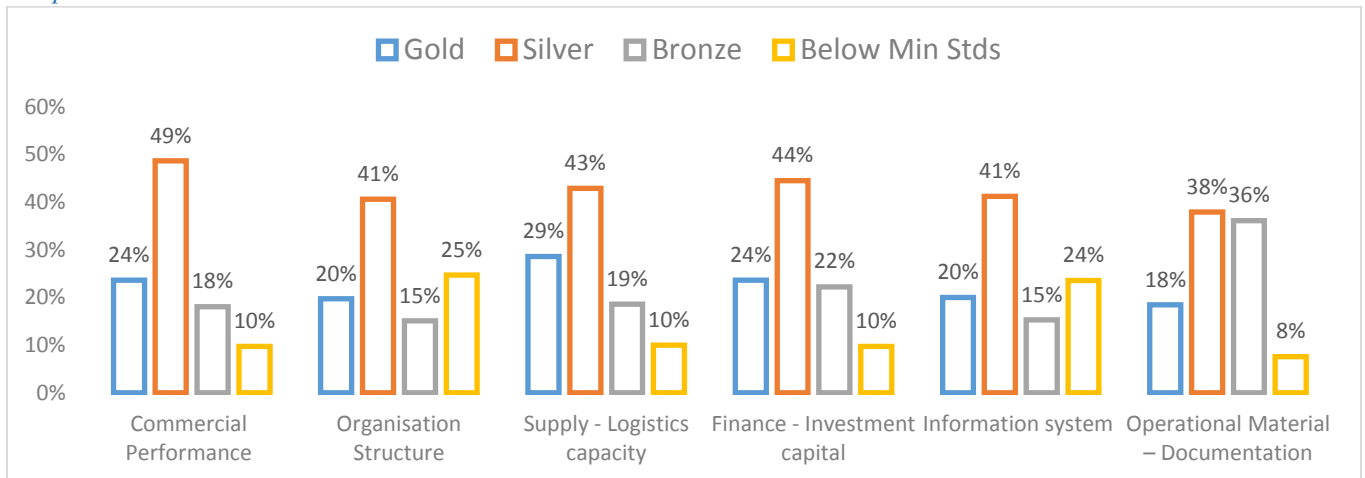
Source: Survey questioner, 2017 [percentage number are in order of legend appearance]

From total sampled 50 Meta Abo exclusive distributors 24% & 49% are categorized as Gold and Silver standard distributors whereas the rest 18% and 10% are bronze and below minimum standard respectively. Though Meta Abo Brewery need to improve or take action in 28% of its distributor's population to upgrade their standard to gold and silver to increase its sales performance and distribution coverage.

Furthermore; in terms of Gold and Silver distributors number up county has better score than Addis Ababa market. But still upcountry also has significant number of bronze and below minimum standard distributors.

4.6 META ABO DISTRIBUTOR'S ASSESSMENT RESULT REGARDING THE MAJOR STANDARDS

Graph 3: KPI's and standards



Source: Survey questioner, 2017 [percentage number are in order of legend appearance]

4.6.1 COMMERCIAL PERFORMANCE:

24% & 49% are categorized as Gold and Silver standard distributors whereas the rest 18% and 10% are bronze and below minimum standard respectively. This Gold and Bronze standard distributors monthly and year to date performance vs targets is analyzed, van sales man of the distributors has structured and effective journey planning and cover most of retail outlets and Key account daily. Moreover their sales man also knows and practices the outlets execution standards.

4.6.2 ORGANIZATIONAL STRUCTURE

Most of Meta Abo brewery distributors didn't have well organized organizational structure as per the company standard this is confirmed by the assessment result which is only 20% are scored as gold and 41% as silver standard respectively.

- No clearly defined HR policies in place
- No organogram in place
- Only critical roles are filled
- Most position filled with relatives
- Less qualified and experienced employee

4.6.3 SUPPLY: [LOGISTIC & WAREHOUSING]

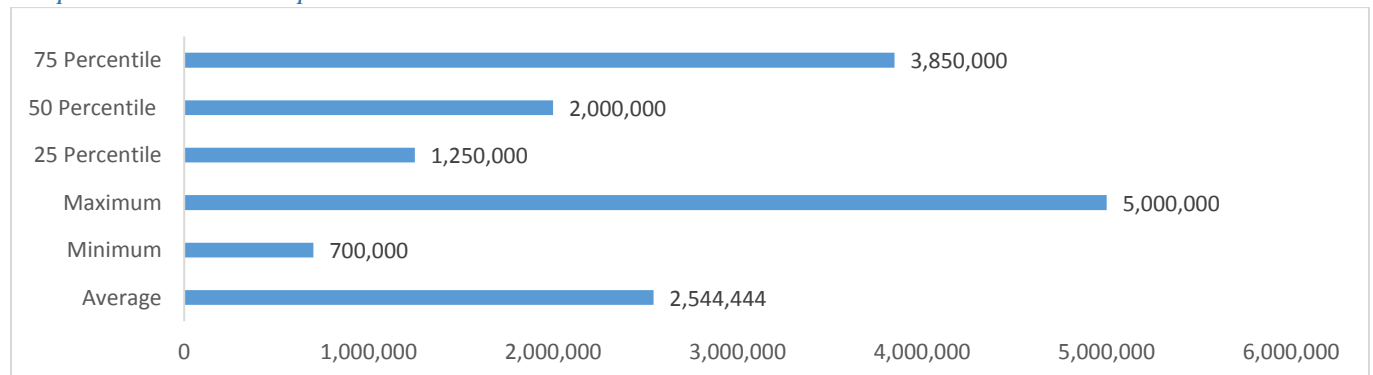
Meta distributors has better score in terms of supply standard 29% of them are ranked as gold and 43% are silver which is in total more than 72% of them are in good position.

They have ability to store minimum 7 days onward cover standard stock and adequate offloading and loading capacity and space. Moreover they have enough redistribution truck and good warehousing.

4.6.4 FINANCE: CAPITAL

Average capital of Meta beer distributors is Birr 2,544,444. Out of hundred, 25% of distributors' capital is lower than Birr 1,250,000, while 25% of distributors capital is more than Birr 3,850,000. In comparison the average working capital of Meta distributors is less as compared to require to the business investment. Therefore, only 24% of them are ranked as gold standard in terms of their financial capability.

