

**St. Mary's University**  
**Faculty of Business**  
**Department of Marketing Management**

**An Assessment of Marketing Strategies  
of  
Ethiopian Grain Trade Enterprise  
The case of Beklo Bet Head office**

**By: Zewdnesch Gebrewold**

**June, 2014**  
**Addis Ababa**

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for the Degree of Bachelor of Art in  
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## **ACRONYMS**

AMS	Agricultural marketing Service
EGTE	Ethiopia Grain Trade Enterprise
GDP	Gross Domestic Product
CSA	Central Statistical Agency

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# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

Agricultural marketing is the study of all the activities, agencies and policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farms to the consumers. The agricultural marketing system is a link between the farm and the non-farm sectors. It includes the organization of agricultural raw materials supply to processing industries, the assessment of demand for farm inputs and raw materials, and the policy relating to the marketing of farm products and inputs. Agricultural marketing is a process which starts with a decision to produce a saleable farm commodity, and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations, and includes pre- and post-harvest operations, assembling, grading, storage, transportation and distribution. (Kotler, Philip, 1998)

Agricultural marketing system in developing countries including can be understood to compose of two major sub-systems product marketing and input (factor) marketing. The actors in the product marketing sub-system include farmers, village/primary traders, wholesalers, processors, importers, exporters, marketing cooperatives, regulated market committees and retailers. The input sub-system includes input manufacturers, distributors, related associations, importers, exporters and others who make available various farm production inputs to the farmers. Agricultural marketing, therefore, can be defined as comprising of all activities involved in supply of farm inputs to the farmers and movement of agricultural products from the farms to the consumers. Agricultural marketing system includes the assessment of demand for farm-inputs and their supply, post-harvest handling of farm products, performance of various activities required in transferring farm products from farm gate to processing industries and/or to ultimate consumers, assessment of demand for farm products and public policies and programmes relating to the pricing, handling, and purchase and sale of farm inputs and agricultural products. Of late trade in the domestic and international markets also become the part of it. Agricultural marketing in a broader sense is concerned with the marketing of farm products produced by

farmers and of farm inputs and services required by them in the production of these farm products. Thus, the subject of agricultural marketing includes product marketing as well as input marketing. (ibid)

Agricultural Marketing Service offers an array of valuable service that gives buyers and sellers of agricultural products a competitive advantage in the global market place. AMS develops and maintains host of voluntary quality and product description standards for use in commercial transaction –including standards for agricultural commodities as well as processed agricultural products. It offers a variety of fee-based, voluntary products certification, including domestic and export certification, and production /processing verification services that provide independent, third-party assurance that contractual agreements, foreign government requirements, and other requirements are meet. Agricultural Marketing Service works to improve the quality, wholesomeness, and marketing of agricultural commodities by providing scientific testing support and intellectual property protection to the agricultural community. AMS publishes timely, unbiased price shipping rate information so that producers and marketers of agricultural products can make more informed marketing decisions. These reports, covering both domestic and international markets, are made available via internet, in print, by telephone recordings and thorough the news media.

An African organic product has grown steadily in recent years. Many grass-roots initiatives in Africa have started to sell organic products in neighborhood shops, street markets or in organic shops in towns. Certified organic products provide access to attractive local and international markets, where farmers and other stakeholders of the value chain can receive higher prices and raise their incomes.

Ethiopian Grain Trade Enterprise (EGTE) was established under the name of "Agricultural Grain Marketing Corporation" in 1949. The enterprise was reorganized in 1999 for the purpose to purchase grain of Oil Seeds, Pulses and Coffee both for local wholesale and export. Its head office is located in Addis Ababa and has 10 branches and 91 trade centers throughout the country. The man power in the enterprise was 1,415 qualifies and experienced permanent staff and above 500 employees on contract basis. The full paid up capital is Birr 105 million and the

Average annual sales amount to Birr 59,300,000 (USD 4.5 Million). The Enterprise owns Heavy and light trucks to facilitate its export and domestic operation as per customer's requirement. The EGTE has the capacity to store more than 800,000 tons in its warehouses situated in different parts of the country. (EGTE web Site)

The core activities of the enterprise currently engaged in with the above organizational and logistic facilities, the enterprise currently engaged in export of Oil Seeds, Coffee and Pulses to earn foreign currency for the nation, To supply of grain as Raw Material Inputs for local food processing industries, and Supply of food grain for government, non-government organization, city dwellers and other customers. The enterprise gives different services like rental of warehouse and store management, modern machine cleaning services for different type of grain, Transport services, and providing market information on request. Ethiopian grain export and market development encourage farmers' to produces who could motivate them for more production, specifically towards the stabilization of markets for Farmers' produces so that they will be encouraged to increase their outputs and other related activities conducive to the attainment of its purposes. The agricultural product market in country is a leader in export revenue earning. (ibid)

## **1.2. Statement of the Problem**

Ethiopian Grain Trade Enterprises (EGTE) contributes a huge percentage to Gross Domestic Product (GDP) in ensuring growth and income stability of a country. In view of the fact that EGTE has the government strategy to stabilize the market, they are more likely to succeed in urban centers areas, where they can contribute to a more even distribution of economic activity in a country. The EGTE also improved the efficiency of domestic and foreign markets. It also enhanced in facilitating long-term economic growth. The EGTE also seems to have advantages over their large-scale competitors in that they are able to adapt more easily to market conditions, in most developing countries like Ethiopia. (ETGE Brochure, 2007)

EGTE has challenge of facing low profit level comparing to the past years. However, sales factors contributing to such problem has not been adequately identified and addressed. Hence in order to address the above mentioned problem, this study aims to provide a holistic view of problems of

The EGTE through a comprehensive review of literature and empirical study available on the area. To assess the problem of sales factors contribution to such a low profit level and how the problems be addressed in order to improve the current profit level.

