

**AN ASSESSMENT OF STRATEGIC BUSINESS
UNIT LOCATION DECISION
(THE CASE OF WEGAGEN BANK S.C)**

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

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**JUNE 2010
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ST. MARY'S UNIVERSITY COLLEGE

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DECLARATION

I, the undersigned, declare that this senior essay/project is my original work prepared under the guidance of instructor Abera Legesse. All sources of materials used for the manuscript have been acknowledged.

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This paper has been submitted to the department of management in partial fulfillment for the requirement of BA degree in management with my approval as an advisor.

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CHAPTER ONE

1. INTRODUCTION

1.1 Background of the study

During the past ten years the national economy growth rose by some constant number; as a result of this business become emerge in every direction. Whenever the emerging firm increases from time to time the location distribution would increase proportionally. Every company whether it is a manufacturing company or service rendering company, profit-oriented company or non-profitable company, governmental or a private company, they need to increase their business unit distribution as much as possible. To add a new business location at any geographic place the first assumption is assessing the place and analyzing the decision for the appropriateness of the location. Poor location choice or poor location decision would affect the firm's growth with out any doubt; the effect could be in terms of:

- Lack of customers
- High operating cost
- Shortage of qualified labor
- Loss of competitive advantage

Therefore, the study focused on the problem that occurred as a result of improper decision on business unit location which is happened in the banking industry; with more emphasize on Wegagen Bank.

As it is known before 15 years, there were only three Banks operating in Ethiopia, which were all state owned. However, within the financial sector, the progress of the Banking industry is remarkably changing from time to time. These days the number of private banks also considerably increases. These services rendered by competing commercial banks are mostly similar. The oldest state bank – Commercial Bank of Ethiopia and 10 private banks are now providing similar products and services. Dashen, Abyssinia, Awash, Wegagen, United and NIB are the oldest private banks compared to CBO, Lion, Zemen and Oromia international. Competition in the sector is gradually becoming high from time to time as a result of introduction of modern technologies, additional service features and new company entrants.

1.2 Background of the organization

The number of banks operating in the country is 13, which three are state-owned and 10 are privately owned. There are also 23 micro-finance institutions and several savings and credit cooperatives operating as financial institutions. As at June 30, 2008, there were 562 bank branches operating in the country, out of which 264 are state-owned and 298 belong to the newly emerged private banks. Of the total bank branches, 205 belonged to the commercial bank of Ethiopia. With 48 branches, Wegagen bank accounted for 17.1% of the private banks. (Source: National Bank of Ethiopia)

Table 1.1.1 Branch Distribution

Rank	Branch
1 st	Dashen
2 nd	Awash
3 rd	Wegagen
4 th	Abyssinia
5 th	Nib
6 th	United

(Source: National Bank of Ethiopia)

Wegagen's percentage share in the Bank industry as at June 30, 2008 was 17.1% in branch network.

Within the financial sector, the progress of the Banking industry is remarkably changing from time to time. These days the number of private banks also considerably increases.

Based on the bank annual report in the year 2008, after 11 years successful operation, the numbers of branches grow up to 48 and its permanent employees totaled 1450. Regarding its major operations, Wegagen Bank gives all Banking services like Domestic Banking, International Banking and Loan. In addition to this the Bank is unique in the industry in providing computerized and networked service.

Regarding its organizational structure, the chief Executive Officer/The President/ who is in charge of the over all operation of the company is directly appointed by the Board of Directors and the president in turn appoints two Vice Presidents one for the Support Service and the other for the Operational activities. There are different Departments, Services, Divisions and Sections accountable to the vice presidents.

Nowadays Wegagen Bank becomes a strong competitor among the rivalry firms; as a result of this the bank is take desperate actions to maximize its market share through increasing business unit location distribution. The bank launches different business unit location recently in the capital city (i.e., Addis Ababa). This study consider the five unit location; the first one (i.e., Africa Avenue branch) is the senior unit location from others which is opened five years before, and the second one (i.e., Bole branch) is opened in the last three years. The third i.e., which is located Wello Sefer opened in last year, the fourth i.e., Meskel Square and the fifth Bole Medhanialem branch. (Annual report of Wegagen, 2007/8, 2008/9)

1.3 Statement of the problem

In every industry before getting in to the business the most important thing is identifying the appropriate location of the business. The suitability of the location towards particular organization would benefit the company in the short term as well as in the long term aspect. The choice of location could show the sustainability of the firm in the future.

Existing organizations may need to make location decisions for a variety of reasons. Firms such as banks, fast-food chains, supermarkets, and retail stores view locations as part of marketing strategy, and they look for locations that will help them to expand their markets. (Stevenson, 1999: 362)

There should be significant assessment and measurement to realize the benefit that would be gained from the appointed location. The importance of appropriate location could be seen from different point of view; from the bank point of view, the first could be to give benefit for the society, to target potential customers, to increase loan distribution, to get foreign currency, to maximize the cash activities, and to maintain market share or to prevent competitors from entering a new market.

However, Banks are opening a lot of branches despite of the appropriateness assessment of location decision. Wegagen Bank S.C is increasing the number of branches in recent years to meet its vision, mission and objectives. However, there have been seen problem related with the appropriateness of the location. The distribution of branches is concentrated in the same area especially in the capital city.

Increasing the number of business unit is very important however the location decision would be analyzed and handled to tackle the shortcomings.

1.4 Research questions

The following basic research questions were planned to be addressed:

- What criteria are considered in location decision?
- What benefits could be gained from opening business unit next to competitors' business unit?
- What are the reasons to open many business units in the same area?
- How customer preferences measured to open a business unit?