Graph 4: distributors capital



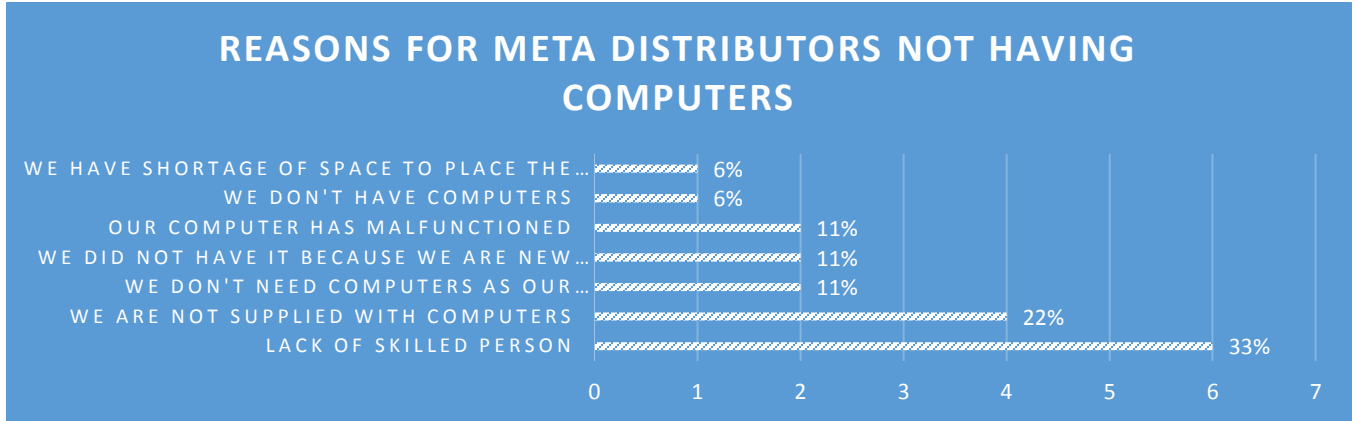
Source: survey questionnaires' 2017

4.6.5 INFORMATION SYSTEM & OPERATIONAL MANUAL

All of Meta Abo distributors have computer but majority of them didn't have printer and any kind of stock and transaction management system they manage their operation using manual documentation and simple excel based system.

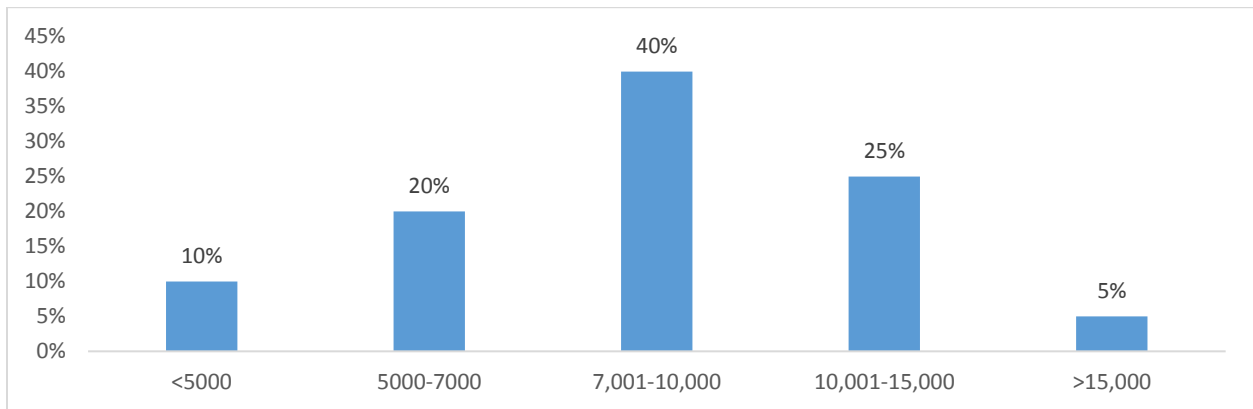
Among the reasons Meta distributors stated the reasons they lack computerized financial recording and reporting system are: lack of skilled person (33%) and the distributors expecting the company to supply them with computers (22%).

Graph 5: computerization



Source: survey questionnaires' 2017

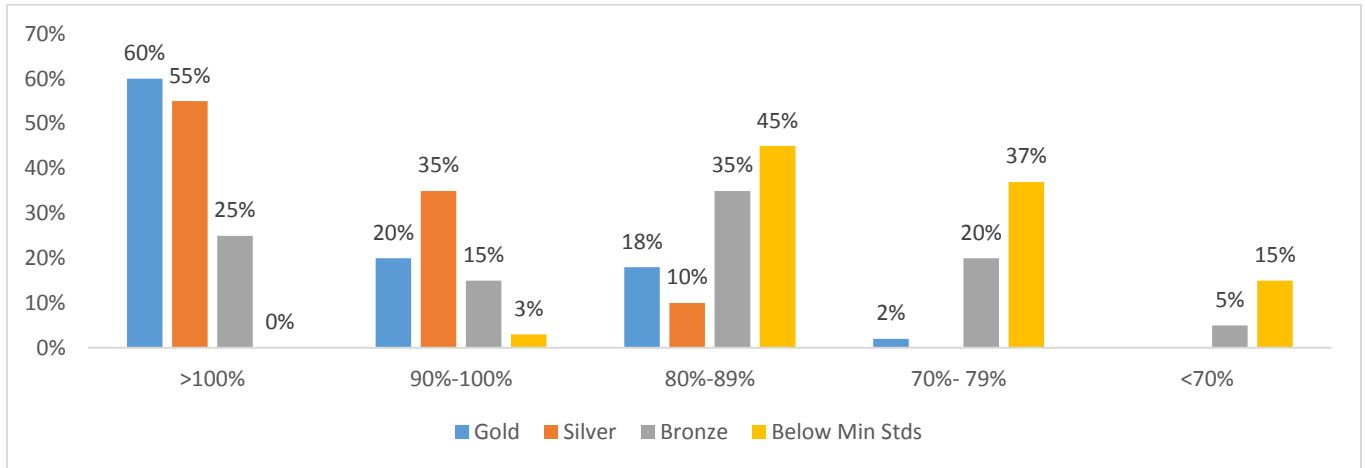
4.6.6 WAREHOUSE STANDARD CAPACITY, SIZE AND FLEET MANAGEMENT



Source: survey questionnaires' 2017

Based on the analysis the maximum warehouse capacity of Meta Abo distributors is 50,000 cases and 40% of the warehouse can accommodate 7,000-10,000 cases of beer which is near to 7 days of stock. Moreover all of the warehouse was fully covered and made of blocks and the floor was well cleaned but most of them didn't have emergency exit, ventilation system

4.6.7 EFFECTIVE OF DISTRIBUTOR STANDARD ON THE SALES VOLUME OF THE COMPANY



Source: survey questionnaires' 2017 [percentage number are in order of legend appearance]

Based on 10 months sales performance [From July 2016- April 2017] 60% and 55% of gold & Silver distributors of Meta has greater than 100% of target achievement whereas most of bronze and below minimum standard rated distributors has delivered only between 70%- 79% of their 0 month target. Therefore, standards have direct impact of sales performance of Meta Abo distributors.