### **1.3. Research Questions**

The research appraised the Ethiopian Grain Trade Enterprises and tries to answer the following research questions:

- ❖ What are the main determinants factors of marketing service to contributing to such a low profit level?
- ❖ What kind of service system is employed in order to improve the current profit level?
- ❖ What Kind of technique is implemented to know the sales potential?

### **1.4. Objective of the Study**

#### **1.4.1. General Objective**

The general objective of this research paper is to assess the marketing and sales service strategy problems of Ethiopian Grain Trade Enterprise that found in Kikrkos Sub-city of Addis Ababa

#### **1.4.2. Specific Objectives**

- ❖ Asses in detail the main problems that are associated with the low profit return;
- ❖ Identify the major areas of marketing and sales issues that need more attention;
- ❖ Put strategic alternatives for alleviating the major marketing and sales problems; and
- ❖ Mention the promotional tools of the enterprise to encourage marketing and sales activities to have high profit.

### **1.5. Significance of the study**

The main significance of this research paper is to identify the problem of the enterprise related to its marketing strategy and give recommendation for future expansion and development.

- ❖ It provided information to the enterprise and regards to its marketing and sales strategy to point out its strength and weakness.
- ❖ It helps the enterprise to improve its marketing and sales strategy

## **1.6. Scope of the study**

The study delimited to the marketing and sales services strategy practices by the enterprise's that need immediate solution to awards the firms problem the study was also delimited to the data obtained from the rates using questionnaires and interviews in the Addis Ababa branch only while further study of other regions in the country have a significant effect on the comprehensiveness of the study..

## **1.7. Research Design and Methodology**

### **1.7.1. Research Design**

Student researcher used descriptive research design method. This is because the method helpful to describe the current problem of the enterprise.

### **1.7.2. Population and Sampling Technique**

In this research both primary and secondary data were be applied. The primary data was collected thorough questionnaire directly from staffs and customers, secondary data also collected from different journals, books and online resources.

The populations of the study were employees those are working at Beklo bet head office in Addis Ababa city and the manager of the Enterprise.

In this study the researcher used non-probability sampling technique. Because it was a method of selecting sampling based on personal judgment. The types of non-probability sampling method would convenience sampling technique. The researcher selects 100 respondents from the enterprise employees out of 400 of the total population which is 25%.

### **1.7.3. Data Collection Method**

The researcher use both primary and secondary data to conduct this study. Primary data used to collect new information and secondary data provides better understanding of the problem and it suggested information, both quantitative and qualitative data included. In collecting primary data, questionnaires, interview and observation were used to collect relevant and sufficient amount of data.

### **1.7.4. Data Analysis Method**

The data collected through the different instrument were analyzed both quantitatively and qualitatively. The researcher analysis and interpreter the collected data with percentage and tabulation.

To analyze the qualitative data the researcher was used a narration method. Narration was a method used to interview the concerned body about the enterprise Marketing and sales strategy.

## **1.8. Limitation**

As the study used self-reporting questionnaire, there might be information bias.

## **1.9. Organization of the Study**

This study organized in to four chapters. The first chapter includes back ground of the study, statement of the problem, objective of the study, research methodology and organizational of the study. The second chapter deals with literature review. The third chapter deals with data analysis and interpretation. The fourth chapter consists of conclusion and recommendation.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **Overview of Ethiopian Grain Trade Enterprises**

Ethiopia has gone through three major regimes since 1920s. The feudal regime, which stayed up to 1974 and was referred to as ‘liberal economy’ was characterized by an elite a few landlords who were loyal to the king – controlling the resources and the masses suffering from poverty and forced to work on the farms of the elite. it was replaced by a socialist government in 1974. Since then the country has undergone two major policy changes.

The first was when the socialist regime introduced command economy policies. The State controlled the economy with almost no participation from the private sector and tariffs, quotas and bureaucratic procedures were put in place to control free inter-regional commodity flows and foreign trade. Farmers were ordered to sell to a government owned Agricultural Marketing Corporation (AMC). The implications of this policy on the overall economy and the agriculture sector development have been documented in (Franzel et al., 1989:45) which described that the economy was stagnated for about two decades under this economic policy until it was ended in 1991.

Since 1991 the government has fully liberalized the market. State-owned enterprises have been privatized and the role of government in the economy has gradually declined with increasing participation of the private sector. Agricultural Development Led Industrialization (ADLI) was designed as a central government policy (MoFEDPASDEP, 2006). The Agricultural Marketing Corporation (AMC) was also reoriented to fit into the free market economy with a new name: the

Ethiopian Grain Market Trade Enterprise (EGTE), which focuses more on market stabilization to improve market gains for smallholder producers, protect urban consumers from grain price inflation, participate in export marketing wherever there is a bumper harvest and keep grain for emergency needs.

**Agriculture** in Ethiopia is the foundation of the country's economy, accounting for half of gross domestic product (GDP), 83.9% of exports, and 80% of total employment. Ethiopia's agriculture is plagued by periodic drought, soil degradation caused by overgrazing, deforestation, high population, high levels of taxation and poor infrastructure (making it difficult and expensive to get goods to market). Yet agriculture is the country's most promising resource. A potential exists for self-sufficiency in grains and for export development in livestock, grains, vegetables, and fruits. As many as 4.6 million people need food assistance annually. Agriculture accounts for 46.3% of the GDP, 83.9% of exports, and 80% of the labour force. Many other economic activities depend on agriculture, including marketing, processing, and export of agricultural products. (Wikipedia, the free encyclopedia)

## **2.1. Grain Production and Marketing in Ethiopia**

### **2.1.1. Grain Production**

In Ethiopia, cereals, pulses and oil seeds covered about 78, 14 and 8% of the total grain cultivated area of about 11 million hectares in 2004/05 production season (CSA 2006). In the same production season, cereals, pulses and oil seeds contributed about 85, 11 and 4% of total grain production of 12.5 million tones, respectively.

