



ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE DEPARTMENT
OF MARKETING MANAGEMENT POST GRADUATE PROGRAM

THE EFFECT OF CHANNEL MANAGEMENT DECISIONS ON
CUSTOMER SATISFACTION: THE CASE OF NATIONAL ALCOHOL
AND LIQUOR FACTORY

A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY, SCHOOL OF
COMMERCE IN PARTIAL FULFILMENT OF THE REQUIRMENTS FOR
THE DGREE OF MASTERS OF MARKETING MANAGEMENT

RESEARCH ADVISOR: TEMESGEN BELAYNEH (PhD)

BY:- SIMIENEH DAGNE

JUNE, 2018

ADDIS ABABA, ETHIOPIA

The Effect of Channel Management Decisions on Customer Satisfaction
The Case of National Alcohol & Liquor factory

Simienseh Dagne Bitewa

A Thesis Submitted to
The Department of Marketing Management

Presented In Partial Fulfilment of Requirements for the
Degree of Master of Arts in Marketing Management

Research Advisor: Temesgen Belayeneh (PhD)

Addis Ababa University School of Commerce
Addis Ababa, Ethiopia

June, 2018

Addis Ababa University School of Commerce

This is certify that the thesis prepared by Simieneh Dagne, entitled: *The Effect Of Channel Management Decision on Customer Satisfaction: The Case of National Alcohol And Liquor Factory* and submitted In Partial Fulfilment of Requirements for the Degree of Master of Arts in Marketing Management complies with the regulation of the University and meets the accepted standards with respect to Originality and quality.

Signed by Examining Committee

Advisor

Signature

Date

Examiner

Signature

Date

Examiner

Signature

Date

ABSTRACT

The main objective of the study is to investigate the impacts of channel management decisions on customer satisfaction through identification of channel management decisions currently implemented in National Alcohol and Liquor Factory. The study involved a self-designed and pre-tested questionnaire with 38 question elements that were distributed to 385 agents, wholesalers, retailers, liquor distributors, and direct users'. The reliability of the questionnaire was assured through determination of Cronbach's alpha after which Chi-square test was carried out to check whether the channel management decisions (independent variables) associated with customer satisfaction (dependent variable) after which regression analysis was conducted to investigate the impacts of independent variables (channel management decisions) on customer satisfaction in the case of National Alcohol and Liquor Factory. A conceptual framework was used as a guideline to test the relationships between channel management decision and customer satisfaction. A quantitative approach is chosen in this research. The findings of the study show that the identified channel management decisions, downstream supply chain integration, customer relationship management, product mix decisions, information systems and third party logistics were implemented in varying degree but strongly associated with customer satisfaction in National Alcohol and Liquor Factory. Moreover, the impacts of these channel management decision against customer satisfaction from strongest to the weakest is mentioned here: Product Mix Decision, Information Systems, Third Party Logistics, Customer Relationship Management and Down Stream Supply Chain Integration.

Key Words:-Channel management, supply chain integration, product distribution, product mix, information technology, customer relationship management, and third party logistics.

ACKNOWLEDGEMENT

This study would not become possible without the contributions from many people and organizations. In this segment, I would like to acknowledge each and every person who has contributed their effort by whatever means directly or indirectly. Most importantly, I would like to acknowledge my advisor Dr. Temesgen Belayneh for his invaluable assistance and advice, constructive comments and observations throughout this thesis research.

I am indebted to forward my heartfelt appreciation and gratitude to my best friend Girum Mesfin for being with me and dedicated his time for the work of my thesis research that he had invaluable contributed to the study and words are not enough to express my sincere gratitude. His kind and generous help, constructive advice, dedication, for his generous assistance in reviewing my works and diligent efforts have been decisive for the quality and effective accomplishment of this study, and, he will always be in the conscious part of my mind.

It is my pleasure to acknowledge all the respondents who participated in the questionnaire survey and also to those who were involved directly or indirectly in the completion of this study. My endless gratitude and deepest appreciation goes to my best friend Betelhem Birhane, who assisted me during this research study, deserves special heartfelt thanks for support and standing by my side. I thank you a lot and appreciate your help ever.

Above all, words fail me to express how grateful I'm to Almighty God who gave me chances to 'experience' life and for his endless blessing.

DECLARATION

I, Simieneh Dagne, declare that the study entitled “The Effect of Channel Management Decisions on Customer Satisfaction: The Case of National Alcohol & Liquor factory.” is the result of my own effort in research undertaking. The study has not been submitted to any Degree or Diploma in any College or University. It is submitted to the partial fulfilment of the requirement of the Masters of Arts in Marketing Management.

Simieneh Dagne

.....

Signature

.....

Date

CERTIFICATION

This is to certify that Simieneh Dagne has completed his thesis work entitled The Effect of Channel Management Decisions on Customer Satisfaction: The Case of National Alcohol & Liquor factory. As I have evaluated, his research is original work and appropriate to be submitted as a partial fulfilment requirement for the Award of Degree in Masters of Marketing Management.

Temesgen Belayneh (PhD)
Advisor:

Signature

Date

Table of Contents

LIST OF FIGURES	XII
LIST OF TABLES.....	XIII
CHAPTER ONE: - INTRODUCTION.....	1
1.1 Background of the study	1
1.2 Statement of the research problem.....	3
1.3 Research questions and hypothesis	5
1.4 The Scope of the Study	5
1.5 Objective of the study	6
1.5.1The general objective of the research	6
1.5.2 The specific research objectives.....	6
1.7 Significance of The study	7
1.8 Definitions of key terms, concepts and variables.....	7
1.9 Organization of the study	8
CHAPTER TWO: - REVIEW OF RELATED LITERATURE	9
2.1 Marketing and the criticality of the customer	9
2.3 The Importance of Customer satisfaction	10
2.4 Benefits of customer satisfaction	11
2.5 Definition of Marketing Channel.....	11
2.6 Marketing Channels	11
2.7 Distribution (channel strategy) Decision	12
2.8 Channel Management Decisions.....	13
2.9 Decisions Areas of Channel Management	13
2.9.1 Formulating channel strategy	14

2.9.2 Designing the channel structure	14
2.9.2.1 Channel Evolution.....	15
2.9.2.2 Setting Distribution Objectives	17
2.9.2.3 Specifying the Distribution Tasks	17
2.9.2.4 Considering Alternative Channel Structure	17
2.9.2.5 Choosing an Optimal Structure	18
2.9.3 Selecting Marketing Channels	19
2.9.3.1 Developing Section Criteria.....	21
2.9.3.2 Finding prospective channel members	22
2.9.3.3 Evaluating prospective channel members	22
2.9.3.4 Converting Prospective Members into Actual Members	23
2.9.4 Training and Motivating Channel Members	23
2.9.4.1 Channel Power	23
2.9.4.2 Channel Partnerships.....	24
2.9.4.3 Learning about Channel Members' Needs and Problems	26
2.9.4.4 Offering Support for channel Members	26
2.9.4.5 Providing continuing Leadership	27
2.9.5 Coordinating channel strategy in the marketing Mix	28
2.9.5.1 Product strategy and channel strategy	28
2.9.5.2 Pricing strategy and channel strategy	28
2.9.5.3 Promotional strategy and channel strategy.....	28
2.9.6 Evaluating Channel Members	28
2.10 Channel Issues	29
2.10.1 The use of Intermediaries	29
2.10.2 Channel Leadership.....	29
2.10.3 Wholesaler Leadership.....	30

2.10.4 Degree and Determination of distribution.....	30
2.11 Channel of Distribution functions.....	31
2.12 Definition of product.....	32
2.12.1 Product Mix Decisions	32
2.12.2 Product mix and the multi-product marketing strategy problem.....	33
2.12.3 Evolving the product Line.....	33
2.12.4 Improving the Product Mix:	33
2.13 Definition of Information System	34
2.13.1 Enterprise system	34
2.13.2 Supply chain management systems	34
2.13.3 Customer Relationship Management System.....	35
2.13.4 Customer Service Life Cycle	36
2.13.5 Components of CRM systems.....	37
2.13.6 Benefits and Limitations of CRM systems.....	38
2.13.7 Customer Managed Interactions (CMI)	38
2.13.8 B2C E- Business Impacts	39
2.13.9 E-Channel Compression (Disintermediation)	39
2.13.10 E-Channel Expansion.....	40
2.14 Customer Relationship Management (CRM).....	40
2.14.1 CRM Outcomes	42
2.14. 2 Limitations of CRM Practices.....	42
2.15. Down Stream Supply chain Integration	43
2.15.1 Manufacturer-Customer Relationship	44
2.15.2 Supply chain management in the network economy	45
2.15.3 Supply Chain Integration	46
2.15. 4 Supply Chain Management (SCM)	47

2.15.5 The supply Chain Concept	47
2.15.6 Chain and Network Definitions and Major Factors in Each Chain Process.....	48
2.16 Logistics in Marketing Channel	50
2.16.1 The Role of Logistics	50
2.16.2 Logistics Systems, Costs, and Components	50
2.16.3 Definition of Third Party Logistics (3PLs)	52
2.16.4 Outsourcing Logistics	52
2.16.5 The strategic Dimension.....	53
2.16.6 The Risk Dimension.....	53
2.16.7 Contract Logistics-the decision Process.....	54
2.16.8 Make-or- Buy decisions	54
2.16.9 Reverse Logistics	55
CHAPTER THREE	57
RESEARCH METHODOLOGY	57
3.1 Research Approach	57
3.2 Research Design.....	57
3.3 Research Instrument.....	58
3.4 Population of the study	58
3.4.1 Sample size Determination	59
3.4.2 Sampling Procedure	59
3.5 Data Source and Types	60
3.6 Data collection Methods	60
3.7 Data Preparation.....	60
3.8 validity and Rreliability of Data Collection Instrument.....	60
3.8.1 Validity	60
3.8.2 Reliability.....	61

3.9 Methods of data Analysis and Interpretation	62
3.10 Ethical Considerations of the Study	62
CHAPTER FOUR: - RESEARCH RESULTS AND DISCUSSION	63
4.1 Introduction.....	63
4.3 Descriptive Statistics of Respondents	64
4.3.1 Demographic Analysis.....	65
4.4.1 Hypothesis 1	Error! Bookmark not defined.
4.4.2 Hypothesis 2	Error! Bookmark not defined.
4.4.3 Hypothesis 3	Error! Bookmark not defined.
4.4.4 Hypothesis 4	Error! Bookmark not defined.
4.4.5 Hypothesis 5	Error! Bookmark not defined.
4.5 Regression Analysis.....	70
4.5.1 Regression Analysis of Channel Management Decision and Customer Satisfaction	70
4.5.2 Multi colinearity Test Analysis.....	73
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION	74
5.1 Introduction.....	74
5.2 Summary of Findings.....	74
5.2.1 The Association of Channel management Decisions with Customer Satisfaction	74
5.2.2 The Contribution of Channel Management Decisions in creation of organizational capabilities	75
5.2.3 The Effects of Channel Management Decisions towards Customer Satisfaction	77
5.3 Limitations of the Study	78
5.4 Scope for Future Research	78
5.5 Conclusion	78
5.6 Recommendation	79
5.6.1 Downstream supply chain Integration	79

5.6.2 Customer Relationship Management	79
5.6.3 Third Party Logistics	80
5.6.4 Information System.....	81
5.6.5 Product Mix Decision	82
6 Reference	83
APPENDIX 1:- Data Collection Instrument(Questionnaire).....	I
APPENDIX 2: Statistical Out Put.....	IX

LIST OF FIGURES

Figure 2.1 Phases of the channel design process	16
Figure 2.2 General Criteria for Selecting Channel Members	22
Figure 2.3 the Motivation Process in Marketing Channel	25
Figure 2.4: Supply chain network	44
Figure 2.5 an Integrated Model of the Supply Chain	45
Figure 1:6 View of Logistics Management Based on the Systems Concept and the Total Cost Approach.....	51
Figure 2.7 the Strategic Dimensions of Outsourcing.....	53
Figure 2.8 Conceptual framework of the study.....	56