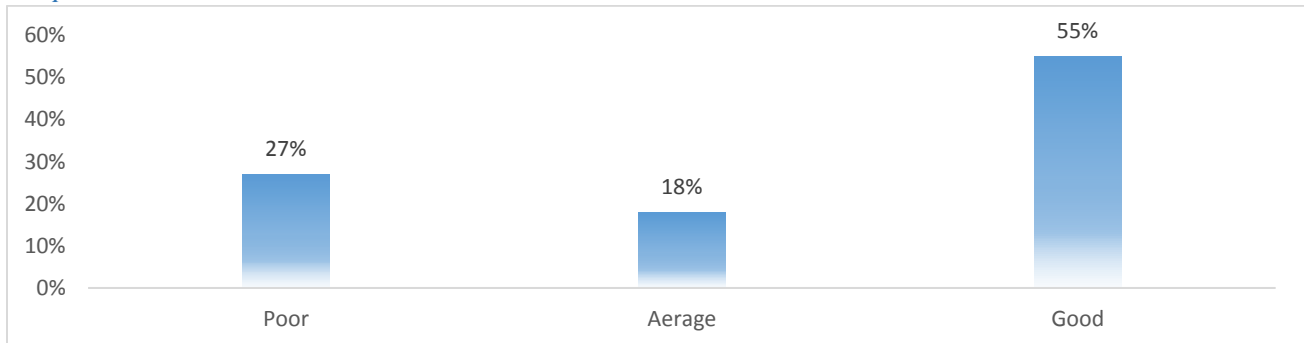
4.6.8 EMBEDMENT OF SAFETY, HEALTH, AND ENVIRONMENT AGENDA

All warehouses (100%) of Habesha have necessary health and safety arrangement availability while both Meta and St. George distributors have equal stance (91%) in availability of necessary health and safety arrangements. The response of distributors for not having these necessary health and safety arrangements is because of they don't consider it as a necessity, which shows there is a communication gap.

4.7 SATISFACTION LEVEL OF DISTRIBUTORS RELATIONSHIP WITH META ABO BREWERY

4.7.1 EASE OF DOING BUSINESS

Graph 6: Easiness score

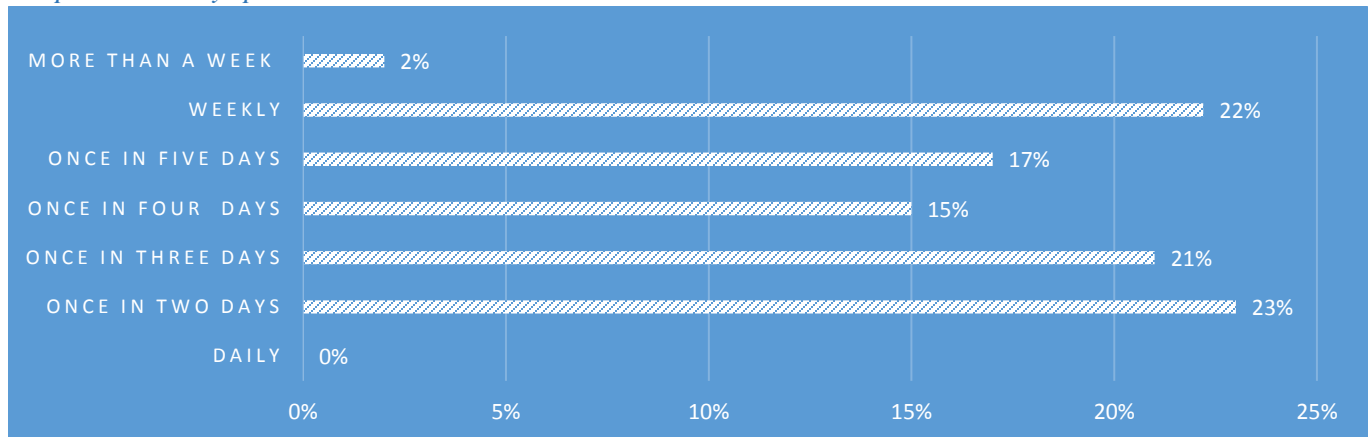


Source: survey questionnaires' 2017

54.5% of Meta distributors rated ease of doing business with Meta as good, while 27.3% rated ease of doing business with Meta as hard (poor).

4.7.2 META DELIVERY SPEED

Graph 7: Delivery speed



Source: survey questionnaires' 2017

META is delivered very late in periods ranging from two to five days after orders are placed (66%). While HABESHA AND ST. GEORGE are delivered to most of their distributors (67% and 55% respectively) DAILY.

Moreover when empty bottles are returned to the company, it does not have a specific receiving formats other than writing the numbers down and entering the numbers to computers. Distributors write on papers and ask the company representatives to sign it for them. As a result, distributors are inconvenienced lost several crates and faced hardships to solve the issue.

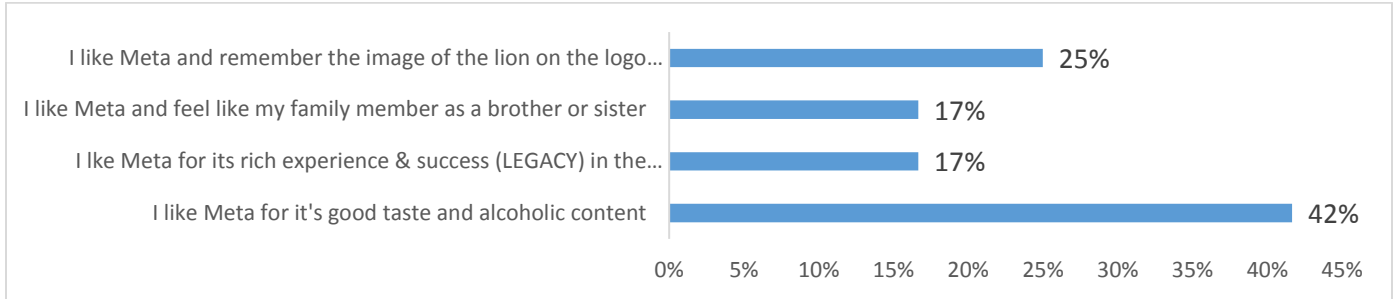
4, 7, 3 PRODUCT QUALITY

The following points are noted as inconsistencies on the quality of Meta products:

- Presence of large number of unfilled and half-filled beer bottles when distributors receive products from the company (55%). (Meta Long neck, Décor, Malta)
- Presence of unattractive old bottles (16%). (Meta Décor, Azmera & long-neck)
- Abnormal texture of beer, sometimes it is very thin and other times it is very thick (11%). (Meta beer 500ml RGB)
- The bottle crown is not fixed well (10%). (Malta, Meta Décor, Meta beer 500ml RGB)
- Presence of foreign objects (solid) and sludge in sealed beer bottles (5%). (Meta beer 500ml RGB)
- Meta draft barrels are made from very heavy material unlike some competitors which highly affect the body and engine power of distribution trucks. As a result, distributors' trucks are not sellable.
- Sometimes there is a bad smell when the beer bottle is opened (3%). (Azmera, Meta beer 500ml)

4.7.4 POSITIVE REPUTATION OF META

Graph 8: Meta reputation



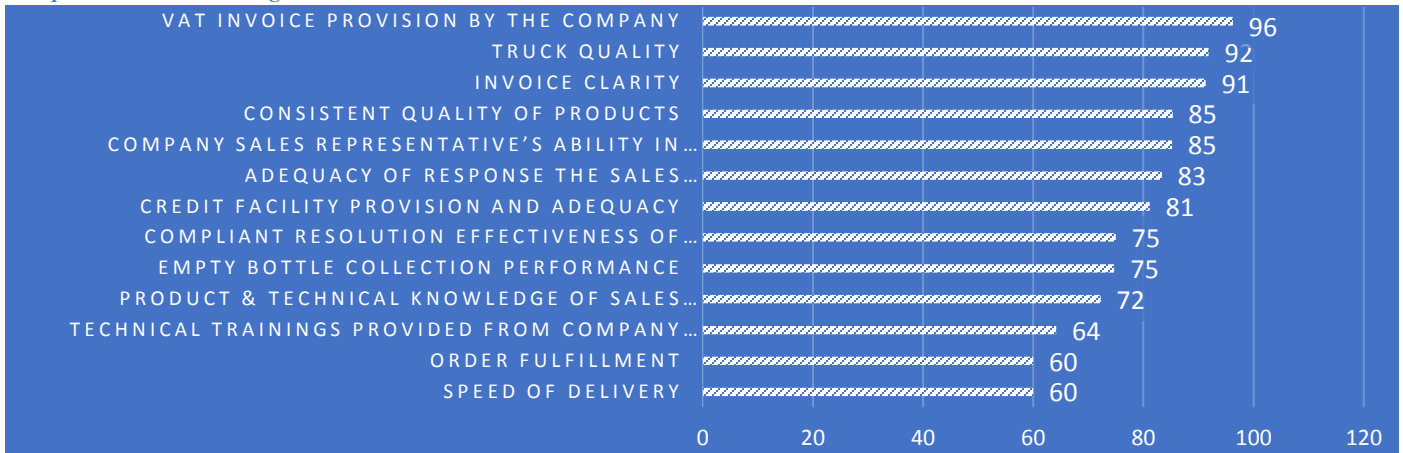
Source: survey questionnaires' 2017

Among Meta distributors who have positive outlook of the company, 42% cited its good taste and alcoholic content of the beer as the factor.

4.7.5 OVERALL PERFORMANCE PARAMETERS

Meta has higher performance ratio on vat invoice provision & clarity while speed of delivery and order fulfillment has lower performance ratios.

Graph 8: overall rating

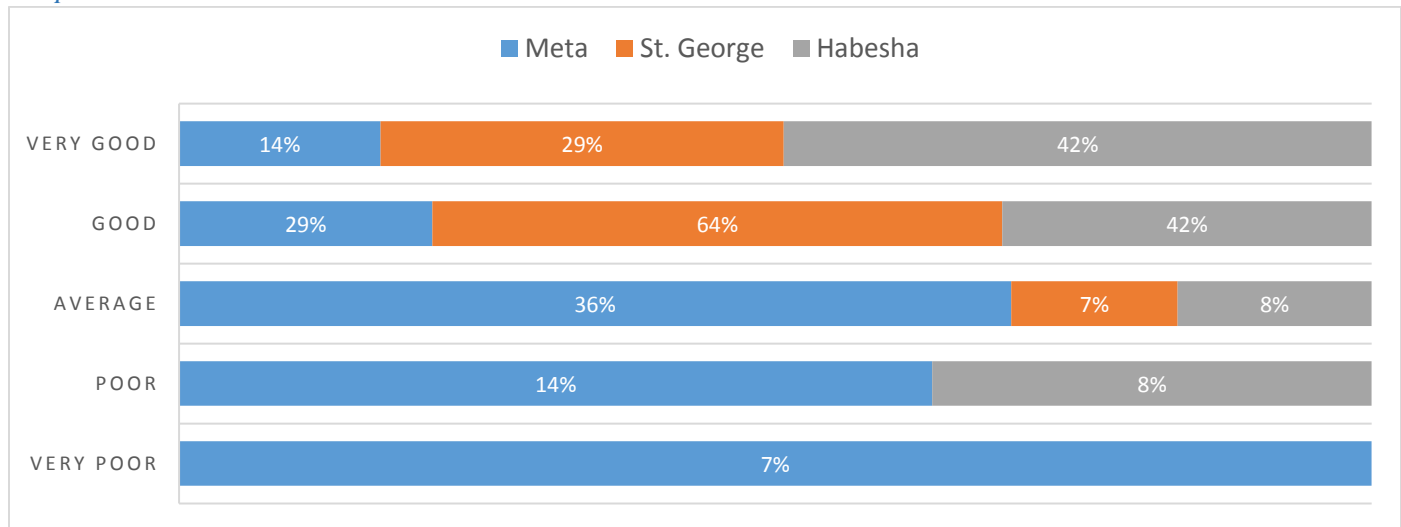


Source: survey questionnaires' 2017

4.8 SECTION 2 – RETAILERS ANALYSIS

4.8.1 RETAILER OUTLET OVERALL PERFORMANCE EVALUATION OF BEER COMPANIES

Graph 9: Retailer evaluation



Source: survey questionnaires' 2017 [percentage number are in order of legend appearance]

St. George and Habesha beer have higher overall performance in comparison to Meta from retailer's point of view.