Measured in terms of contributions to total cereal production, maize, wheat, teff, sorghum and barley are the most important cereal crops in that order. However, the relative importance of the crops changes slightly when compared in terms of their contribution to total cereal area covered. (CSA, 2006)

Among pulses, faba beans, haricot beans, field peas, chickpea, grass pea and lentils are the most important crops grown in that order both in terms of area covered and contribution to total production. Faba beans contributed about 40% of total pulse production and covered about 31% of pulse area in the 2004/05 production season.

Among oil crops, niger seed, linseed and sesame are the most important crops which together accounted for about 87% of total oil crop production in 2004/05. Linseed and sesame are important export crops. While sesame is grown mostly in the lowland parts of the country, niger seed and linseed are grown in higher altitudes. Among these oil crops, niger seed is most important, followed by linseed both in terms of contribution to total oil crop production and area coverage. (CSA, 2006)

### **2.1.2. Season of Production**

There are two seasons of production, main rain season and the short rain season. The main rain production season takes place during June to December, while the small rain production season takes place during March to June.

The small rain season accounts for about 10% of total annual grain production in the country. Wheat, maize, barley and teff are the cereal crops grown during the small rain season, while haricot beans, lentils and chickpea are the pulse crops grown during the main rain season. The proportion of production accounted for by the small rain season is much lower than the proportion of area covered by the grain crops, perhaps because of the erratic and unreliable nature of the small rains that affects productivity.

### **2.1.3. Grain marketing**

Cereals are the major sources of food intake in Ethiopia accounting for about 70% of calorie intake, out of which two-third is accounted for by teff, wheat and maize alone (Lirenso 1993). Among cereals, maize, wheat and teff are most traded commodities in Ethiopia (Negassa and Jayne 1997). Based on a survey conducted in 1997, Negassa and Jayne (1997) reported that nationally the proportion of maize, wheat and teff sold by smallholders was about 30, 31 and 28% of production, respectively, and the proportion of total cereal sales (maize, teff, wheat, barley, sorghum, and millet) from the 1995/96 main season was about 26% of total cereal production. The same data source indicated that about 78% of oil seeds was marketed, indicating that oil seeds are produced mostly for the market.

Grain marketing was heavily controlled by the socialist military government that ruled the country during 1974–90. The socialist military government was directly involved in wholesale and retail grain trade, essentially suppressing private grain marketing. Farmers were forced to sell a certain quota of their grain produce (usually 10–50%) to the then government grain trade parastatal known as the Agricultural Marketing Corporation (AMC), at fixed prices which were 2–3 times below the prevailing market prices. Interregional private trade was also severely

restricted. The heavy government involvement and restrictions in grain trade during 1974–91 had adversely affected producer incentives, farm technology uptake and productivity.

In 1991 grain trade was liberalized, official pricing was abandoned, trade restrictions were lifted and private grain trade expanded. Upon grain trade liberalization, the reform resulted in reduced marketing margins, better market integration and entry by private traders (Negassa and Jayne 1997; Gabre-Madhin et al. 2003). After liberalization, about 95% of cereal marketed by smallholders in Ethiopia was handled by private traders.

However, margins and transaction costs remained high, and weak private sector capacity, inadequate market institutions and poor infrastructure remained fundamental problems in the marketing system. As a result, spatial and temporal arbitrage opportunities remained underutilized and many markets remained segmented (Gabre-Madhin et al. 2003).

Despite the increased entry of private traders in grain trade, limited access to finance and storage facilities, lack of processing linkages and limited market information remain fundamental problems confronted by traders. Cereal marketing costs accounted for about 40 to 60% of consumer prices of cereal commodities in 1995/96 (Negassa and Jayne 1997). Imperfections in the grain marketing system result in several consequent outcomes.

Surplus grain producing areas in Ethiopia are localized, implying the critical role of transportation to different and distant deficit areas. The size and topography of the country, limited transportation possibilities (road transport is the only available means for grain transportation), and the radial configuration of transport networks with Addis Ababa at the centre

has hampered inter-regional grain flows. As a result, localized shortage of food supply exists due to poor marketing and distribution networks, high transport cost, and related infrastructural problems that isolate surplus production areas from outside sources of effective demand even during good harvest seasons. Sometimes, surplus production results in sharp drop in prices. For example, in 1999/2000, a 19% increase in production resulted in 40% drop in grain prices (Hailegabriel 2003) due to lack of processing, limited storage capacity, poor post-harvest grain management, weak domestic demand, and poor international or regional market outlets. Similarly, the significant surplus of grain in 2002 resulted in 60–80% of drop in producer grain prices (Gabre-Madhin et al. 2003).

Post-harvest losses in Ethiopia could be as much as 5–19% for maize, 6–26% for millet, 6–23% for wheat, and 5–20% for teff (Ashagari 2000), forcing traders not to store grain for more than the minimum turnover period. The problem of post-harvest loss is particularly important due to the fact that about 80% of farmer sales occur during January–March, the first quarter after harvest, and that about 50% of trader purchases also take place during this period (Hailegabriel 2003).

## **2.2. Food Security Role of Agricultural and Food Grain Marketing Systems**

### **2.2.1. Food Security**

Each of these functions is expected to add value to the raw material. Indeed, in a competitive environment, any function that did not add value would soon be eliminated as no one would be willing to pay for it. An effective marketing system thus increases the incomes of the initial producers, creates livelihoods for those employed in the marketing process, and increases food security in two ways. First, an effective marketing system ensures that food is available in the

forms, locations and at the times that consumers require it. Second, the value-added activities raise the incomes and hence purchasing power of producers and those involved in the marketing system. The vast majority of marketing agents is themselves poor people and is often from farming households. Any income they earn from marketing activities helps to supplement their farm income. Moreover, by linking domestic production with consumers in other countries an effective marketing system can generate net foreign exchange earnings.