LIST OF TABLES

Table 2.1 Phases in customer Service life cycle	36
Table 2.2 A framework for Make-or-Buy Decisions.....	55
Table 4.1 Response Rate of Questionnaires Administered.....	63
Table 4.2 Summary of reliability tests per variable	64
Table 4.3 Respondents by Customer Type	65
Table 4.4 Respondents by Customer Status.....	65
Table 4.5 Respondents by Customer Experience	66
Table 4:6 Chi-Square test Statistic of downstream supply chain integration with measures of customer satisfaction.....	Error! Bookmark not defined.
Table 4:7 Chi-Square test Statistic of the use of third party logistics with measures of customer satisfaction.....	Error! Bookmark not defined.
Table 4:8 Chi-Square tests Statistic of downstream supply chain customer relationship management against customer satisfaction.	Error! Bookmark not defined.
Table 4:9 Chi-Square test Statistic of Product mix decisions with the measure of organizational customer satisfaction.....	Error! Bookmark not defined.
Table 4:10 Chi-Square test Statistic of the use of information systems in channel management decision	Error! Bookmark not defined.
Table 4:11 Regression Analysis result for Channel Management Decisions Dimensions.....	71
Table 4.12 Multiple Regression Result of Channel Management Decision Dimension and Overall Customer Satisfaction	72
Table 4.13 ANOVA ^a	72

LIST OF ABBREVIATIONS

Ads: - Advertisements
B2C:- Business to Customer
CRM: - Customer Relationship Management
CSLC: - Customer Service Life Cycle
CMI: - Customer Managed Interactions
DC: - Distribution Centre
ERP: - Enterprise Resource Planning
GDP: - Gross Domestic Product
IVR:-Interactive Voice Response
JIT: - Just- In- Time
NALF: - National Alcohol and Liquor Factory
PDM: - Physical Distribution Management
PRM:-Partner Relationship Management
SAP: - Systems Applications and Products in Data Processing.
SCM:-Supply Chain Management
SCI:-Supply Chain Integration
TARP: - Technical Assistance Research Program
VMI:-Vender Managed Inventory
VMS:-Vertical Marketing System
VOIP:-Voice -over Internet Protocol
3PL:- Third Party Logistics

CHAPTER ONE: - INTRODUCTION

1.1 Background of the study

For most firms, channel management is a key decision for building a successful business. Many companies have built lasting competitive advantages through their choices of distribution systems, which are integrated into coherent and well-executed business models. An excellent distribution system is critical to a company's efficient and profitable performance. In addition, companies with the highest customer retention rates earn the highest profits. In other words, customer loyalty is also an important factor that affects the performance of a company (Chen, Lai and Chen, 2010). To succeed in an uncertain and competitive environment, firms must respond to changing customer needs faster than before, and logistics flexibility is an important part of this response. Customer loyalty can be changed easily if the firms cannot satisfy any of their needs that is increasing the range of products available, improving the firm's ability to respond quickly, and achieving good performance over a wide range of products. Each customer is looking for special treatment in design, production, and delivery, which is the main reason for the firms, must view flexibility from a supply chain perspective instead of equipment or process perspective (Uysal, 2016).

(Marry, 2012) suggest that Producing a product or service and making it available to buyers requires building relationships not only with customers but also with key suppliers and resellers in the Organization's supply chain. This supply chain consists of upstream and downstream partners. From the company however, have traditionally focused on the downstream side of the supply chain on the marketing channels (or distribution channels) that look toward the customer, downstream marketing channel partners such as wholesalers and retailers, form a vital connection between the firm and its customers.

With an event of entrance of new manufacturers' of alcoholic beverage manufacturing firms to the sector in Ethiopia, the challenges of firms to survive in the market have significantly increased from time to time. The assurance of operational excellence through delivery of quality products, resource efficiency, reduction of delivery cycle time, avoidance of unnecessary down time as a result of out stock of raw materials

still remains the home work of manufacturing firms that needs to be solved on continuous and sustainable manner (Mesfin, 2015).

In order to overcome the market competition, organizations in dynamically changing environment like in food and beverage sector shall use physical distribution management practices (PDM). According to (Burnett, 2008) physical distribution management is defined as " list the process of strategically managing the movement and storage of materials, parts, and finished inventory from suppliers, between enterprise facilities, and to customers , i.e. the movement of finished products from the end of the production line to the final consumer, the movement of raw materials from a source of supply to the beginning of the production line, and the movement of parts, a network for moving the product back to the producer or reseller Therefore, " the physical distribution management results initially in the addition of time, place, and possession utility of products; and ultimately, the efficient movement of products to customer and the enhancement of the firm's marketing efforts. This capacity of an organization to deliver its products to its customers uniquely can be taken as Dynamic capability. Those capabilities are "the capacity of an organization to purposefully create, extend, or modify its resource base" and as such to reach a higher economic value than their competitors (Mesfin, 2015).

According to (Burnett, 2008) Physical distribution also represents a valuable marketing tool to stimulate consumer demand. Channel Management Physical distribution improvements that lower prices or provide better service is attractive to potential customers. Similarly, if finished products are not supplied in the right time on the right places, firms face the risk of losing customers. The current market and economic condition has made it very challenging to create competitive advantage without giving due attention to integrate with Supply chain. These integrations which are a result of global and local competition takes a frame work that contains strategic orientation, supply chain continuity, collaboration, risk management and pro-activity.

In order to be the winners in the marketplace, timing and superior customer service are becoming the keys to attain competitive advantage for a company. Time-based competition is an important issue that many companies are facing currently as customers are becoming more time-sensitive and time-oriented in terms of better services, reliability and delivery. To keep up with the changes in demand from

customers, it is important to satisfy customers' Preferences and needs in order to provide superior customer service, there by establishing thus, establish good relationship with them. In the ever-changing business environment company needs to adapt and exploit the changes in order to meet the new challenges in the marketplace. It is crucial for the firms and organizations to respond to changing needs of loyal customers and Prospect customers. The ways to renew the customers' services and how they are delivered are critical capabilities for many companies to acquire nowadays. This leads to increasing interaction between marketing and logistics where logistics is considered a platform for supporting new strategic moves on the market (Kazak, Choi and Timlon, 2009).

Being part of the entire food and beverage sector the alcoholic beverage sector in Ethiopia consist of National alcohol and liquor factory as sole distiller and producer of different alcoholic beverages starting from 15% v/v to 43% v/v body strength. Having the next market share, competitive strength and year of establishment, Balezaf pure alcohol and liquors factory takes the next lion share in Ethiopian alcoholic beverage manufacturing sector. As result of the encouraging economic policies by Ethiopian government, a pull of new entrants has joined the alcoholic beverage manufacturing sector reaching the number of nearly 20 organizations (Mesfin, 2015).

As these organizations use the same types of raw materials, plant and machineries and generic distribution channels, they are implicitly exposed to distribution channel inefficiencies conceded by various distribution channel management practices and decisions carried out by their own management teams influencing their organizational competitive performance. This research paper investigates assessing the effects of product distribution on customer satisfaction on the case of National alcohol and liquor factory.

1.2 Statement of the research problem

The integration of the supply chain has found to be strategically important as varieties of organizations like local & global manufacturing firms together with logistics services evolved (Akyuz and Erkan, 2010)

Supply chain management still remains the most widely researched discipline aiming to indicate the performances of different organizations. Moreover, the importance of

supply chain management in today's local & global business environment in the form of strategic alliances, global out sourcing, collaboration & partnership, agility, responsiveness, flexibility, reverse logistics, ERP (Enterprise resource planning) has been more emphasized (Akyuz and Erkan, 2010).

However, one can see that there were few researches conducted with regard to investigations of supply chain performance of local manufacturing firms engaged in different industries in Ethiopia (Mesfin, 2015). According to (Birhanu, Lanka and Rao, 2014) the supply chain inefficiency of manufacturing firms in Ethiopia has resulted in 10% decrease of the total GDP in 2013.

The impacts of the supply chain management practices towards competitive strength in the Ethiopian alcoholic beverage industry as mentioned from strongest to the weakest were sustainable supply chain management & integrated management systems, early supplier involvement in new product development, supply chain customer relationship management, supply chain integration, information systems & supply chain management (Mesfin, 2015).

(Mesfin, 2015) noted also in his research that, it will be quite important to investigate the influences of untouched practices like supply chain management integration on competitive strength particularly in beverage industry for sustainable improvement of organizational performance in the future.

As it was indicated, supply chain integration that includes downstream channel management decisions in the alcoholic beverage manufacturing firms in Ethiopia has been ineffective due to the following posed problems (NALF, 2015).

- ❖ Product delivery & service suffers from service quality and delayed time.
- ❖ The mixes of delivered products were not according to customer interests & preferences.
- ❖ The product delivery system was not entirely supported by information communication technology.
- ❖ The traditional way of product distribution system has allowed dumping of products unfairly to favoured customers making the sales service quality poor.

- ❖ There was absolutely no experience of using the facilities of customers (vender managed inventory) in delivering products.
- ❖ The absence of using third-party logistics in delivering products has made organizations like NALF to utilize big resource base and increase cost of distribution.
- ❖ As the result of the above problems the customer relationship with the organizations results in bad word of mouth affecting future profitability and competitiveness (NALF, 2015).

1.3 Research questions and hypothesis

Based on the above mentioned research problems the following research questions can be derived:

- How does the implemented channel management decisions relate to customer satisfaction of NALF?
- Do channel management decisions lead to creation of capabilities that enhance organizational competitiveness?
- What are the dominant channel management decisions affecting customer satisfaction at NALF?

1.4 The Scope of the Study

Currently in Ethiopia there are 20 Companies on beverage sector which are owned by government and private. Out of these Companies, this study is delimited to only the National Alcohol and liquor factory which has been engaged in the business since 1906 and is the pioneering company in the Liquor industry of the country. The study is also delimited to domestic organizational services focusing on Product distribution service as it has been the major source of revenue for the organizations in facilitating other domestic trade services where the organizations can get considerable revenue. Quantitative methodology was used for the purpose of research, as the method of primary data collection, only questionnaire were used to conduct the study.

1.5 Objective of the study

1.5.1 The general objective of the research

The main objective of the research is to investigate the effect of channel management decision on customer satisfaction of NALF.

1.5.2 The specific research objectives

The mentioned below were the specific objectives of the research:-

- ❖ To test whether channel management decisions are associated with customer satisfaction or not.
- ❖ To identify the most influential channel management decision strategy that impact customer satisfaction of NALF.
- ❖ To investigate whether product mix decision is related to customer satisfaction of national alcohol and liquor factory or not.
- ❖ Whether the implementation of third party logistic on product distribution channel management decision improves customer satisfaction or not.

1.6 Hypotheses

The following hypotheses were tested in the study before discussion of research questioned:

H1: Downstream supply chain integration is associated with organizational customer satisfaction.

H2: The decision of use of third party logistics to deliver products is related to customer satisfaction of NALF.

H3: Downstream supply chain customer relationship management is positively related to organizational customer satisfaction.

H4: Product mix decisions are positively related to organizational customer satisfaction.

H5: The use of information systems in product distribution management is positively related to organizational customer satisfaction.

1.7 Significance of The study

This study would have been help national alcohol and liquor factory managers and employees to focus on how to provide channel management decision service to satisfy customer. The researcher hopes that from the suggestions and recommendations the managers of national alcohol and liquor factory can make a better channel management decision in order to become effective on handling their customer. This thesis was also help other researchers to conduct further studies on product distribution channel decision on and its effect on customer satisfaction. In addition to this, this thesis would have been help readers to gain knowledge and better understanding in the area of product distribution channel decision and customer satisfaction.

1.8 Definitions of key terms, concepts and variables

1. Downstream Supply chain Integration: In order to fully benefit and implement supply chain management concepts, it is important for the firms to integrate efficiently with their suppliers, customers, warehouses, and other intermediate value-adding partners (Georgise, Thoben and Seifert, 2014).
2. Product Mix: A product mix (also called product assortment) is the set of all products and items that a particular marketer offers for sale.
3. Distribution Channel Management: is Selecting, managing, and motivating individual channel members and evaluating their performance over time.(Kotler, 2006).
4. Third party logistics (3PLs): have the resources, scope, scale, and best practice experience in warehousing, distribution and transportation, thus providing services more efficiently and less expensively than what companies can do in-house (Yang, 2014).
5. Customer relationship management (CRM): is a management approach that seeks to create, develop and enhance relationships with carefully targeted customers in order to maximize customer value, corporate profitability and thus shareholders' value.(Srivastava, 2012).

6. Information system (IS): can be defined technically as set of interrelated components that collect (or retrieve), process, store, and distribute information to support decision making, coordinating, and control in an organization (laudon and laudon, 2011).

1.9 Organization of the study

This research report consists of five chapters and other sections, namely, the list of reference and appendixes. The first chapter which has already been discussed provides the introduction of the research topic. The research is carried out with the assessment of the theoretical function and relevant literature in chapter two and the suitable methodology utilized to answer the research question was discussed in chapter three. Data analysis and interpretation of the research result found by using the appropriate instrument for the methodology selected was dealt in chapter four. The final chapter five was cover the summary of findings, conclusion and recommendations.