1.5 Objectives of the study

1.5.1 General objectives

The objective of study was to assess the situation that occurs as a result of location decision in Wegagen Bank business unit in consideration with the bank's strategy and with the overall banking industry.

1.5.2 Specific objectives

The study tried to address the following specific objectives:

- To identify the criteria that considered in strategic location decision of the bank.
- To assess reasons to open more than one branch in the same area.
- To recommend on the Bank possible location decision.
- To clarify the benefits of selecting appropriate business unit location in the Banking Industry.

1.6 Significance of the study

The study was assessed the shortcomings of improper business unit location. The study assessed and evaluates the factors that affected the business unit location decision, the researcher was recommended on the gap or on the problem that was identified. The study created awareness on the responsible person who is concerned with the proper location decision in the particular organization. The researcher gained an enormous knowledge about the theoretical and practical location decision factors. The research might be useful for other researcher in terms of to understand the variables in location decision. Therefore, this study clarified the means and the consequences of the poor location decision.

1.7 Scope /delimitation/ of the study

There are many companies in the nation wide which could be classified in to manufacturing and service render Company. The research was focused on the service rendering company. Hence, the study examined improper decision location in Wegagen Bank specifically on the five capital city business unit; namely African Avenue, Bole branch, Wollosefer branch, Meskel Square branch, and Bole Medhanialem branch.

1.8 Definition of terms/operation terms

During the study the major terms that was mentioned again and again was strategic business unit and unit location decision.

- ❖ Strategic business unit:- in this context could be defined as a segment of the firm which means branches on the case of banks, supermarkets and etc.
- ❖ Strategy:- is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain competitive advantage.
- ❖ Unit location or plant location:- is the process of selecting a geographic location for a company's operations.

1.9 Research Design and Methodology

1.9.1 Research Design

The aim of the study was to take critical assessment of the problem and to suggest ways and means to improve the situation. Therefore, the research design done based on with descriptive research type.

1.9.2 Types of data

This study used two types of data; the primary and the secondary source of data. The primary data gathered through questionnaires and interview methods. Where as the secondary source collected from different books, annual report and from internet.

1.9.3 Methods of data collection

For the primary data collection questionnaires were organized to gather the first hand information from the customers and from the branch manager. And at the same time interview was conducted to gather core information from the Head, Marketing Development Division Manager. The secondary source of data was collected from different books, annual report and internet. Therefore, data was collected through survey and descriptive research method as a result of the nature of the study.

1.9.4 Sampling and sampling technique

The total population of the research includes; user of the bank or customers, and employees of the bank. The number of customers was difficult to determine specifically, which means that sampling technique had been applied. Meanwhile it was easy to determine the number of workers.

The sample unit was taken from the total number of business unit. As the annual report of Wegagen Bank (2008; 6) the number of business unit all over the nation in 2008 is 48. According to the annual report of Wegagen Bank out of the total branch 22 of the branch are located in the city (Addis Ababa). The

five business unit was considered in the research which is located in Africa Avenue (Bole), Meskel Square, Bole Medhanialem and Wollosefer.

Customers who usually use the five business unit and employee of the bank i.e., the particular managers of each branches and from the head office Marketing Development Division were taken in to account for the research purpose.

The sampling Design taking into consideration Non-Random sampling technique was used for the sample selection process. Therefore a convenient sample design was applied to select the sample. Convenient sampling method was applied for one big reason; the exact number of customers was unknown. Mean while it was hard to determine, distribute and to collect the questionnaires in the given time period if other sampling method was chosen.

The sample size considered from the unidentified total number of customers; the researcher took 150 number of customers to incorporated in the study. From each branch 30 number of customers were involved in the research. From the employee; the whole capital city branch managers i.e. 22 managers and one, head of the marketing development division manger were included in the study.

1.9.5 Data Analysis Methods

Descriptive method of data analysis was applied to appropriately address the aforementioned research questions formulated to serve the purpose. In order to give better understanding for the reader the data was arranged in a table format.

1.10 Limitations of the Study

During the study unexpected limitation was occurred from different circumstances. The first limitation was financial limitation; it was hard enough to fill the financial constraint. The second limitation was both customers and branch managers were reluctant to fill the questionnaire. The least limitation

was time; the sample was large and it was hard to analyze all that responses and it took time to accomplish.

1.11 Organization of the Study

This research was organized in four major parts. The first part was deals with problems and approaches. The second chapter was concerned with presenting the review of the related literature. The third part was treated the analysis of the data gathered. The fourth part was conveyed the study to an end with summary, conclusions and recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Definition

A strategic business unit is a significant organization segment that is analyzed to develop organizational strategy aimed at generating future business or revenue.

Exactly what constitutes an SBU varies from organization to organization. In larger organizations, an SBU could be a company division, a single product, or a complete product line. In smaller organizations, it might be the entire company. Although SBUs vary drastically in form, they have some common characteristics. All SBUs are a single business (or collection of businesses), have their own competitors and a manager accountable for operations, and can be independently planned for. (www.1000ventures.com)

Plant location may be understood as the function of determining where the plant should be located for maximum operating economy and effectiveness. Existing organizations may need to make location decisions for a variety of reasons. Firms such as banks, fast-food chains, supermarkets, and retail stores view locations as part of marketing strategy, and they look for locations that will help them to expand their markets. Basically, the location decisions in those cases reflect the addition of new locations to an existing system. (Stevenson, 1999: 362)

The selection of a place for locating a plant is one of the problems, perhaps the most important, which is faced by an entrepreneur while launching a new

enterprise. A selection on pure economic considerations will ensure an easy and regular supply of raw materials, labor force, efficient plant layout, proper utilization of production capacity and reduced cost of production. An ideal location may not, by itself, guarantee success; but it certainly contributes to the smooth and efficient working of an organization. A bad location, on the other hand, is a severe handicap for any enterprise and it finally bankrupts it. It is, therefore, very essential that utmost care should be exercised in the initial stages to select a proper place. Once a mistake is made in locating a plant, it becomes extremely difficult and costly to correct it.