### **2.2.2. Food Grain Marketing**

This study focuses on food grains as they represent by far the largest component of agricultural production and marketing in Ethiopia. It is also the sector that most affects the poor, both in terms of small farmers, of whom a large proportion are net purchasers of grain and of other rural dwellers and urban consumers. An inefficient grain marketing system would thus entail substantial costs to consumers and have a detrimental effect on the food security and well being of the poor. Moreover, the potential for future farm-level income and productivity growth in Ethiopia is intimately tied to productivity growth at various stages in the marketing system (Gebremeskel et al, 1998).

### **2.3. Features of Ethiopian Grain Markets**

One of the fascinating (some would say ‘perplexing’) features of agricultural and food grain marketing systems in market economies is that their structure is determined or influenced by a wide range of factors. These include economic, demographic, social, legal and climatic factors as well as the characteristics of the raw materials and consumer products. Effective marketing systems are shaped by these influences:

- ❖ In a fully developed strategy it would be desirable to include livestock and livestock product marketing and also agricultural input marketing. These items could not be covered in the limited time available (14 days) for this consultancy.
- ❖ Wolday Amha (1999) states “According to the rural household survey of 1996, about 42.3 per cent of small farmers in Ethiopia are net buyers of grain indicating the importance of the market to ensure food security. In another survey (Wolday Amha et al, 1997) about 59% of the sample households indicated that they bought grain from the market to feed their family.”
- ❖ Gebremeskel et al (1998) state “Almost all urban consumers are dependent on the functioning of agricultural markets to acquire their food, which accounts for about 65% of total household expenditure; expenditure on cereals alone constitutes about 21% of total household expenditure.

The grain marketing system in Ethiopia will tend to change as these underlying influences change. Thus they are often well adjusted to the environment in which they operate. Sometimes, however, it is possible to intervene in the marketing process in ways that improve the functioning of the system or accelerate changes that are already underway. Some of the major factors that influence the nature and performance of the Ethiopian grain marketing system are outlined below.

## **2.4. Variety of Grain Crops**

One noticeable feature of Ethiopian agriculture is the wide variety of grain crops grown. Cereals account for about 88% of total food grain production with pulses (8.5%) and oilseeds (2.9%) accounting for the remainder. In 1995/6 teff was the most important component of cereal area (31.5%) followed by maize (19.3%), sorghum (18.8%), wheat (13.3%), barley (12.4%) and millet. However, in terms of cereal output, maize (30.7%) was more important than teff (21.2%) (Wolday Ahma, 1999).

## **2.5. Regional Variations in Production and Marketing**

There are marked regional variations in the relative importance of the various grain crops in terms of production and hence marketing, which leads to the need for a complex marketing system and significant inter-regional grain flows.(Wolday Ahma, 1999)

## **2.6. Distances between Production and Consumption Centers**

Cereal production is spread over a large geographical area and the dispersion of supply and demand centers requires inter-regional transfers of grain over long distances, up to 1000km (Gebre-Mahdin, Eleni Z, 1998).

## **2.7. Increasing but Variable Production**

Wolday Ahma (1999) reports that average grain production over the decade 1986/7 – 1996/7 was about 7.2 million tones but actual production varied between 5.1 million tons in 1985/6 to 10.3 million tons in 1995/6. However, production has been above this long term average in every year since 1996.

## **2.8. Poverty, Demand, Cereal Production and Requirements**

A substantial proportion of the populations (50% in 1995) are classified as chronically food insecure and in need of income support. As a result, the effective demand for food grains is relatively weak. That is, although there may be substantial numbers of people who are not adequately fed and would like to purchase more food grains, they simply do not have sufficient income to buy more.

After many years of being a cereal deficit country, the good harvests of 1995/6, 1996/7 and 2000/01 were accompanied by considerable falls in domestic grain prices to levels well below import parity prices, suggesting that the country approached or achieved self-sufficiency in terms of effective demand. However, although sufficient “From the specialization aspect, maize appears to dominate the south and the west while sorghum is the major grain traded in the east. The central and northern regions trade in all types of grain.

Sorghum is traded more in the north and east than in any other place....There are also markets which specialize in particular grains. For example Arsi markets and Hosaina markets are popular for wheat.

Gojam markets supply the bulk of the teff which flows between regions. Markets around Shashamene and the west supply the bulk of maize traded by the private sector”

In the range of some 15 to 32% in 1995/6 and 1996/7 compared to historical averages of the past decade (GMRP/EC LFSU (1999)

## **2.9. The Ethiopian Grain Trade Enterprise**

Following the market liberalization of 1990, the Ethiopian Grain Trade Enterprise, formerly known as the Agricultural Marketing Corporation (AMC) was re-established in October 1999 by the Council of Ministers Regulation No. 58/1999, after it has been amalgamated with another public enterprise called the Ethiopian Oil Seeds and Pulses Exporting Corporation. Its authorized capital is about 112.0 million birr. The objectives of EGTE are the following:

- ❖ To purchase grain from farmers and sell mainly in export markets,
- ❖ To contribute towards the stabilization of markets so that they will be encouraged to increase their outputs, and Ethiopia maize sector value chain analysis Market assessment and baseline study for maize-Ethiopia 18
- ❖ To engage in other related activities conducive to the attainment its goals

Currently, the EGTE has 17 branch offices and about 60 trade centres throughout the country. It has about 1,900 employees, more than 100 trucks and a storage capacity of nearly 800,000 metric tons. Although EGTE's market share has significantly decreased after the market reform, it is still the single most important grain buyer in terms of annual volume of purchase. During the period 1996/97-2001/02, EGTE bought some 50,000 metric tons of grain/year. Its market share of the total maize marketed is about 10%. In the past EGTE has exported about 48,000 metric tons of maize to Africa, following the bumper harvest of 1995/96 and 1996/97. EGTE is also the single most important market player in terms of holding commercial stock. About 30% of its turnover is held in stock every year.