CHAPTER TWO: - REVIEW OF RELATED LITERATURE

2.1 Marketing and the criticality of the customer

The first step in the cycle of satisfaction is to get in to the mind of the customer to identify customer needs and desires. This is marketing's speciality. Marketing brings the voice, the mind, and the heart of the customer in to the company when the customer's desires are translated in to viable, profitable products and services. How do companies continue to win the customers year after year? How do new comers steal customers from other companies? The answer lie in effective marketing, which focuses on understanding customers' current needs while seeking to identify and articulate their future, wants. As taught in any basic marketing class, the marketing mix is made up of four Ps: product, price, place, and promotion. These four Ps must complement each other to delight the customer, purchase after purchase, year after year. Place deals with having the product where it is needed and when it is needed, and relies heavily on logistics. Promotion deals with effective advertising and sales techniques to increase the visibility and perceived desirability of the product.

The notion of the product has expanded beyond the physical good to encompass intangibles and services that satisfy customer needs. Thus, when we use the term product, we refer to both goods and services unless we specify either goods or services. And Price focuses on determining how much value a customer places on satisfying a need (Fawcett, S. ;Ellram, L.; Ogden, 2007).

2.2 Customer satisfaction

Today's management identified the customer satisfaction as the main item in business and indicated that the company's success depends on improving management relationships. The current business environment is very different from the past and the competition has a special role (Gilaninia, Shahram,Taleghani, Mohammad,Mousavian, Seyyed Javad,Jalilvand, Samaneh,Khanjani, Sahar,Rad, Maryam Sajedi,Shadmani, Elham,Shiri, Zhaleh,Seighalani, Fatemeh ,Zadbagher , 2012).

Ultimately firms achieve customer satisfaction through the effective management of customer perceptions and expectations. If the perceived service is better than or equal to the expected service, then customers are satisfied. Because of this, firms can increase customer satisfaction by either lowering expectations or by enhancing perceptions. Note that this entire process of comparing expectations to perceptions takes place in the minds of customers. Hence, it is the

perceived service that matters, not the actual service. Companies can also manage expectations in order to produce customer satisfaction, without in any way altering the quality of the actual service delivered (K.Douglas, 2006).

Customer satisfaction is one of the essential factors for the success of a company. To achieve the high customer satisfaction, companies must know when and how their customers are satisfied about the products and services (Ahmed and Rahman, 2015).

Service quality and customer satisfaction are very important concepts that companies must understand if they want to remain competitive and grow. In today's competitive environment delivering high quality service is the key for a sustainable competitive advantage. Customer satisfaction does have a positive effect on an organization's profitability. Satisfied customers form the foundation of any successful business as customer satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth (Angelova, 2011).

2.3 The Importance of Customer satisfaction

The importance of customer satisfaction cannot be overstated. Without customers, the service firm has no reason to exist. Every service business needs to proactively define and measure customer satisfaction. Waiting for customers to complain in order to identify problems in the service delivery system, or gauging the firm's progress in achieving customer satisfaction based on the number of complaints received, is naive. Consider the following findings gathered by the technical assistance research program (K.Douglas, 2006).

- The average business does not hear from 96% of its unhappy customers.
- For every complaint received, 26 other customers actually have the same problem.
- The average person with a problem tells nine or 10 people. 13% of dissatisfied customers tell more than 20 people.
- Customers who have their complaints satisfactorily resolved tell an average of five people about the treatment they received.
- Complainers are more likely to do business with you again than non-complainers: 54-70% if their problem was resolved at all and 95% if it was handled quickly.

2.4 Benefits of customer satisfaction

Although some may argue that customers are unreasonable at times little evidence can be found of extravagant consumer expectations. Consequently, satisfying consumer is not an impossible task. In fact, meeting and exceeding customer expectations create several valuable benefits for service firms. Positive word-of-mouth from existing customers often translates into new customers. In addition, satisfied customers purchase products more frequently and are less likely to be lost to competitors than are dissatisfied customers. Companies who command high customer-satisfaction ratings also seem to be able to insulate themselves from competitive pressures-particularly price competition. Customers are often willing to pay more and stay with a firm that meets their needs than to risk moving to a lower priced service. Finally, firms that pride themselves on their customer satisfaction efforts generally provide better environments in which to work, and therefore have increased their chances to attract and retain the best and brightest employees. These positive work environments produce organizational cultures that challenge employees to perform and reward them for their efforts (K.Douglas, 2006).

2.5 Definition of Marketing Channel

A marketing channel is also referred to as a distribution channel or channel of distribution, is the network of organizations that creates time, place, and possession utilities for consumers and business users (K.Douglas, 2006).

A channel of distribution is an organized network of agencies and institutions which in combination performs all of the activities required to link producers with users in order to accomplish the marketing task. By means of the channel of distribution, producers locate and supply the users of their products, and users find and obtained the products they desire (Cunningham William H., 1987).

2.6 Marketing Channels

According to (Kotler, 2002) to reach a target market, the marketer uses three kinds of marketing channels.

Communication channels deliver messages to and receive messages from target buyers. They include newspapers, magazines, radio, television, mail, telephone, billboards, posters, fliers, CDs, audiotapes, and the Internet. Beyond these, communications are conveyed by facial expressions and clothing, the look of retail stores, and many other media. Marketers are

increasingly adding dialogue channels (e-mail and toll-free numbers) to counterbalance the more normal monologue channels (such as ads).

The marketer uses distribution channels to display or deliver the physical product or service(s) to the buyer or user. There are physical distribution channels and service distribution channels, which include warehouses, transportation vehicles, and various trade channels such as distributors, wholesalers, and retailers.

The marketer also uses selling channels to effect transactions with potential buyers. Selling channels include not only the distributors and retailers but also the banks and insurance companies that facilitate transactions. Marketers clearly face a design problem in choosing the best mix of communication, distribution, and selling channels for their offerings.

2.7 Distribution (channel strategy) Decision

While distribution decisions continue to be mostly tactical and made on market-by-market base, marketing managers may need to adjust the distribution strategy. Distribution formats are crossing borders, especially to newly emerging markets (K.Douglas, 2006).

K.Douglas (2006) further notes that marketing channel strategy (place), along with the other three Ps of the marketing mix- Product, price, and promotion, must be developed and coordinated to meet the needs and wants of target markets. A marketing channel is the network of organizations that create time, place, and ownership utilities for household consumers and business customers. A traditional marketing channel consists of the manufacturer who produces the product and sells it's to a wholesaler, the wholesaler who resells the product to a retailer, and the retailer who sells the product to the household consumer. Marketing channels make available the vast array of products, whether they are automobiles, food products, clothing, electronics, or cleaning supplies, to billions of people and millions of business customers all over the world.

The importance of place decision in formulating marketing strategy cannot be overstated. In today's market place, the remaining three Ps of product, promotion, and price can be easily duplicated. For example, consider the product, price and promotional strategies of the electronic retail agents Best Buy and Circuit city. Each of their strategies are virtually identical each retailer pursues a "me-too" strategy by selling the same products for the same price and by promoting their products primarily through advertising circulars distributed in Sunday newspapers. In contrast, if one of these retailers is able to control its distribution costs

and/ or create enhanced time, place, or ownership utility through its channel strategy, then it has created a differential advantage that is difficult to duplicate. For example, Wal-Mart and Kmart sell virtually identical products for very similar prices. So, why Wal-Mart so much more profitable? Wal-Mart's profitability is due in large part to its very efficient and highly effective channel strategy.

2.8 Channel Management Decisions

Once selected, channel members must be continuously managed and motivated to do their best. The company must sell not only through the intermediaries but also to and with them. Most companies see their intermediaries as first-line customers and partners. They practice strong partner relationship management (PRM) to forge long-term partnerships with channel members. This creates a value delivery system that meets the needs of both the company and its marketing partners. In managing its channels, a company must convince distributors that they can succeed better by working together as a part of a cohesive value delivery system (Kotler and Keller, 2012)

After a company has chosen a channel alternative, it must select, train, motivate, and evaluate the individual intermediaries. Then, because neither the marketing environment nor the product life cycle remains static, the company must be ready to modify these channel arrangements over time (Kotler, 2002).

2.9 Decisions Areas of Channel Management

Channel management viewed from the perspective of the producer or manufacturer looking down the channel toward the marketer can be divided into six basic decision areas (K.Douglas, 2006).

1. Formulating channel strategy
2. Designing the channel structure
3. Selecting the channel member
4. Motivating the channel members
5. Coordinating channels strategy with the marketing mix
6. Evaluating channel members performance

2.9.1 Formulating channel strategy

According to (K.Douglas, 2006) channel strategy refers to the broader set of principles by which a firm seeks to achieve its distribution objectives to satisfy its customers. In recent years, more firms have been discovering the value of innovative channel strategy for creating a sustainable competitive advantage. These firms realize that of the four Ps of the marketing mix-product, pricing, promotion, place-only place (marketing channels) provides shelter from quick imitation by competitors. Why? Simply because rapid technology transfer has made it difficult, if not impossible, to hold on to a competitive advantage based on the P of superior products, competing domestic or foreign, can quickly match virtually any product innovation. Holding on to the P of a pricing advantage is even more difficult, because global competition ensures that a competitor somewhere in the world will match or beat the price. The other P, Promotion, also does not provide for much sustainability, because there is simply too much advertising from literally thousands of promotional messages knocking each other out of the box in short order. So channel strategy has moved to the centre stage of marketing strategy as firms seek to gain a leg up on the competition that they can hold onto for awhile. The range of firms using this approach cuts across many products and industries.

2.9.2 Designing the channel structure

According to (Kotler, 2002) channel arrangements must be reviewed periodically and modified when distribution is not working as planned, consumer buying patterns change, the market expands, new competition arises, innovative distribution channels emerge, or the product moves into later stages in the product life cycle. Rarely will a marketing channel remain effective over the entire product life cycle. Early buyers might be willing to pay for high value-added channels, but later buyers will switch to lower-cost channels. This was the pattern for many products, including small office copiers, which were first sold by manufacturers' direct sales forces, later through office-equipment dealers, still later through mass merchandisers, and now by mail-order firms and Internet marketers.

Adding or dropping an individual channel member requires an incremental analysis to determine what the firm's profits would look like with and without this intermediary. Sometimes a producer considers dropping all intermediaries whose sales are below a certain amount. For example, Navistar noted at one time that 5 percent of its dealers sold fewer than three or four trucks a year. It cost the company more to service these dealers than their sales

were worth. But dropping these dealers could have system-wide repercussions. The unit costs of producing trucks would be higher because the overhead would be spread over fewer trucks, some employees and equipment would be idled, some business in these markets would go to competitors, and other dealers might become insecure. All of these factors have to be taken into account when changing channel arrangements.

Kotler (2002) indicated that the most difficult decision involves revising the overall channel strategy. Distribution channels can become outmoded over time, as a gap arises between the existing distribution system and the ideal system that would satisfy target customers' (and producers') requirements.

It has been suggested in (Kotler and Keller, 2012) no channel strategy remains effective over the whole product life cycle. In competitive markets with low entry barriers, the optimal channel structure will inevitably change over time. The change could mean adding or dropping individual market channels or channel members or developing a totally new way to sell goods.

2.9.2.1 Channel Evolution

A new firm typically starts as a local operation selling in a fairly circumscribed market, using a few existing intermediaries. Identifying the best channels might not be a problem; the problem is often to convince the available intermediaries to handle the firm's line. If the firm is successful, it might branch into new markets with different channels. In smaller markets, the firm might sell directly to retailers; in larger markets, through distributors. In rural areas, it might work with general-goods merchants; in urban areas, with limited-line merchants. It might grant exclusive franchises or sell through all willing outlets. In one country, it might use international sales agents; in another, it might partner with a local firm.

Early buyers might be willing to pay for high-value-added channels, but later buyers will switch to lower-cost channels. Small office copiers were first sold by manufacturers' direct sales forces, later through office equipment dealers, still later through mass merchandisers, and now by mail-order firms and Internet marketers. In short, the channel system evolves as a function of local opportunities and conditions, emerging threats and opportunities, company resources and capabilities, and other factors (Kotler and Keller, 2012).

According to (K.Douglas, 2006) most business cannot expect to maintain the same channels they have used in the past in the face of environmental forces. Different economic conditions,

socio cultural developments, new competitive structure, advancing technology, and government regulation all may influence firms to face the challenge of channel design. For example, virtually all major companies have been forced by the two environmental forces of technology and competition to design online channels to augment their conventional channels.

