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**ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF MANAGEMENT**

**RESEARCH PROJECT FOR PARTIAL FULFILLMENT OF EMBA**

**FACTORS AFFECTING CHANNEL CONFLICT IN  
MULTI-DIMENSIONAL DISTRIBUTION SYSTEM OF TOTAL  
AUTOMOTIVE LUBRICANTS IN ADDIS ABABA MARKET**

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**JUNE, 2019**

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DEPARTMENT OF MANAGEMENT**

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## **DECLARATION**

I, undersigned declare this thesis is my original work. Furthermore, all sources of material used for the thesis had been dully acknowledged

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**Date, June 20, 2019**

**Place: Addis Ababa**

## **CERTIFICATION**

This is to certify that Atnafu Abay has done study on the topic' assessment of automotive lubricants distribution channel with respect to channel conflict in Addis Ababa market: the case of total lubricants'. This study is his original work and all sources of material used for the thesis had been dully acknowledged.

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**Date, June 20, 2019**

**Place: Addis Ababa**

# TABALE OF CONTENTS

| <b>CONTENT</b>  | <b>Page</b> |
|---|-------------|
| List of Tables.....   | iii         |
| List of Figures.....  | iv          |
| list of Abrevaitions.....                                   | v           |
| <i>ABSTRACT</i> .....                                       | vi          |
| CHAPTER ONE.....  | 1           |
| 1. INTRODUCTION .....                                       | 1           |
| 1.1. General Background of The Study .....                  | 1           |
| 1.2. Background of the Organization.....                    | 2           |
| 1.3. Statement of the Problem.....                          | 5           |
| 1.4 Research Questions .....                                | 6           |
| 1.5 Research Objectives.....                                | 6           |
| 1.5.1 Main Objectives of the Study.....                     | 6           |
| 1.5.2 Specific Objective .....                              | 7           |
| 1.6 Significance of the Study .....                         | 7           |
| 1.7 Limitation of the Study .....                           | 8           |
| CHAPTER TWO .....   | 9           |
| LITERATURE REVIEW .....                                     | 9           |
| 2.1 General Overview of Distribution Chanel .....           | 9           |
| 2.2 Role of Marketing Channel.....                          | 11          |
| 2.3 Distribution Channel Models.....                        | 12          |
| 2.3.1 Direct-marketing Channel Model.....                   | 13          |
| 2.3.2 Indirect-Marketing Channel Model.....                 | 13          |
| 2.3.3 The traditional Marketing Channel Model.....          | 14          |
| 2.3.3.1 Horizontal Marketing Systems (HMS) model .....      | 15          |
| 2.3.3.2 Vertical Marketing System (VMS) model.....          | 15          |
| 2.3.3.3 Multichannel Distribution Systems (MDS) model ..... | 16          |
| 2.4 Channel Conflict .....                                  | 16          |
| 2.4.1 Types of Channel Conflict .....                       | 17          |
| 2.4.2 Factors Influencing Channel Conflict .....            | 19          |

|   |    |
|---|----|
| 2.5 Conceptual Framework .....  | 30 |
| 2.5.1 Research hypotheses .....   | 30 |
| CHAPTER THREE.....  | 32 |
| 3.1 Research Approach .....   | 32 |
| 3.2 Research Design.....  | 32 |
| 3.3 The Study Area .....  | 32 |
| 3.4 Population and Sample Size Designing .....  | 32 |
| 3.5 Variables of the Study.....   | 33 |
| 3.6 Method of Data Collection and Data Analysis .....                                 | 33 |
| 3.7 Reliability & validity test of instruments.....                                   | 35 |
| 3.8 Correlation Analysis .....  | 35 |
| 3.9 Ethical Considerations .....  | 37 |
| CHAPTER FOUR.....   | 38 |
| DATA PRESENTATION, ANALYSIS AND FINDINGS.....   | 38 |
| 4.1 Descriptive Analysis .....  | 38 |
| 4.2 Inferential Analysis.....   | 40 |
| 4.2.1. Diagnostic Analysis.....   | 41 |
| 4.2.2 Regression Results .....  | 42 |
| 4.3 Independent Factors Affecting Channel Conflict based On Respondents' ategory .... | 47 |
| 4.4 Discussions on Findings .....   | 48 |
| CHAPTER FIVE .....  | 50 |
| SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....   | 50 |
| 5.1. Summary of Major Findings .....  | 50 |
| 5.2 Conclusion.....   | 51 |
| 5.3. Recommendations .....  | 51 |
| 5.4 Limitations and Direction of the Study.....                                       | 52 |
| REFERENCES .....  | 54 |
| APPENDIX 1 QUESTIONERS (ENGLISH VERSION) .....  | 59 |
| APPENDIX 2 (QUESTIONERS AMHARIC VERSION).....   | 62 |

## LIST OF TABLES

|  | <b>Page</b> |
|--|-------------|
| Table 1. External Factors Contributing For Channel Conflict .....                    | 22          |
| Table 2 Internal Factors Contributing For Channel Conflict .....                     | 24          |
| Table 3 Sample Size .....  | 33          |
| Table 4: Pearson Correlation Matrix Between Independent And Dependent Variables..... | 36          |
| Table 5 Descriptive Statistics .....   | 38          |
| Table 6: Work Experience Of Distribution Members .....                               | 39          |
| Table 7. Multicollinearity Table.....  | 42          |
| Table 8: Normality Table .....   | 42          |
| Table 9 Model Summery .....  | 43          |
| Table 10. Anova .....  | 44          |
| Table 11: Regression Table .....   | 45          |
| Table 12: Summary Of The Research Hypotheses .....                                   | 47          |
| Table 13: Independent Sample T-Test .....  | 48          |

## List of Figures

|   | <b>Page</b> |
|---|-------------|
| Fig 1: Distribution channel of Total lubricants up to end customers (Source:<br>developed by the researcher) .....                          | 4           |
| Fig.2 Lubricant Distribution channel in India ( AjeetGuruji, posted on sept 2017) .....   | 9           |
| Fig 3 Types Of Channel Conflict Adopted From Business Jargons/Marketing/<br>Channel Conflict Management Adopted From (Business, 2017) ..... | 18          |
| Fig 4. Causes of channel conflict adopted from (Business, 2017) .....   | 27          |
| Fig 5. Conceptual framework developed by the researcher based on literature<br>synthesis. ....  | 30          |

## **LIST OF ABREVAITIONS**

|                  |                                  |
|------------------|----------------------------------|
| <b>TOTAL S.A</b> | Total South Africa               |
| <b>SCI</b>       | Supply chain Integration         |
| <b>HMS</b>       | Horizontal Marketing System      |
| <b>MDS</b>       | Multichannel Distribution System |
| <b>VMS</b>       | Vertical Marketing System        |
| <b>VIF</b>       | Variance Inflation Factor        |
| <b>CFA</b>       | Carrying & Forwarding Agents     |
| <b>CODO</b>      | Company owned Dealer operated.   |
| <b>DODO</b>      | Dealer owned Dealer operated     |
| <b>OEM</b>       | Original Equipment Manufacturer  |
| <b>BRV</b>       | Bulk Vehicles                    |

## **ABSTRACT**

*One of the most effective ways to achieve a sustainable competitive advantage is through implementing an effective marketing channel strategy. It is perhaps the most complex and demanding of all marketing mix alternatives in distribution system. To the contrary conflict is considered inevitable in the distribution system because of conflicting goals and other incompatibilities between distributions members. Channel Conflicts arising from goal incompatibility, ambiguous roles and perception difference and communication barriers are mainly due to change in construct of trust between the channel members. The purpose of this study is to assess the impact of change due to construct of trust on channel conflict within multi-dimensional distribution channel of TOTAL automotive lubricants in Addis Ababa market. The study applied an explanatory research design and quantitative approach with a sample size of 305 respondents selected out of population of 757. The findings indicated that variables such as goal incompatibility; roll ambiguity and perception difference have significant positive impact on channel conflict in multi-dimensional distribution channel of automotive lubricants markets in Addis Ababa. The finding also revealed that the relationship between communication barriers and dependence of intermediaries on company has positive but week impact for the contribution of channel conflict. The result of regression analysis showed goal incompatibility, roll ambiguity, and perception difference were significant predictors of channel conflict. The researcher recommends therefore, since the model could only explain 48.6% in variance of the channel conflict within the distribution channel of TOTAL automotive lubricant market in Addis Ababa and hence further study has to be carried out comprising of other factors which were not part of model of this research. It is recommended that the company should focus on insuring the compatibility of goals of the company and its distributors work on reduction of roll ambiguity, perception deference, communication barriers to avoid or reduce channel conflict in automotive lubricant market.*

*Keywords: Channel conflict, distribution, channel of distribution, marketing channels.*

# CHAPTER ONE

## 1. Introduction

### 1.1. General Background of the Study

Marketing is a key component of any business activity that aimed at making profit or achieving certain objectives. And one of the major components of marketing is creating a link between the producer and consumer. These links are known as Distribution Channels. Distribution channel represent a system of marketing institutions through which products, resources, and information flow from the producer to the end user. Channels are well-organized structures of buyers and sellers that bridge the gap of time and space between the manufacture and the end customer (Doole & Lowe, 2012).

Distribution channel represent a system of marketing institutions through which products, resources, and information flow from the producer to the end user. Channels are well-organized structures of buyers and sellers that bridge the gap of time and space between the manufacture and the end customer (Doole & Lowe, 2012). The role of distribution channel incorporate the physical movement, warehousing, ownership of the product, presale transaction, post-sale activities, order processing, credit and collection and other different types of support activities (Gorchels, West, Marine,2004)

Channel defined by another writer as a group of business that takes tittle to produce or facilitate exchange during the marketing process from the original maker to the end user. (Ayers & Odegaard, 2007). The two key channels are wholesale and retail. According to (Kotler and Kevin, 14th edition), retailing includes all the activities in selling goods or services directly to final consumers for personal, nonbusiness use.

A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing.

Wholesalers are those who are selling goods and services to those retailers to resale or business use. Retailers are those who are selling goods to the end users and whose main income is coming from retailing (Kotler and Kevin, 2012). **Retail customers** are individuals/firms that own or operate a fuel station. They purchase fuel & lubricants from the Company and sell to the end

customer inside the fuel station. The Oil Company delivers the products direct to the station using 3rd party contracted BRVs or the retailer will collect it. They sign a dealership agreement with the Oil Company which will be renewed at a certain interval. For each liter they sell to the end customer, they earn a fixed profit margin which fixed by Ministry of Trade (MOT)•

**Commercial customers** - they purchase fuel & lubricant for their own consumption. They sign a contract agreement with the Oil Company for the supply of fuel in bulk for a limited duration. The company delivers the product to the customer site using 3rd party contracted BRVs or the customer picks the product using its own BRV. Usually the contract lasts one-three years and is awarded through a tender process or negotiation. These are mainly government organizations, factories and construction firms that own a large fleet of trucks and machineries. It is fact that no matter how effectively channels are crafted and managed, conflict will arise (globalbizresearch.org) Channel conflict affects the efficiency and effectiveness of channel members and ultimately their profitability.

This research assesses the types of conflict that normally arise in distribution channels, the causes or sources of channel conflict. It is believed that when channel conflict is effectively managed, it goes to enhance the performance of the organizations that are members of the channel system. The potential for channel conflict exists when a product is available through multiple distribution channels that are in direct competition for the same market and customer with an identical product offering.

Thus assessing the distribution channel with regard to automotive lubricant need to be studied. As part of this effort, this research reviews and analyzes causes of channel conflict with respect to Total's automotive lubricant business in Addis Ababa.

## **1.2. Background of the Organization**

According to company TOTAL website, Total S.A is French multinational integrated oil and gas company and one of the seven "Supermajor" oil companies in the world ( i.e. BP plc (United Kingdom) Chevron Corporation (United States) ExxonMobil Corporation (United States) Royal Dutch Shell plc (Netherlands and United Kingdom) Total SA (France) EniSpA (Italy) . Its businesses cover the entire oil and gas chain, from crude oil and natural gas exploration and

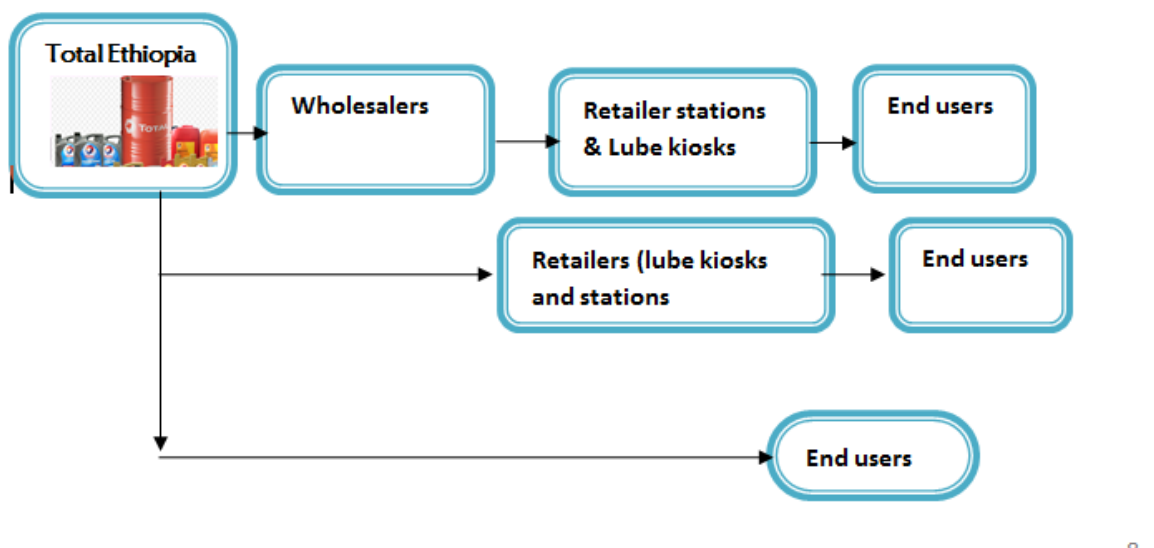
production to power generation, transportation, refining, petroleum product marketing, and international crude oil and product trading. (<https://www.total.com/en>)

According to the website of the company, TOTAL Ethiopia was established in 1950. Total in Ethiopia operates with 168 stations (33 in Addis Ababa) and about 800 specialty customers (i.e. non-network customers who demand special lubricant designed for all stages of manufacturing process in each industrial sector such food, aviation, car manufacturing, cement chemical materials metal working steel and wood. According to the website it's renowned in distribution and services of petroleum products in Ethiopia with:

- ✓ One fuel and specialties depot at Akaki, three aviation depots at Bole International Airport, Mekelle and Bahir Dar and one new state of art depot at Dukem.
- ✓ More than 500 contracted fuel trucks transporting over 700 million liters of fuel per year
- ✓ 150 internal permanent employees and more than 4000 job opportunities created among its partners. According to the website, Total Ethiopia has the vision of winning recognition from its customers and partners for the quality and safety of its operations, while creating value.
- ✓ It has a Mission of To be the leader energy company by the quality of its products and services
- ✓ To focus on the fulfillment of its customer satisfaction
- ✓ To integrate sustainable development in its business activities and to have an active participation in the local life (community and public at large).
- ✓ The lubricants business in Total is divided into 4(four) major marketing fronts namely retail network, commercial customers, Distributors and resellers.
- ✓ Retail network (168 operational stations) focuses on marketing products to motorists at stations strategically located in the nation owned by the operators or companies.
- ✓ Commercial arm (general trade and specialties customers) is concerned with marketing of lubricants to major industrial consumers like factories, agricultural estates, Power plants, Commercial fleets and Mines.