4.8.2 RETAIL OUTLET INVENTORY [PRODUCT] MANAGEMENT

Table 5: Retailers stock

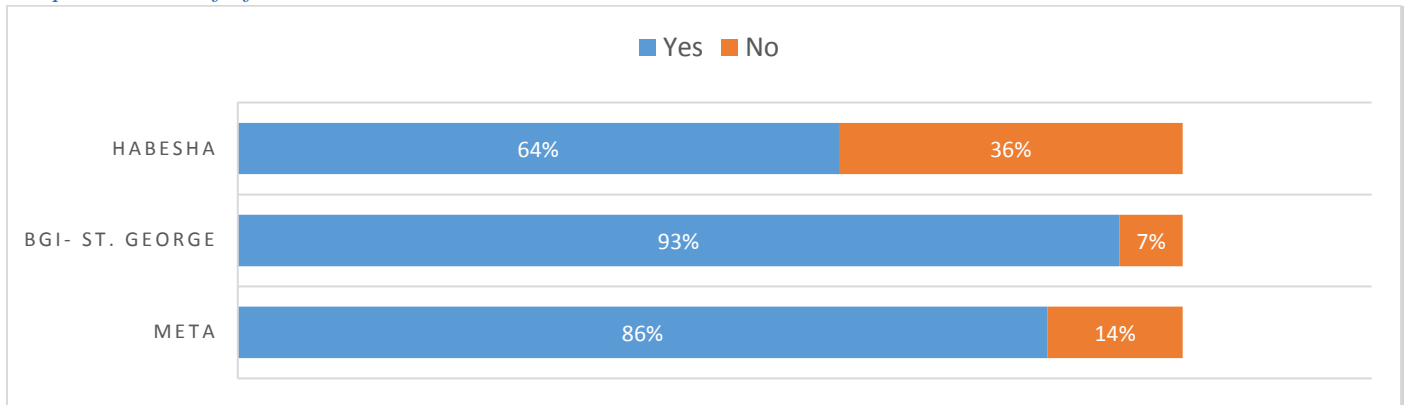
Company	Frequency			
	Daily	2-3 days/ week	4-6 days/ week	Once a week
Meta	14%	29%	21%	36%
BGI	13%	53%	20%	13%
Habesha	11%	44%	11%	33%

Source: survey questionnaires' 2017

Most retailers stock St. George (66%) and Habesha (55%) beer from every day to every three days, while 57% of the retailer's stock Meta from every four days to every week.

4.8.3 BEER COMPANY ORDER FULFILLMENT

Graph 10: Order fulfillment



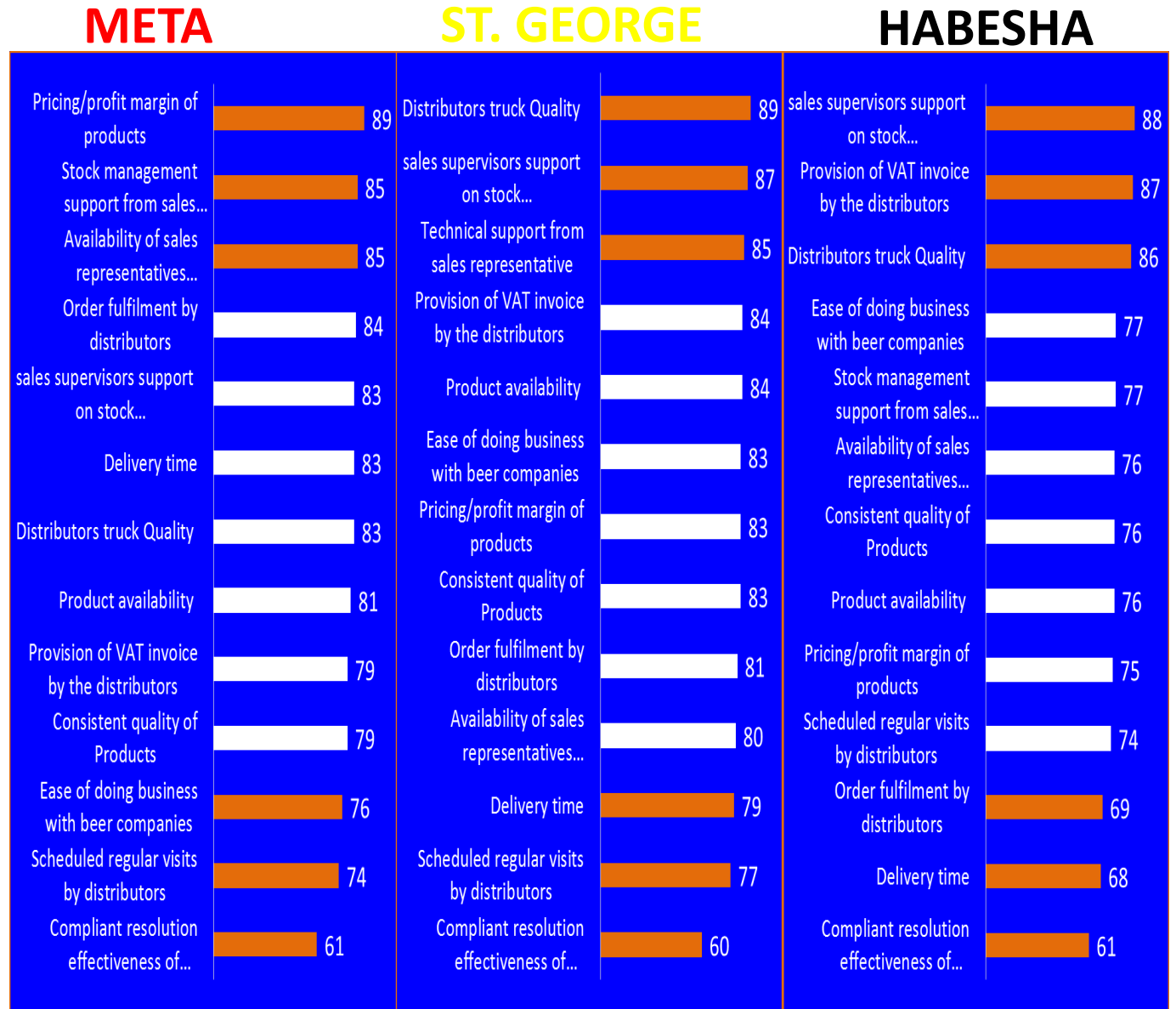
Source: survey questionnaires' 2017 [percentage number are in order of legend appearance]

St. George beer and Meta lead in order fulfillment to the retailers with 93% and 86%, respectively. Habesha has lower order fulfillment status lesser by 45% from St. George and 34% from Meta.