Channel design is the process of developing new channels where none existed before, or making significant modifications to existing channels. The process of channel design can be broken down in to four basic phases:

1. Setting distribution objectives
2. Specifying the distribution tasks that need to be performed by the channel
3. Considering alternative channel structure
4. Choosing an optimal channel structure

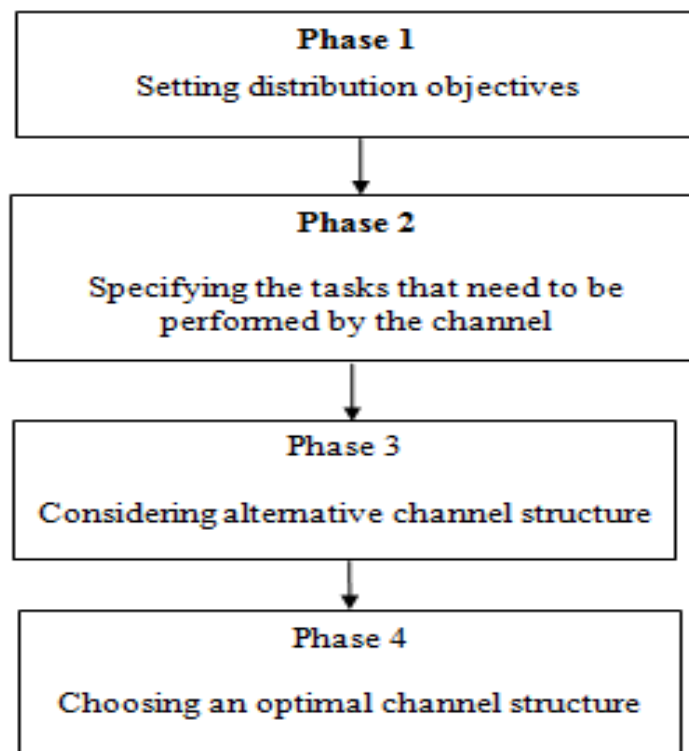


Figure 2.1 Phases of the channel design process

Source : (K.Douglas ,2006, p.336)

2.9.2.2 Setting Distribution Objectives

As has been argued (K.Douglas, 2006) distribution objectives refer to what the firm would like its channel strategy to accomplish in terms of meeting the needs of its customers. At this stage of channel design, then, distribution objectives need to be stated from the point of view of the customer. This is sometimes referred to as the bottom up or backward approach to channel design because the starting point of designing the channel is also the end point of the channel-the customer.

2.9.2.3 Specifying the Distribution Tasks

Make products available to final consumers how, when, and where they want them calls for performing numerous distribution tasks such as storage, inventory control, order processing , transportation, order tacking, and many others. Firms make often the mistake of underestimating the level of detail and subtlety involved in particular industries (K.Douglas, 2006).

2.9.2.4 Considering Alternative Channel Structure

According to (K.Douglas, 2006) the form or shape the channel takes to perform the distribution tasks are referred to as the channel structure. Also recall the channel structure has three dimensions: (1) length, (2) intensity, and (3) the types of intermediaries used.

(K.Douglas, 2006) further indicated that in terms of length, the number of alternative available to a firm is usually limited manufacturer to final customer, as in the case of Dell computer; one level of intermediary, as used by Saturn (auto retailers); two levels, as used by Coors beer (wholesalers and retailers); or three level of intermediaries, where an agent or broker may appear in the channel structure, which is common for many imported products.

The number of alternative in the intensity dimension is even more limited, because intensity is so closely related to the nature of the product in question. Thus, the only realistic alternative for products intended for mass markets, such as Gillette razor blades, is intensive distribution in order to provide adequate market coverage. At the other end of spectrum, expensive or prestigious products such as BMW automobiles, require highly selective or even exclusive distribution to help maintain at the aura and quality image of the product.

Management's range of alternatives for the third dimension of the channel structure, the types of intermediaries to use, is usually broader than for the first two. Within reason management

is limited only by its imagination in deciding what kinds of distributors it wants to include in its channel structure.

2.9.2.5 Choosing an Optimal Structure

Many different approaches have been suggested over the years for choosing an optimal structure. Formal management-science approaches, capital budgeting methods, and distribution cost analysis techniques have all been offered as a means for choosing channel structure. For the most part, these methods have not found much use in the real world. Much more common are approaches that rely on managerial judgement accompanied by some data on distribution costs and profit potentials. Judgement approaches can be made more formal through explicit identification of criteria to be used in choosing the channel structure.

The most basic of these are.

-  Market variable: the location of final customers, the number of customers, and their density, together with their patterns of buying behaviour, are the key market variable to consider.
-  Product variable: such factors as bulk and weight, unit value, newness, technical versus non-technical, and perish ability are product variables that are frequently important.
-  Company variable: the financial capacity of the firm, its size, expertise, and desire for managerial control are some of the most important company variable.
-  Intermediary variable: cost, availability and services provided are indicative of intermediary variables that management needs to consider.
-  Behavioural variables: factors such as the potential of particular channel structures to reduce conflict, while maximizing power, are key behavioural variables for management to consider.
-  External environmental variables: finally, variables such as economic conditions, socio cultural changes, and competitive structure, technology and government regulations are all important environmental variables to consider when choosing channel structure (K.Douglas, 2006).

Apple computer considered all of these variables in deciding to establish a new channel consisting of a chain of its own retail stores. Market variables were considered via apple's belief that existing independent retailers and apple's own web site were not covering the market sufficiently to reach apple's target market. Product variables were of major concern because apple felt that its high innovative products needed a special "showcase" in the form of upscale company owned stores staffed by knowledgeable apple sales people. The crucial company variable that apple weighed was its desire for control of how its products were marketed. The company owned stores channel would provide such control.

Intermediary variables were examined in terms of lack of existing computer retailers that could meet apple's desired standards for representing its products. The power to control its own destiny was the behavioural variable apple focused on in establishing its own stores. Rather than face power struggles with giant retailers, apple hopped to outflank them with its own stores.

Finally, at least two environmental variables played a role in apple's decision to establish its new channel: competitive structure and socio cultural changes. Apple wanted to avoid going head-to-head in the mass market for home computers so it chose to deemphasize distribution through mass retail merchandisers where competition would be most intense. From a social cultural perspective, apple's version of the computer as having unlimited possibilities for enhancing people's lives as they work and play called for channel that could spark the public's imagination every time a customer set foot in one of its exciting retail stores (K.Douglas, 2006).

2.9.3 Selecting Marketing Channels

According to (Kotler, 2002) decisions about marketing channels, which help producers deliver goods and services to their target markets, are among the most critical facing management— because the channels that are chosen intimately affect all of the other marketing decisions. For example, the company's pricing depends on whether it uses a direct Web presence, discount merchants, or high-quality boutiques. Also, the firm's sales force and advertising decisions depend on how much training and motivation its dealers need.

Another reason why these decisions are so critical is that they involve relatively long-term commitments to other firms. When an automaker signs up independent dealers to sell its vehicles, the automaker cannot simply buy them out the next day and replace them with

company-owned outlets. “A distribution system . . . is a key external resource. Normally it takes years to build, and it is not easily changed.

Technology is, of course, having a profound effect on channel decisions and management. In an era when buyers and sellers alike seek speedier sales transactions, marketing-channel technologies (including automated inventory and storage systems) and the Internet are adding value by expediting the flow of physical goods, ownership, payment, information, and promotion. We explore the selection and management of marketing channels from the viewpoint of producers of goods and services.

To facilitate channel member selection, producers should determine what characteristics distinguish the better intermediaries—number of years in business, other lines carried growth and profit record, financial strength, cooperativeness, and service reputation. If the intermediaries are sales agents, producers should evaluate the number and character of other lines carried and the size and quality of the sales force. If the intermediaries are department stores that want exclusive distribution, their locations, future growth potential, and type of clientele will matter (Kotler and Keller, 2012).

It has been suggested (Yeboah, et al. 2013) for manufacturer to select a channel, they must consider the following:

-  The product characteristics and how they affect methods of distribution
-  Customers and their requirements
-  Location of the customers
-  How, when and where customers want to buy the products
-  The cost of distribution
-  The legal and regulatory constraints of the distribution

These are important issues and require significant levels of analysis in order to gain an understanding of the situation.

There are two perspectives of intermediary selection, the strategic perspective and the operational;

Perspective: strategic in relation to looking at the ‘bigger picture’ and ‘operational’ looking at the ability to implement the strategic marketing plan and distribution strategy (Yeboah, et al., 2013 as cited in Armstrong & Kotler 2010)

As has been argued in (K.Douglas, 2006) the selection of channel members, the last phase of channel design, consists of four steps:

1. Developing selection criteria
2. Finding prospective channel members against certain criteria
3. Evaluating prospective members in to actual members
4. Converting prospective members in to actual members

2.9.3.1 Developing Selection Criteria

Although general lists of selection criteria, such as those shown in figure 2.2, can provide a frame work, each firm needs to develop criteria for selecting channel members that are consistent with its distribution objectives and strategies. Thus, the list of criteria for a firm practicing highly selective distribution, such as polo by Ralph lauren, might include such factors as the prospective channel members’ reputation and the competing product lines it carries. A firm using very intensive distribution, such as Bic pens, might use little more than one criteria that consists of the prospective channel members’ ability to pay the manufacturer for the products it ships to them (K.Douglas, 2006).

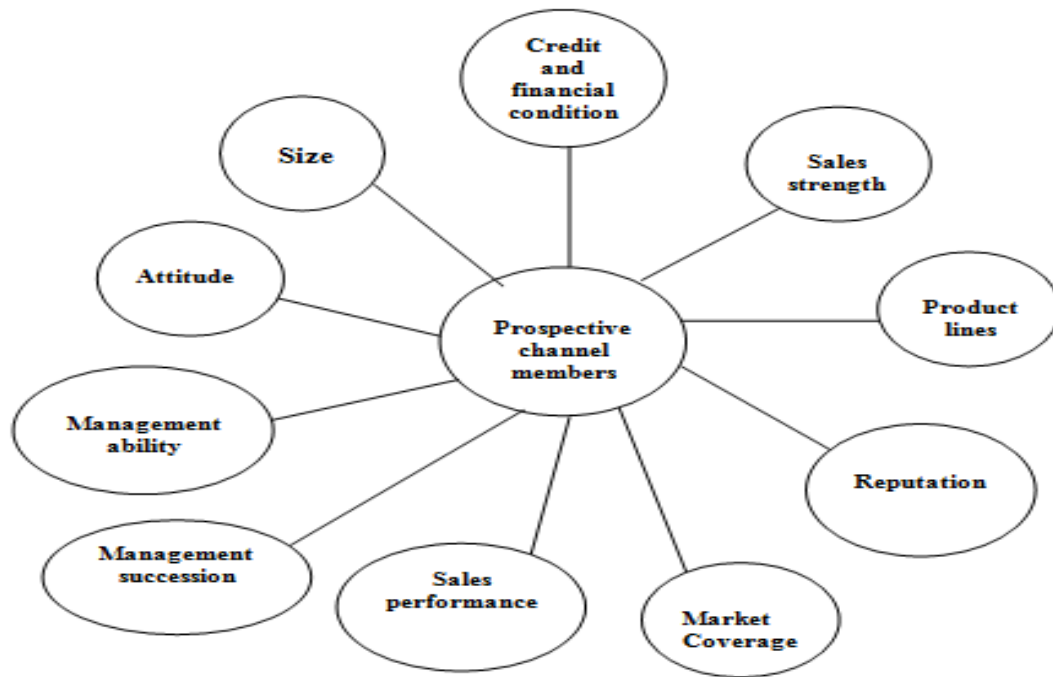


Figure 2.2 General Criteria for Selecting Channel Members

Source: (K. Douglas 2006, p.369)

2.9.3.2 Finding prospective channel members

The search of prospective channel members can use a number of sources. If the manufacturer has its own outside field sales force, this is generally regarded as the best prospect source because of sales personnel's knowledge of prospective channel management in their territories. Other useful sources include customers, advertising, trade shows, and internet. Usually, combination of several of these sources is used to find prospective channel members at both the wholesale and retail levels (K.Douglas, 2006).

2.9.3.3 Evaluating prospective channel members

Once prospective channel members have been identified, they need to be assessed against certain criteria to determine those will actually be selected. This is can be done by an individual manager (such as the sales manager) or by a committee. Depending on the importance of the selection decision, such a committee might well include top management, up to and including the chairman of the board, if the selection decision is great strategic importance (K.Douglas, 2006).

2.9.3.4 Converting Prospective Members into Actual Members

It is important to remember that the selection process is a two-way street. Not only do producers and manufacturers select franchises, but these intermediaries, especially large and powerful retailers and wholesalers that are in the driver's seat when it comes to selection (K.Douglas, 2006).