- ✓ The Distributors sells lubricants to resellers and
- ✓ Reseller's (mostly named lube kiosks) retail to end customers and they normally target vehicle spare part shops and garages.

**Fig 1: Distribution channel of Total lubricants up to end customers (Source: developed by the researcher)**



As indicated by Petros Gulma ( logistics time and cost analysis case of lubricant supply of Libya oil Ethiopia limited) in the years before 2001GC,only four companies SHELL,MOBIL, TOTAL and Agip Controlled marketing and distribution of Fuel and Lubricant in Ethiopia Market. Following measures taken by the government that encourage local and regional players to enter in to the market, more and more local and regional companies are joining this industry. Currently, there are 30(thirty) Oil Companies in the country (ministry of mines and petroleum,(March 11 2019) inter office memo); out of which Oil Libya, **TOTAL**, National Oil Ethiopia (NOC), Yetebaberut Beherawi Petroleum (YBP), Kobil, TAF, Nile Petroleum, Wadi Alsundus (WAS), Dallol, Olway, Gomeju, Yeshi, and Getnet are. All are local companies, except oilibya, TOTAL, Nile and WAS. These companies are involved in distribution of fuel and lubricant through their retail outlets, through various distribution channels and involved in direct sales to their consumers/customers.

In Ethiopia price of fuel and lubricants is regulated by the government and is revised by the government when it deemed to be important. It's also discussed by (Petros Gulma ( logistics time and cost analysis case of lubricant supply of oilybia oil Ethiopia limited),the margin that oil

companies get on from sale of fuel in Ethiopia is not more than USD 5 per 1,000 liters which is very small as compared with margin companies get in other parts of the world. As per the same sources, the margin that the companies get on Lubricant is USD 1,000 per 1000 liter on average. So it seems the survival of oil companies in Ethiopia highly depend on sales of Lubricant.

### **1.3.Statement of the Problem**

Over the past decade, Ethiopia has been one of the fastest growing economies in the world with growth rate averaging 10.9% (Economic, January 1st, 2017).The oil industry is a major contributor to the whole country's economy through the process of importing & distributing petroleum products (fuel & non-fuel oil products) to the end users.(Economic, January 1st, 2017)

According to the (reporter, may 2019), Ethiopian oil industry currently comprises 26 companies including the major players like Oil Libya, TOTAL, National Oil Ethiopia (NOC), Yetebaberut Beherawi Petroleum (YBP), Kobil, TAF,etc where all companies involved in supply and distribution of petroleum products. Hence the industry has become an area characterized by solid competition especially in the lubricants product line (Oils and greases) through time. Moreover, the magnitude of the outlying competition in the sector is to be fierce.

Conflict is considered inevitable due to conflicting goals and other incompatibilities between organizational members. Underlying causes of conflict include competition for scarce resources, drives for autonomy and differences between subunit goals (Webb, 2002). In marketing channels, conflict arises due to the interdependence between channel members. Channel members typically specialize in one or few traditional channel functions, resulting in dependence upon other channel members to facilitate transactions. When individual firms attempt to exert power in the channel, this interdependency creates conflict as they upset the equilibrium. The underlying causes of this conflict among channel members are goal incompatibility, domain disputes and differing perceptions of reality (Reve and Stern 1979). Goal incompatibility between different channel members arises from different issues including profit margins, attraction to other channels and product supply access. Conflict related to domain definition arises over the population served, territory covered, functions performed or technology employed (Webb, 2002). Communication problems are typically the underlying symptom of conflict derived from differences in perceptions of reality.

There are quite a number of studies in distribution channel system regarding the effect on firm performance. The researcher believes there is a gap in knowledge and findings regarding multichannel distribution on basis of the dimensions with respect to causes attached to channel conflict with respect to automotive lubricant in petroleum industry. Furthermore TOTAL's implementing multichannel distribution system (one and two level of Channel) the company performance increases on bases of the Sales, Profitability and Market coverage, but there seems conflicts between channel members.

This shows that there is a gap in managing a multi-dimensional channeled distribution to maintain effective implementation sector. Hence, it's important to assess the channels. This will help TOTAL to sustain its huge market share in lubricant market especially in automotive grade oil which currently is most challenged area the company is concerned about. In summary, there is a need to assess distribution channel of automotive lubricant with respect to channel conflict to ensure the effective implementation of distribution channel.

## **1.4 Research Questions**

This section deals with particular questions associated with identifying factors contributing for channel conflict within total distribution channel in Addis Ababa market which ultimately expected to be addressed on this research.

**Research Question:** What are the causes of channel conflict in multi-dimensional automotive lubricants distribution channel of TOTAL in Addis Ababa market?

## **1.5 Research Objectives**

### **1.5.1 Main Objectives of the Study**

The main objective of the study is to assess the causes of channel conflict in multi-dimensional distribution channel of TOTAL automotive lubricant in Addis Ababa market with respect to channel conflict.

### **1.5.2 Specific Objective**

This study has a specific objective of addressing the under listed particular points:

What are the causes of channel conflict in multi-dimensional automotive lubricants distribution channel of TOTAL in Addis Ababa market?

### **1.6 Significance of the Study**

Researchers are always expected to come up with adding value to certain managerial issue or business problem as part of pointing a remedial action through their valuable recommendations. Likewise, identification of causes of channel conflict within the totals distribution line Addis Ababa market would have a paramount importance to the company and stake holders as a tool by which challenging areas are segregated and search for a solution. Moreover, it could serve as a major input in devising appropriate distribution channel compatible with the actual demands over the market being as an instrument for practical utilization.

On the other hand, it is believed that the study will also be important to the emerging indigenous or international company investors engaged in same sector in view of having a clear picture as to how the existing automotive lubricant market distribution channel is progressing and understanding the ever increasing customer anticipation allied with the business line. This will serve in establishing the most appropriate strategy to stay with customer loyalty and strong image in the market especially on this line of segment. Furthermore, the study is deemed to be an imperative instrument by which marketing researchers, consultants and business students at different level will make use of, as a foundation for their research works.

## **1.7 Limitation of the Study**

The Lubricants product line of TOTAL is subdivided in to several automotive and industrial grade oils and greases. Total has many lubricants grade with different purpose. However, the study is mainly focused on assessing the external and internal working environment of distribution channel and with respect to channel conflict particularly on automotive lubricants.

The study relied on the major customer segments namely distributors and reseller/retail outlets (lube kiosks and stations) as a source. Hence, these channels of distribution for total's automotive lubricants in Addis Ababa market are considered as the major inputs. Customers in the capital Addis Ababa are deemed to be the target population as representatives of the entire customers the Company owns throughout the country, mainly for the fact that most of the big customers in terms of purchase volume and Varied product demand are highly centralized in the capital and is also home for the headquarters of the major distributor organizations.

Similarly TOTAL's, retail stations, lubricant kiosks and distributors in Addis Ababa are deemed to represent the target population for the sake of convenience as well. In addition, the study will utilize the inputs from company sales and marketing officials, in Addis Ababa.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1 General Overview of Distribution Chanel

As it's explained by Dooleand Lowe (2012), distribution channel represent a system of marketing institutions through which products, resources, and information flow from the producer to the end user. Channels are well-organized structures of buyers and sellers that bridge the gap of time and space between the manufacture and the end customer. Doole and Lowe (2012)

However, goods and services sometimes pass to consumers through multiple channels; a combination of short and long. While increasing the number of ways a consumer can find a good can increase sales, it can also create a complex system that sometimes makes distribution management difficult. In addition, the longer the distribution channel, the less profit a manufacturer might get from a sale because each intermediary charges for its service.

Commodities such as oil, gas, and petrochemicals are transported using different mode of transportation such as pipe-lines, vessels or tankers, roads, and railroads. These commodities are produced in limited places of the world, yet they are demanded all over the globe since they are an essential source of energy and raw material for many other industries (Raed, Tiravat, & Basheer, 2006).



Fig.2 Lubricant Distribution channel in India ( Ajeet Guruji, posted on sept 2017)

For oil sector players in Ethiopia the same applies including Total Ethiopia distribute oil (lubricants) such as, distributors and Retailers) that are involved in the distribution of oil (lubricant), except transportation through pipe line. The blossoming in global demand of oil along with the ease of international trade and the inflexibility involved in the petroleum industry's supply chain has made its management more complex and more challenging (Coia 1999 cited in Barua 2010). As it's defined by Coughlan et al. (2006), a distribution channel is a set of independent organizations involved in the process of making a product or service available for use or consumption. Manufacturers, intermediaries and end users are perceived as the key actors of a distribution channel (Coughlan et al, 2006). On the other hand, management of distribution channels strategically is growing in both attractiveness and importance in the business world (Levi &Weitz, 2008). There are several reasons for this:

- ✓ As value has shifted towards customer, distribution has moved from being the the middle of nowhere of strategy to the main stream, since it is where much of the profit in many industries can be found nowadays (Wise & Baumgartner, 1999). In other words, distribution and its network have become an important source of success and competitive advantage. Anderson and Narus (1990) reported that it is mutually recognized and understood that the success of manufacturers and distributors depends on the other firm. Loomba (1996) also suggested that in order to compete effectively, today's firms must re-evaluate their existing distribution and make adjustments when necessary.
- ✓ Distribution channel strategies affect many other aspects of marketing strategies. According to Kotler and Veronica (2008), distribution affects sales, since if the product is not available, it cannot be sold. Most customers will not wait until it can be reached. Delivery is seen as a part of the product that influences customer satisfaction.
- ✓ The choice of distribution network has long-term consequences. The structure of the distribution network is one of the most difficult decisions to change. According to Chopra and Meindl (2007), the impacts of selecting a distribution network often lasts for decades. Changing on the channels and channel shifting is too costly. In the long run, distribution channel strategies involved in strategic alliances and partnerships that are founded on trust and mutual benefits create distinguishable interests (Chopra &Meindl, 2007).

As it's explained by Coelho & Easingwood (2003), distribution tends to be one of the most indisputable marketing mix decisions, but a number of external factors have led to an increase in its importance, namely, pressures on competitive advantage, the increased power of distributors, pressure to reduce distribution costs, a new stress on growth, and new technological developments. Distribution channels are typically composed of multiple companies, each pursuing its own interests, and because these interests are competing, channel members often fail to cooperate with each other and, sometimes, even work at cross-purposes.

Some companies use a distribution channel of autonomous intermediaries relaying on downstream channel member (e.g. broker, agent, wholesaler, retailer) to sell their products effectively to the other channel member and ultimately to the end user (Gale, 2005)

Manufacturers are producers of a product or service being sold (Anne et al., 2006). According to them intermediaries are all channel members other than the manufacturer and end user. Intermediaries perform a variety of function and constitute a marketing channel, which is also referred to a trade channel or distribution channel (Kotler and Keller, 2008). The importance of intermediaries have grown in recent years, mainly due to increased size, improved level of product knowledge, technical competencies, specialization and various other factors (Kalafatis, 2000).

- ✓ Manufacturers are enterprises primarily concerned with creating goods
- ✓ Wholesalers are those who are selling goods and services to those retailers to resale or business use
- ✓ Retailers are those who are selling goods to the end users and whose main income is coming from retailing (Kotler and Kevin, 2012) End users (business customer or individual customer) are final users of product or services.

## **2.2 Role of Marketing Channel**

Several companies do not sell their product directly to end users. In mass production and consumption like the case of fast moving consumer goods companies use distributors, representatives, sales agent, brokers, retailers or some combination of these intermediaries to distribute their product (Hughes and Ahearn, 2010).

Members of the marketing channel perform a number of key functions. ( Kotler, Lane and Keller, 2012).According to them it may but not limited to, include the following

- ✓ Collect information about prospective and current customers, competitors and other actors and forces in the marketing environment.
- ✓ Develop and disseminate persuasive communications to stimulate sales
- ✓ Discuss and reach an agreement on price and other terms so that the transfer of ownership or possession can effect.
- ✓ Place order with the manufacturer.
- ✓ Assume risks connected with carrying out channel work.
- ✓ Provide storage facilities and movement of physical products.

On different scholar known as Gay (2007) included the following range of activities in distribution

- ✓ Networking many suppliers to provide wide range of consumer choice.
- ✓ Contribution of the exchange process: identify the need of the buyer in the context of product categories, quantity, range, etc. and plan with the manufacturers. To meet all these;
- ✓ Marketing Information: it may include collection, distribution and analyzing marketing /sales information to and from the marketing environment.
- ✓ Promotional activities: channel members do varies promotional activities on behalf of the company and also measure their effectiveness.
- ✓ Pricing: Determining the sales term and conditions at each stage of the value chain.
  - ✓ Risk management.
  - ✓ Physical distribution management

### **2.3 Distribution Channel Models**

According marketing professors Onkvisit & Shaw (2004) draw a parallel between blood diamond and other products, and argue that any products, no matter how good they are, are unlikely to gain market acceptance without being made available at a time and place that are convenient for final user. Based on channel objectives, building ‘a channel between manufacturer and the end customers, the most appropriate distribution channel structure can be developed. The main goals may be the following: product availability and visibility for the

customers, mutual cooperation between the manufacturer and the intermediaries, the end-users receive desired level of service, distribution costs are minimized, the desired information flow is achieved (e.g. number of sales, inventory, etc.) (Onkvisit& Shaw, 2004).