4.8.4 RETAIL OUTLET OVERALL RATING IN KEY KPI'S

Performance to importance ratio shows the performance of companies in consideration to the importance of the parameter to the customers. If the ratio (in %) gets close to 100 the satisfaction rate will be attained or higher.

Graph 11: Beer Company rating



Source: survey questionnaires ' 2017

4.8.5 RETILE OUTLETS OPINION ABOUT BEER COMPANY’S REPUTATION

		
<ul style="list-style-type: none"> ✓ The first and the oldest beer company (3) ✓ A famous beer company (1). ✓ Has good alcoholic content & taste (2) ✓ I remember the Lion and the red color (2) ✓ Meta is a very nice drink (1). ✓ Meta is an average beer drink (1). ✓ Meta is a very less promoted beer (1). ✓ Meta is a nice drink but has shortage (1). ✓ Meta beer does not supply with branded refrigerators as other competitors are doing (1). 	<ul style="list-style-type: none"> ✓ A highly favorite drink liked by many people currently (2). ✓ The oldest beer company (2). ✓ A respected and demanded beer product for long years (2). ✓ I remember the football club and the yellow color when I think about St George (2). ✓ A very nice drink which doesn't have headaches after drink (2) ✓ St. George is like a mother to me (1). ✓ A nice drink but has product shortage (1). ✓ St.George beer provides different promotion materials to outlets like T-shirts and also sponsors happy hour drinks (1). 	<ul style="list-style-type: none"> ✓ Habesha is an expression of our identity (3) ✓ Is a Golden beer with nice alcoholic content (1) ✓ Fast growing, best performing and competitive drink (1) ✓ A favorite drink which gives satisfaction (1) ✓ New and profitable (has good profit margin) drink (1) ✓ Habesha is an average beer drink (1) ✓ Youngest population like Habesha very much now (1) ✓ The term on Habesha beer advertisement “ Be werk Yetesheleme” created attraction to choose the beer (1).

Source: survey questionnaires' 2017

CHAPTER FIVE

5. CONCLUSION & RECOMMENDATION

5.1 CONCLUSIONS

The climate of the Ethiopia's beer industry has undergone major changes in recent years. The entrants of multinational companies coupled with the necessity in meeting the timely increasing of the demand and supply requirement made the competition to become stiff. The study seek out an assessment of the distribution management practice and sales volume of Meta Brewery and to understand on how distribution is currently implemented and managed for the company in the Ethiopian market context.

Many of the companies including Meta Brewery have worked hard to define the positioning of the brand, invest in marketing activities, & build new commercial teams. With this increased investment behind capacity expansion & requirement of a highly skilled sales force, launched new brands and exerting their full potential to penetrate the market through applying different kinds of distributional channel strategy & widening their destination. All the respondents indicated that the distributors and sales staffs were present in the company. Most of them were joining the industry in parallel with the entrants of multinational companies and had an experience of grand parent company's promotional mix methods exposure.

The distribution management practice is done by independent function called distribution management team with the help of 7 propels which they manage different regional markets classified based on their geography and strategic importance. It's evident that the company applied mixed use of different distribution strategy. As the result shows in the finding (66%) were agreed that they use intensive type of distribution strategy and (16%) of exclusive type of distribution strategy, aiming to deploy products for more than hundreds of exclusive Meta House Channel's while (18%) of selective distribution strategy for only key account outlets.

In investigating the distributional channel strategy used by Meta Brewery, the result of the analysis shows as the company used (Manufacturer - wholesaler - retailer – consumer) channel system to a very great extent while (Manufacturer -retailer – consumer) for exclusive Meta House channels to a great & moderate extent. The respondents further indicated that the use of (Manufacturer - wholesaler – consumer) through neighborhood stockiest (NHS's) and (Manufacturer - to – consumer) for selective key account outlets was to a lesser extent. This is attributable to the fact that the company used various mix of channel systems and there is an intense competition between breweries which forced the companies to widen their geographical coverage and destination.

The main reasons noted for the dissatisfaction in upcountry areas were lack of product availability (order fulfilment) and poor delivery speed in comparison with competitors.

From the product availability elements, the respondents indicated that effectiveness of offering the product needed at the right time and place had an immense impact on the sales of the company's product. They further indicated that; using of Segmentation & wining customer offer design

(through proper implementation of route – to - market (RTM) & Route – to- consumer (RTC) strategies) on sales was to a very great extent while, the effectiveness of product availability by the required (store keeping unit /SKU's & Quantity), and Availability of Glass Holding, and Stock Size (optimum inventory level) on sales of the company was to a great extent.

From total Meta Abo exclusive distributors 24% & 49% are categorized as Gold and Silver standard distributors whereas the rest 18% and 10% are bronze and below minimum standard respectively. Though Meta Abo Brewery need to improve or take action in 28% of its distributor's population to upgrade their standard to gold and silver to increase its sales performance and distribution coverage.

Furthermore; in terms of Gold and Silver distributors number up county has better score than Addis Ababa market. But still upcountry also has significant number of bronze and below minimum standard distributors. Meta Abo brewery distributors didn't have well organized organizational structure as per the company standard, they are less capitalized and equipped with IT, stock management and transaction system.

According to the responses from Meta distributors, it was noticed that there are critical product inconsistencies like the occurrences of large number of unfilled and half-filled beer bottles, unattractive old bottles, abnormal texture of beer, bottle cap being not fixed well, presence of foreign objects (solids) and sludge in sealed beer bottles and sometimes foul smell when the beer bottle is opened.

Major performance weaknesses seen in comparison to competitors were extremely slow speed of delivery and order fulfilment which are the most common reasons Meta distributors share, cited as the reason for the company's poor performance in selling the products to customers.

It was evident that Meta excels on credit facility provision and provision of VAT invoice with clarity over its competitors (STG & Habesha). On the other hand, although the company's sales representatives are consistent in returning calls of customers, they were inadequate in providing satisfactory response to inquiries. Meta's sales representatives were also ranked the lowest in product & technical knowledge, providing technical support and providing distributors training.

5.2 RECOMMENDATION

The effective distribution management practice is very important for the companies and distributors therefore the effect of distribution and the impact on sales volume of the company is critical. So Based on the analysis carried out and the behavior of the firms under consideration we recommend the following points.

Marketers have many tools to include in the distributional strategy; No one tool is perfect; each has strengths and weaknesses, and often the tools are most effective when they're combined.