The need for the selection of the location may arise under any of the following conditions:

1. When the business is newly started;
2. The existing business unit has outgrown its original facilities and expansion is not possible; hence a new location has to be found;
3. The volume of business or the extent of market necessitates the establishment of branches;
4. A lease expires and the landlord does not renew the lease; and
5. Other social or economic reasons; for instance, inadequate labor supply, shifting of the market etc.

What ever the reason, the selection of the location has to be made after considering all the economic factors which have a bearing on it. It may be impossible to find a place which abounds in all the facilities that are required to start a factory; but a search has to be made for a place which enjoys as many facilities as possible. The guiding principle in the search should be for a place where minimum cost of the raw material and the cost of the marketing of the finished product or service.

Firms trying to add a new location to an existing system when an organization experiences a growth in demand for its products or services that can not be satisfied by expansion at an existing location. The addition of a new location to complement an existing system is often a realistic alternative.

Some firms face location decisions through depletion of basic inputs. For example, fishing and logging operations are often forced to relocate due to the temporary exhaustion of fish or forest at a given location. Mining and petroleum operations face the same sort of situation, although usually with a longer time horizon. For other firms, a shift in markets causes them to consider relocation, or the costs of doing business at a particular location reach a point where other locations begin to look more attractive. (Aswathappa, Shridhara, 2005:112)

Location decisions for many types of business are made infrequently, but they tend to have a significant impact on the organization. There are two primary reasons that location decisions are a highly important.

1. It entails a long-term commitment, which makes mistakes difficult to overcome.
 2. The location decisions often have an impact on investment requirements, operating costs and revenues, and operations.
- (Aswathappa, Shridhara, 2005:112)

2.1.1 Characteristics of Strategic Business Units (SBUs)

- It is a single business or collection of related businesses.
- It has its own competitors.
- It has a manager who is accountable for its operation.
- It is an area that can be independently planned for within the organization. (www.1000ventures.com)

2.2 Major Errors in location selection process

Though location selection is relatively easy, businessmen commit errors and wrong locations are selected. Interestingly, errors in site selection seem to fall into a pattern. Some of the most common errors are:

1. Lack of through investigation and consideration of factors involved.
2. Personal likes and prejudices of key executives or owners overriding impartially established facts.
3. Reluctance of key executives to move from traditional established home ground to new and better locations.
4. Moving to congested areas already or about to be over industrialized.
5. Preferences for acquiring an existing structure (usually at an imagined bargain) that that is improperly located or not designed for the most efficient production.
6. Choice of community with low cultural and educational standards, so that key administrative and technical personnel eventually accept employment elsewhere.

In order to avoid the errors occurring and to ensure selection of a good location, a selection committee comprising people to knowledgeable on facts and factors, as well as those responsible for operating the factors should be constituted. The committee should then tour places, select two or three locations, study their plus and minus points, and finally select one among them. It is advisable that the selection committee first select the country, a region out of the country, locality out of the region and the exact site out of the chosen locality.

Selection of the site out of locality and locality out of region and a particular region out of the country should be based on a thorough investigation into relevant factors. (Aswathappa, Shridhara, 2005:112)

Making poor decisions is one of the deadliest threats to the success of the organization and to one's career, when they act haphazardly without regard to the values and goals of an organization. (Carol, 2004: 21)

2.3 Facilities Location Decision Making

All management functions involve some kind of decision making. Decision making is choosing among two or more alternatives. It sounds easier here than it is in practice. In fact, decision making is the heart of all the management functions. The rational decision-making model is a series of steps managers often follow to make logical, intelligent, and well-founded decisions. These steps can be thought of as seven Ds of decision making:

1. Define the situation.
2. Describe and collect needed information.
3. Develop alternatives.
4. Develop agreement among those involved.
5. Decide which alternative is best.
6. Do what is indicated (begin implementation).
7. Determine whether the decision was a good and follow up.

The best decisions are based on sound information. (Nickels, 2005: 218)

Facilities decisions are of great importance to the business and to the operation function. These decisions place physical constraints on the amount that can be produced, and they require enlistment of scarce capital. Therefore, facilities decisions are often made at the highest corporate level, including top manager and the board of directors. (Schroeder, 1989: 267)

2.4 Types of Business Unit Location

2.4.1 Facility location problems

Location problems can be characterized by a choice among multiple sites. Apart from this common feature, each location decision tends to be different. In some cases, the decision criterion is cost; in other it is revenue, vehicle response time or multiple criteria. Some location problems involve the consideration of only a few sites; others involve many. Some location problems include distribution costs from multiple plants and warehouse; others do not. (Schroeder, 1989: 267)

Since there are many different types of location problems, the following classification frame work has been developed.

Single-facility location:- In this type of location problem, only one facility which does not interact with the firm's other facilities is located. Example includes a single factory or warehouse, a government facility, and a single retail store. This type of location problem typically has multiple criteria such as labor costs, labor supply, union atmosphere, consider all these criteria objectively.

Location of multiple factories and warehouses:- In this type of location problem, total distribution costs and perhaps total production costs will be affected by the location decision. The new facility may necessitate adjustments in the shipping patterns and production levels of all other facilities. This problem is usually formulated by considering a production-distribution network of plants and warehouse of plants and warehouses with the criterion of minimizing costs.