The fundamental issue of distribution planning is a company's choice of a distribution channel. Two principal channels model when companies in distributing of their products are indirect and direct marketing channel (Onkvisit & Shaw, 2004; Doole& Lowe, 2012).

### **2.3.1 Direct-marketing Channel Model**

This model has no intermediary levels. The manufacturer directly provides the product to the consumer. The use of this method is that the company has greater control over the product and elements of marketing mix, channel enables active marketing exploitation, improved feedback about the performance of the product, its image at all stages and the user experience. The drawback is an expensive and time-consuming channel and which cannot be affordable without large sale volumes.

The company cannot save money by removing the middlemen traders because intermediaries specialize in performing certain tasks that they can perform more cheaply than the manufacturer. Most grocery products are efficiently sold to the consumer through retail stores that take a modest mark-up it would not make sense for manufacturers to ship their grocery products in small quantities directly to consumers.

*According to total web sites, Total sell automotive or industrial lubricants directly to industrial customers, transporters, construction companies etc. considering them as end users customers.*

### **2.3.2 Indirect-Marketing Channel Model**

Indirect marketing channel involves one or more intermediaries and it can be both short and long. In the short channel only one trading company is included and, there are two or more intermediaries in the long one. The company may sell to intermediaries who further distributes to retail outlets. This may raise product costs since each intermediary will get their percentage of the profits. This channel may become necessary for large producers who sell through hundreds of small retailers. The limitations were the company has a greater number of levels means less

control and greater channel complexity. If products stop being profitable or a competitive product offers a better profit potential, the channel intermediaries can stop the contract.

Distribution channels are designed as either a direct structure (through direct sales force), Indirect (through agents and dealers) or a combination of both. The structure depends on the advantages from ownership of asset, location of market, and operations (Dunning, 1980)

The importance of channel intermediaries has grown in recent years, largely due to increased size, improved level of product knowledge, technical competence, specialization and various other factors (Kalafatis, 2000)

**Marketing/selling channels** may involve many diverse players at different levels of distribution that have their own goals (Ferrell & Hartline, 2011). There are four types of channel that include conventional marketing channel, vertical, horizontal and multichannel marketing systems (Hollensen & Opresnik, 2014). On basis of these four models of channel structures can be identified, where various levels of control and management are exercised through integration.

To this effect TOTAL uses both direct and indirect models of channeling. The company uses direct channeling to serve its customers of huge manufacturers, industrial factories, governmental and private organizations with big uplift of lubricants.

### **2.3.3 The traditional Marketing Channel Model**

The traditional/conventional marketing channel model consists of independent manufacturer(s), distributor(s), wholesaler(s), and retailer(s). These conventional distribution channels have lacked strong leadership and power, often resulting in damaging conflict and poor performance. Responsibilities of each member are limited to its task, for example, manufacturer worries about making products, and retailer – selling the products. None of them has significant control over each other. Their goals are to maximize own profits and minimize own costs even if some of their action are harmful for the system as a whole.

In conventional marketing system each channel member works independently and seeks to maximize own profits. Therefore there is no certain control system in this channel to solve common conflicts. (Kotler et al., 2008) According to Dunne, Lusch & Carver (2011), conventional marketing system is highly ineffective and unproductive method. Conventional

channel gives one intermediary a privilege to control others by use of power and resources. Channels are controlled by authoritative control mechanism, meaning that the most powerful members have the right to control and make decisions. (Weitz & Jap, 1995) Evolution of this marketing channel led to development of three marketing systems: vertical, horizontal, and multichannel marketing systems (Kotler et al., 2012; Hollensen & Opresnik, 2014).

### **2.3.3.1 Horizontal Marketing Systems (HMS) model**

On this model there are two or more different independent organizations join their forces and combine their resources to exploit a new market opportunity. These organizations can work either on permanent or temporary basis. Generally, companies get involved in HMS for lack of capital, knowledge, marketing resources or production capabilities, or in case they are afraid of taking a risk on their own. This is an opportunistic arrangement. Each company has identified the strength of the other that it can utilize to its own advantage; as a result, both of them can achieve better results and beat the competition (Panda, 2009; Kotler et al., 2012; Havaldar&Cavale, 2006).

### **2.3.3.2 Vertical Marketing System (VMS) model**

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

But the VMS style is limited when a company starts to use more than one marketing channel to target their customers. The VMS approach focuses mainly on one channel. Interrelationships, conflicts and coordination issues between different channels are not considered. Additionally this approach is critical because it is based on the assumption that a channel captain exists, who has an important influence over the whole chain. But the current situation and projections of future trends show a decreasing influence of the manufacturer on the wholesale and retail level (Fritz & Graf, 2007). There are more and more independent intermediaries that have not joined a VMS. The new competition is now between whole systems of networks rather than individual business

units (Kotler & Keller, 2006). Out of this critics in the next section a multi- channel approach is outlined which takes these limitations into account.

### **2.3.3.3 Multichannel Distribution Systems (MDS) model**

This model occurs when a company employs two or more channels in order to serve one or more customer segments. This is also called a hybrid marketing channel. The consequences of having multiple channels are complexity of channel management, control, and cooperation, as well as high chances of channel conflict. Thus, before implementing MDS or adding an extra channel, companies should carefully plan their channel structures (Panda, 2009); Doyle & Stern, 2006).

## **2.4 Channel Conflict**

Conflict is common throughout the distribution channel of marketing (M. Kelly Cunningham, Elmhurst College). It exists among manufacturers, distributors and retailers. Much of the conflict is created among the members but it is also aggravated by conflict that exists among those selling to the channel. Specifically, this includes key functional groups such as sales, marketing and supply chain. The lack of communication, trust and confidence within these key groups make it even more difficult to work with the external channel of distribution and creates even more conflict (M. Kelly Cunningham Elmhurst College)

Channel conflict explained on business jargons, as the conflict which arises between channel partners such as manufacturer, wholesaler, distributor, retailer, etc. compete against each other for the common sale with the same brand. It can be more explained as; there is a conflict among the channel partners when one prevents the other from achieving its objective. It results in a huge loss for all the partners in the channel.

Also as it's indicated on Journal of Business Management & Social Sciences Research (Volume 1, No.1, October 2012),as a situation in which one channel member perceives another channel member(s) to be engaged in behavior or that prevents or impedes it from achieving its goals.

As it's more explained by(Dicknson)conflict can viewed as disruptive and having a negative impact on relationships and performance. This destructive nature of conflict is frequently a result of the affective dimension of conflict also known as relationship conflict. This is referred to as affective conflict (Jehn, 1997). In marketing channel literature, this type of dysfunctional

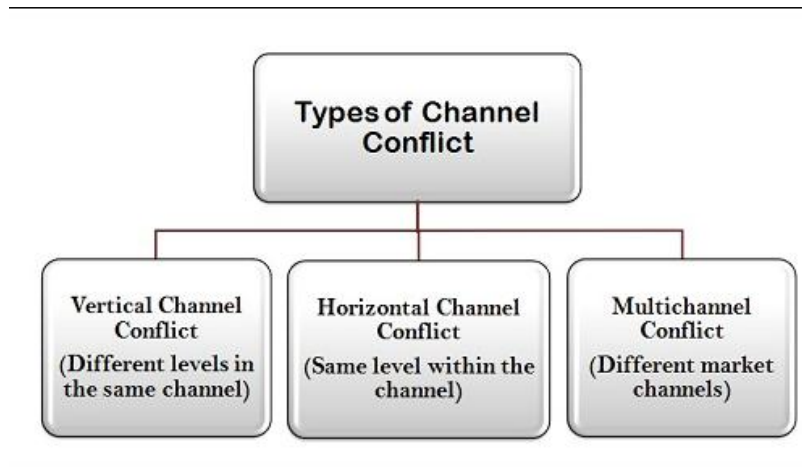
conflict results in a distortion or withholding of information, hostility or distrust (Menon, Bharadwaj and Howell, 1996). Affective conflict is a result of tensions from emotional responses and is generally focused on personal incompatibilities or disputes (Amason, 1996). It frequently arises when normally functional, cognitive-based disagreements are perceived to be personal criticisms. It also interferes in task completion because members are preoccupied with reducing threats, increasing power and attempting to build cohesion (Jehn, 1997). The focus on these relationship dynamics reduces the time and energy available to accomplish tasks. So not only does affective conflict have a detrimental effect on performance, in general, but it also impedes the potentially positive effect of cognitive conflict. An example of this in action, taken from a qualitative study of such behavior, is, “like any situation, there are some of us that don’t get along, and so we don’t talk at all” (Jehn, 1997). There is evidence that affective conflict impairs performance. However, most of this work is in the domain of group or organizational dynamics. Empirical evidence indicates that there is a negative relationship between affective conflict, productivity and satisfaction in groups (Jehn, 1997). Jehn (1995) demonstrated that coworkers experiencing affective conflict are less satisfied with the group in which they are working. Affective conflict has also been found to negatively impact performance (Evans 1965).

#### **2.4.1 Types of Channel Conflict**

As it explained and retrieved from <https://businessjargons.com/channel-conflict-management.html> there are three major types channel conflict.

1. ***Vertical Channel Conflict***: such type of conflict arises between the different levels in the same channel. A good example such conflict is as the conflict between the manufacturer and the wholesaler regarding price, quantity, marketing activities, etc.
2. ***Horizontal Channel Conflict***: This type of conflict arises between the same level in the same channel which can be demonstrated as the conflict between two retailers of the same manufacturer faces difference in terms of sales target, area coverage, promotional schemes, etc.
3. ***Multichannel Conflict***: This type of conflict arises between the different market channels participating in the common sale for the same brand. For instance if a manufacturer uses two

market channels, first is the official website through which the products and services are sold. The second channel is the traditional channel i.e. through wholesaler and retailer. If the product is available at a much lower price on a website than is available with the retailer, the multichannel conflict arises.



**Fig 3** types of channel conflict adopted from Business jargons/marketing/channel conflict management adopted from (Business, 2017)

Among numerous channel conflict studies (Webb, Hogan, (2002) & Seung, 2010) agree that there are two kinds of channel conflict. The first kind is; intra channel conflict, which is also termed vertical channel conflict and refers to the friction between a firm and the members of its distribution channels. The second type is inter -channel conflict, which is also termed horizontal conflict and refers to the friction between two or more channels at the same level. An inter-channel conflict stems primarily from competition between channel participants and fear of channel cannibalism. Inter-channel conflict is distinct from intra-channel conflict, which has been the focus of most studies. Conflict can arise due to a channel competing against other channel members for the limited resources, namely in terms of promotional assistance or product development efforts (Coelho & Easing wood, 2004). Many other studies have observed that poorly designed channel structures, poor alignment with customer segments, communication difficulties, and the use of coercive powers constitute additional causes of inter channel conflict.

## **2.4.2 Factors Influencing Channel Conflict**

As it's been defined above, channel conflict occurs when one member's actions prevent another channel from achieving its goal. Channel conflict is defined (Coughlan et al., 2006) as the behavior by which a channel member that opposes its counterpart. As (Brown & Day, 1981) confirmed, conflict is an inherent aspect of interdependence relationships in distribution channels. (Kotler & Keller, 2012) and (Jobber, 2001) outline the major sources of channel conflict as differences in goals, differences in desired product lines, multiple distribution channels, and inadequacies in performance. Moreover, channel conflict may also stems from goal incompatibility, clashes over domain, and differing perceptions which lead to poor channel performance as well (Seung, 2010).

Even though a multiple channel strategy provides many advantages for firms, it also presents certain disadvantages. Many prior studies have argued that the performance of marketing distribution is affected by channel conflicts. The adoption of a multiple channel may create conflict in the demand for internal company resources and conflicting objectives for various channels, and such conflicts increase the potential for customer confusion and dissatisfaction. Poorly integrated multiple-channels may create in customer dissatisfaction with the firm's multichannel strategy resulting in loss of customers to competitors (Rosenbloom, 2007). Moreover, the most significant obstacle to building successful hybrid-channel strategies is the emergence of conflict between the different channels used for reaching customers (Rosenbloom, 2007).

As it's also explained in other litterateurs as Goldkuhl (2005), channel conflict 'exists within the channel if one channel member perceives another channel member to be engaged in behavior that prevents or impedes from attaining its goal(s). Channel conflict is not a new phenomenon because of the introduction of the Internet (Gaski, 1984; Magrath & Hardy, 1989). It has been suggested that conflict is virtually inevitable in marketing channels, as this is due to the functional interdependence between channel members (Gaski, 1984). Channel conflict is not necessarily dysfunctional; it can be constructive when it leads to more dynamic adaptation to a changing environment and keeping the channel members focused and responsive. However, too much channel conflict is dysfunctional (Kotler, 2005). Channel conflict can occur horizontally and vertically (Kotler, 2005). Horizontal channel conflict exists when there is conflict between

channel members at the same level within the channel while Vertical channel conflict exists when there is conflict between different levels within the same channel, which will be the case if a manufacturer adds a direct marketing channel next to existing marketing channels.

According to Wilkinson (1973) conflict arises in channels as members have incompatible goals and differing perceptions of reality. Etgar (1979) describes the causes of channel conflict to be of attitudinal or structural nature. Attitudinal causes are associated with disagreements about channel roles, expectations, perceptions and channel communications. Structural causes consist of three sets of factors: goal divergence, competition for scarce resources and drive for independence. Conflict appears to be primarily generated by attitudinal factors. If the role of the channel member has not been well defined, conflict may occur. Differences in information availability, information processing capacities, or experience among channel members can result in varying expectations. Channel members can also have different perceptions of the channel and its market conditions. Within a marketing channel there has to be constant communication between the manufacturer and the channel members (vice versa) about new products, promotions, market conditions and stock levels. If that flow of communication is not working properly, misunderstandings will occur, incorrect strategies will be implemented, and mutual feelings of frustration will arise (Etgar, 1979).

Goal divergence is a result of different strategic objectives between channel members and the manufacturer. They both want to maximize profits, which may lead to a conflict of interest (Etgar, 1979). In reality, however, it is not goal divergence itself that is fuel for conflict, but the perception that the goals diverge (Coughlan et al., 2006). Competition for scarce resources occurs when the demand in a channel exceeds the available supply, e.g. if there is limited availability of a new product. Drive for autonomy means that one party tries to exercise control of another party (Etgar, 1979); which is similar to the definition of power (Gaski, 1984).