## **2.10. The Performance of the Grain Marketing Sector**

Any realistic assessment of the performance of a marketing system needs to take into account the realities of the market environment, rather than some abstract model of a market system. Thus Wolday Amha (1994) and Gebremeskel et al. (1998) have examined the market share of the largest firms (the firm concentration ratio) in a market as an indication of a competitive market structure, using concentration ratios of 33% to 50% and above 50% to indicate a weak and strongly oligopolistic market structures respectively. While the general finding of Gebremeskel et al. was that “no market in the sample had a level of concentration for all grains collectively which would be considered anti-competitive, except possible Gonder and Bahir Dir”, Wolday Amha (1999) considers that “...for a grain market in Ethiopia, where the private sector is very young, the trade concentration ...is relatively high indicating weak competition”.

However, in situations of incomplete information there can be positive advantages in having some large firms involved in a market. Collecting and analysing information is a costly process and often involves large fixed costs. One of the cheapest ways of collecting information is as a by-product of engaging in an activity, thus traders dealing in large volumes of produce are likely to be better informed about market conditions than a small farmer or consumer who is only intermittently involved in marketing activities. Moreover, large traders are better able to justify the large fixed costs associated with information collection as these overhead costs are spread more thinly over a large volume of business. It is often claimed that large traders use this information advantage to ‘exploit’ consumers and farmers but this can only occur on a regular basis if they have a permanent monopoly and there are barriers to entry to new agents. If markets are ‘contestable’, exploitation is unlikely to be a serious problem.

A more positive aspect associated with large traders is that they can use their greater information to engage in spatial and temporal arbitrage. That is, they will buy products where they are relatively cheap and transfer them through space or time to markets where they hope that it can be sold at a higher price. There are at least three requirements for them to be able to do this on a regular basis:

- ❖ They must have prior information on likely market prices in different markets or in future market periods.
- ❖ They must have the means of financing these arbitrage operations and to cover their losses if their anticipations are not fulfilled.
- ❖ On average, the actual difference in market price between buying and selling must exceed the full costs of engaging in these arbitrage operations.

Arbitrage is thus an inherently risky and specialist process done on the basis of incomplete information. If successful, the arbitrage operations will lead to smoother market prices through space and time. The actions of middlemen in purchasing supplies in low priced markets will raise the price in those markets, and selling in under-supplied markets will lower the price. Uninformed arbitrage by small producers or traders is likely to lead to losses and destabilize the market. Small producers and traders are best advised to buy or sell in local markets where their transaction costs are low. There is thus an advantage in having some large traders involved in a marketing system to allow efficient arbitrage operations to occur providing they are not allowed to achieve a monopoly position.

Asfaw and Jayne (1998) attempted to assess the performance of grain markets in Ethiopia by examining the nature of the relationships among producer, wholesale and retail prices in individual markets and among different markets using weekly price data for 5 cereals and 26 representative grain markets for the period August 1996 to July 1997. Their overall conclusion was that the grain markets in Ethiopia exhibit a high degree of vertical and spatial integration. However, they warn that "...the interpretations of these results should be taken rather cautiously as the time frame used in this study was very short and similar follow-up studies are needed as the MIS price data base builds up".

## CHAPTER THREE

### DATA PRESENTATION AND ANALYSIS

This data analysis and interpretation part is composed of the data that were gathered through the respondent of employee and manager of Ethiopian Grain Trade Enterprise.

#### 2.11. Profile of Respondents

As Table 1 shown below, the questionnaires were distributed to 100 employees of Head office Staffs'. Among these 96 (96%) were kind enough to fill the questionnaires properly and return them on time. The rest 4 (4%) were failed to complete and return the questionnaires. All the returned questionnaires were completed and considered for the analysis.

**Table 1: Total Number of Questionnaires Distributed, Returned and Unreturned**

Questionnaires	Number	Percentage
Returned	96	96%
Un Returned	4	4%
Total Distributed	100	100%

All the data were collected through questioners contain close and open ended and through interview with the managerial and number of employee consider as a target population. Out of 100 employees as sample respondents using convince sampling. 100 copies of questioner were distributed to employee and 96 of them returned. The information obtained from mangers and employee analysis using descriptive stastricaly method. The tabling shows the detail. At last interpretation is made to demonstrate implication of the major finding expectation.

## 2.12. Questionnaire Analysis

**Table2. General Information of Respondents**

Description of Respondents	Respondents	
	Number of respondents	Percent
<b>1. Sex</b>		
Male	77	80%
Female	19	20%
<b>Total</b>	<b>96</b>	<b>100%</b>
<b>2. Age</b>		
Under 20	0	0%
21-35	48	50%
36-50	39	40.625%
51-65	6	6.25%
above 65	3	3.125%
<b>Total</b>	<b>96</b>	<b>100%</b>
<b>3. Educational Level</b>		
1-12	3	3.13%
Certificate	7	7.26%
Diplomas	15	15.63%
BA/BSC	66	68.75%
MA/MSC/MBA	4	4.17%
PHD	1	1.04%
<b>Total</b>	<b>96</b>	<b>100%</b>
<b>4. Position</b>		
Senior Manager	1	1.04%
Managers	2	2.08%
Staff	93	96.88%
<b>Total</b>	<b>96</b>	<b>100%</b>
<b>5. Service year in EGTE</b>		
Less than a year	5	5.21%
Two to five year	34	35.42%
Five to ten years	42	43.75%
Ten to fifteen years	9	9.38%
More than fifteen years	6	6.25%
<b>Total</b>	<b>96</b>	<b>100%</b>

From the above information about 80% employees were male and the rest 20% staffs were females. The age of half employees was between 21 and 35 years old that accounts 50%. Employees who were between 36 to 50 years were 40.625% and from 51 to 65 years old were 6.25%. This indicates that there is a potential advantage for company working by young employees especially to achieve their future good.