Location of competitive retail stores:- In this location problem, the revenue obtained from the retail store is affected by the relative location of competing stores. This problem is typically encountered in selecting sites for department store, supermarkets, restaurants, bank and etc . . .; where the sales level is assumed to be affected by the distance customers have to travel to the new location versus the locations of competitors. Revenue is a variable that depends on where the facility is located in relation to competition.

Location of emergency services:- The decision criterion in locating emergency services is often related to response time. Such problems occur in

the location of police, fire and ambulance stations. In this case the criterion has shifted from revenue to a direct measure of the service delivered.

Table 2.1.1 Example of location problems

1. Single – Facility problems (multiple criteria) - -
- A factory or warehouse
- Government facility
- Hospital
- Electric power plant
2. location of multiple factories and warehouses (minimize production and distribution cost)
- Multiple factories
- Multiple warehouses
- Multiple factories & warehouses
3. Location of competitive retail stores (minimize revenue)
- Banks
- Department stores
- Supermarkets
- Restaurants
4. Emergency – service location (minimize response time)
- Ambulance
- Fire station
- Police station

(Schroeder, 1989: 278)

2.5 Measurement of location Decision

2.5.1 Location of competitive retail stores

Many retail location problems can be formulated with the criterion of maximizing revenue. These problems typically occur for grocery stores,

department stores, banks and fast-food restaurants, where the revenue of a particular site depends on the intensity of competition from other competitor's locations nearby. Notice how the location chosen for these service facilities has become a determinant of revenue, which was not a factor for manufacturing facilities.

Most retail location models are based on the assumption that revenue is proportional to the size of the facility and inversely proportional to the time the customer has to travel to the facility. (Schroeder, 1989: 288)

2.6 Factors that affect location decisions

Many factors influence location decisions. However, it often happens that one or a few factors are so important that they dominate the decision. For example, in manufacturing the potentially dominating factors usually include availability of an abundant energy and water supply and proximity to raw materials. Thus, nuclear reactors require large amounts of water for cooling, heavy industries such as steel and aluminum production need large amount of electricity, and so on. Transportation costs can be a major factor. In service organization, possible dominating factors are market related and include market related and include traffic patterns, convenience, and competitors' locations, as well as proximity to the market. (Stevenson, 1999: 364)

Once an organization has determined the most important factors, it will try to narrow the search for suitable alternatives to one geographic region. Then a small number of community-site alternatives are identified and subjected to detailed analysis. Community and site factors are often so intertwined that it makes sense to consider them jointly.

2.6.1 Location of markets

Profit-oriented firms frequently locate near the markets they intend to serve as part of their competitive strategy, whereas nonprofit organizations choose

locations relative to the needs of the users of their services. Other factors include distribution costs or the perishability of a finished product.

Retail sales and services are usually found near the center of the markets they serve. Example includes fast-food restaurants, service station, dry cleaners, and supermarkets.

Quite often their products and those of their competitors are so similar that they rely on convenience to attract customers.

Hence, these businesses seek locations with high population densities or high traffic. The competition/convenience factor is also important in locating banks, hotels and motels, auto repair shops, drugstores, newspaper kiosks, and shopping centers. Similarly, doctors, dentists, lawyers, barbers and beauticians typically serve clients who reside within a limited area.

Competitive pressures for retail operations can be extremely vital factors. In some cases, a market served by a particular location may be too small to justify two or more competitors (e.g., one hamburger franchise per block), so that a search for potential locations tends to concentrate on locations without competitors. The opposite also might be true; it could be desirable to locate near competitors. Large department stores often locate near each other, and small stores like to locate in shopping centers that have large department stores as anchors. The large stores attract large numbers of shoppers who become potential customers in the smaller stores or in the other large store. (Stevenson, 1999: 366)

2.6.2 Other factors

Climate and taxes sometimes play a role in location decisions. For example, a string of unusually severe winters in northern states may cause some firms to seriously consider moving to a milder climate, especially if delayed deliveries and work disruptions caused by inability of employees to get to work have been frequent. Similarly, the business and personal income taxes in some states

reduce their attractiveness to companies seeking new locations. Many companies have been attracted to some Sun Belt states by ample supplies of low-cost energy or labor, the climate, and tax considerations. (Stevenson, 1999: 367)

2.6.3 Community considerations

Many communities actively try to attract new business because they are viewed as potential sources of future tax revenues and new job opportunities. However, communities do not, as rule, want firms that will create pollution problems or otherwise lessen the quality of life in the community. Local groups may actively seek to exclude certain companies on such grounds, and a company may have to go to great lengths to convince local officials that it will be a “responsible citizen.” Furthermore, some organizations discover that even though overall community attitude is favorable, there may still be considerable opposition to specific sites from nearby residents who object to possible increased levels of noise, traffic, or pollution. Examples of this include community resistance to airport expansion, changes in zoning, construction of nuclear facilities and highway construction. (Stevenson, 1999: 368)

2.7 Effects of location on the organization

The geographic location of a value activity can affect its cost, as can its location relative to other value activities. While location frequently reflects a policy

choice, it can also stem from history, the location of inputs, and other factors. Hence, location should be treated as a separate cost driver.

The location of a value activity affects costs in a number of ways. Locations differ in the prevailing costs of labor, management, scientific personnel, raw materials, energy, and other factors. Prevailing wage levels and taxes rates vary markedly by country, region within a country, and city.

Location can also affect the cost of a firm's infrastructure because of differences in available local infrastructure. Climate, cultural norms, and tastes also differ by location. These affect not only product needs but also the way in which a firm can perform value activities. (Porter, 1989: 267)

CHAPTER THREE

3. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The study aims to assess and evaluates the situation that occurs as a result of location decision in Wegagen Bank business unit in consideration with the bank's strategy and with the overall banking industry. The research design was Descriptive research type and the sample design applied was non-random (convenient sampling technique). Two types of data collection method were applied; primary and secondary data used during the research period. The primary data collected from the customer and manager through questionnaire. And data were collected from the marketing development division through interview mechanism. 150 questionnaires were distributed to the customers from that 104 questionnaires collected and 22 questionnaires were distributed to the manager from that 15 questionnaires were collected.