The availability of product at the required time and time is the ultimate determinant of the distributional methods.

The capacity and effectiveness of distributors significantly affect the type of distributional channel strategy.

The company's marketing platform should have to be aligned with the specific route market and distribution context.

In this era of intense competition, both worldwide and domestic, beer manufacturing firms of all sizes and varieties have become more and more concerned with the market share figures they achieve in the market place; Market share measures should be used as market performance indices. It is clearly desirable for the individuals concerned to have thorough knowledge of the distribution methods, which generate market share figures, and to be able to analyze the impact of their distributional channel strategy on market shares, as well as their profit implications.

Moreover, the following recommendations also give reading what Meta abo need to do for the sec of developing its partners/distributors to full fill its standard and criterial.

MAINTAIN

- The company should continue the services such as credit facility provision & adequacy, technical knowledge of sales representative, provision of training to distributors and truck quality have the potential to increase relationship strength if performance is improved
- Strengthen having regular monthly and year to date performance vs targets conversation, doing structured and effective journey planning and covering most of retile outlets and Key account daily.
- The company should keep producing quality products and leverage good brand awareness, reputation and experience
- Meta distributors has better score in terms of supply standard 29% of them are ranked as gold and 43% are silver which is in total more than 72% of them are in good position.
- They have ability to store minimum 7 days onward cover standard stock and adequate offloading and loading capacity and space. Moreover they have enough redistribution truck and good warehousing.

BUILD (IMPROVE)

- The company must consider improving distributors financial capability through partnering them to local banks or creditors to increase their working capital and business performance
- Most of Meta Abo brewery distributors didn't have well organized organizational structure as per the company standard therefore Meta abo need to link its HR function to support its distributors in terms of designing HR policy and organogram
- Improvements in speed of delivery, order fulfillment and consistent quality of products are most critical for a company as improved performance could contribute strongly to improving relationship strength – whereas weaker performance would threaten the relationship.
- Minimizing empty and under filled bottles and proper bottling on product delivery
- The company must increase supply to meet demands and providing forms to sign when delivering empty bottles
- Meta Should give quick response for distributors questions and complaints solving distributors complaints on products that need to be replaced (because of expiry dates & defaulted products- both beer and draught)
- The company must brand distribution trucks & improving on aesthetics and improve distributors door to door truck quality by setting standards
- Empowering distributors on computer based monitoring & reporting methods to work efficiently
- Providing products according to area based and seasonal need assessment
- Not enough and consistent marketing support to create demand for all our products

CONSIDER

- Improve product delivery speed particularly in UPC in upcountry areas
- Not enough and consistent marketing support to create demand for all our products
- Using attractive bottles (aesthetically improved/new) for (new) products delivered to customers
- Improving technical and timely assistance given by company sales representatives

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APPENDIX



St. Marry University Department of Marketing Management School of GRADUATE STUDIES

General Information:

The purpose of this questionnaire is to gather primary data on factors determining the assessment of Distributor’s management practice and standard impact on sales volume growth and physically availability in Meta Abo Brewery distributors

Direction:

The questionnaires’ designed to gather the information required to meet the purposes of this research paper. Please show your responses by putting tick mark (√) on the answer you choose from the choices provided under each question and fill in the spaces provided for open ended questions.

DISTRIBUTORS QUESTIONNAIRES’

S.N	Statement	SCORE			
		Yes	No	Evidence	Remark
1	Door to Door Distribution				
1.1	Distributor directly cover 90% of retailers				
1.2	Distributor sales man has effectively cover all retail outlets				
1.3	Distributor has distribution logistics (required fleet - trucks)				
2	Meeting Schedule				
2.1	Monthly Business Performance Review of KPIs is in place				
2.2	Weekly review meeting for all round performance is in place				
2.3	Meeting with Meta Abo brewery is in place				

S.N	Statement	SCORE			
		Yes	No	Evidence	Remark
2.4	Daily stock reconciliation is carried out				
3	Target Setting and Reporting				
3.1	The distributor known its monthly target				
3.2	The target is split per brand , per day, per route, and sales man				
3.3	distributor sales force incentives in place -rewarding the best ranked sales man every month				
3.4	Sales and stocks management report is in place				
3.5	Use of sales data analytics on and market intelligence to drive decision making				
4	Organizational Design				
4.1	Has the agreed organogram in place and all vacancies filled				
4.2	All key management roles are recruited/vetted in conjunction with Meta Abo representative				
4.3	Clearly defined HR polices in place and adhered to				
4.4	Has an onboarding program for new employee and executed				
4.5	Has refreshers programs for employees and executed				
4.6	Has a quarterly capability plan agreed with Meta Abo and deployed				
5	Warehousing				
5.1	Ability to store minimum 7 days onward cover standard stock				
5.2	Adequate offloading and loading capacity and space /people				
5.3	Adherence to FIFO stock management				
5.4	Brand segregation is adhered to (nonconforming, Beer, draught and empties)				
6	Logistics				
6.1	Achieves the standard TAT hours/date for Meta trucks				
6.2	Differentiated traffic flow for Meta Abo truck's and distributor route trucks				
7	Receipt of stock from Meta Abo				
7.1	Distributors record vehicle details, turnaround times and confirm that all required documents are presented and seals are confirmed to be intact				
7.2	Shortages & non-conforming products are checked and recorded				

S.N	Statement	SCORE			
		Yes	No	Evidence	Remark
8	Health & Safety				
8.1	Health & Safety policy in place Site Health and safety arrangements in place Fire safety prevention, protection and response systems in place				
8.2	During offloading/ loading, casuals have the right PPE - Safety gloves and boots				
8.3	HYGIENE: Fumigation carried out periodically every (3 months minimum) Housekeeping and General cleanliness				
8.4	Compliance to Safety legal requirements				
9	Finance				
9.1	Adequate agreed working capital cash for liquid				
9.2	Do they have any overdues with Meta Abo?				
9.3	Do they have appropriate inventory/ stocks controls?				
9.4	Has a ROIC [monthly P&L analysis] of not less than 30%				
9.5	Is there a standardized financial reporting process?				
9.6	Do they have overdues from retail/stockiest				
9.7	Has an accounting system /any System/				
9.8	Have a structured debtor management system?				
10	IT				
10.1	Has IS deployed? (any system)				
10.2	Laptop, Printer, Computer				
10.3	All transactions are captured through System (Front and back office)				

WHOLESALE'S QUESTIONERS

INSTRUCTION TO BE FOLLOWED IN COMPLETING THE SURVEY FORM

Please give your appropriate answer to reveal the degree of your satisfaction level.