When we see the level of education, 68.75% of the respondents were first Degree holders and 15.63% were Diploma whereas 4.17% were second degree holders. Here, we can conclude that almost all respondents are educated. This implies that it is a good advantage for marketing strategy application and the organization competitiveness. With respect to the position of the respondents, 96.88% were fall in lower level and the lowest numbers fall in senior managers and managers. This indicates that, it is a fact that in every organization had a few managers and many employees that signify a few managers prepare plan, policy and coordinate many of the employees of the company. As indicated in the table the highest number of respondents (43.75%) experienced of 5 to 10 years in the company. 9.38% of the respondents had 10 to 15 years, 35.42 respondents had 2 to 5 years and the rest 6.25% had more than 15 years of experience in the company long years of experience shows that there is a relatively lower turnover. As a result company reduces the cost of hiring and new employee training cost training new. As a result, the company can meet its objectives with maximize of its profit. Generally, senior staffs are knowledgeable about the marketing strategy practices of the company.

**Table 3: Employees Opinion towards Target Customers**

Target Customer	Frequency	Percentage
Foreign companies	54	56.25%
Whole sellers	28	29.17%
Individual customers	-	0%
Other intermediaries	14	14.58%
Total	96	100%

The one and most crucial activity of the marketing strategy is the selection of target markets or the identification of the products to whom produced. Companies use the target marketing to their tailor for specific markets.

As the above table shows, 56.25% of the respondents said that the target markets are foreign companies this implies that more than half of the product is supplied for foreign market. 29.17% of the respondents are whole sellers whereas the rest of 14.58% of the respondents are other intermediaries like retailers and Non-Governmental Organizations. From this analysis can be concluded that the company has big opportunity of foreign market. This means that company has got it profit with hard currency that also helpful for the development of the organization.

**Table 4: Responses in Relation with the Strategy of Advertisement**

Best strategy of Advertisement	Number	Percentage
Media( News Paper, Radio and TV)	31	32.29%
Word of Mouth	18	18.75%
Free Sampling	13	13.54%
Internet	27	28.13%
Billboard	7	7.29%
Total	96	100%

The table clearly reveals that the best strategy of advertising is through media communication (TV, Radio, newspaper) as 32.29% of the respondents replied and 18.75% respondent replied that the finest advertising strategy is word of mouth, 20.83% of the respondents said the best advertising strategy of the company is through free sampling and billboard. The rest 28.13% responded as the preeminent way of advertising means through internet websites. From this we concluded that the best way of advertising means of the company's products is through media advertisement. This media advertisement includes TVs, Radio and newspapers such type advertising can reach geographically wide area to reach to the customary in every regions.

**Table 5: Opinion of Employees towards the Company's Product Price**

Price of the product	Number	Percentage
Very cheap	-	0%
Cheap	19	19.79%
Affordable	77	80.21%
Expensive	-	0%
Very Expensive	-	0%
Total	96	100%

As far as the theory is concerned, a large number of internal and external factors are examined before prices can be set. As per the response, 80.21% of the respondents revealed that the pricing strategies of the company's products are affordable and 19.79% said it is cheap. From the response we implied that the company pricing strategy is reasonable to affordable as a result most customers can handle this price.

However, the marketing managers were revealed that the company has not any written pricing policy because of instability local and global market. The prices of the products are depends on different factors like:

- Transportation charges: Costs are incurred by transporting and distributing the products
- Economic factor: inflation and deflation affects the pricing strategy
- Gross profit costs: a margin that the company maintains in order to gain and survive after covering its direct costs.
- Over head costs: costs that are incurred for different marketing activities, wages, salaries etc
- Net profit: the ability of paying the owners in the form of dividends

Generally, the pricing strategy is not in a single way because there is a highly turbulent environment and the price also will change according to the conditions. Prices its products to maximize its profits or the price must cover the whole costs and should gain some profits.

**Table 6: The Company's Products Availability**

Product availability	Frequency	Percentage
Very good	29	30.21%
Good	55	57.29%
Medium	12	12.5%
Poor	-	0%
Very poor	-	0%
Total	96	100%

Distribution strategies are concerned with the channels of a firm that employ to make its goods available to customers. As table 6 depicts, 57.29% of the respondents said, the availability and accessibility of the products are good. 30.21% replied very good and 12.5% of the respondents responded as it is medium.

The response implies the distribution system of the company is good that determines the product's marketing presence and the buyers' accessibility to the product. Thus, products availability is good and buyers sometimes cannot get the product easily.

**Table 7: Employees' Response in Relation to the Company's Product Quality**

Product quality	Frequency	Percentage
Very good	76	79.17%
Good	11	11.46%
Medium	9	9.38%
Poor	-	0%
Very Poor	-	0%
Total	96	100%

Product qualities must exceed from the offering itself. As indicated in the table, most of respondents are replied the company's product qualities are very good. The analysis reveals that the enterprise provides quality products.

The managers gave their witnessed about the company's product quality. They said that we are buying the grains from selective suppliers by comparing the products which fulfill the companies' quality standard.