3.1 Branch Managers' Response

Most importantly branch managers are closer to the operation activity which means that they play a big role as a bridge in the business between top executives and customers. Therefore, they could give accurate information about the branch location decision. The whole capital city branches (22 branches) managers were involved in the research and 15 managers have given their response. Every manager was asked particularly about the branch where they assigned to manage.

Table 3.1.1 Profiles of the Branch Managers

Item	Response	Number	Percent
Experience	2 to 6 years	1	6.66
	6 to 10 years	4	26.66
	Greater than 10 years	10	66.66
	Total	15	100
Educational Level	1 st Degree	13	86.66
	2 nd Degree	2	13.33
	Total	15	100

(Source: compiled from collected questionnaires)

Managing or directing branches could be hard enough especially in banking industry, that is why people who have the appropriate skill needed for the management position, therefore, during the study the researcher find out that 66.7% of the manager respondents have high experience and 26.7% of the respondents hold middle experience and only 6.7% of the respondent hold the least experience. The manager respondents' educational background out of the total number 86.7 of the respondents are 1st degree graduated and 13.3% of the respondents hold 2nd degree.

The above data indicates how the branch managers are skillful to manage the bank's activities, and the manger's experience could show their knowledge in banking industry in terms of customer handling scenario.

Table 3.1.2 Receipts of complaint from the customers

Item	Respondent	Percent	Cumulative Percent
Have you ever received complaint from the customer regarding branch location?			
Yes	8	53.3	53.3
No	7	46.7	100
Total	15	100	
Frequency of complaint receipt?			
Sometimes	7	87.5	87.5
Frequently	1	12.5	100
Total	8	100	

(Source: compiled from collected questionnaires)

Mostly complaint reached to the branch manger which is raised from the customers. From the total number of respondents 53.3% of manager received complaint from the customers regarding the branch location decision. Respondents who received complaint describe how often they received, 87.5% of the respondents received complaints sometimes, meanwhile 12.5% of manager received complaint frequently. On the other hand 46.7% of the respondents have never received complaints regarding the branch location.

This shows customers have complaint on the banks branch opening situation. The complaint might be occurred as a result of inconsideration of the customer's preferences in the branch opening process.

Table 3.1.3 Insist to get better profit

Item	Respondent	Percent	Cumulative Percent
Do you think that the existing branch could perform better profit wise was opened in another location?			
Yes	5	33.33	33.3
No	10	66.7	100
Total	15	100	

(Source: compiled from collected questionnaires)

Sometimes as a result of poor location companies could loose better profit. As per the above data shown in table 3.1.2, 33.3% of the respondents believe that the branch would gain better profit if it was opened in other district. However, the majority i.e. 66.7% respondents believe that the branch is located on appropriate location. As per the majority response they believe the current location of the branch is appropriate location to earn profit.

This implies most of the branches are working well in a relation with the profit assumption. The branch location is the perfect place to conduct particular business.

Table 3.1.4 Evaluate the branch performance

Item	Respondent	Percent	Cumulative Percent
How do you evaluate the branch's performance with regard to addressing the service demand available in the area?			
Over supply	1	6.66	6.7
Sufficiently served	12	80	86.7
Not sufficiently served	2	13.3	100
Total	15	100	
If your answer is not sufficiently served, over supply or over demand do you suggest opening of additional branch on the same street?			
Yes	1	33.33	33.3
No	2	66.7	100
Total	3	100	

(Source: compiled from collected questionnaires)

Branch opened in a given area to serve the customers demand. 6.7% of the respondents told, the branch that they manage, face over supply to the demand; the majority i.e. 80% respondent believe the branch sufficiently served the customers demand. In contrary, 13.35% of the respondents assure that the branch do not sufficiently served the demand at all. Respondents who believe the branch is not sufficiently served, over supply or over demand i.e. 33.3% of respondents endorse additional branch opening on the same street, however 66.7% of the respondents disagree with the endorsement of additional branch opening.

This indicates the existing branch is sufficiently serving the customers demand. Additional branch opening may not be appropriate on the same street where those branches exist.

Table 3.1.5 Branch opening criteria and involvement in decision process

No.	Item	Respondent	Percent	Cumulative Percent
1	Do you have information about the company criteria regarding the branch location decision?			
	Yes	10	66.7	66.7
	No	5	33.3	100
	Total	15	100	
2	Does the branch managers involve in the location decision process?			
	Yes	0	0	0
	No	15	100	100
	Total	15	100	

(Source: compiled from collected questionnaires)

To decide branch location there must be a criteria and the bank applied the criteria. Based on the above data, 66.7% of the respondents know the company branch opening criteria but 33.3% of the respondents told they have no idea about the branch opening criteria. If someone know about the criteria it is not difficult to make decision about the branch location. On the other hand for the first item, the total respondents i.e. 100% of the managers never participated completely in the location decision at all.

This shows the majority manager know the bank branch location criteria but they have never been in a location decision process, this could affect the bank work process for one reason, which is the staff opinion is not included.

Table 3.1.6 Consideration of customer's preferences

Item	Respondent	Percent	Cumulative Percent
Does the bank consider the customer's preferences in new branch opening decision?			
Yes	13	86.7	86.7
No	2	13.3	100
Total	15	100	

(Source: compiled from collected questionnaires)

Branch managers give their response completely contrary with the customers, as it shown in table 3.1.5, 86.7% of the respondents said the banks consider the customer's preferences. Only 13.3% of the respondents said the bank does not consider the customer's preferences. Meanwhile the interviewee from the head office gave the same answer with the branch manager that the bank considered the customer's preferences. And also he said that branch needs high initial investment and the investment should be return back from the particular branch. Therefore, the branch income relies on customers and the customer preferences could be a driven force for branch opening.