Magrath & Hardy (1989) describe the following four variables within channel design and channel mix that affect channel conflict: channel length, channel variety, channel density and channel autonomy. Channel length refers to the number of channel members between the manufacturer and the end-consumer, whereby short channels are least associated with conflict for manufacturers. Channel Variety refers to different types of channels used. Conflict appears to be least likely with either very low or very high channel variety (Magrath & Hardy, 1989).

Channel Density refers to the amount of channels used and can either be exclusive, selective or intense. Channel density tends to have a relation with the product life cycle, however, channel members prefer less channel density at increased product life, while manufacturers prefer to increase density at that stage. Channel Autonomy refers to the independence of the channel members to each other. The more independent the channel members are, the more conflict is likely to occur (as a result of goal divergence) (Magrath & Hardy, 1989)

The fundamentals of the channel mix (identifying customers, creating value propositions and determining how to deliver goods and services to the market place) has not changed because of new technologies, but has become more complicated (Bendix et al., 2001a). By adding the Internet to the marketing channel mix, Webb (2002) found that pricing is the single most important generator of channel conflict. Conflicting channels put emphasis on price as a differentiation between channels (Cullotta, 2007). Wide price dispersion could be the result of the immaturity of the direct marketing channel (Broekhuizen, 2006), as businesses are not yet capable of adding value through their direct marketing channel (Moenaert et al., 2008). This 'constant price undercutting can damage brand equity and erode profit margins. Meanwhile, customers develop low expectations and become disengaged' (Bertini&Wathieu, 2010). Kraus & Pinto (2009) also argue that added value should be offered in order not to 'squander years' worth of brand equity for a few quarters of sales'.

As markets evolve and mature, manufacturers are required to add new, lower cost channels to cover all major market segments (Cullotta, 2007). Many manufacturers find a change in channel mix difficult to manage, which can increase channel conflict (Coelho & Easingwood, 2007). Magrath & Hardy (1989) also found that when a manufacturer uses both direct and indirect marketing channels (dual-distribution), conflict is a likely result, as the perception is that the manufacturer is competing with his traditional marketing channels for the same customer.

As it is briefed in Journal of Marketing Development and Competitiveness vol. 7(1) 2013 (M.Kelly Cunningham Elmhurst College), External Conflict Maybe it sounds simple; manufacture a product, sell it to a distributor, pass it along to a retailer and allow a consumer to purchase it. However, the opportunities to create conflict throughout the process are immense. Susan Foreman (Spring, 2006) discussed channel conflict as a source of creativity and innovation as well as something that could be destructive and harmful to channel relationships.

In order to further clarity to the amount of conflict that could be existing, manufacturers are often accused of creating too many new products which may fail over a short period of time. In Rob Adams book, it's indicated more than 65% of new products launched by established companies fail. Distributors get upset with this because they create warehouse space to store the product and retailers get upset if a product gets put on the shelf and does not sell. Retailers are often accused of promoting their private label at the expense of a national brand or poorly placing a manufacturer's product in a less than ideal shelf position thus creating conflict. Distributors often are caught in the middle dealing with invoice issues, damaged goods or, at times, late deliveries, adding to confrontational situations. Another study of these potential conflicts was done by Nadeau (2001). In his view he identified three major causes of channel conflict to be incompatible goals, poorly defined roles and responsibilities, and having no conflict resolution in place. Part of his research revealed that only 17% of distributors indicated that they had common goals with the manufacturers that they represented in the market place.

**Table 1. External factors contributing for *channel conflict***

| Manufacturer                   | Wholesaler<br>(Distributor) | Retailer                 |
|--------------------------------|-----------------------------|--------------------------|
| Too many new products          | Late Deliveries             | Private label            |
| Too many price changes         | Large Mark-ups              | Price disparities        |
| Selling direct store delivered | Damaged goods               | Poor shelf placement     |
| New products that fail         | Improper invoicing          | Discontinuing items      |
| Shortage of products           | Product diverting           | Non-promotion            |
| Poor packaging                 | Invoice deductions          | No in store support      |
| Pushing or loading product     |                             | Poor category management |
| Special packs                  |                             |                          |
| Poor channel support           |                             |                          |

**Source:** (Cunningham, 2013)

The internal channel conflict explained in the same literature has three key corporate functional groups of the manufacturer, including marketing, sales and supply chain. Within a company,

these three key groups play prominent roles in channel success. Marketing creates products, sales sell them to the channel and supply chain properly ships them to their destination. Looking at the three functional groups, (questioner CC4) one finds that there are unique perceptions throughout that can often add to a poor working relationship. (Thomas, Mitchell, & DelRossa, 2007-08) conducted a global sales observations report. Here they surveyed over 2,700 buyers across six countries to see how the buyer-seller relationship was viewed. The conclusion was that buyers have a poor perception of sale people, have high expectations that are not being met and do not see the formulation of a true business partnership. Some of the comments included unwillingness to listen, not taking no for an answer, lack of product knowledge, being pushy and unreliable. These perceptions are real and can actually infuse throughout an organization as well. From a marketing side, strong perceptions also exist. The working relationship between sales and marketing was researched by Kotler, Rackham and Krishnaswamy (2006). They identified two main sources of friction between the two as being economic and cultural. The economic friction centers on the competitive battle to get a fair share of the overall company budget. (Questioner GI4) The one function that receives a higher portion could exert more power over the other. Another point made is how the dollars are spent. Sales might view the marketing dollars to generate more brand awareness as wasteful where marketing might view the sales trade dollars used to incent retailers as useless and not a factor to build brand equity. The second conflict between the two was labeled as cultural. Marketing is often viewed as happening behind the desk, whereas sales is viewed as practiced in the field building relationships. Both are important but to the two functions, theirs is seen as most vital to a company's success.

The last area to look at is an often overlooked function is supply chain on which the group needs to work closely with sales and marketing. It is a group that comes in contact with these functions as well as the entire distribution channel. McCarter, Fawcett and Magnan (2005) discussed the challenge of the supply chain function. They discussed the importance of supply chain education and training as a key to providing employees with vision and understanding as to why supply chain management is needed. To improve the relationship within a company, they used the term "collaborative company intervention" as a way to integrate supply chain throughout a company and give others a better understanding of how it works and the importance to a company.

**Table 2 Internal factors contributing for channel conflict**

| Sales                  | Marketing                   | Supply Chain                |
|------------------------|-----------------------------|-----------------------------|
| -Misrepresent products | Operate in silos            | Inflexible                  |
| -Discount too much     | Too many new items          | Poor understanding of sales |
| Incentive driven       | Poor understanding of sales |                             |

**Source:** (Cunningham, 2013)

As it's listed in Kotler, Keller (2012) causes of channel conflict are goal incompatibility, unclear roles, Intermediaries' dependence on the manufacturer and rights, Differences in perception. If the manufacturer may want to achieve rapid market penetration through a low-price policy & dealers, in contrast, may prefer to work with high margins and pursue short-run profitability will explain goal incompatibility. Unclear roles and rights explained in the same book using an example, manufacturer may sell personal computers to large accounts through its own sales force, but its licensed dealers may also be trying to sell to large accounts. Territory boundaries and credit for sales often produce conflict. Differences in perception explained in this book as the manufacturer may be optimistic about the short-term economic outlook and want dealers to carry higher inventory. Dealers may be pessimistic. In the beverage category, it is not uncommon for disputes to arise between manufacturers and their distributors about the optimal advertising strategy. Intermediaries' dependence on the manufacturer is the other which affects significantly the fortunes of exclusive dealers, such as auto dealers, is profoundly affected by the manufacturer's product and pricing decisions which create high potential for conflict.

### **Goal incompatibility**

Channel conflict will arise, when different partners in the channel of distribution have different goals that may or may not coincide with each other. It can be more explained when as when a manufacturer wants to achieve the larger market share by adopting the market penetration strategy (i.e. offering a product at low price and making the profits in the long run, whereas the dealer wants to sell the product at a high cost i.e. market skimming strategy and earn huge profits in the short run.

In our study, goal incompatibility is the degree to which the various specific goals are incompatible with the members' business philosophies, and hence are unattainable as a result of the decisions made by the channel members. It is related to interpersonal differences. The greater the goal incompatibility, the greater will be the likelihood of conflict because incompatibility will tend to promote incongruent decisions (Cadotte and Stern 1979).

As it's explained on very often, the goals of a given channel member are not compatible with the goals of other channel members. Incompatible goals may result from many different issues, including profit margins, competition from alternative channels, and access to product supply.

In another literature, *Managing Channel Conflict for Enhanced Organizational Performance* (Dr. Dennis Ayaga, 2006) also briefed, the major cause of conflicts in the channel of distribution is the outcome of the rivalry and lack of continuous cooperation between manufacturers and the middlemen because of their conflicting goals.

In many marketing distribution systems, the channel members operate under different business philosophies. For example, Wittreich (1962) finds many corporate management viewpoints and business philosophies to be characterized by a growth psychology. Wittreich claims, however, that this is not the psychology of the typical retail dealer, especially the individual who becomes an independent "owner-operator." This person's business philosophy is oriented toward reaching a point and leveling off into a continuously satisfying table. These different business philosophies may give rise to two different sets of multiple goals that are likely to be present in many marketing channels—the overall system goals set and the individual members' informal but operationally tractable business goals set. The former set of goals is set forth by the channel administrator. The latter, which follows from Etzioni's (1960) concept of real goals or what Perrow (1970) terms "operative goals," typically contains a smaller number of goals that are being pursued actively by the organization's members. This pursuit is reflected in the members' activities and resource utilization patterns (Connor and Bloomfield 1977). We can reasonably assume that each set of goals may introduce different sources of conflict that are related directly to the level of conflict perceived by the channel members.

***Ambiguous Roles:*** Another cause for channel conflict is when the channel partners may not have a clear picture of their role which means when they don't have a clear information on what they

are supposed to do or not, which market to cater, what pricing strategy is to be adopted, etc. This can be illustrated by when the manufacturer may sell its products through its direct sales force in the same area where the authorized dealer is supposed to sell which may result in channel conflict.

### ***Different Perceptions***

As it's discussed in Kotler and Kevin, 14th edition conflict in marketing channels can also be caused by differences in the domain definition among channel members. The four critical elements of a channel domain are the population to be served, the territory to be covered, the functions or tasks to be performed, and the technology employed. Perceptions difference of reality, commonly the result of poor communication among channel members, is also important sources of conflict because they indicate there will be discordant bases of action in response to the same situation. Without worthy communication within the channel, it becomes very difficult to achieve needed coordination among channel members.

In our study, perceptual differences are considered to be discrepancies between each party's stated (actual) intentions and positions on current goals and the other party's perception and interpretation of the positions (Kelly 1974). This issue has received much attention by game theorists who have developed "incentive compatible" mechanisms that encourage each party to reveal its attitudes truthfully (Myerson 1979). This is due to channel partners may have different perceptions about the market conditions that obstructs the business as a whole thereby leading to the conflict. It can be illustrated as when the manufacturer is optimistic about the change in the price of the product whereas the dealer feels the negative impact of price change on the customers.



*Fig 4. Causes of channel conflict adopted from (Business, 2017)*

As it's explained by another empirical literature, (Jehoshua, Eliashberg, & Donald A. Michine, Feb 1 1984), differences between stated and perceived preference structures are likely to occur for various reasons. For example, each channel member may be aware that the other member has a motivation for having his preference structure perceived in a certain way. This has been referred to as "impression management" in the marketing literature (Weitz 1978). Consequently, each member is likely to generate his or her own perception about the other's "true" preferences. Thomas and Pandy (1977) note, "It is a common feature of conflict interactions that each party needs to know the other's intent, but cannot fully trust the other's statements on that topic."

In the same literature, much of the research on channel conflict has relied on the work by Pandy (1967) and Thomas' (1976) process model which delineates four stages in the evolution of conflict episodes—frustration, conceptualization, behavior, and outcome.

***Manufacturer dominating the Intermediaries:*** As its also explained on Jehoshua Eliashberg, Donald A. Michine (1984), the intermediaries such as the wholesaler, distributor, retailer, etc. carry the process of distribution of goods and services for the manufacturer. And if the manufacturer makes any change in the price, product, marketing activity the same has to be implemented with an immediate effect thereby reflecting the huge dependence of intermediaries on the manufacturer. The good example is when the manufacturer changes the promotional scheme of a product with the intention to cut the cost, the retailer may find it difficult to sell the product without any promotional scheme and hence the conflict arises.

It also justified on above literature, at times the intermediaries also do the task of accumulating the bulk. The intermediaries may buy bulk from different small producers accumulate them and offer to those buyers who prefer large quantities. The intermediaries in accumulating the bulk are mostly found in the agricultural businesses, whereby the intermediary will procure vegetables from local farmers and assemble them and sell it to the wholesalers. Once the marketers accumulate bulk they start to sort the products identifying differences in the quality, grades and classify them into different categories.

**Lack of Communication:** Communication provides a channel pipe for distribution of information within a market from the manufacturer to the consumer and the other way round. A breakdown in communication can quickly turn a cooperative relationship into a conflicting one. Communication breakdown could result if any member of the channel refuses to pass vital information to the other level.

As it's also explained in the same source, communication shortage/lack is one of the major reasons that lead to the conflict among the channel partners. If any partner is not communicated about any changes on time, this will obstruct the distribution process and will result in inconsistency which can be illustrated as If retailer urgently requires the stock and the wholesaler didn't inform him about the availability of time may lead to the conflict between the two.

Channel conflict between channel members tends to be a very negative force which may lower profits for all parties (Yan, Guo et al., 2011). This is because conflict is a process in which one party perceives that its interests are being opposed or negatively affected by another party (Wall & Callister, 1995). Adding new channel channels to a distribution system usually implies

changes in the channel to a distribution system usually implies changes in the roles and, consequently, in the compensation of existing channels, which is also likely to raise conflicts (Coelho & Easingwood, 2004). Many studies have shown that conflict is virtually inevitable in marketing channels (Gaski, 1984). The adoption of a multiple channel strategy yields both benefits and drawbacks for firms. Coelho et al. (2003) evaluated 62 U.K. financial service firms and found that multi-distribution channels were associated with higher sales performance but lower channel profitability. Singh (2006) also found that a channel's efficiency and its conflict were negatively correlated.