**Table 8: Company's Overall Marketing Strategy**

Effectiveness of marketing strategies	Frequency	Percentage
Least effective	-	0%
Effective	87	90.63%
Most effective	9	9.38%
Total	96	100%

As can be observed from the above figure, almost all the respondents that was (90.67%) of the total witnessed and rated effective about the marketing strategy effectiveness. This implies the overall marketing strategy of the company accomplishes its duties with in a given constraints and the marketing strategy practices were successfully to achieve its objectives.

**Table 9: View of Employees Towards the Company's Marketing Mix Strategies**

Marketing mix	Frequency	Percentage
Product Mix	-	0%
Price	-	0%
Promotion	-	0%
Distribution	-	0%
All of the Above Mix	94	97.92%
Unreturned the question	2	2.08%
Total	96	100%

Marketing mixes are controllable elements of the company's products, prices, promotion place/and distribution strategies that are essential for the marketing strategy implementation. As shown in the table, almost all employees (97.92%) replied the company exploits all the 4Ps of marketing mix elements the rest of respondents which counts (2.08%) were missed the questions. The response implies that the company uses all the 4Ps marketing mix elements for the purpose of marketing strategy implementation.

**Table 10: Communication Effectiveness between the Departments**

Communication effectiveness b/n departments	Frequency	Percentage
Very good	69	71.88%
Good	21	21.88%
Fair	6	6.25%
Poor	-	0%
Very Poor	-	0%
Total	96	100%

Effective communication between departments is essential to accomplish strategic objectives of the company. The table 10 shows that 71.88% of the respondents reflected that the communication effectiveness between departments were very good and 21.88% of the respondents rated good. The rest 6.25% said it was fair from this replies we conclude that the departmental communication of the Ethiopian Grain Trade Enterprise has a smooth relationship between them. This positive communication helps the department and overall the company to accomplish the marketing strategy practices effectively and with costs as well as time.

**Table 11: Customers Reasons for Buying of the Company Products.**

Customers reason	Frequency	Percentage
Quality's of product	34	35.42%
Proximity of supply	26	27.08%
Lower Price than others	6	6.25%
Effective Promotion	17	17.71%
Customer Preference	13	13.54%
Total	96	100%

In table 11 shows that 35.42% of the respondent replied that the customer’s primary reason for buying products is the quality of the products 27.08% of the respondents states the proximity of supplies as a primary reason of the customers for buying. While 3750% of respondents also mention thought relatively lower price effective promotion and customers’ preference as primary reason for buying the enterprise product.

**Table 12: Opinions of Employees Regarding Marketing Strategy Practices**

Item	Response					Total
	Strongly agree	Agree	Undecided	Disagree	Strongly disagree	
1. I can perform the marketing strategy practice effectively.	56	27	9	4	-	96
Percentage	58.33%	28.13%	9.38%	4.17%	0%	100%

It is clear that the table 12 shows above, the respondents that accounts 58.33 % of total respondents were strongly agree about performing of marketing strategy of the company. 28.13 % were responded agreed. The rest 9.38 % of the respondents were preferred to stay in undecided. 4.17% of the respondents were responded as disagree with the statement.

### **2.13. Interview Analysis**

To gather more information about sales and marketing strategy practices of Ethiopian Grain Trade Enterprise interview questions were forwarded to the marketing managers of the company. Accordingly the interviewee’s responses to the questions are depicted briefly as follows. However, most interview responses are presented and analyzed in the questionnaire analysis part as a supportive response.

#### **Problems of marketing strategy practices/implementation**

In fact when you run a business, everything might not be easily accomplished. Likewise the company faced with some problems while implementing the marketing strategies. The interviewee forwarded the following problems regarding the marketing strategy implementation.

These are:

- Infrastructure problem: it is the major problem which hampers the enterprise's marketing strategy to not to implement well. With any facility of infrastructures (like roads to transport grains from country side, capacity of transport companies to deliver the loaded grain within an expected time /delaines/ this results time gap may create price fluctuation and disappointed customers and communication gap between the enterprise, farmers and their trade unions it will be very difficult to address for all regions.
- .Lack of modern warehouse in the branches and trade centers: when the enterprise collects the grain from farmers and their unions it is stay in branches and trade centers temporary store. At this time storage some of the gain is spoiled because of humidity and insects.
- Nature of agriculture: as we know the Ethiopian agriculture is depend on rain season so it is cultivated and harvested one times in the year. Because of this the volume of agricultural products is highly fluctuated on the seasonal rain amount this is also highly affect the enterprise market share and marketing strategy. Beyond this, most of the agrarian societies cultivated with traditional ways. This also affects the quality and quantity of grain product and as from the international market.

These all implies that the company has faced to problem of implementing the marketing strategies with its capacity and achieves the objectives of the company successfully.

## **CHAPTER FOUR:**

### **CONCLUSION AND RECOMMENDATION**

#### **3. Conclusion**

The main conclusions of the study in relation to each of the sales and marketing strategy elements and the associated follow up actions considered to be needed are given below. Marketing strategies are the means by which the marketing objectives will be achieved. The employees and managers of the enterprise are genuinely performing their duties to achieve the company's objectives. The smooth communication flow between marketing and other departments are the main important issue for the success of the work. Ethiopian Grain Trade Enterprise employs implement each of the marketing strategy elements to achieve its objectives. Those elements are selection of target customers, segmentation strategies and marketing mix strategy elements. Selection of target customers is a fundamental activity of the marketing strategy in Ethiopian Grain Trade Enterprise. The Enterprise provides its products specifically for foreign companies, whole sellers and other intermediaries such as NGOs and government.

Ethiopian Grain Trade Enterprise exploits all the 4Ps of marketing mix elements to achieve its target. These marketing mix elements are product strategy, price, promotion and place/distribution strategy. These are vital to implement the marketing strategy effectively inseparable because each mix affects the other. Therefore, all the mixes are essential for the company to achieve its customer requirements.