2.9.4 Training and Motivating Channel Members

Companies need to plan and implement careful training programs for their distributors and dealers because the intermediaries will be viewed as the company by end users (Kotler, 2002). A company needs to view its intermediaries the same way it views its end users. It should determine their needs and wants and tailor its channel offering to provide them with superior value. Carefully implemented training, market research, and other capability-building programs can motivate and improve intermediaries' performance. The company must constantly communicate that intermediaries are crucial partners in a joint effort to satisfy end users of the product. Microsoft requires its third-party service engineers to complete a set of courses and take certification exams. Those who pass are formally recognized as Microsoft Certified Professionals and can use this designation to promote their own business. Other firms use customer surveys rather than exams (Kotler and Keller, 2012).

2.9.4.1 Channel Power

Producers vary greatly in their skill in managing distributors. Channel power is the ability to alter channel members' behaviour so they take actions they would not have taken otherwise. Manufacturers can draw on the following types of power to elicit cooperation (Kotler and Keller, 2012).

-  **Coercive power.** A manufacturer threatens to withdraw a resource or terminate a relationship if intermediaries fail to cooperate. This power can be effective, but its exercise produces resentment and can lead the intermediaries to organize countervailing power.
-  **Reward power.** The manufacturer offers intermediaries an extra benefit for performing specific acts or functions. Reward power typically produces better results than coercive power, but intermediaries may come to expect a reward every time the manufacturer wants certain behaviour to occur.

- ✚ **Legitimate power.** The manufacturer requests a behaviour that is warranted under the contract. As long as the intermediaries view the manufacturer as a legitimate leader, legitimate power works.
- ✚ **Expert power.** The manufacturer has special knowledge the intermediary's value. Once the intermediaries acquire this expertise, however, expert power weakens. The manufacturer must continue to develop new expertise so intermediaries will want to continue cooperating.
- ✚ **Referent power.** The manufacturer is so highly respected that intermediaries are proud to be associated with it. Companies such as IBM, Caterpillar, and Hewlett-Packard have high referent power.

Coercive and reward power are objectively observable; legitimate, expert, and referent power are more subjective and depend on the ability and willingness of parties to recognize them.

Most producers see gaining intermediaries' cooperation as a huge challenge. They often use positive motivators, such as higher margins, special deals, premiums, cooperative advertising allowances, display allowances, and sales contests. At times they will apply negative sanctions, such as threatening to reduce margins, slow down delivery, or terminate the relationship. The weakness of this approach is that the producer is using crude, stimulus-response thinking.

2.9.4.2 Channel Partnerships

More sophisticated companies try to forge a long-term partnership with distributors. The manufacturer clearly communicates what it wants from its distributors in the way of market coverage, inventory levels, marketing development, account solicitation, technical advice and services, and marketing information and may introduce a compensation plan for adhering to the policies. To streamline the supply chain and cut costs, many manufacturers and retailers have adopted efficient consumer response (ECR) practices to organize their relationships in three areas: (1) demand side management or collaborative practices to stimulate consumer demand by promoting joint marketing and sales activities, (2) supply side management or collaborative practices to optimize supply (with a focus on joint logistics and supply chain activities), and (3) enablers and integrators, or collaborative information technology and process improvement tools to support joint activities that reduce operational problems, allow greater standardization, and so on . Research has shown that although ECR has a positive

impact on manufacturers' economic performance and capability development, manufacturers may also feel they are inequitably sharing the burdens of adopting it and not getting as much as they deserve from retailers (Kotler and Keller, 2012).

According to (K.Douglas, 2006) it refers to the actions taken by manufacturers (or franchisers) to get channel members to implement their channel strategy. Because efforts to motivate channel members take place in the inter organizational setting of the market channel, the process is usually more difficult than motivation in the intra organizational setting of single firm. Motivation in the market channel can be viewed as a sequence of phases.

1. Learning about the needs and problems of channel members.
2. Offering support to channel members to help meet their needs and solve their problems
3. Providing ongoing leadership

Although the stages in the motivation process are sequential, the processes repeat itself because of continuous feedback form from step 2 and 3. This is illustrated in figure 2.3.

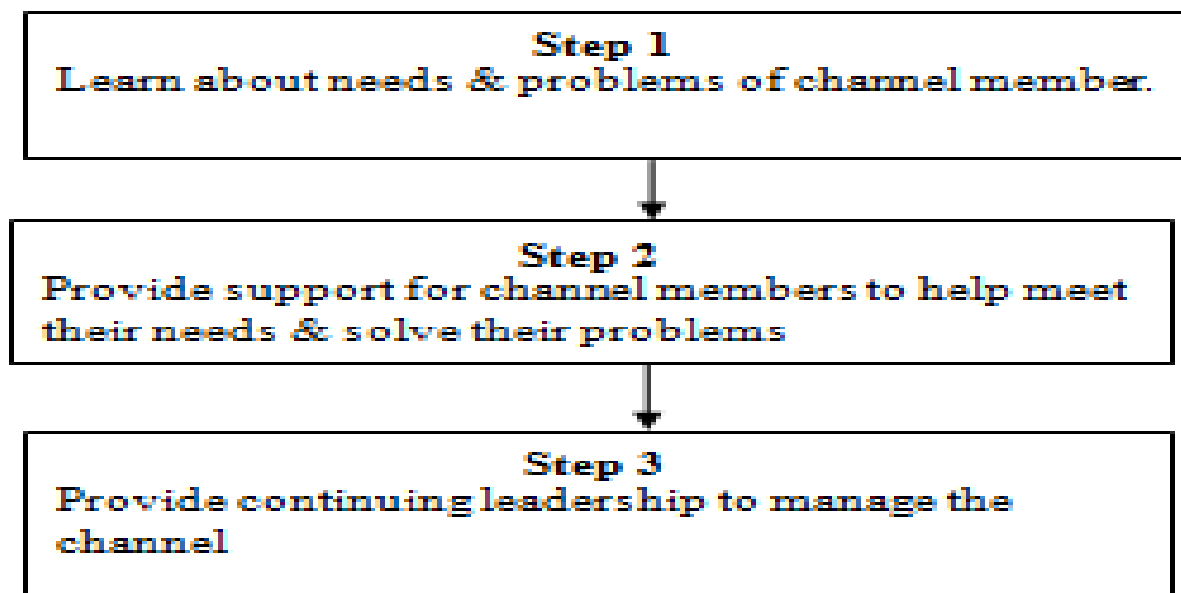


Figure 2.3 the Motivation Process in Marketing Channel

Source: (K. Douglas 2006, p.371)

2.9.4.3 Learning about Channel Members' Needs and Problems

If manufacturers or franchisers expect strong cooperation from channel members, their channel strategies should meet channel members' needs and help solve their problems. But this is easier said than done, because it is all too easy for manufacturers or franchisers to project their own views onto channel members rather than investigate the channel members' views (K.Douglas, 2006).

2.9.4.4 Offering Support for channel Members

Providing support for channel members can be done in a variety of ways, from an informal hit-or-miss approach to carefully planned strategies (K.Douglas, 2006).

Informal support approaches: are the most common in traditional channels. Advertising dollars, promotional support, incentives, contests, and increasingly in recent years, slotting fees (cash payments to channel members to gain shelf space) are frequently offered by manufacturers to jump start the channel members efforts to push the manufacturers product. But these are often no more than cases of throwing money at a particular need or problem without thinking too deeply about it.

Strategic alliance or channel partnerships: however represent a more substantial and continuous commitment between the manufacturer and channel members.

Support provided by the manufacturer is based on extensive knowledge of the needs and problems of the channel members and is carried out on a long term base. There are often specific performance expectations that have been worked out by the manufacturer in conjunction with channel members.

Vertical marketing system: (VMS) provide another means through which support can be provided for channel members. VMSs have been defined as ‘’ professionally managed or centrally programmed networks, pre-engineered to achieve operating economies and maximum impact. There are three basic types of VMSs: (1) administered, (2) contractual, and (3) corporate.

An administered VMS: - is characterized by careful and comprehensive program developed by one of the channel members to support the efforts of other channel members

Contractual VMSs:-consist mainly of retail cooperatives, wholesalers-sponsored voluntary chains and franchise systems. Retail cooperatives are created when a group of retailers unities

and agrees to pool its buying power and contribute to the operation of the cooperative by collectively supporting its own professionally managed advertising, store design, information system, and other major management tasks.

Wholesaler-sponsored voluntary chains:- are similar to retail cooperatives except that a wholesaler gets large number of retailers to work together. By agreeing to buy a major portion of their inventories from the sponsoring wholesaler, buying power increases and the combined association has the resources to hire professional managers to increase the operating efficiency of the voluntary association. Wholesaler sponsored voluntary chains are most prominent in the grocery trade.

Franchise: or what in more recent years has been referred to as business-format franchising, is characterized by a close business relationship between franchisor and franchisee that includes not only the product, service and trademark but also the entire business format itself, including marketing strategy, training, merchandize management, operating procedures and quality control. Consequently, it is comprehensive method for distributing goods and services based on continuous contractual relationship between franchisor and franchisee that covers virtually all phases of the business(K.Douglas, 2006).

A Corporate VMS exists when a firm owns and operates the organizations at other levels in marketing channel. The firm owning and operating the other units may be a manufacturer, wholesaler, and retailer. When it is a manufacturer that owns and operates wholesale and/or retail units, the system is usually described as forwardly integrated. When wholesaler and retailer own and operate their own manufacturing unites, backwardly integrated marketing channels exists (K.Douglas, 2006).

2.9.4.5 Providing continuing Leadership

Even a well-conceived motivation programs, based on a through attempt to understand the channel members needs and problems, coupled with a carefully targeted support program, still require leadership on a continuing basis to achieve effective motivation of channel members (K.Douglas, 2006).

2.9.5 Coordinating channel strategy in the marketing Mix

Channel strategy is not formulated a vacuum. The other three Ps of the marketing mix-product, price and promotion-must all be considered as well. What is especially important is to recognize the interrelationships among these marketing mix components, and try to achieve synergy rather than conflict among the four Ps. Thus channel strategy should enhance rather than detract the firms' product, price and promotion strategies (K.Douglas, 2006).

2.9.5.1 Product strategy and channel strategy

Product strategy often depends on channel strategy because some key product strategies interface with channel strategy in ways that can mean the difference between success or failure. Product positioning strategy, which seeks to present products to customers in a way that gives the products a certain image compared to competitive products (K.Douglas, 2006).

2.9.5.2 Pricing strategy and channel strategy

Pricing strategy is closely related to channel management because pricing decisions need to take in to account channel issues if the manufacturer expects strong cooperation from the channel members, the different price charged to various classes of channel members, prices of competitive products carried, special pricing, deals, changing pricing policies, and the use of price incentives are all factors of major concern to many channel members. Thus, the manufacturer needs to make sure that it knows something about the expectations of channel members for these and other relevant pricing issues before embarking on any pricing strategy (K.Douglas, 2006).

2.9.5.3 Promotional strategy and channel strategy

According to (K.Douglas, 2006) promotion interfaces extensively with channel strategy, because many promotions undertaken by a manufacturer require strong channel member support and follow through to work successfully.

2.9.6 Evaluating Channel Members

Producers must periodically evaluate intermediaries' performance against such standards as sales quota attainment, average inventory levels, customer delivery time, treatment of damaged and lost goods, and cooperation in promotional and training programs. A producer will occasionally discover it is overpaying particular intermediaries for what they are actually doing. One manufacturer compensating a distributor for holding inventories found the inventories were actually held in a public warehouse at its own expense. Producers should set

up functional discounts in which they pay specified amounts for the trade channel's performance of each agreed upon service. Underperformers need to be counselled, retrained, motivated, or terminated (Kotler and Keller, 2012).

According to (K.Douglas, 2006) the evaluation of channel member performance is necessary to assess how successful the channel members have been in implementing the manufacturer's channel strategies and achieving distribution objectives. Evaluating require the manufacturer to gather information on the channel members. But the manufacturer's ability to do this will be affected by its degree of control of channel members. Usually, the higher the degree of control, the more information the manufacturer (or franchiser) can gather, and vice versa.

2.10 Channel Issues

The distribution channel is vital to a firm for two reasons. First, it is an integral part of the firms overall marketing strategy, and second, it requires commitments on the part of each channel member. Channel decisions are long term decisions. Other channel issues include the use of independent intermediaries, channel leadership, and the degree of distribution (Cunningham William H., 1987).

2.10.1 The use of Intermediaries

There are several reasons why manufacturers sell through independent intermediaries rather than own distribution channels themselves. First most firms do not have enough capital to own an entire channel. Second most manufacturers believe that independent channel members perform distribution functions more efficiently than they could themselves. Very simply, manufacturers cannot match the experience, specialization, contacts, and scale of operations of independent intermediaries (Cunningham William H., 1987).