The proper supervision of co-operation and the presence of moderate levels of competition in the channel system may originate positive outcomes (Bengtsson & Kock, 2000; Brandenburger & Nalebuff, 1996; Gassenheimer et al., 2006). Coelho & Easingwood (2007) suggest that at high levels of channel conflict, a negative relationship will prevail because firms will want to avoid its likely destructive effects. At low levels of conflict, a positive relationship will emerge, to take advantage of the benefits associated with moderate channel conflict. And their results indicate that the relationship between number of channels and channel conflict is described by a downward symmetric curvilinear relationship.

## 2.5 Conceptual Framework

This conceptual framework was developed after assessment of related literature on the study variables and summarized here under.

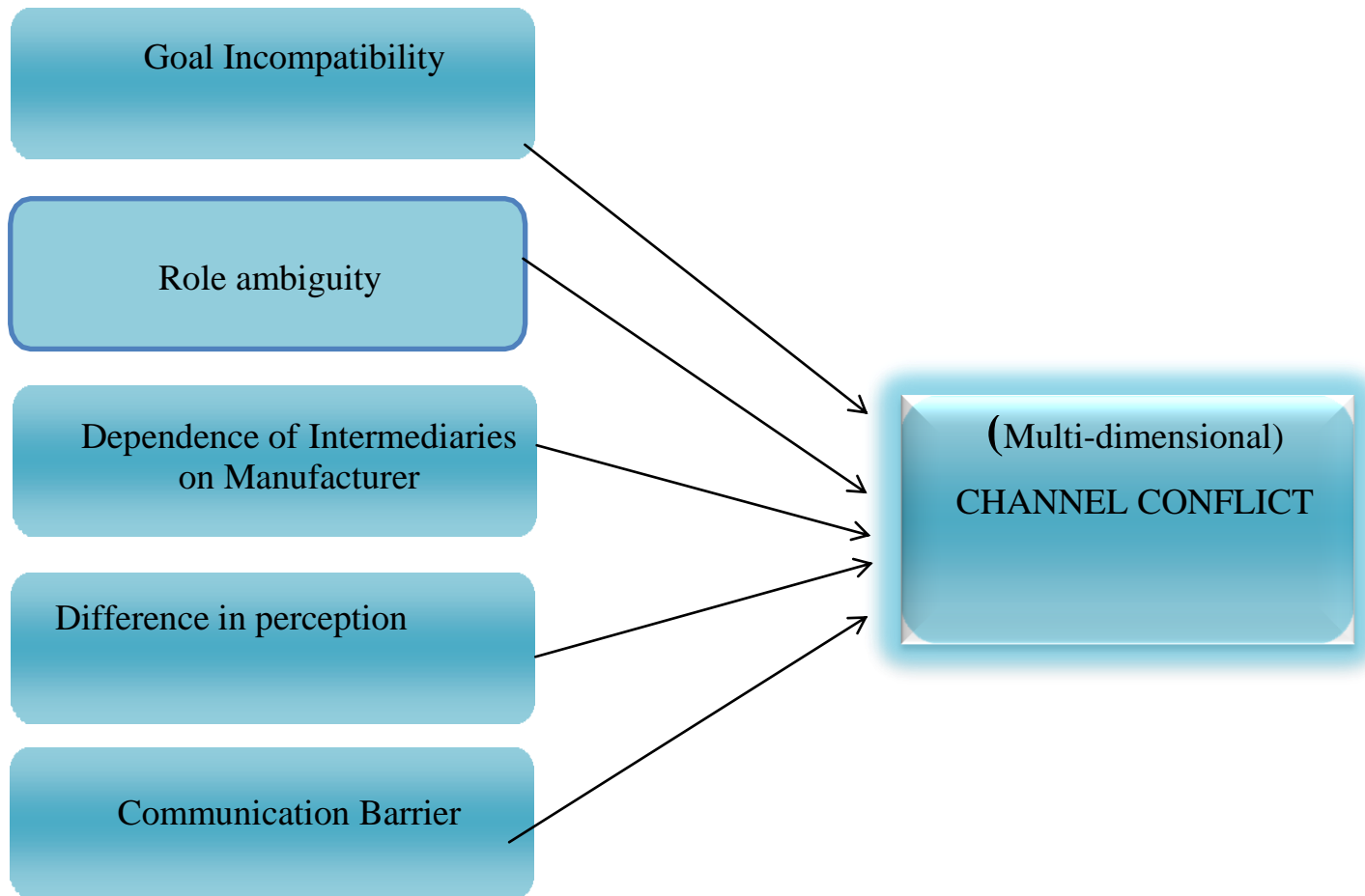


Fig 5. Conceptual framework developed by the researcher based on literature synthesis.

### 2.5.1 Research hypotheses

The aim of this research is to investigate the relationship between goal incompatibility(GI), role ambiguity(AR), difference in perception(DP), dependence of intermediaries on manufacturer(ID) and communication barrier(CB) with Channel conflict(CC). The variables are taken from different papers discussed in the literatures taking into consideration and the availability of data.

Based on the literature review and the hypothesized connections presented in the conceptual framework the following four hypotheses have been tested:

Hypothesis 1: Goal incompatibility has significant effect on Channel conflict.

Hypothesis 2: Roll Ambiguity has a significant effect on channel conflict

Hypothesis 3: Perception deference has significant effect on channel conflict.

Hypothesis 4: Intermediaries dependence has positive effect on channel conflict.

Hypothesis 5: Communication barriers have effect on channel conflict

## **CHAPTER THREE**

### **3.1 Research Approach**

Quantitative research is an approach for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures (Creswell, 2003). Thus, in order to achieve the objective of this study and answer the research questions quantitative research approach used.

### **3.2 Research Design**

When a firm sets up two or more distribution channels, it's a multi-channel system to reach one or many customer segments. The researcher will use explanatory research design in order to determine the relationship between the dependent and the independent variables and to establish any association between these variables.

### **3.3 The Study Area**

The researcher selected Addis Ababa for automotive lubricant market of Total lubricants as an ideal study area for the assessment of distribution channel.

### **3.4 Population and Sample Size Designing**

The primary objective of sampling design is to “obtain accurate and reliable information about the universe with minimum of cost, time and energy and to set out the limits of accuracy of such estimates” (Mustafa, 2012, p. 135). The sampling process comprises several stages to reach on sample size of the research. Among the steps the first step is defining the target population which in this case is distribution channels of total automotive lubricants in Addis Ababa market. Therefore, considering such a market makes the research process easy and better the researcher selected this population. In doing so, sales team, distributors, station dealers & lubricant kiosks were contacted because they were prime participant in distribution channel for total automotive lubricants.

As per Total Ethiopia website there are, 33 fuel stations (DODO & CODO), 4 distributors, about 700 kiosks (Branded and multi branded) are selling total automotive lubricants.

Krejcie and Morgan (1970) greatly simplified the process to determine a sample size by providing a table that ensures a good decision model. Accordingly the sample size is selected using Krejcie and Morgan (1970) for the of lubricant kiosks group (population is high=700) and the whole population used for the rest of the respondent group from above mentioned distribution channel in Addis Ababa. Therefore per the model the sample size was decided to be 305 from members of distribution channels. Due to the heterogeneity nature of the populations and service year, stratified sampling technique is used. That is, the sample was taken after grouping the retailers in their nature of business ownership.

The sample size that is selected here is considered as representative and also large enough to allow for precision, confidence and generalizability of the research findings.

**Table 3 Sample size**

| <b>DISTRIBUTION CHANNEL TYPE</b> | <b>OWNERSHIP</b>     | <b>BRAND COMPOSITION</b> | <b>NUMBER OF ACTIVE CHANNEL IN ADDIS ABABA (N)</b> | <b>SAMPLE SIZE (S)</b> |
|----------------------------------|----------------------|--------------------------|--|------------------------|
| TOTAL marketing Staffs           | TOTAL                | TOTAL                    | 23   | 20                     |
| Distributor                      | Private Distributors | Multi Branded            | 4  | 4                      |
| Retail stations                  | CODO & DODO          | Total brand only         | 33   | 33                     |
| Resellers/lube kiosks            | Private kiosk owners | Multi branded            | 700  | 248                    |
| <b>Total Number</b>              |                      |                          | <b>760</b>   | <b>305</b>             |

Source: Data Collected from company

### **3.5 Variables of the Study**

Channel conflict is dependent variable where as independent variables are Goal incompatibility, Communication barriers, Role ambiguity, perception difference and dependence of intermediary on manufacturer.

### **3.6 Method of Data Collection and Data Analysis**

Data for the research consists of two parts, primary and secondary data. The secondary data is collected from various sources of secondary data type including company workbook guide lines, procedures & manuals which cannot be disclosed because of their confidentiality issue.

Administered questionnaires by colleagues and self-administered questionnaires were used to collect the primary data from company staffs, Distributors, station dealers and lubricant kiosk owners.. The questionnaires were designed in such a way to give a comprehensive overview of the causes of channel conflicts for TOTAL automotive lubricant market in Addis Ababa.

The researcher used well designed questionnaire (in Amharic and English language) as the tool for the collection of primary data. The questionnaires are completed by the company staffs, Distributors, station dealers and lubricant kioskowners. Questionnaires were used because of their convenience to reach participants and appropriate to get relatively uniform data regarding the research problem and with the given time and resource. Also it provides an opportunity for respondents to express their feelings freely. The questions used in the questionnaire are five-point Likert scale type questions. The scales used to measure the items on the instrument are continuous scales from (strongly agree to strongly disagree).

The researcher has developed demographic questions to gather information about respondent's work experience in the distribution channel. The questionnaires for causes of channel conflict with independent variables mentioned were pointed from the existing literature. Total response collected were 291with response rate of TOTAL sales staff is 100% (20 out of 20), station dealer is 100 %( 33 out of 33) distributor is 100 %( 4 out of 4) and lubricant kiosks is 94 %( 234 out of 248).

Regarding the data analysis this study uses the regression model formulated in the following form:

$$CC = \beta_0 + \beta_1 GI + \beta_2 AR + \beta_3 ID + \beta_4 DP + \beta_5 CB + e$$

Where

CC= channel conflict

GI: Goal incompatibility

AR: Roll Ambiguity

ID= Intermediaries dependence

DP: Perception deference

CB: communication barriers, e= error term of the regression equation

### 3.7 Reliability & validity test of instruments

Pilot test was carried out (with chosen language by respondent) on April 2019. 30 (thirty) respondents have been selected for the pilot test. They were randomly selected from the channel members of total automotive lubricants in Addis Ababa. The purpose of the pilot test is to test the reliability of the questionnaires. It helped the researcher whether the questionnaire are understandable by the respondent or not. The questionnaire was personally given to randomly selected channel members.

Validity expresses the degree to which a measurement measures what it reasons to measure. Reliability refers to the degree to which the results obtained by a measurement and procedure can be replicated (Wiengarten et al. 2010).The study simply used the construct as it is and chose additional factors that are specific to oil industry. Both internal and external validity were made to ensure that the measures obtained from the research is quantifying what it is designed to measure specific to the total lubricant distribution channel and how accurately the measures were obtained from the study sample describes the reference population from which the study sample is drawn respectively. Reliability was assessed using test-retest reliability to avoid lack of reliability.

In order to check the questionnaire’s reliability of each respondent, SPSS Cronbach’s alpha calculations were performed and the result is found out to be 73% for the questionnaires developed for consumers. Hence this result shows that the questionnaires were consistent enough to return the same results.

#### Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .740             | .758   | 34         |

Source: Own Computation of Data Survey (2019)

### 3.8 Correlation Analysis

This study employs Pearson correlation analysis, which investigates the strength of relationships between the studied variables. Pearson correlation analysis was used to provide evidence of convergent validity. Correlations are perhaps the most basic and most useful measure of

association between two or more variables (Marczyk, Dematteo & Festinger, 2005). General guidelines correlations shows .10 to .30 are small/weak, correlations of .30 to .70 are moderate, correlations of .70 to .90 are large/strong, and correlations of .90 to 1.00 are very large. In order to determine the most influencing factor for predicting relationship between channel conflict and all other variables was determined through correlation analysis before proceeding to regression analysis.

As per Table 6, the coefficients show that independent Variables (Goal incompatibility, dependence of intermediaries, and difference on perception) are positively related with channel conflict in the distribution channel of TOTAL automotive lubricant market within the range of 0.203, 0.204 and 0.265 respectively, they are significant at  $p < 0.01$  level while the other two variables (Role ambiguity and communication barriers) seem to have in significant influence on creating channel conflict.

Regarding the relationship between the independent variables, the table below clearly shows that Intermediaries dependence on company is significantly correlated with perception deference followed by Goal incompatibility which is significantly correlated with communication barrier and perception deference. The correlation between intermediaries dependence on company and difference in perception is the highest ( $r=0.327$ ) followed by the correlation between goal incompatibility with communication barrier ( $r=0.265$ ).

**Table 4: Pearson Correlation Matrix between independent and dependent variables**  
**Source: From Own Computation of Data Survey (2019)**

| Variables                    | Channel Conflict | Goal Incompatibility | Role Ambiguity | Dependence of Intermediaries | Difference in Perception | Communication Barrier |
|------------------------------|------------------|----------------------|----------------|------------------------------|--------------------------|-----------------------|
| Channel Conflict             | 1                | .671**               | .149*          | 0.055                        | 0.095                    | .149*                 |
| Goal incompatibility         |                  | 1                    | 0.054          | .201**                       | 0.103                    | .265**                |
| Role Ambiguity               |                  |                      | 1              | .156**                       | 0.033                    | .017                  |
| Dependence on Intermediaries |                  |                      |                | 1                            | .327**                   | .204**                |
| Difference in Perception     |                  |                      |                |                              | 1                        | .203**                |
| Communication a Barriers     |                  |                      |                |                              |                          | 1                     |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

c. Listwise N=291

### **3.9 Ethical Considerations**

To undertake this research study, issues relating to the ethical conduct such as informed consent, confidentiality and privacy were upheld. According Blumberg, et al, (2005) ethics is the norms or standards of behavior that guide moral choices about our behavior and our relationships with others. In addition, the goal of ethics in research is to insure that no one is harmed or suffers from adverse consequence of the research activity. Participants and respondents were given full information on the purpose and objectives of the study in order to make them informed about their decision before they fill the questioners. They were promised that all data to be collected were used solely for the academic purpose and were kept confidential. Every finding and results obtained from the study were presented without any biases. The works of scholar cited in the study are properly acknowledged.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND FINDINGS**

In previous chapter the research design employed in this study is presented and discussed in detail. The purpose of this chapter is to present results and analysis of data involved in this study. The reliability and validity test, descriptive statistics of all the variables used in this study and the results of hypothesis testing i.e. the estimated parameters of the regression equation, their significance, the connection between the independent variables and dependent variable according to the sign and the value of the parameters for the regression model presented and discussed in detail.