Based on the finding the manager response and the head office interviewee response is almost the same, unlikely the customer response is different from both i.e. customer argue the bank does not include the customer preferences, and the bank do not collect suggestion from the customer. This shows the bond between the bank and the customer is not that much strong enough on this regard.

Table 3.1.7 Branch opening on the same street

Item	Respondent	Percent	Cumulative Percent
Do you think opening more than one branch on the same street has contributed to the bank's growth?			
Yes	2	13.33	13.3
No	13	86.7	100
Total	15	100	

(Source: compiled from collected questionnaires)

Out of the total respondents shown in table 3.1.6, 86.7% do not agree with the opening of branches on the same street with notion of contribute for the banks growth. However, 13.33% of the respondents agree with the concept. On the other hand, the head office interviewee responds that if there is high potential on the street, additional branch could open. Still the bank anticipates opening more branches on Bole Street due to business growth on that district.

There is a contradictory response given by both parties. Both have different views to wards branch opening on the same street. This implies that people who are close to the operation especially the majority of the branch managers do not support opening branches on the same street. On the same time people who sit on the top believe the branch opening on the same street could be the right decision if there is potential market on that particular street.

Table 3.1.8 Opening branches next to rivalries

Item	Respondent	Percent	Cumulative Percent
Do you support branch opening next to rivalries?			
Yes	4	26.7	26.7
No	11	73.3	100
Total	15	100	

(Source: compiled from collected questionnaires)

Branch Mangers are close to the business from different focal point and they can tell the Wright solution on the business constraints. 26.7% of the respondents support opening branches next to rivalries. Nevertheless, the majority respondents i.e. 73.3% do not support the branch opening next to rivalries at all.

This indicates opening branches next to rivalries may not provide business advantage for the Banks. Business advantage could be gain through other strategy and policy although opening next to the rivalries would not be the best choice to control the market share based on the managers response.

3.1.9 Suggestion about the existing branch location decision

Out of the total respondents 93.33% of the branch managers gave there suggestion about the branch location strategy. Some of their responses are:

- The location is good but the interior part is not comfortable for the work environment.
- The branch should be relocating on the same street due to parking problem.
- The branch should be entirely relocated to other business area because of the current branch is located in residence area.
- The location is strategic and ideal specially found in the market area but lack of enough parking is the problem.

3.2 Customers' Response

Table 3.2.1 Customers' years of relation with the bank

Item	Response	Number	Percent
Business relation with the Bank	Below 2 years	38	36.53
	2 to 5 years	43	41.34
	5 to 8 years	18	17.3
	Above 8 years	5	4.8
	Total	104	100

(Source: compiled from collected questionnaires)

The main thing in business to be competitive and leader is to keep the customers as long as possible. Creating longer business relation with customer could help to stay in the market. 4.8% of the customer respondents stayed with the business for a long time; 17.3% and 41.34% of the customers made business with the bank for the average year. 36.53% of the respondents made business relation only for less than two years.

It indicates the bank still trying to attract new customers, meanwhile trying to retain the current customers. And also the above data shows due to long year business relation customers can tell a lot about the bank's progress. As it shown in the data the majority customers make business relation with the bank between two to five years which means that the bank is on the way to continue a long year business relation.

Table 3.2.2 Nearness of the particular five Branches

Item	Respondent	Percent	Cumulative Percent
Does the branch opened near to each other?			
Yes	35	33.7	33.7
No	62	59.6	93.3
No response	7	6.7	100
Total	104	100	

(Source: compiled from collected questionnaires)

The particular five branches was the target of this study and the researcher tried to assess opinions about the nearness of the branches to each other. From

the total number, 33.7% of the respondents believe the branches are opened near to each other. However, the vast majority which means 59.6% of the respondents believe the branches are not opened near to each other.

This shows branches are not opened near to each other and also it indicates the customers are optimist about the five branches nearness.

Table 3.2.3 convenience to use the current branch

Item			
Does the current branch convenient for your business?	Respondent	Percent	Cumulative Percent
Yes	96	92.3	92.3
No	7	6.7	99
No response	1	0.96	100
Total	104	100	

(Source: compiled from collected questionnaires)

Most of the customer i.e. 92.3% responded that they are comfortable using the branch due to the convenience of the branch location for their business. The small proportions of the respondents i.e. 6.7% are not agreed with the rest of the respondents they believe the location is not convenient for their business.

These shows the customers are very confident enough to tell how much they are contented with the current branch which means the customers are comfortable with the convenience of the branch they use.

Table 3.2.4 Exploitation of the newly opened branches

No.	Item	Respondent	Percent	Cumulative Percent
1.	Have you ever used the new opened branch?			
	Yes	46	44.2	44.2
	No	58	55.8	100
	Total	104	100	
2.	Is it because of the location problem you aren't using the new branch?			
	Yes	14	24.1	24.1
	No	44	75.9	100
	Total	58	100	
3.	Did you get special benefit from using the new opened branch?			
	Yes	45	43.2	43.2
	No	33	31.7	75
	No response	26	25	100
	Total	104	100	

(Source: compiled from collected questionnaires)

Mostly branches opens to serve the customers especially in service rendering company. Based on the finding 44.2% of the customers use the new opened branches; however 55.8% of the customers have been using the same branch, but not practically using the new branches.

As it shows the bigger majority of the customers not using the new opened branch, which means that the new opened branch give service only for the small proportion of the new comer.