2.10.2 Channel Leadership

In today's competitive market place, the issue of channel leadership is important because coordination among channel members can reduce distribution costs. Independent channel members may choose to act in their own best interests, but the issue of leadership is still relevant. Who leads the channel is a function of who holds power in it. Manufacturers, wholesalers or retailers may act as channel leaders. Whoever it is, the leader sets policy for the channel, assigns functions among channel members and coordinates their efforts.

Manufacturer Leadership large manufacturers often serve as channel leaders. Their power stems from their vast financial resources, allowing them to invest heavily in new product

research, to develop consumer loyalty through strong brand promotions, to purchase or gather marketing research data, and to offer high margins of independent wholesalers and retailers. Small manufacturers cannot compete with big companies in these areas. However they may assume leadership role in channel if they produce a product that is in great demand. Manufacturers don't act as channel leaders when they have little financial and market power relative to other channel members, especially when they are large wholesalers or large retailers, who can become quite powerful when substitute sources of supply are available at competitive prices. In addition some manufacturers simply are not interested to focus their efforts on product research and development and to let someone else worry about distribution (Cunningham William H., 1987).

2.10.3 Wholesaler Leadership

Wholesaler leadership it can play an important channel leadership role when manufacturers lack financial and marketing resources and when retailers are small. Since this situation is not that common in our economy, most wholesalers today don't lead their channels. Wholesalers who understand their role and can effectively carry out the policies of their channel leaders can contribute profitably to channel efficiency (William, Isabella & Christopher, 1987).

Retailer Leadership small retailers rarely have the power to be channel leaders. Individually they do not sell enough merchandise to compel manufacturers to adopt their marketing policies (Cunningham William H., 1987).

2.10.4 Degree and Determination of distribution

According to (Cunningham William H., 1987) degree of distribution refers to the relative availability of product to customers. Three levels of distribution intensity are recognized: intensive, exclusive, and selective

Intensive Distribution: it is a type of distribution in which a product is sold through as many retail outlets as possible. This strategy tends to maximize a product's sales because consumers are widely exposed to it. It also means that the manufacturer will have to employ a large sales force to stay in contact with the many intermediaries necessary to supply the market. Examples of products distributed intensively are cigarettes, candy, milk, and beer.

Exclusive Distribution: the opposite of intensive distribution, it is that type of distribution in which a product is sold through one or only a few outlets within a trading area. This strategy generally involves low-distribution costs to the manufacturer, since only a few salespeople

are required to facilitate movement of the product to the market. It also tends to create a harmonious relationship between the intermediate and the manufacturer, each of whom feels a part of the other organization. The cooperation is essential if the product is to succeed. Products sold via exclusive distribution include expensive watches, fine china, and sterling silver.

Selective Distribution: intensive and exclusive distribution represent the extremes on a continuum of distribution intensity from a great many product outlets to a very few.

Selective distribution is located in the middle of the distribution continuum and is a type of distribution in which a product is sold by many, but not all, retailers in a trading area. Products distributed selectively are generally sold in department and specialty stores. Examples of such products are television sets, VCRs, dishwashers, and carpeting.

2.11 Channel of Distribution functions

1 **contacting:** one of the most important functions of the distribution channel is contacting buyers or potential buyers of the product.

2. **Sorting:** by buying a large number of products in large quantities and then dividing and rearranging them in to suitable combinations for the buyer, intermediaries greatly facilitate the distribution process.

3. **Stimulating demand:** intermediaries help the manufacturer sell merchandise through personal selling and advertising.

4. **Marinating Inventory:** since marketing intermediaries maintain inventories of the merchandise they sell, products are all times closer to the point of purchase than they would otherwise be.

5. **Transmitting marketing information:** the distribution channel serves as an excellent conduit for information flowing between the marketing and the manufacturer (Cunningham William H., 1987).

2.12 Definition of product

We defined a product as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. Product includes more just tangible goods. Broadly defined, products include physical objects, services, events, persons, places, organizations, ideas, or mixes of these entities (Kotler and Keller, 2006).

2.12.1 Product Mix Decisions

All of the products a company markets can be thought of as its Product mix. The mixture of products typically includes various items that are related in terms of the raw materials used to create them, the products' end uses, or the customers targeted. A group of related items in a company's product portfolio constitutes a product line. The following example illustrates the number of product mix decisions marketers must make (K. Douglas, 2006).

The Purex Corporation had a relatively small product mix when it opened its door. The company primarily manufactured bleach and a few powdered laundry detergents. Over the years, through new product development and acquisitions, Purex extended its product mix by offering fabric softeners fabric softener sheets, Brillo soaps pads, sweetheart soaps, sweetheart dish liquid, Mildew stain remover, and sponge products. This product all relate to household cleaning.

The product –mix width: (K. Douglas, 2006) elaborates as 'The number of different product lines a company offers. The width of purex's product mix included detergents, fabric softeners, cleaners, scouring pads, bleach, dish liquids, soaps, ammonia, and toilet-bowl cleaners.'

The product mix-depth refers to 'The number of brands within each product line. The depth of purex's detergent product line included purex powdered, purex liquid with fabric softener, trend powdered, trend liquid, Dutch powdered, and Dutch liquid'' (K. Douglas, 2006).

Any company limits its growth potential if it chooses to concentrate on a single product line. Companies that offer multiple product lines enjoy numerous benefits:

Protection against competition: if a company relies on one product for success, a competitor can enter the market, undercut its prices, and steal market share. A company with more than one product line will not be devastated by the effects a competitor's actions in any one particular area.

Increase Growth and Profits: companies offer more than one product line to boost market growth and company profits. If a product category is mature, with little to no growth, a company may find it difficult to increase its share and profits unless it is willing to spend more to take market share away from a competitor.

Offset Sales Fluctuations: companies that offer products with seasonal variations find that multiple product lines help to offset these fluctuations in sales.

Achieve greater impact: multiple product lines allow a company to achieve greater impact. A company with multiple lines of products is often more important to both consumers and channel members.

Enable Economic Resource Usage: multiple product lines enable the economical use of resources. Spreading operational costs over a series of products enables a manufacturer to reduce the average production and marketing costs for all of its products; this results in lower prices to customers.

Avoid obsolescence: companies offering more than one product line avoids become obsolete when one product line reaches the end of its life cycle.

2.12.2 Product mix and the multi-product marketing strategy problem

The problem of product mix, i.e. variety and quantity of products produced, is commonly encountered by almost all multi-product firms during the planning period. Here the objective is to maximize current profits subject to the various constraints, such as capacity, demand levels and quality. Such problems necessitate the use of linear programming (Capon , Noel;Capon, 2009).

2.12.3 Evolving the product Line

The firm must address three key issues in evolving its product line: improving the product mix, product cannibalisation, and product replacement (Capon , Noel;Capon, 2009).

2.12.4 Improving the Product Mix:

Firms can increase profits by introducing higher-margin products, possibly by replacing lower-margin products. Gillette pursued this strategy for many years with successively more expensive two-blade systems such as Trac II, Atra, and sensor. In 1998, it introduced the three blade mach 3, in 2004, it added battery operated M3 power, priced 67 percent higher than the mach3. In 2006, Gillette introduced the first five blade fusion and fusion power, with

refill prices one third more than Mach3 Turbo. The automobile industry offers similar examples like Toyota and Nissan entering the U.S market with low price cars and then moving upmarket, eventually introducing the Lexus and infinity, respectively (Capon , Noel;Capon, 2009).

2.13 Definition of Information System

According to (Belanger France and Slyke Craig Van, 2012) an organized combination of hardware, software, infrastructure, data and people that is used to accomplish a specified organizational or personal objective.

2.13.1 Enterprise system

There are many information system applications used by individuals and companies to perform tasks. For example, if you think of application you use that are for individuals only, you might find that quickens is used to manage your finances, or that Microsoft word is used to write your term papers. Those are considered personal information systems. Conversely, enterprise systems are information systems that serve the needs of the organization or parts of the organization. For example, the organization may use SAP's Enterprise Resource Planning (ERP) applications to manage the finance of the company, including paying bills, receiving invoice, and paying employees (Belanger France and Slyke Craig Van, 2012).

2.13.2 Supply chain management systems

We discussed how managing the flow of goods in its supplier and distribution channels helps the company tightly control its inventory and reduce its costs. Supply chain management, however, can also apply to services, financial products, knowledge, and relationships, as well as goods.

The typical supply chain involves the flow of goods from the manufacturer to the wholesaler to the retailer and to the consumer. Firms that provide or supply an organizations products and services are considered upstream, while firms that distribute an organizations product or services are considered downstream (Belanger France and Slyke Craig Van, 2012).

Enterprise systems are key to the management of supply chain. A well-managed supply chain can result in inventory costs reduction since products can be ordered as needed as opposed to have them store for long amounts of time. It can also reduce the amount of returned items through better inventory information.

(Belanger France and Slyke Craig Van, 2012) further noted that SCM can also improve a company's overall relationships with partners in the supply chain through more accurate and

timely communication about the flow of products, information, and payments. These can be referred to respectively as the product flow (movement of goods), information flow (orders and delivery status), and financial flow (credit terms, payment schedules, and consignment and title ownership arrangements).

A good SCM system also allows companies to offer just-in-time (JIT) inventory. This is when firms are able to maintain the lowest level of inventory while still being able to fulfil demand. Because SCM systems provide notice of inventory stock depletion in real time, personnel (or system) are able to order new stock immediately.

The key to SCM's success rests in the sharing of information both upstream and downstream. Today, most companies use web-based interfaces to access inventory, delivery, and other information from the SCM system. The SCM systems also tend to be increasingly integrated with other enterprise systems such as ERP and Customer relationship management (CRM) systems.

2.13.3 Customer Relationship Management System

Customer relationship management (CRM) refers to an organization-wide strategy for managing an organization's multiple interactions with customers. For example, when dealing with a company to buy a product, you might talk to a person via a toll-free phone number, send e-mail, chat in an instant messaging box with a customer representative, or simply perform your transaction online without "talking" with anyone. These are all channels of interaction.

CRM involves a set of activities (including a philosophy of customer service) and technologies (the CRM system) meant to help understand the needs of current and potential customers. The CRM system allows organizations to attract and retain customers, and to manage customer relationships, for example by offering personalized services and self-servicing tools. It also allows companies to analyse customer data to find its most profitable products, services and customers.

Broadly speaking, there are three main goals for CRM. First, CRM systems help organizations manage multiple channels of interaction with customers in ways that the customers prefer. The second goal of CRM system is to provide an integrated picture of the customer across the various customer-facing parts of organization. The third major goal of CRM systems is to enable the analysis of customer related information. This information is

gathered through interactions with customers, although external data (such as census data) may also be involved (Belanger France and Slyke Craig Van, 2012).

2.13.4 Customer Service Life Cycle

The customer service life cycle (CSLC) is a framework to help us understand the various tasks a CRM can be useful for. The CSLC is a series of phases that customers pass through when interacting with an organization. There are a number of variations on the phases, but they are all similar. Our simplified CRM includes four phases; engage, transact, fulfil, and service. Table 2.1 summaries the phases and shows some specific CRM- related applications that can be useful for each CSLC phase. The combined phases are referred to as a cycle, as shown in table 2.1, because completion of one round of the cycle often leads to another round (Belanger France and Slyke Craig Van, 2012).

Table 2.1 Phases in customer Service life cycle

Phase	Description	Example
Engage	Creating customer awareness of the product Or service. The goal of engage stage is to generate leads and then concert those leads into buying customers	campaign management email marketing Lead processing Sales force automation Web based catalogues
Transact	All activities associated with the purchase process. The goal of this phase is to efficient and effectively complete the purchase process so that customers do not abandon the purchase process in the middle.	order management Payment process and options Product configuration Product pricing
Fulfil	delivery of product or service to the customer	order tracking Supply chain integration call centre automation
Service	supporting the customer during the ownership of a product or service	Customer issue management Self service

Source: (Belanger France and Slyke Craig Van, 2012, p.122)

2.13.5 Components of CRM systems

CRM systems have three main components: operational, collaborative, and analytical CRM (Belanger France and Slyke Craig Van, 2012).

The operational components of a CRM system help an organization improve day-to-day interactions with customers. They are involved with the operations of the company such as sales or repairs.

The collaborative components of a CRM system help the organization interact and collaborate with their customers. They include older applications such as email and automated response systems, but also newer ones such as interactive chat facilities for customer service, interactive Voice Response (IVR) systems, and voice over IP (VoIP), which allows a customer to talk to a “live” customer service representative while online.