To make collected data suitable for the analysis, all questionnaires were screened for completeness. All returned incomplete questionnaires were considered as errors and removed from the survey data and the return rate was 95.5 %. The collected data were 20 from marketing staffs of TOTAL, 33 from station dealers of TOTAL, 4 from Distributors and 234 from 248 lubricant kiosks who given questioners. Accordingly 291 questionnaires were found to be valid and used for the final analysis.

#### **4.1 Descriptive Analysis**

The summary of descriptive statistics that was intended to give general descriptions about the data (both dependent and independent variables) is presented below. The total number of observation for each variable was 291. Accordingly, frequency, mean and standard deviation values of each variable were used so as to show the overall trend of the data.

One statistical approach for determining equivalence between groups is to use simple analyses of means and standard deviations for the variables of interest for each group in the study (Marczyk, Dematteo & Festinger, 2005). The mean indicates to what extent the sample group on average agrees or does not agree with the different statement. The lower the mean, the more the respondents disagree with the statement. The higher the mean, the more the respondents agree with the statement. Regarding this aspect of the study respondents were required to rate the items in the instrument on the basis of a five point scale and for the purposes of interpreting the

findings, Means that are close to 1 or 2 reflect disagreement, while Means close 4 or 5 reflect agreement. Means close to 3 reflect uncertainty with the statement and therefore a need to address the issue represented. For a negative statement an agreement reflects an unfavorable response. Accordingly a –strongly agree response to a favorable statement and a –strongly disagree response to unfavorable statement would both receive score of five.

As it can be seen from the under mentioned descriptive statistics (table-5)almost all respondents average showed agreement between (mean=3.5 - 3.8) for the questioners they requested which implies that they are agreed to the questioners raised with respect to factors affecting channel conflict.

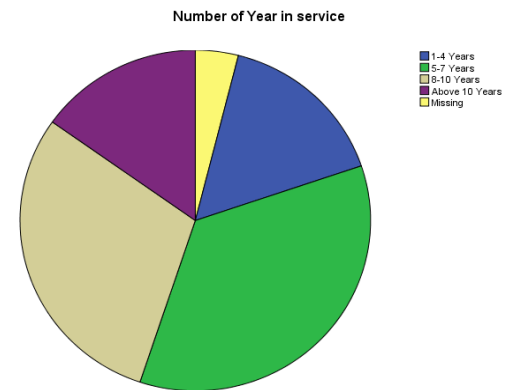
**Table 5 Descriptive Statistics**

|                           | N   | Minimum | Maximum | Mean   | Std. Deviation |
|---------------------------|-----|---------|---------|--------|----------------|
| Channel conflict          | 291 | 1.00    | 5.00    | 3.8639 | 1.04329        |
| Goal incompatibility      | 291 | 1.00    | 5.00    | 3.8499 | .86769         |
| Roll Ambiguity            | 291 | 1.00    | 5.00    | 3.6976 | .86037         |
| Differences in perception | 291 | 1.00    | 5.00    | 3.7898 | .84973         |
| Intermediaries dependence | 291 | 1.00    | 5.00    | 3.7022 | .88847         |
| Communication barrier     | 291 | 1.00    | 5.00    | 3.5979 | .78592         |
| Valid N (list wise)       | 291 |         |         |        |                |

Source: Own Computation of Data Survey (2019)

**Table 6: Work experience of distribution members**

|                | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------|-----------|---------|---------------|--------------------|
| Valid          |           |         |               |                    |
| 1-4 Years      | 48        | 15.8    | 16.5          | 16.5               |
| 5-7 Years      | 107       | 35.3    | 36.8          | 53.3               |
| 8-10 Years     | 90        | 29.7    | 30.9          | 84.2               |
| Above 10 Years | 46        | 15.2    | 15.8          | 100.0              |
| Total          | 291       | 96.0    | 100.0         |                    |
| Missing        | 12        | 4.0     |               |                    |
| Total          | 303       | 100.0   |               |                    |



Source: Own Computation of Data Survey (2019)

As it can be seen from the above Table and Pie chart (right to table) respondents accounting for more than 243 or (83%) were highly experienced (above 4-years) in the area of automotive lubricant business which are matured enough to answer the questioners.

## 4.2 Inferential Analysis

The aim of this research is to examine effect of independent Variables (Goal incompatibility, roll ambiguity, dependence on intermediaries, Difference on perception and communication barrier) on channel conflict in the distribution channel of TOTAL automotive lubricant market. It also investigate the relationship between the determinant factors of distribution channel members Goal incompatibility(GI), roll ambiguity(AR), dependence on intermediaries(ID)s, Difference on perception(DP) and communication barrier(CB). The variables are taken from different papers discussed in the literatures taking into consideration the availability of data. A multiple linear regression model was used to determine the relative impact of each independent variable in explaining the influence on channel conflict. The model of multiple regressions of the variables includes  $\beta_0, \beta_1, \beta_2, \beta_3$ = regression coefficients was developed and conducted in the following form:

$$CC = \beta_0 + \beta_1 GI + \beta_2 AR + \beta_3 ID + \beta_4 DP + \beta_5 CB$$

#### 4.2.1. Diagnostic Analysis

Before we run a multiple regression analysis, we need diagnostic checking to know whether there is no multi-collinearity and normality test.

##### **Multicollinearity**

According to Brooks (2008), Multicollinearity will occur when the independent variables are highly correlated with one another. If the multicollinearity occurs, the regression model is unable to tell which independent variables are influencing the dependent variable. The consequences of multicollinearity are large variances, wider confidence interval, insignificant t ratio, and high  $R^2$  but few significant t ratio. There is no one or unique method to detect the multicollinearity problem, it only have some rules of thumb, which are high  $R^2$  but few significant t ratio, high pair wise correlation coefficient and Variance Inflation Factor (VIF) or Tolerance. This study used VIF or Tolerance method to test the presence of multicollinearity problem in a regression model.

According to Burns and Bush (2003), the VIF is a single number, and a rule of thumb is that as long as the VIF is less than 10, multicollinearity is not a concern. With a VIF of greater than 10 associated with any independent variable in the multiple regression equation, it is wiseto remove that variable from consideration or to otherwise reconstitute the set of independent variables. The multi collinearity Table-4 below indicates that the value of VIF of all independent variables is less than 10, so multicollinearity is not a concern and therefore multiple regression findings holds true.

**Table 7. Multicollinearity table**

| Variable                     | t     | Sig. | Collinearity Statistics |       |
|------------------------------|-------|------|-------------------------|-------|
|                              |       |      | Tolerance               | VIF   |
| Goal Incompatibility         | 15.7  | 0    | 0.888                   | 1.126 |
| Role Ambiguity               | 2.434 | 0.02 | 0.968                   | 1.033 |
| Dependence on Intermediaries | 0.086 | 0.93 | 0.787                   | 1.27  |
| Difference Perception        | 3.823 | 0    | 0.806                   | 1.241 |
| Information Barriers         | 1.561 | 0.12 | 0.819                   | 1.221 |

**Source: From Own Computation for Data survey (2019)**  
**Normality test**

Normality tests are used to determine if a data set is well-modeled by a normal distribution. Here two tests for normality are run. For dataset small than 2000 elements, we use the Shapiro-Wilk tests; otherwise, the Kolmogorov-Smirnov test is used. Since this research has only 291 elements, the Shapiro-Wilk test was used. The normality table 5 indicates that distribution of the sample observation is symmetric about its mean. The Shapiro-Wilk statistic has a p-value of 0.000 implies that the p-value for the Shapiro-wilk test is less than 0.05 which indicates that the data is normally distributed.

**Table 8: Normality table**

|                  | Kolmogorov-Smirnov <sup>a</sup> |     |      | Shapiro-Wilk |     |      |
|------------------|---------------------------------|-----|------|--------------|-----|------|
|                  | Statistic                       | df  | Sig. | Statistic    | df  | Sig. |
| Channel Conflict | .126                            | 291 | .000 | .922         | 291 | .000 |

#### 4.2.2 Regression Results

The regression model presents how much of the variance in the measure of channel conflict is explained by the underlying factors of which influence the distribution channel (the model). As the result the model shows R-squared is 0.493 which means 49% of total variation of channel conflict in the distribution system of Total automotive lubricant market is affected by the independent variables/factors mentioned earlier. Whereas, the adjusted R-squared is 0.484, which means that 48.4% of the channel conflict is explained by the total variation of goal incompatibility, roll ambiguity, dependence of intermediaries on company, perception difference and communication barrier, by taking into account the number of independent variables and

sample size. Although, the remaining 51.6% of the change is explained by other factors which are not included in this study model, both the R-squared and the Adjusted R- squared values in this study are found to be sufficient enough to infer that the fitted regression line is very close to all of the data points taken together (has more explanatory power). R- Squared greater than 20% is still large enough for reliable conclusions for such data (Cameron Trivedi, 2009; Hsiao, 2007, and Nyamsogoro, 2010).

**Table 9 Model summery**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1     | .704 <sup>a</sup> | .495     | .486              | 2.56875                    | .246          |

a. Predictors: (Constant), Communication Barriers, Role Ambiguity, Difference in Perception, Goal Incompatibility, Dependence on Intermediaries

Compared to coefficient of determination or R, Adjusted R-square is more reliable in measuring a regression model's goodness of fit. The main disadvantage of using coefficient of determination or R-square is more to do with bias of number of independent variables included into the model, which implies that the more independent variable added into the model, the more R-square increasing. Worst of all, this condition does not take into consideration whether independent variable included is significant or insignificant influencing dependent variable. Meanwhile, that situation were not applied in the case of using adjusted R-square ((Marczyk, Dematteo, & Festinger,2005).

As it can be seen from ANOVA table below it can be witnessed that overall significance/acceptability of the model from a statistical perspective meet. As the significance value of F statistics shows a value of 55.47 and p- value (.000), which is less than  $p < 0.05$ , the model is significant. This indicates that the variation explained by the model is not due to chance.

**Table 10. ANOVA**

| ANOVA <sup>b</sup> |            |                |     |             |        |                   |
|--------------------|------------|----------------|-----|-------------|--------|-------------------|
| Model              |            | Sum of Squares | df  | Mean Square | F      | Sig.              |
| 1                  | Regression | 1838.053       | 5   | 366.036     | 55.946 | .000 <sup>a</sup> |
|                    | Residual   | 1872.696       | 285 | 6.598       |        |                   |
|                    | Total      | 3710.749       | 290 |             |        |                   |

As it is stated earlier in this chapter, this study aims to identify the most influencing independent variables in the prediction of the dependent variable. Thus, the strength of each predictor (independent) variable influence on the criterion (dependent) variable can be investigated via standardized Beta coefficient. The regression coefficient explains the average amount of change in dependent variable that is caused by a unit of change in the independent variable. The larger value of beta coefficient that an independent variable has more influence and more important in predicting the dependent variable.

According to Table 11 below, the regression standardized coefficients for the five independent variables. I.e. Goal Incompatibility, Role Ambiguity, Dependence of Intermediaries, and Difference in Perception communication Barriers are 0.702, 0.104, 0.004, 0.180 and 0.073 respectively. Their significance levels are 0.000, 0.016, 0.931, 0.000 and 0.120 respectively. The significant values of Goal Incompatibility, Role Ambiguity and Difference in Perception, are less than 0.05; it indicates that there is significant relationship between them and the channel conflict. And these determinant factors which are perceived to be important in predicting the occurrence of channel conflict. Since the significance values of the other two variables (dependence of intermediaries on the company and communication barrier) are greater than 0.05 there is no significant influence in predicting channel conflict.

**Table 11: Regression table**

| Coefficients |                              |                             |            |                           |        |       |                         |       |
|--------------|------------------------------|-----------------------------|------------|---------------------------|--------|-------|-------------------------|-------|
| Model        |                              | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig.  | Collinearity Statistics |       |
|              |                              | B                           | Std. Error | Beta                      |        |       | Tolerance               | VIF   |
| 1            | (Constant)                   | 7.072                       | 2.376      |                           | 2.977  | 0.003 |                         |       |
|              | Goal Incompatibility         | 0.929                       | 0.059      | 0.702                     | 15.699 | 0.00  | 0.888                   | 1.126 |
|              | Role Ambiguity               | 0.154                       | 0.063      | 0.104                     | 2.434  | 0.016 | 0.968                   | 1.033 |
|              | Dependence of Intermediaries | 0.005                       | 0.058      | 0.004                     | 0.086  | 0.931 | 0.787                   | 1.27  |
|              | Difference in Perception     | 0.258                       | 0.067      | 0.18                      | 3.823  | 0.00  | 0.806                   | 1.241 |
|              | Communication Barriers       | 0.103                       | 0.066      | 0.073                     | 1.561  | 0.12  | 0.819                   | 1.221 |

**Source: Own Computation of Data Survey (2019)**

Accordingly the developed regression model:

$$CC = 7.072 + 0.929GI + 0.154AR + 0.005ID + 0.258DP + 0.103CB$$

From the section here under it can be demonstrated how the impact of each explanatory variable affect channel conflict.

Hypothesis testing of the relationship between Goal Incompatibility (GI) and Channel Conflict:

*HO: Goal incompatibility has significant effect on Channel conflict.*

Conclusion: According to the regression table result beta is 0.929 and its significant (0.000) at 95%. This means Goal Incompatibility has a positive significant effect of on channel conflict. Also it means that an increase by 1% of Goal Incompatibility will result in 0.9% increase on Channel conflict, holding other variables constant.