On the other hand, Out of the total non user of the new branches 24.1% of the respondents are not using because of the location problem. In contrary 75.9% of the respondent have no problem with the branch location.

The above data shows the customer not using the new opened branch is not because of the location problem as per the majority respondent. However, there is still a location problem which is reflected by some of the customers. This

indicates location problem is not an issue for those who are not using the new opened branch. Though, it is still claimed as problem by few.

In order to serve the customers there would be better facility provided by the bank like “parking” and so on. From the whole respondent 43.2% are comfortable with the branch facility and 31.7% are not comfortable with the facility.

This implies some how the branches fulfilled facility which is required by the customer. On the other side some customers are not satisfied with the current branch facility.

Table 3.2.5 Opening branches next to rivalries

Item	Respondent	Percent	Cumulative Percent
Do you support opening branches next to rivalries?			
Yes	63	60.57	60.6
No	31	29.8	90.4
No response	10	9.6	100
Total	104	100	

(Source: compiled from collected questionnaires)

The respondents are indifference on this particular question. 60.57% of the respondents believe that it could have effect when the branches are opened next to rivalries. On the other side 29.8% of the respondents do not agree with opening branch and 9.6% give no response.

This indicates the bank could have some effect as a result of opening the branch next to the rivalries. Based on this fact the bank could get support to open more branches next to its rivalries.

Table 3.2.6 Assessment of customer preferences

No.	Item	Respondent	Percent	Cumulative Percent
1.	Does the bank collect suggestion from the customers about the opening of new branch?			
	Yes	22	21.15	21.2
	No	54	51.9	73.1
	No response	28	26.9	100
	Total	104	100	
2.	If you have comment about the branch opening are you willing to give your comment for the bank?			
	Yes	87	83.65	83.7
	No	10	9.61	93.3
	No response	7	6.7	100
	Total	104	100	

(Source: compiled from collected questionnaires)

Based on the above data shown in table 3.1.5, 51.9% of the respondents believe that the bank doesn't collect /gather any suggestion from the customers on the process branch opening. Nevertheless, 21.15% argue that the bank gathers opinion from the customer, and 26.9% of the respondents give no response at all.

This shows the bank does not consider the majority customers' comment to open new branches in different location. This could be seen as a fallacy for customer-oriented philosophy which the bank follow as a business rule.

For the second item as the figure indicates, 83.65% of the respondents are willing to give their suggestions for the bank and only 9.61% of the respondents are not willing to give their feedback or suggestion. 6.7% of the respondents give no answer.

This implies if the bank wants to work with the customer as a business partner, still there is path to do things in a better way through gathering feedback from the customers.

Table 3.2.7 Impact of Branch Relocation

No.	Item	Respondent	Percent	Cumulative Percent
1	If the current branch relocates could your business be affected?			
	Yes	78	75	75
	No	23	22.1	97.1
	No response	3	2.9	100
	Total	104	100	
2	If your business affected do you stop business relation with the bank?			
	Yes	36	34.61	34.6
	No	59	56.7	91.3
	No response	9	8.7	100
	Total	104	100	

(Source: compiled from collected questionnaires)

As it shown in the above table, 75% of the respondents admit they will be affected if the existing branch is relocated to other location; however 22.1% of the respondents admit they could not be affected by relocation. And 2.9% of the respondents give no response.

Directly this shows relocation would affect the vast majority of the customer's business, indirectly which means the bank could also be affected as a result of customer loss.

On the other hand, for the second item 56.7% of the respondents assure that whatever happens to the branch they won't shift their business to other bank at all. In contrary, 34.6% of the customers would not continue with the bank if there is branch relocation. And 8.7% of the respondents give no response.

This indicates the bank could relocate the branch if it is necessary and it would be wise enough considering the customer attitude. Nevertheless, there could be strong argument from the minor group of customers and it would be included as well.

Table 3.2.8 Opening branch on the same street

Item			
Do you agree if the bank opens more branches where the current branch is located?	Respondent	Percent	Cumulative percent
Yes	82	78.8	78.8
No	22	21.2	100
Total	104	100	

Based on the above data, the majority figure shows 78.8% of the customers agree if the bank open more branches on the same street and 21.2% of the respondents do not agree if the bank opens more branches on the same street.

This shows the bank customers want more branches to be opened on the same street due to different reason. This also indicates more supply need by the customers in the market.

As per the above data shown in table 3.2.7, the majority said yes and for their answer they have given the reason why they decided to agree with the branch opening. Some of their responses are listed as follows:

- It could reduce the work load
- To minimize or reduce wastage of time i.e. saving time
- could be used as an alternative branch if one is busy
- To get faster service

Meanwhile customers who disagree with the branch opening explain their reason why they argue. The total number of disagree respondents is small in proportion compared to those who agreed respondents and their reasons are as follows:

- It does not help the bank to be profitable
- If the newly opened branch does not introduce different service from the current one, it is unnecessary to open additional branch

Table 3.2.9 The contributions of branches to competitiveness

Item			
Do you think the existing branch opening strategy could go with the vision goal?	Respondent	Percent	Cumulative Percent
Yes	75	72.11	72.1
No	10	9.6	81.7
No response	19	18.3	100
Total	104	100	

(Source: compiled from collected questionnaires)

As per the above data shown in table 3.2.8, 72.11% of the respondents agreed with the compatibility of bank's strategy and its vision, but 9.6% respondents do not agree. And 18.3% of the customers give no response at all.

This shows the bank strategy could be on the right way to achieve the long term vision. As it known vision is a long term achievement, therefore, the long term plan fulfilled through achieving the day to day activity.