The analytical components of a CRM consist of technologies and process organizations can use to analyze customer data. Critical analytical component in most CRM systems is the data warehouse. **Data mining** technologies and methods are often used to discover patterns and groups in the data stored in a data warehouse. Data mining involves using software that performs analyses of large data sets to find patterns that repeat themselves. For example, a grocery store might find that on college football weekends certain items always seem to sell “together.” The grocery store can then locate them together within the store. This is a very simple example, and data mining can find much more complex and detailed patterns. One analysis that many organizations find useful is customer segmentation (sometimes called customer clustering), which allows organizations to group customers that share certain characteristics. For example, student advantage, a company that provides college student-oriented marketing services, uses segmentation to place its student members in to very small segments. This allows student advantage to provide extremely targeted marketing opportunities to a wide variety of clients. Data mining can also help in customer profiling lets companies build a picture of a customer through data collected from their interactions with this customer. These profiles allow companies to better anticipate customer needs and better predict customer behaviour.

2.13.6 Benefits and Limitations of CRM systems

There are many expected benefits from the use of CRM systems for organizations (Belanger France and Slyke Craig Van, 2012).

First, CRM systems are expected to provide greater customer satisfaction because customers can receive personalized service and products, faster response time to their questions, and more streamlined interactions with the company. For companies these results in improved customer relations, which should lead to repeat business (called customer retention). In addition, CRM systems can help an organization maximize its profits by reducing the costs for acquiring a customer and serving a customers, and increasing overall revenues. Revenues can increase because of customer loyalty, but also because of what is cross-selling, or the selling of products to customers based on other products they acquired. For example, amazon.com often sends its customers book recommendations based on books they have previously bought.

There are also some potential disadvantages to the use of CRM. First, the implementation of CRM system requires more than simply installing the software application. In order to be successful in implementing a CRM system, organizations must look beyond purely technical issues and ensure that all customer facing employees are customer minded. The company must also make sure that it identifies all channels of interactions with customers. The ability to achieve buy-in from various areas of the organization is key to successful implementation. Of course, there are complicated technological issues that also must be addressed. First, the organization must ensure that its CRM architecture is scalable so that growth in customer demands is met without problems. Just like ERP systems, CRM systems can be customized to meet the specific needs of the organization. Overall, the ability to deal with both nontechnical and technical issues is a requirement for successfully implementing almost any enterprise system.

2.13.7 Customer Managed Interactions (CMI)

One issue with CRM systems is that they are very firm centric in the sense that they focus on the existing transactional and behavioural data collected by the organization based on the prior and current interactions of the customer with the organization. While trends can be used to predict what customers might buy in the future, there are some acquisitions and customer activities that are unforeseeable unless the customer tells the company about it. For example, a customer might be interested in some products for a friends upcoming wedding

but the company would not know of this ‘‘need.’’ To address this lack of information, some companies have turned their focus to customer managed interactions (CMI) (Belanger France and Slyke Craig Van, 2012).

Customer managed interactions (CMI) involve letting customers store and managed data about themselves. Why would customers willingly tell companies of their buying intentions? for convenience, money, or to obtain personalized service. Think of all of your friends who create wish list at some of the major online retailers like amazon.com or target.com. There is even a site dedicated to helping anyone create wish list (WhishList.com). Customers tell the company what they intend to buy; therefore, this information tends to be accurate. Once the company knows about intended purchases, it can perform targeting, for example giving a specific discount, which may push the customer over in to the buying phase of the customer service life cycle (Belanger France and Slyke Craig Van, 2012).

2.13.8 B2C E- Business Impacts

For some, these changes have been extremely positive (lower costs) while for others the changes may be perceived as very negative (loss of profit or even disappearance of some business). There are two specific terms used to refer to two impacts of e-business: channel compression and channel expansion (Belanger France and Slyke Craig Van, 2012).

2.13.9 E-Channel Compression (Disintermediation)

Channel compression is an impact on the downstream portion of the supply chain. The supply chain consists of several distributors and retailers upstream and downstream of the focal firm. In the distribution channel, the distributors and retailers are called intermediaries. E-Channel Compression refers to situations when the distribution chain is shortened by eliminating some or all of these intermediaries between the focal firm (product producer) and the end consumer. For this reason, channel compression is also called disintermediation. As previously discussed, this change in the distribution structure has led to some major restructuring in several industries, including the music, publishing, and travel industries. When organization has to decide whether or not to eliminate members of their distribution channel, they are often faced with channel conflict, or when to eliminate distributors and when to work with them. For example, if the Dell Company decides to offer products through dell retailers but also to sell directly online, how can they price products so that their resellers can make a profit but their consumers still feel they are getting the best prices when they buy directly online (Belanger France and Slyke Craig Van, 2012).

2.13.10 E-Channel Expansion

While e-channel compression has resulted in fewer organization involved in the supply chain for some industries, e-channel expansion offers the reverse impact.

E-channel Expansion is the addition of intermediaries in an industry whose purpose is to aggregate and provide information or brokering functionalities. In other words, they facilitate bringing buyers and sellers together or bringing relevant information to buyers and sellers. Think of the role of kayak.com. They do not offer their own flights, but pull information from different vendors (airlines), as well as other search engines (like expedia.com or priceline.co). These intermediaries can make money by receiving fees from vendors, or by allowing ads on their site. The larger the volume of users, the better they can sell ad placement (selling ads on their website based on number of viewers). An overall important effect of these intermediaries is to reduce search costs and the information symmetries that existed before the internet and e-business. A good example is provided by real estate e-brokers (Belanger France and Slyke Craig Van, 2012).

2.14 Customer Relationship Management (CRM)

Customer relationship management (CRM) is the process of identifying, attracting, differentiating, and retaining customers. CRM allows a firm to focus its efforts disproportionately on its most lucrative clients. CRM is based on the adage that 80% of a company profits come from 20% of its customers; therefore, the 20% should receive better service than the 80%. The increased use of CRM is practices, where high value customers are treated better than low value customers, can be attributed to several trends. First, some believe that customers have created the situation themselves by opting price, choice, and convenience over high quality service. Another reason CRM is currently fashionable is that labor costs have risen, while competitive pressures have kept price low. The end result is that gross margins have been reduced to 5-10% in many industries. With kind of margins, companies simply cannot afford to treat all of their customers equally. Finally, firms are expanding CRM efforts because of markets are increasingly fragmented and promotional costs are on the rise (K.Douglas, 2006).

(K.Douglas, 2006) noted also in his book for many business marketing firms, all customers are not equal; some accounts for a disproportionate share of sales or profit. Managers often refer to this as the 80/20 rule, meaning 20% of the customer's account for 80% of the sales. This means that the firms' most valuable customers deserve special attention (K.Douglas,

2006). To meet the specific needs of their most profitable customers, business marketing firms, large and small, are making substantial investments in CRM systems enterprise software applications that synthesize customer information from all of a company's contact or touch points, including e-mail, call centres and sales and services representatives to support subsequent customer interactions and to inform market forecasts and marketing strategies. Strategy experts contend that many CRM initiatives fail because executives mistake CRM software for a marketing strategy. It isn't CRM software can help, but only after a customer strategy has been designed and executed. To develop a profitable customer strategy, special attention must be given to the following activities.

1. Acquiring the right customers. A customer strategy requires a clear understanding of customer needs, a tight grasp on the costs that will be incurred in serving different types of customers, and an accurate forecast of profit potential. The goal for the business marketer is to identify the most valuable customers and prospects.
2. Crafting the right value proposition. The value proposition includes the goods, services, ideas, and solutions that a business marketer offers to advance the performance of the customer organization. To succeed, business marketers require a deep knowledge of what customers need today and will need tomorrow and what competitors are offering today and are likely to offer tomorrow.
3. Instituting the best processes. Frontline employees, such as salesperson, are responsible for creating satisfied, loyal customers because of their role in executing the strategy.
4. Motivating employees. Dedicated employees are the cornerstone of a successful customer strategy. Employee loyalty is earned by organizations that invest heavily in training and development and that align employee incentives to company performance measures.
5. Learning to retain customers. Customer loyalty and retention are important to business marketers because the cost of serving a long standing customer is often far less than the cost of acquiring a new customer. Why? Established customers buy more goods and services from a trusted supplier and as they do,

the cost of serving them declines. The business marketer also learns how to serve them in a more efficient manner and spots opportunities for expanding the relationship. So customer profitability tends to increase over the life of a relationship (K.Douglas, 2006).

2.14.1 CRM Outcomes

Typical outcomes of CRM practices include Coding, routing, targeting, and sharing. Each practice is typically associated with both positive and negative consequences for customers (K.Douglas, 2006).

Coding: Firms grade customers based on how profitable the customers' business is. Service staff is instructed to handle customers differently based on their category code.

Routing: Is the process of directing incoming calls to customers-service representatives in a way that ensures that more profitable customers are more likely to receive faster and better customer service.

Targeting: profitable customers have fees waived and are targeted for special promotions. Less profitable customers may never hear of the special deals.

Sharing: involves making key customer information accessible to all parts of the organization, and in some cases selling that information to other firms.

2.14.2 Limitations of CRM Practices

Technology greatly enhances CRM processes by identifying current and potential customers, differentiating among high value and low value customers, and customizing offers to meet the needs of individual high value customers. However there are limitations. First, customers don't like hearing that some customers are valued more than others, especially when they are not the ones receiving the white-glove treatment.

CRM is also limited by its focus on past purchase patterns. In reality, what customers spend today is not necessarily a good predictor of what their behaviour will be tomorrow (K.Douglas, 2006).

2.15. Down Stream Supply chain Integration

The current economic realities of a highly volatile market and negligible or even negative economic conditions, require enterprises to desist from traditional business practices that are ego centric in nature, and employ sustainable practices of collaboration that enhance business survival and growth in hard times. Managing relationships in downstream supply chain has been one of the most recommended contemporary business practices that organizations can employ to achieve competitive advantage, especially in the current volatile markets and environmental conditions (Pule and Kalinzi, 2014).

(Pule and Kalinzi, 2014) have noticed that Forging synergies, collaborating with customers and trading partners is one most effective way of achieving high performance within an organization. Fiala (2004) as cited by (Pule and Kalinzi, 2014) argues that such strategic alliances promote efficiency, lower operational costs and enhance supply chain visibility, which is crucial in mitigating supply chain problems or risks that may impede the performance of any given organization. Similarly, maintains that, downstream relationship management not only lowers operational costs, but also helps Mitigate against the bullwhip effect. A problem commonly caused by lack of downstream or demand information and irrational decision making in the supply chain process. Collaborating with customers as a key component of relationship management is one best way in which such a problem can be mitigated. This is because collaboration increases demand information that can support effective forecasting within the supply chain to allow control and strategizing against such demand swings which are responsible for the bullwhip effect thus improved organizational performance.

Raw materials pass through multiple value adding transformation processes in the supply chain (SC) before getting consumed by the end customer. SC is defined as the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities to produce value in the form of products and/or services which is delivered to the end customer (Christopher, 2010 cited as in (Narayanamurthy G.; Gurumurthy A., 2015). Supply Chain Management (SCM) takes a systemic approach towards the SC as a whole to optimize its performance measures by managing various characteristics of SC such as flow of goods, inventory level, number and location of warehouses, push-pull boundary decision, etc. (Narayanamurthy G.; Gurumurthy A., 2015).

According to (Wathne and Heide, 2015) vertical supply chain network that involves relationships at two different levels: (1) between a manufacturer and a (downstream) customer and (2) between the Manufacturer and an (upstream) supplier. As an example, the manufacture might be an apparel company (e.g., Jockey), the customer an independent retailer (e.g., Marshall Field's), and the supplier an independent contractor. We begin by considering the dyadic relationship between a manufacturer and a downstream customer.

2.15.1 Manufacturer-Customer Relationship

In the fashion apparel industry, rapid changes in consumer demand create considerable uncertainty in the downstream market. For example, as a result of continuously changing consumer tastes, retailers face uncertainties in terms of both product design and volume needs (Djelic and Ainamo 1999; Iyer and Bergen 1997 as cited in (Wathne and Heide, 2015). The inherent characteristics of such markets have important implications for the relationships between the firms that serve the end consumers (i.e., retailers) and the firms that supply them (i.e., apparel companies). Specifically, the uncertainties faced by downstream retailers affect the relationship with apparel companies in the form of ongoing needs for flexibility or relationship modification. In the terminology of TCA, because the relevant downstream uncertainties cannot be easily contracted for in advance (i.e., complete contracts that define all the relevant contingencies in the manufacturer-customer relationship cannot be written a priori), they create significant adaptation problems (Wathne and Heide, 2015).