Hypothesis testing of the relationship between Roll ambiguity and Channel conflict:

*HO: Roll Ambiguity has a significant positive effect on channel conflict.*

Conclusion: According to the regression table result beta is 0.154 and its significant (0.016) at 95% for roll ambiguity. This means roll ambiguity has a significant effect on channel conflict. Also it means that an increase by 1% of roll ambiguity will result in 0.15% increase as cause of Channel conflict in the distribution channels of automotive lubricants of Total in Addis Ababa market, holding other variables constant.

Hypothesis testing of the relationship between Perceptions difference (DP) and channel conflict:

*HO: Perception deference has positive significant effect on channel conflict.*

Conclusion: According to the regression table result beta is 0.258 and its significant (0.000) at 95% for perception deference among distribution channel members. This means perception difference has a significant effect on channel conflict. Also it means that an increase by 1% of perception difference will result in 0.25% increase as a cause for Channel conflict in the distribution channels of Total automotive lubricants in Addis Ababa market, holding other variables constant.

Hypothesis testing of the relationship between Intermediaries dependence on channel conflict:

*HO: Intermediaries dependence has effect on channel conflict.*

Conclusion: According to the regression table result beta is 0.004 and its significant (0.005) at 95% for intermediaries 'dependence on company among distribution channel members. This means intermediaries dependence on company has effect on channel conflict but not significant as others do. Also it means that an increase by 1% of intermediary's dependence will result in 0.05% increase as a cause for Channel conflict in the distribution channels of Total automotive lubricants in Addis Ababa market, holding other variables constant.

Hypothesis testing of the relationship between communications Barrier on channel conflict:

*HO: communication barriers have effect on channel conflict.*

Conclusion: According to the regression table result beta is 0.073 and its significant (0.103) at 95% for *communication barriers* on company among distribution channel members. This means *communication barriers* on company has effect on channel conflict but not significant as others do. Also it means that an increase by 1% of *communication barriers* will result in 0.10% increase as a cause for Channel conflict in the distribution channels of Total automotive lubricants in Addis Ababa market, holding other variables constant.

**Table 12: Summary of the Research Hypotheses**

| <i>Hypothesis</i>  | <i>Result</i>                        | <i>Reason</i>             |
|--|--------------------------------------|---------------------------|
| <i>HO: Goal incompatibility has significant effect on Channel conflict.</i>      | <i>Ho: Accept<br/>H1:Rejected</i>    | $\beta = 0.929, p < 0.05$ |
| <i>HO: Roll Ambiguity has a significant positive effect on channel conflict.</i> | <i>Ho: Accept<br/>H21:Rejected</i>   | $\beta = 0.154, p < 0.05$ |
| <i>HO: Perception deference has positive significant on channel conflict.</i>    | <i>Ho: Accept<br/>H3:Rejected</i>    | $\beta = 0.258, p < 0.05$ |
| <i>HO: Intermediaries dependence has effect on channel conflict.</i>             | <i>Ho: Rejected<br/>H4:Accepted</i>  | $\beta = 0.05, p > 0.05$  |
| <i>HO: communication barriers have effect on channel conflict.</i>               | <i>Ho: Rejected<br/>H5::Accepted</i> | $\beta = 0.103, p > 0.05$ |

### **4.3 Independent Factors Affecting Channel Conflict based On Respondents'**

#### **Category**

In order to examine if there is a difference between the respondents category (Total staffs, station dealers, distributors and lube kiosks ) and the factors they consider as being important in influencing the channel conflict, two inferential statistics techniques were employed. These are independent t-test and one-way ANOVA which help to compare respondent type and investigate how they are related with the independent variables or factors. This research t-test was used to test mean differences between respondent categories.

According Table-12, the result of independent sample t-test shows that the mean difference between Total staffs, station dealers, distributors and lube kiosks subjects with all independent variables is not significant as their p values are more than 0.05 and the mean difference between respondent categories and channel conflict is also not significant as the p value of channel conflict is greater than 0.01.

**Table 13: Independent Sample t-test**

| Independent Samples Test  |                              |     |                 |                 |                       |   |         |
|---------------------------|------------------------------|-----|-----------------|-----------------|-----------------------|---|---------|
|                           | t-test for Equality of Means |     |                 |                 |                       |   |         |
|                           | t                            | df  | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference |         |
|                           |                              |     |                 |                 |                       | Lower                                     | Upper   |
| Channel Conflict          | 5.407                        | 251 | 0               | 4.43185         | 0.81962               | 6.04607                                   | 2.81763 |
| Goal Incompatibility      | 6.762                        | 251 | 0               | 4.11842         | 0.60903               | 5.31788                                   | 2.91897 |
| Role Ambiguity            | 2.881                        | 251 | 0.004           | 1.72065         | 0.59721               | 0.54447                                   | 2.89683 |
| Dependence Intermediaries | 2.108                        | 251 | 0.036           | 1.49483         | 0.70913               | 2.89142                                   | 0.09823 |
| Difference Perception     | 0.412                        | 251 | 0.681           | 0.23765         | 0.57682               | 0.89837                                   | 1.37367 |
| Communication Barriers    | 6.157                        | 251 | 0               | 3.44624         | 0.55973               | 4.54862                                   | 2.34387 |

#### 4.4 Discussions on Findings

This study was designed and carried out to assess the influence of the independent variables/factors Goal incompatibility, roll ambiguity, intermediaries' dependence on company and communication barriers on channel conflict. As it has been discussed on the introductory part of this study, TOTAL has employed multichannel system to distribute its automotive lubricants in Addis.

This study has particularly tried to see five factors that assumed to have influence on channel conflict as proposed by and adopted from the works of Pieterse, 2009.

**The regression model was significant and thus reliable for making conclusions and recommendations (F=55.946; Sig. = 0.000).** We can see the most significant predictor from top to less influential which can cause channel conflict within the distribution of TOTAL automotive lubricant in Addis Ababa market according their standardized coefficient (beta) are (Beta= 0.702,0.180,0.104,0.073 and 0.004) with corresponding independent variable Goal incompatibility, difference in perception, role ambiguity, communication barriers and dependence on intermediaries respectively. As the finding of this research that Goal incompatibility is the most influential factor and strong predictors which can create channel

conflict within the distribution channel whereas dependence on intermediaries is the list influencer or predictor of channel conflict.

The regression analysis of the current study also showed that there are other factors other than the ones found to be significant by this study. The reason is as adjusted R-square comes out to be 48.6% implying that the rest 52.4% of channel conflict is to be determined by other factors (i.e. other than the ones that come significant in the current study). This shows that other researches on the area have to come up with many other factors that can be cause or influential factor for the occurrence of channel conflict on distribution channel of Total Automotive lubricant market.

The results of Matthew, Samuel, and Patrick (2012) revealed that factors like transportation optimization, delivery service improvement, channel pricing, trading partner collaboration and regulatory compliance as other means of improving multi-channel distribution system which reduce channel conflict.

The hypotheses raised at the beginning of the study were also addressed in the analysis. Almost all of the hypotheses were accepted. The findings of the t-test results also showed that the independent factors which influence the presence of channel conflict have no differences among the category of respondents.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter aims to review the findings of the research and conclude the findings with regard to the objectives of the study on assessment of lubricants distribution channel with respect to channel conflict for automotive lubricants business in Addis Ababa. The researcher's recommendation focuses on how the problem identified could be addressed and call for further research recommendation in future is included in this chapter. Limitations during study were also included at the end of this chapter.

#### **5.1. Summary of Major Findings**

The main objective of this study is to identify external and internal factors which affect channel conflict within the distribution channel of Total lubricant business in Addis Ababa market. Accordingly the research identified that among the factors which contributes to channel conflict Goal Incompatibility, Role Ambiguity and Difference in Perception are the most influential factors to cause channel conflict in the distribution channel of Total automotive lubricant internally and externally. It's also identified that dependence on variable and communication barriers are also factors of which contribute for the creation of channel conflict but they are significant enough.

From the correlation analysis, almost all the factors (independent variables); goal incompatibility, role ambiguity, difference in perception, dependence of intermediaries on manufacturer and communication barrier were found out to be correlated with channel conflict (i.e. dependent variable).As it can be seen from regression analysis table every independent variables have impact for existence of channel conflict in one way or the other internally and externally. When we put in their descending order of significance it will be Goal incompatibility, perception difference, roll ambiguity, communication barrier and intermediaries' dependence on company can be listed from high to low.

## **5.2 Conclusion**

In general; this study looked at the relationships between the determinant factors in the distribution channel system such as goal incompatibility, role ambiguity, and difference in perception, dependence of intermediaries on company and communication barrier with respect TOTAL automotive lubricant distribution channel in Addis Ababa market. From the findings, the relationships between above mentioned independent variables and channel conflict is positive which implies when the existence of above independent variables increase the existence of dependent variable will increase which implies their relation is direct and they affect each other directly though the level of effect is different. It's also identified that all factors of which can influence the existence and level of channel conflict are directly related to the channel conflict. From the finding all the independent variables can be internal and external causes of channel conflict Also it's noted and identified that goal incompatibility, roll ambiguity and difference in perception have significant influence on as a cause for channel conflict whereas all others also affect channel level including the list affecting variable which is dependence of intermediaries on the company. It also examined that the main factors which resulted price variation within the distribution channel while it has to be based on the price regulated by ministry of trade is due to the factors which influence the channel distribution of lubricant business in Addis Ababa. The independent variables mentioned can affect the distribution channel of total automotive lubricant market in Addis Ababa by 48.6% implying that the rest 52.4% of channel conflict is to be determined by other factors (i.e. other than the ones that come significant in the current study). This shows that other researches on the area have to come up with many other factors that can be cause or influential factor for the occurrence of channel conflict on distribution channel of Total Automotive lubricant market.

## **5.3. Recommendations**

Based on the results of the study, the recommendations of the researcher are made on ideas which can help to avoid or reduce channel conflict in automotive lubricant market in Addis Ababa. These recommendations do not solely apply to TOTAL company but also to similar players in the industry that are committed to serve their end customers satisfied along with their distribution intermediaries on lubricant business in Addis Ababa through avoiding/reducing on

multichannel distribution factors of goal incompatibility, Roll ambiguity, Intermediaries dependence, perception difference and communication barriers. In light of the research findings, the following possible recommendations are forwarded:

- ✚ From the research finding, the regression analysis showed that the model could only explain 48.6% of the factors which can be cause of channel conflict are goal incompatibility, Roll ambiguity, Intermediaries dependence, perception difference and communication barriers. Therefore the researcher recommends that a study be carried out comprising of other variables which were not part of this research to try and predict the cause of channel conflict.
- ✚ According to the findings from this research, goal incompatibility was found to be the major predictor as a cause for the existence of channel conflict. In a channel relationship, goal incompatibility has a big impact to be a cause of channel conflict. Once the goal of the company and the intermediaries in line the occurrence of channel conflict between the intermediaries and the company minimized significantly.
- ✚ According to the findings, all other factors which can be a cause for channel conflict the most influential goal incompatibility will be a cause of channel conflict for the lubricant distribution channel members and hence it's recommended for all stake holders of this channel of business to work on reducing or avoiding these factors for their common success. It's easy to understand the manufacturer's success cannot be reached from own effort alone; having a good partner in distribution is very important. Even though the finding of this research can avoid channel conflict within the distribution channel members the company should takes great care about choosing the right intermediaries and work on avoiding the factors found in collaboration of all stake holders in the area of this business.

#### **5.4 Limitations and Direction of the Study**

The study was conducted and limited to distribution channels of TOTAL automotive lubricants market in Addis Ababa with the selected channel members such as company staffs, station dealers, distributors and lubricant kiosks only by taking sample from them. Even if the sampling techniques have its own limitations the researcher made use of scientific method of sample size determination to become more accurate on the conclusion. The research design that researcher uses explanatory has it is own limitations of inferred casualty and proved with a high level of

certainty. Besides to overcome the limited number of studies on the sector of petroleum industry and lubricant channel of this industry in Ethiopia, I use different research work on previous literature.

The following limitations were encountered during the study and strategies to overcome them are indicated below:

- ✚ Respondents withholding information due to fear of being victimized however the researcher convinced the respondents that the information would be kept confidential.
- ✚ Unwillingness of respondents to fill questionnaires. The researcher remained in constant contact with the respondents and made sure reminders are sent to them to fill the questionnaires.
- ✚ Respondents having a view of not obtaining any direct benefit from the research results. However the researcher convinced the respondents to spare some little time to answer the questions and further explained that the recommendations of the research would be presented to management for the benefit of employees. Despite the increasing importance of the multi-channel distribution strategies in supporting and boosting firm performance in manufacturing and distribution sectors, further empirical research works could be carried out to determine:
- ✚ Goal incompatibility, role ambiguity, Difference in perception, dependence of intermediaries on company and communication barrier predicted 48.6% as the cause for channel conflict. But the researcher recommends further studies should be conducted to establish what other factors more explain the cause of channel conflict within the distribution channel of lubricant business in Addis Ababa market.
- ✚ Further case studies aimed at other similar companies of same industries may be useful.

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**ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF MANAGEMENT  
Executive MBA Class  
SURVEY QUESTIONERS on,**

**ASSESMENT OF DISTRIBUTION CHANNELS OF TOTAL  
AUTOMOTIVE LUBRICANTS IN ADDIS ABABA MARKET.**

Dear respondent, my name is Atnafu Abay. This survey aims to assess the distribution channel of TOTAL automotive lubricant in Addis Ababa market which serves me as a research project for a partial fulfillment of the requirement for the award of Executive MBA from Addis Ababa University. Your participation in the survey and the response you give me provides a critical input to assess the situation of automotive lubricant distribution channel. This survey should take you about 10-15 minutes to complete. I hope you will help me to share few minutes out of your busy schedule to complete the questionnaire and return it to me. Your participation is voluntary and highly appreciated and there is no penalty if you do not participate. Your answers will be used only for educational purpose and hence I guarantee you that your responses will be handled with utmost confidentiality. Kindly do not put your name on the questionnaire.

You may send the questionnaire and its answers to this e-mail address:[atnafugifted@gmail.com](mailto:atnafugifted@gmail.com)

I'm available for any enquiry at any time on 0911089382

Thank you for your cooperation and participation.

## Appendix 1 Questioners (English Version)

### Part 1.General Information

**Please Mark (✓) in the right appropriate box after closely seeing the Note below**

On which area do you work in total automotive lubricant Distribution channel?