Based on the above data as it shown in table 3.1.8, some respondents said NO for the question and they attached there reason why they disagree the compatibility of the bank's with its vision, and it is listed as follows:

- To do that it takes time, the bank are not doing it to achieve the vision.
- The number of branches does not make it the bank competitive in the industry.

3.2.10 Suggestion about, the existing branch and branch opening strategy

The focus of the question was to gather the customer's opinion from the respondents to know their perception towards the branch location decision. From the total respondents few numbers of respondents have given different comment which could show the partial response of the sample.

Based on the research finding respondents gave different suggestion:

- The large proportion of the respondents gave their suggestion to the bank to continue as it is which means that the bank would carry on the branch opening strategy.
- Some of the respondents believe the bank should improve or change the branch opening strategy;
- On the other hand some customers have given a comment, to open more branches in the future.

This indicates the bank could carry on the strategy with some improvement as the majority customers indicated.

CHAPTER FOUR

4. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The research was interested to find out the current situation of the Banks branch location decision. On the study different kinds of views, and opinions had been reflected from different groups. These groups are classified in to three segments; the first one is the customer group which included 104 respondents; the second group is the Branch Manager which included 15 respondents and the last one is the Marketing Head Development. Accordingly, the facts gained from these parties are summarized as follows:

4.1 Summary of Findings

- ❖ Summarized Managers' response
 - 86.7% of the respondents are 1st degree holders.
 - 53.3% of manager received complaint from the customers regarding the branch location decision, out of the total complaint recipient 87.5% of the respondents received complaints sometimes regarding the branch location decision.
 - 66.7% respondents believe that the branch is located on appropriate location.
 - 80% respondents believe that the branch sufficiently served the customers demand.
 - 66.7% of the respondents disagree with the endorsement of additional branch opening.
 - 66.7% of the respondents know the bank's branch opening criteria.

- 100% of the managers never participated completely in the location decision at all.
 - 86.7% of the respondents said the bank consider the customer's preferences.
 - 86.7% do not agree with the opening of branches on the same street with notion of contribute for the banks growth.
 - 73.3% do not support the branch opening next to rivalries at all.
- ❖ Summarized customers' response
- 59.6% of the respondents believe the branches are not opened near to each other.
 - 92.3% responded that they are comfortable using the branch due to the convenience of the branch location for their business.
 - 55.8% of the customers have been using the same branch, but not using the new branches.
 - 75.9% of the respondents have no problem with the branch location.
 - 43.2% are comfortable with the branch facility.
 - 60.57% of the respondents believe that it could have effect when the branches are opened next to rivalries.
 - 51.9% of the respondents believe that the bank doesn't collect /gather any suggestion from the customers on the process of branch opening.
 - 83.65% of the respondents are willing to give their suggestions for the bank.
 - 75% of the respondents admit they will be affected if the existing branch is relocated to other location.
 - 78.84% of the customers agree if the bank open more branches on the same street.
 - 72.11% of the customers agreed with the compatibility of bank's strategy and its vision.

4.2 Conclusion

The study tried to find out that if branch opening decision maker consider the major item in the location decision process, and look at the output/impact of the decision on customers as well as on the business activity.

Based on the summary the following conclusions are made accordingly:

- Most of the customers are comfortable with the branch location where they are using.
- The proximity of the branches from the majority customer's point of view is not that much the problem with some argument.
- On the other hand, the branch managers completely disagree opening the branch on the same street. However, it could be accepted if the area have big market, otherwise it is unacceptable.
- Customers showed their willingness to give their opinion about the branch location and any other feedback but the bank is not interested to collect and include majority of the customer's feedback due to different reasons.
- Relocation of the existing branch could affect the bank directly or indirectly and on the same time the customers could be affected negatively or positively.
- There are some suggestions given by the managers to relocate the existing branches; opened branches around residence area and insufficient parking lots are some of the reasons for relocation claim.
- The branch managers know the bank's branch opening criteria well enough; however, they have never participated in the decision process.
- Opening of branches on the same street, and branch opening next to rivalries is unacceptable by branch managers if the bank intend to do it; on the other hand, opening more branches on the same street in demand by customers.

4.3 Recommendation

One of the research aims is to recommend on gap identified and show how the problem could be tackled.

The research shows the bank industry still need improvement in relation to the branch opening process. Strategic branch would help the retailer companies to hold strong market share in that area, especially banks should work out in a well manner on this regard. Accordingly, based on the research finding some recommendations are stated as follows:

- Today the business perception becomes changed which means that it becomes customer-oriented. Hence, the bank should follow customer-oriented strategy regarding business unit location decision process to be competent enough in the future.
- In the bank industry there is massive market which needs more work but the banks still are not working its best to achieve its vision. To be preferable bank, it needs not only opening branches rather it needs working together with customers to achieve its vision.
- After opening the branch follow-ups should not be forgotten, and it needs also collecting feedback from the customers' not only long year customers but new users also should be included in the feedback process.
- When the bank tries to open branch the company need to assess and examine the basic facility, for instance availability of parking for the customers and good working environment for the staff.
- During this period, foreign banks are not allowed to operate their business in this nation, but in the future there is no guarantee, therefore, it is known that the bank is established by Ethiopians and it should work instantly to be competitive and to stay in the market.

- If the existing branch is unsuccessful and also if the branch faced unexpected lower income the bank should take action to mitigate the unpredicted loss or underestimated income, which means that the bank should relocate the branch to other business area.
- Involvement of the branch manager in location decision process could give an enormous benefit. Branch Managers should involve in the location decision process understanding that the branch managers are the one who handle customers in daily basis; therefore, they may raise genuine idea about the branch location which would help both i.e. the bank and customers.
- Opening branches on the same street should be only undertake when one of the branch face over demand.

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