The Enterprise mainly focuses to provide quality products to its customer in order to achieve this goal the company sets quality standards and compare its illegible suppliers.

In terms of the pricing strategy, Ethiopian Grain Trade Enterprise sets the fair pricing strategy for its customers. The objective is to maximize its profits. It has not any written pricing policy as a result the prices of the products are depends on different factors like; transportation charges, Economic factors, over head costs, Net profit and direct costs. Generally, the pricing strategy is not in a single way because there is a highly turbulent environment and the price also will change according to the conditions. The company like any other organization, prices its products to maximize its profits or the price must cover the whole costs and should gain some profits. But

the company works hard to lower its by cutting redundant operations, increase efficiency and productivity

Promotion strategy is also an essential tool for the practice of the marketing strategy of the company. The company promotional tools are advertising, personal selling, sales promotion and public relation.

Distribution strategies are concerned with the channels of a firm that employ to make its goods available to customers. The distribution system of the company is good and determines the product's marketing presence and the buyers' accessibility to the product. Thus, products availability is so nice and buyers can get the product when they needed.

Even though the marketing strategies of the company are effective, there are some problems that the company faced. These are; Infrastructure problem, Economic problem and Nature of Agriculture.

#### 4. Recommendation

Even though the marketing strategy of Ethiopian Grain Trade Enterprise is practiced effectively by employees and managers, it has some problems. Therefore, the study recommends the following points based on the analysis;

- Based on the analysis the enterprise focuses mainly on foreign market besides this the researcher would like to recommend the enterprise in order to decrease the international market risk and satisfy the local customer it would increase its local market share.
- The enterprise has a problem of modern store specially in its branch and trade centers which is found out of Addis Ababa. So in order to decrease the amount of grains which are damaged because of the inconvenience of the store the enterprise should build a modern store out of Addis Ababa.
- The Marketing Mix Analysis has the dignity to help the company implement the right marketing strategies to satisfy and penetrate the company's customer groups, which is phrased as target markets. Therefore, the company should constantly alter the sub elements of each marketing mix to successfully compete with its competitors and offer the greatest value to its customers.
- In the research project, the researcher has assessed the marketing strategy practices of the Ethiopian Grain Trade Enterprise on the organization's side. So, for the future the researcher recommends to see the overall marketing strategy of the company by involving the organization,
- Customers, intermediaries and a survey study of marketing and sales strategy practices in the same industries.

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

**THE DEPARTMENT OF MARKETING MANAGEMENT**

The questionnaire is developed by final year Marketing Management degree programme student of St. Mary's University for the fulfillment of senior paper entitled "An Assessment of Marketing and Sales Strategies of Ethiopian Grain Trade Enterprise the case of Beklo Bet Head Office".

Dear Respondent,

The Student (researcher) would like to ask you with due respect to give the right response since the validity of your response has high contribution for the success of the research outcome.

**Thank You in advance for your support and time!**

**Remark:**

- ❖ Writing your name on the questionnaire is not necessary.
- ❖ If the questions have alternative answers put  $\surd$  mark on the space provided.
- ❖ If the questions are related to your personal opinion write it shortly on the space provided.

1. Gender

Male                       Female

2. Age (in years)

Under 20       21-35       36-50       51-65       Over 65

3. Educational level

1-12 Complete                       Certificate                       Diplomas

BA/BSC                       MA/MSC/MBA                       PhD

Other (if any) \_\_\_\_\_

4. Position  
Senior Manager  Managers  Staff
5. How long have you been employee of Ethiopian Grain Trade Enterprise (EGTE)?  
Less than a year   
Two to five years   
Five to ten years   
Ten to fifteen years   
More than fifteen years
6. Who are the company's major customer groups?  
Foreign Companies   
Whole Sellers   
Other intermediaries   
Individual Customers   
Others please specify \_\_\_\_\_
7. What would you suggest as the best strategy of advertising the company's product?  
Media (Newspapers, Radio, TV)   
Word of mouth   
Free sampling   
Internet   
Billboard   
Other (kindly suggest another method) \_\_\_\_\_
8. What is your opinion concerning the price of the company's products?  
Very cheap   
Cheap   
Affordable   
Expensive   
Very expensive

9. The company's products availability are?

Excellent

Very good

Good

Fair

Poor

10. What is your opinion about the products quality?

Very good

Good

Medium

Poor

Very poor

11. How would you rate the company's overall marketing strategies?

Least effective

Effective

Most effective

12. What marketing mix strategies does the company use?

Product

Price

Promotion

Distribution

All of the above mixes

13. How would you rate the communication effectiveness between corporate sales and marketing department and other departments?

Very good

Good

Somewhat good

Poor

Very poor



14. What are the customers' primary reasons for buying or wanting to use the company's products?

Quality of product

Proximity of supply

Lower price than others

Effective promotion

Customer preference

Other (if any please specify \_\_\_\_\_  
\_\_\_\_\_

15. I can perform the marketing strategy practices of the company effectively.

Strongly agree

Agree

Undecided

Disagree

Strongly disagree

16. What are the major problems encountered in implementing marketing strategies?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

17. If you have further comments please indicate in the space provided below.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **DECLARATION**

I the undersigned, declare that this senior essay/ project paper is my original work prepared under the guidance of my advisor Ato Bruik. All source of material used for the manuscript have been duly acknowledge.

Name: Zewdnesch Gebrewold

Signature: -----

Place of submission: ST.MARY'S UNIVERSITY

Date of submission: June 2014

The paper has been submitted for examination with my approval as the university college advisor.

Name: Bruik Megerssa

Signature: -----

Date: -----