Where: 1= EXCELLENT 2=GOOD 3=SATISFACTORY 4=POOR

1. How do you rate Meta Abo brewery distributor's in terms of the following parameters?

Measuring Parameters									
S.N	Distributor Name	Product Quality	Price	Delivery Time	Stock Availability	Warehouse Location	Customer Handling	Promotion	Staff Service
1									
2									
3									
4									
5									

2. Would you tell us your alternative product supplier other than Meta Abo distributors?

S.N	Meta Beer	Malta Guinness	Meta Draught
1			
2			
3			

3. Areas to be improved in our service provision?

1. _____
2. _____ 3. _____

4. Areas to be improved in our product quality and supply?

1. _____
2. _____ 3. _____

5. **Any opinion or Suggestion**

RETAILERS QUESTIONERS

1. CUSTOMER PROFILE

1.1.	Respondent Name						Gender	1	Male	2	Female
1.2.	Area/regional										
1.3.	Business city										
1.4.	Respondent category	1	Distributor			2	Retailer				
1.5.	Phone Number										

2. THE PRODUCT

2.1. Can you list out range of brewery products you stock in your outlet?

Nº	Name of the product	SKU	Amount stocked/ per one stock duration	Percentage from all stocked product

2.2. How frequent do you stock beer products in your store on average?

- a) Daily
- b) 2-3 days/week
- c) 4-6 days/week
- d) Once a week
- e) Other, Specify: _____

2.3. What is the maximum duration (in days) a specific product you stocked stays in your store before selling to customers?

- a) Product Name: _____ Duration: _____
- b) Product Name: _____ Duration: _____
- c) Product Name: _____ Duration: _____
- d) Product Name: _____ Duration: _____
- e) Product Name: _____ Duration: _____
- f) Product Name: _____ Duration: _____
- g) Product Name: _____ Duration: _____

2.4. What do you say about the consistency of the quality of products you stock in your store? (in terms of color, texture . . . etc)

- a) All products have good /consistent quality
- b) Some have consistent quality while others do not.
- c) All products do not have consistency in their quality.

2.5. If the response in Q2.7 is b or c, which products have inconsistencies and what are the features of the inconsistency you are able to notice?

№	Product Name	Features of inconsistency noticed

3. PRODUCT DELIVERY

3.1. What is the average period/frequency that your outlet is visited by distributors?

Frequency of outlet visit: _____

3.2. How do you evaluate distributors' level of truck standard in your opinion?

- a) Excellent
- b) Good
- c) Moderate
- d) Poor
- e) Very poor

3.3. Why did you say that?

3.4. Do the VSMs always provide you with Vat invoice when you buy products from them?

1 Yes	2 No
---------	--------

3.5. Do the VSM come to your outlet in a specified distribution schedules periodically?

1 Yes	2 No
---------	--------

3.6. Is your store able to store minimum of 7 days onward standard stock cover?

1 Yes	2 No
---------	--------

3.7. When selling and storing products to and from your store/outlet, which order/procedure do you follow?

- a) I sell products that I stocked earlier, then I sell products I stocked later.
- b) I sell products that I stocked earlier, then I sell products I stocked later.
- c) I don't have any procedure. I sell regardless of the time I stock products.

3.8. If the response in Q2.7 is b or c, what is your reason?

3.9. Are different brands/products types stored by segregating according to their types (non-conforming, Beer, draught and empties)?

1	Yes	2	No
---	-----	---	----

3.10. If not, why?

--

4. THE COMPANY AND STAFF SERVICE

4.1. What comes to your mind when you think about _____ (the name of the company)?

--

4.2. How many days will it take to receive products to your store after you give order to the sales representatives of the distributor?

--

4.3. Do you receive products in the same amount you give orders?

1	Yes	2	No
---	-----	---	----

4.4. If not, how much of your order amount, in percentage, do you receive most of the time?

--

4.5. Do the distributors collect empty bottles on time from your store?

1	Yes	2	No
---	-----	---	----

4.6. Do the distributors sales representatives always available whenever you need to give orders?

1	Yes	2	No
---	-----	---	----

4.7. Do the sales representatives return your calls whenever you make a call to give orders or for other issues?

1	Yes	2	No
---	-----	---	----

4.8. Do the sales representatives give adequate response to your inquiries?

1	Yes	2	No
---	-----	---	----

4.9. If not, what are your inquiries you did not get adequate response from the sales representatives?

--

4.10. Do you receive your invoices on time after making payments?

1	Yes	2	No
---	-----	---	----

4.11. Do you receive products on the right time after you finish payments on your side?

1	Yes	2	No
---	-----	---	----

4.12. Do you face any challenge on payment, reconciliation (comparison of stock out vs payment...etc) or credit facilities in your work with the distributors?

1	Yes	2	No
---	-----	---	----

4.13. If yes, what are the challenges you face on each of the above points?

Challenges on payment	
Challenges on reconciliation	
Credit Facility	

4.14. What are the challenges you face in the whole order to delivery process when stocking products to your outlet?

Note: **Order Process: Customer order**→ **Distribution Manager**→ **Sales Operation**→ **Credit controller**→ **billing controller**→ **Logistic team**→ **Transport**→ **product delivery to Customer**

From distributor perspective	From retailer perspective

4.15. Do the sales representatives provide technical support and after sales services to you in regards to customers service mechanics?

1	Yes	2	No
---	-----	---	----

4.16. Have you ever received technical trainings from distributor representatives that helps you to improve your service delivery to customers?

1	Yes	2	No
---	-----	---	----

4.17. If yes, which of the following topics did you received trainings; (tick boxes which apply)

Training Topic	Tick "✓", if it applies to you
Load and reload mechanics	
Warehouse/storage area standardization	
Stock management	
Health and safety rules	
Customer Service mechanics	
Other, Specify: _____	

4.18. Is there any additional training topic you want to receive?

1	Yes	2	No
---	-----	---	----

4.19. If yes, list three the topics below according to your priority:

- a) _____
- b) _____
- c) _____

4.20. How do you evaluate the product & technical knowledge of distributors' sales representatives?

- a) Excellent
- b) Good
- c) Moderate
- d) Poor
- e) Very poor

4.21. Why do you say that?

4.22. How do you evaluate the compliant resolution effectiveness of representatives whenever issues occur in your interaction with them?

- a) Excellent
- b) Good
- c) Moderate
- d) Poor
- e) Very poor

4.23. Why do you say that?

4.24. Are there any points you want to add as a recommendation, a comment or question?

THANK THE RESPONDENT AND CLOSE THE INTERVIEW