- A. TOTAL SALES STAFF
- B. STATION DEALER
- C. DISTRIBUTOR
- D. LUBRICANT KIOSK

#### Number of Year in service

- 1. 1- 4 years
- 2. 4-7 years
- 3.7-10 years
- 4.>10 years

### Part 2. FEW QUESTIONS RELATED TO FACTORS THAT AFFECT DISTRIBUTION CHANNEL

Please Mark (✓) in the right appropriate box after closely seeing the Note below

Note: - SD(1)= Strongly Disagree, D(2)= Disagree, N(3)=Neutral, A(4)= Agree, SA(5)= Strongly Agree,

How do you rate the existence of the following points in distribution channel of automotive lubricants?

|     | <b>Determinant factors</b>  | <b>SD(1)</b>             | <b>D(2)</b>              | <b>N(3)</b>              | <b>A(4)</b>              | <b>SA(5)</b>             |
|-----|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| CC1 | Sometimes disagreement happens between the company and channel members on public price issue, quantity supplied and marketing activities ,etc.          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| CC2 | Sometimes disagreement happens horizontally between distributors, retailer on issues such as sales target ,sales territory and promotional schemes etc. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| CC3 | Though lubricant price is regulated, complain exists from channel members on product pricing, incentive, etc.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| CC4 | strong relationship between marketing, sales and supply division within the company.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| CC5 | Distribution members mostly complain on each other for retail price war .   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

|     |  |                          |                          |                          |                          |                          |
|-----|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| GI1 | Sometimes company offers with high incentive to liquidate inventory, but distribution members still stick to sell at higher price.     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| GI2 | Some channel partners divert cash to other side businesses while company grants lubricant credit for mutual benefit.                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| GI3 | Company obeys price cap while channel members don't apply as expected  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| GI4 | Company's overall budget shared fairly for each division to satisfy product purchase ,promotion, to satisfy distribution members need. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| GI5 | Supply chain of the company works as closely as to goals of marketing and sales division.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| GI6 | Distribution intermediaries do not control their respective sites as their agreement with the company.                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AR1 | Clear understanding of roles between distribution members and company.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AR2 | Distribution members often accuse company for selling directly to end customers  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AR3 | Channel members clearly know their defined sales area to cater of market but don't act accordingly.                                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AR4 | Company sell a product through direct sales force in the area dealer authorized supposed to sell.                                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AR5 | Theirs is a signed agreement between channel members and company on sales areas coverage.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP1 | Issues as discount rate on fast moving items Vs slow moving items, create different perceptions within channel members.                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP2 | Some channel members perceive differing supply source lubricant with differing pricing strategy ( dumping)                             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP3 | All channel members clearly communicated on actual situations of current goals, situations and positions.                              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP4 | The perception and understanding of every channel member is same for every change in the channel.                                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP5 | Some channel members perceive there is dumping of same product from different source other than the company                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP6 | Channel members don't trust each other on implementation of public selling price, etc.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

|            |  |                          |                          |                          |                          |                          |
|------------|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>ID1</b> | Some channel partners complain for quantity supplied and discount rate for being they are exclusive retailers of the branded product (Ex. Station dealers) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>ID2</b> | Few channel members disagree on promotional scheme of lubricant assuming it's always to the company benefit.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>ID3</b> | Some channels members complain for being they are supplied exclusively by the company.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>ID4</b> | Few channel members order and store bulk to sell for another channel when there is shortage from the company.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB1</b> | Discount, special deal, are communicated timely and treated fairly to motivate distribution channel members.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB2</b> | All channels members have updated information on incentive and promotion plan of the company   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB3</b> | All stakeholders regularly discuss openly and in transparent way on market situation.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB4</b> | All channel members are equally informed about stock available on hand at company warehouse.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB5</b> | All channel members have up-to-date information on delivery a product to distribution member site.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB6</b> | There is a proper communication flow across distribution channel on any change of sales policy and distribution procedure.                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**\*\*Source for questioner format adopted from adopted from Solomon Gosaye, 2017**

## Appendix 2 (Questioners Amharic Version)

### ክፍል 1. አጠቃላይ መረጃ

ከዚህ ከታች ያለውን ማስታወሻ ከተመለከቱ በኋላ (✓) በትክክለኛው ሣጥን ላይ ምልክት ያድርጉ በየትኛው አካባቢ የቶታል አውቶሞቢቭ ቅባት ስርጭት ውስጥ ላይ ይሰራሉ?

- ሀ. የቶታል ሠራተኞች
- ለ. የቶታል አከፋፋይ
- ር. የቶታል ማደያ ወኪል
- መ. የቶታል ዘይቶች ኪዮስ ክወኪል

የአገልግሎት ዘመን ብዛት

- 1. 1- 3 ዓመታት
- 2. ከ4-6 ዓመታት
- 3. 7-9 ዓመታት
- 4. > 10 ዓመታት

### ክፍል 2.

ከታች ያለውን ማስታወሻ ከተመለከቱ በኋላ (✓) በትክክለኛው ሣጥን ላይ ምልክት ያድርጉ

ማሳሰቢያ - ኤስዲ (1) = በጣም አልሰማማም, D (2) = አልሰማማም, N (3) = ገሰጠኛ, A (4) = አሰማማለሁ, SA (5) = በጣም አሰማማለሁ.

በአውቶሞቢቭ ዘይቶች/ቅባቶች ስርጭት ውስጥ የሚከተሉት ነጥቦች መኖራቸውን እንዴት ይገምታሉ?

|     | Determinant factors   | SD(1)                    | D(2)                     | N(3)                     | A(4)                     | SA(5)                    |
|-----|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| CC1 | አንዳንድ ጊዜ በድርጅቱ እና በስርጭቱ አባላት መካከል በዋጋ ተመን በተሰጠው ብዛት እና በግብይት እንቅስቃሴ ወዘተ መካከል አለመግባባት ይፈጠራል.                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| CC2 | አንዳንድ ጊዜ አለመግባባቶች በአከፋፋዮች መካከል, እንደ ሽያጭ አላማዎች, የሽያጭ ግዛቶች እና የማስተዋወቂያ ፕሮግራሞች ወዘተ ላይ በአከፋፋዮች መካከል በአጋጣሚ ይከናወናል. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| CC3 | ምንም እንኳን የገበያ ዋጋ ቁጥጥር ቢደረግበትም ቅሬታዎች በጅምላ ቅናሽ ወዘተ ካሉ የስርጭቱ አባላት ያቀርባሉ.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| CC4 | በድርጅቱ በገበያ ጥናት በሽያጭ እና በአቅርቦት ክፍሎች መካከል ጠንካራ ግንኙነት አለ.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| CC5 | የስርጭት አባላት በአብዛኛው እርስ በርስ በቸርቻሮ ዋጋ ልዩነት አላቸው.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| GI1 | አንዳንድ ኩባንያው የማጣራት ሽያጭ ቅናሽ ይከፍላሉ, ነገር ግን የስርጭት አባላት የስርጭት አጋሮች ከፍ ባለ መሸጫ ዋጋ ይሸጣሉ.                              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

|     |   |                          |                          |                          |                          |                          |
|-----|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| GI2 | አንዳንድ ጥሬ ገንዘብን ወደ ሌላ የንግድ ዘርፎች ይወስዳሉ.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| GI3 | ኩባንያው የወቅቱን ዋጋ ይቀበላል የስርጭቱ አባላት እንደሚጠበቀው ተግባራዊ አያደርጉም   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| GI4 | የስርጭት አባላትን ምርት ፍላጎት ለማርካት ለአያንዳንዱ ምድብ የኩባንያው ጠቅላላ በጀት ክፍል በትክክል ተከፋፍሏል.                              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| GI5 | የኩባንያው የሽያጭ እና የስርጭት ክፍሎች በቅርበት ይሠራሉ.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| GI6 | የስርጭቱ አባሎች በኩባንያው እንደሚጠበቀው የየራሳቸውን ጣቢያዎችን አይቆጣጠሩም.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AR1 | በስርጭት አባላትና በኩባንያው መካከል ያለውን ሚና ግልጽነት ነው  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AR2 | የሽያጭ አባላት ብዙውን ጊዜ በቀጥታ ለዋና ዋና ደንበኞች በመሸጡ ኩባንያውን ይከሳሉ  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AR3 | የስርጭቱ አባላት የተዋዋሉበትን የሽያጭ ቦታ ብቻ የመጠቀም ግዴታ እንዳለባቸው ያውቃሉ::   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AR4 | ኩባንያው በራሱ የሽያጭ ሠራተኞች አማካኝነት በቀጥታ ይሸጣል::   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AR5 | በስርጭት አባላቶች እና ኩባንያ መካከል የተፈረመ የሽያጭ ስምምነት አለ::  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP1 | አንደ ቶሎ በሚሸጡ እና በማይሸጡ ዘይቶች የዋጋ ቅናሽ ላይ አለመግባባት ይፈጠራል::  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP2 | አንዳንድ የሰርጡ አባላት የተለያዩ የአቅርቦት ምንጭ ሊለባዎችን በተለያዩ የተለያዩ የዋጋ ስትራቴጂ (ማጨቅ)                                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP3 | ሁሉም የስርጭት አባላት በተጨማሪም ሁኔታዎች እና የስራ ቦታዎች ጉዳይ ላይ በግልጽ ይነጋገራሉ.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP4 | የአያንዳንዱን አባል እይታ እና ግንዛቤ በሁሉም ጉዳይ ላይ ተመሳሳይ ነው.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP5 | አንዳንድ የሰርጡ አባላት ከኩባንያው ውጪ ከተለያዩ ምንጮች አንድ ተመሳሳይ ምርት መጣል እንደ ገባ ያምናሉ                                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DP6 | የስርጭቱ አባላት ዋጋን, የዋጋ ቅናሽ, ወዘተ ላይ አይተማመኑም.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ID1 | አንዳንድ የስርጭቱ አጋሮች ብራንድ ያለው ብቸኛ የቸርቻሮ ንግድ (ለምሳሌ የማደያ ወኪሎች) በመሆናቸው በሚቀርበው ዘይት መጠን እና በቅናሽ ዘይት ቅሬታ ያቀርባሉ. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

|            |   |                          |                          |                          |                          |                          |
|------------|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>ID2</b> | የኩባንያው ስርጭት በየጊዜው በኩባንያው በሚሰጠው ጥቅም ላይ በማስተካከያናማሻሻያዕቅድላይየስርጭትቅሬታያቀርባሉ።         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>ID3</b> | አንዳንድ የስርጭት አባላት በኩባንያው ብቻ የታጠሩ ስለሆኑ ቅሬታ ያቀርባሉ.                               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>ID4</b> | ጥቂት የስርጭት ሰጭ አባላት ከኩባንያው እጥረት በሚገጥሙበት ጊዜ ለሌላ ጣቢያ ለመሸጥ በብዛት በማዘዝ በመጋዘን ያስቀምጣሉ። | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB1</b> | ቅናሽ፣ ልዩ ስምምነት ወዘተ ለአባላት ሞራል ሲባል ወቅታዊ ተደርገው ይተላለፋሉ።                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB2</b> | ሁሉም የስርጭት አባላት ስለኩባንያው የማበረታቻ እና የማስታወቂያ እቅድ መረጃ አላቸው                         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB3</b> | ሁሉም ባለድርሻ አካላት በየጊዜው ግልጽ እና ግልጽ በሆነ መንገድ በገበያ ሁኔታ ላይ ይነጋገራሉ.                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB4</b> | ሁሉም የስርጭቱ ተሳታፊዎች በድርጅቱ የመጋዘን ውስጥ ስለተከማችዘይትእኩልመረጃበእኩልያገኛሉ።                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB5</b> | ሁሉምየስርጭቱአባላትወደማሰራጫውጣቢያበማቅረቡላይወደአባ ልቦታበማቅረቡላይወቅታዊመረጃአላቸው.                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>CB6</b> | በማንኛውም የሽያጭ ፖሊሲ እና የስርጭት አሰራር ለውጥ ረገድ በስርጭቱ አባላት መካከል ተገቢ የሆነ የኢንፎርሜሽን ፍሰት አለ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| Table 3.1  |    |     |     |     |     |      |     |         |     |
|--|----|-----|-----|-----|-----|------|-----|---------|-----|
| <i>Table for Determining Sample Size of a Known Population</i> |    |     |     |     |     |      |     |         |     |
| N  | S  | N   | S   | N   | S   | N    | S   | N       | S   |
| 10   | 10 | 100 | 80  | 280 | 162 | 800  | 260 | 2800    | 338 |
| 15   | 14 | 110 | 86  | 290 | 165 | 850  | 265 | 3000    | 341 |
| 20   | 19 | 120 | 92  | 300 | 169 | 900  | 269 | 3500    | 346 |
| 25   | 24 | 130 | 97  | 320 | 175 | 950  | 274 | 4000    | 351 |
| 30   | 28 | 140 | 103 | 340 | 181 | 1000 | 278 | 4500    | 354 |
| 35   | 32 | 150 | 108 | 360 | 186 | 1100 | 285 | 5000    | 357 |
| 40   | 36 | 160 | 113 | 380 | 191 | 1200 | 291 | 6000    | 361 |
| 45   | 40 | 170 | 118 | 400 | 196 | 1300 | 297 | 7000    | 364 |
| 50   | 44 | 180 | 123 | 420 | 201 | 1400 | 302 | 8000    | 367 |
| 55   | 48 | 190 | 127 | 440 | 205 | 1500 | 306 | 9000    | 368 |
| 60   | 52 | 200 | 132 | 460 | 210 | 1600 | 310 | 10000   | 370 |
| 65   | 56 | 210 | 136 | 480 | 214 | 1700 | 313 | 15000   | 375 |
| 70   | 59 | 220 | 140 | 500 | 217 | 1800 | 317 | 20000   | 377 |
| 75   | 63 | 230 | 144 | 550 | 226 | 1900 | 320 | 30000   | 379 |
| 80   | 66 | 240 | 148 | 600 | 234 | 2000 | 322 | 40000   | 380 |
| 85   | 70 | 250 | 152 | 650 | 242 | 2200 | 327 | 50000   | 381 |
| 90   | 73 | 260 | 155 | 700 | 248 | 2400 | 331 | 75000   | 382 |
| 95   | 76 | 270 | 159 | 750 | 254 | 2600 | 335 | 1000000 | 384 |

*Note: N is Population Size; S is Sample Size* *Source: Krejcie & Morgan, 1970*

Appendix ---: Table to determine sample size (source: Krejcie and Morgan (1970))