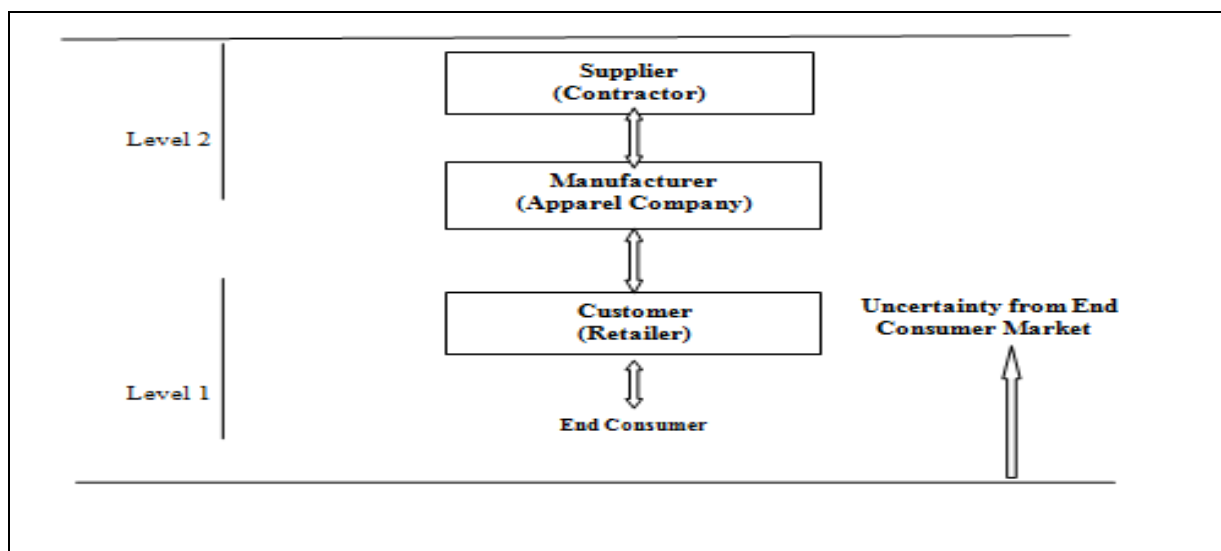


Figure 2.4: Supply chain network

Source: (Wathne and Heide 2015,p 5)

2.15.2 Supply chain management in the network economy

According to (Wassenhove, 2003) we view a supply chain as a network consisting of suppliers, manufacturers, distributors, retailers, and customers (Fig. 2.5). At the operational level, this network supports three types of flows that require careful planning and close co-ordination.

- **Material flows:** which represent physical product flows from suppliers to customers as well as the reverse flows for product returns, servicing, and recycling;
- **Information flows:** which represent order transmission and order tracking, and which coordinate the physical flows; and
- **Financial flows:** which represent credit terms, payment schedules, and consignment and title ownership arrangement

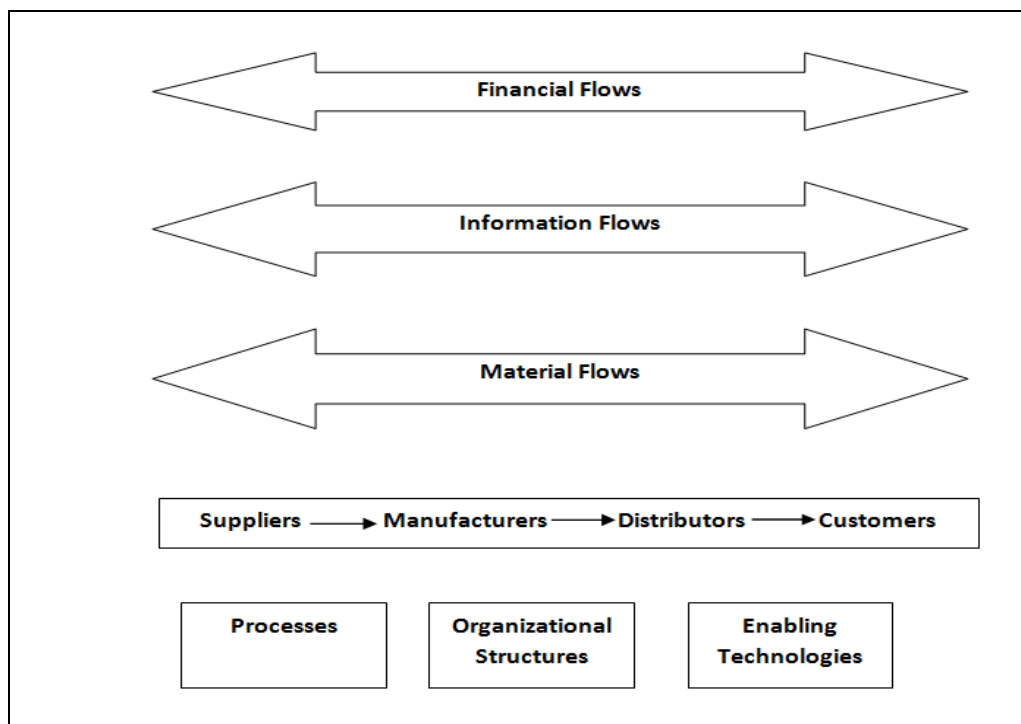


Figure 2.5 an Integrated Model of the Supply Chain

Source: (Wassenhove, 2003,p 12)

It has been suggested (Wassenhove, 2003) the network, in turn, is supported by three pillars:

- **Processes:** which embed the firm's capabilities in logistics, new product development, and knowledge management;

- **Organizational structures**, which encompass a range of relationships from total vertical integration to networked companies as well as management approaches, and performance measurement and reward schemes; and
- **Enabling technologies**, which include both process and information technologies

2.15.3 Supply Chain Integration

What drives integration in the supply chain? Procter & Gamble's desire is to design the supply chain to meet the needs of end-customers, starting from point of sale and working backwards to deliver the right product, in the right place, at the right time, of the right quality. The following are four principles of Procter & Gamble's supply chain strategy (harrison and vanhoek, 2008).

- ✚ Produce every product that needs to be produced every day through short cycle production.
- ✚ Communicate with suppliers in real time – suppliers with whom we have built long-term relationships and with whom we have integrated systems.
- ✚ Draw demand data from the point nearest to the end-customer – in this case, the retail cash register.
- ✚ Collaboration between all supply chain partners using a multifunctional approach (commercial and supply chain working together), and aligned metrics focusing on delivering to the end-customer.

All of these principles involve integration – both internal and external. 'Integration' in the context of the supply chain is concerned with coordination: establishing the 'rules of the road' whereby material and information flows work in practice. Integration was measured across eight variables as follows:

1. Access to planning systems.
2. Sharing production plans.
3. Joint EDI access/networks.
4. Knowledge of inventory mix/levels.

5. Packaging customisation.
6. Delivery frequencies.
7. Common logistical equipment/containers.
8. Common use of third party logistics.

The authors found that the broadest integration strategies led to the highest rates of significant performance improvements. They pictured this in terms of ‘arcs of integration’

2.15. 4 Supply Chain Management (SCM)

According to (Levy Michael and A. weitz Barton, 2001) SCM is the integration of business process from end user through original suppliers that provides products, services, and information that add value for customers. Retailers may be the most important link in the supply chain. They connect customers to the rest of the supply chain. It is the retailer’s responsibility to gauge customers’ wants and needs and work with the other members of the supply chain-Wholesalers, manufacturers, and transportation companies, and so on to make sure the merchandise customers want is available when they want it. Manufacturers ship merchandise either to a distribution centre operated by a retailer or they ship directly to stores.

2.15.5 The supply Chain Concept

The biggest challenge facing companies today is not the internet, by itself, or globalization or stakeholder needs. Rather, the greatest challenge is the integration of supply chains from vendors through manufacturers and distributors to satisfy end customers and obtain value for those companies (Sadler, 2007).

(Sadler, 2007) noted also in his book supply chain integration provides a key opportunity for you, as a future leaders and managers of companies along the chain, to work together through shared information and joint provision and delivery of goods and services for customers. As managers of the links in the supply chain you then have three tasks.

-  To plan the flow of materials and goods along the by information exchange,
-  To make the necessary physical movements and conversations in the required quantities of and at the required times for end consumers, and

- ✚ To manage changes and developments to the benefit of all companies without disadvantaging customers.

The major components of a supply chain are physical movements, information flow, management coordination and leadership of the chain. The first task is to create a flow of information between chain partners so that physical flow takes place exactly as required. The second task is a series of physical Movements: procuring parts, manufacturer of the finished product and its delivery to the customer. The third task is the management of chains, and the fourth task is chain leadership (Sadler, 2007).

2.15.6 Chain and Network Definitions and Major Factors in Each Chain Process

The term supply chain is used because of its current popularity. the definitions under pin the development of concepts (Sadler, 2007).

- A supply chain is the information-directed flow of one product family from sources to end customers, managed by a number of partner firms, with reference to one focal company.
- An integrated supply chain requires movement of materials, parts and product, and the provision of service, in the value chain. These moves are planned and managed as part of a system which is known as a supply chain for one group of products and as a network for all the range of products and services provided through a focal company.
- Supply chain use electronic communication and person-to-person communication, throughout the process in the firms, to provide value for customers and firms.
- Better design and execution of provision and flow, by all partner firms in concert, will improve the efficiency of the operation. The system-wide perspective allows the firms to make appropriate trade-offs between variable costs such as purchasing, production, transport, inventory and distribution and between the resource costs of equipment, information system and people.
- Close coordination between these operations and the strategic environment produces high level of services and performance for customers while reducing the total costs incurred, so that value is sustainably generated for all chain partners.

- The objective of supply chain is to maximize the overall value generated, where value is the difference between what the final products is worth to the consumer and the effort the chain expends in filling the customer's request.
- A supply network is the sum of supply chain across all products and services provided to end customers through a focal company.

(Sadler, 2007) further notes that value stream, an equivalent term to supply chain, emphasises the flow of products along a stream and the value that partners must provide for themselves and customers. The concept of a value stream originated Michael porter who said that it should be disaggregated in to strategic activities from inbound logistics to product distribution. The firms in the value stream generated competitive advantage by performing these important activities better or more cheaply than their competitors. Porter splits value stream activities in to primary activities (inbound logistics, operations, outbound logistics, marketing and sales and services) and support activities (infrastructure, human resource management, technology development and procurement).

Competitive advantage is derived from the way in which firms organize and perform these activities within the supply chain. To gain competitive advantage over its rivalry, a firm must deliver value to its customers by carrying out these activities more efficient or in a different way. A major factor in the effective delivery of goods to customers is the use of distribution centres (DCs) to briefly store goods close to customer locations.

A distribution centre is a warehouse for finished goods route between manufacturer and a set of customers. Its main function is to provide speedy access to a range of products. This is achieved by receiving goods in bulk and sorting them in to customers' exact requirements. DCs are generally sited close to major high ways on the edge of cities. Their storage racking and truck access are designed to achieve the following major tasks (Sadler, 2007).

- Receiving involves unloading goods from trucks and putting them into pallet racking.
- Storage involves bulk inventory on racks and live storage in picking locations, so that individual cartons from a pallet load can be retrieved to satisfy a customer order.
- In store handling moves pallets and cartons between receiving storage and despatch locations in the DC. Handling may be carried out by mobile equipment, such as

forklift trucks and reach trucks, or by captive equipment such as high rise cranes or conveyors.

- Picking is the selection of all the cartons in a customer's order from the racking so that they are moved to one point for despatch.
- Despatch is the consolidation of the picked orders into one load to be taken by truck to the customer's premises.

2.16 Logistics in Marketing Channel

According to (K.Douglas, 2006) Logistics, also referred to as physical distribution (PD), is commonly defined as “ planning, from point of origin to point of use to meet customers' needs at a profit.” In more recent years, the term supply chain management has been used to describe logistical systems that emphasise close cooperation and comprehensive inter organizational management to integrate the logistical operation of the different firms in the channel.

2.16.1 The Role of Logistics

Even the most carefully designed and managed marketing channel must rely on the logistics to actually make products available to customers. The creation of time and place utilities, essential for customer satisfaction, therefore depends on logistics. The time is a commonly heard description of what logistics is supposed to do. But achieving this goal is no simple job. On the contrary, mass markets, with their great diversity of customer segments spread over vast geographic areas, can make the task of logistics complex and expensive. Thus, logistics has become a gigantic industry that pervades virtually all firms, from the largest to the smallest (K.Douglas, 2006).

2.16.2 Logistics Systems, Costs, and Components

According to (K.Douglas, 2006) for many years, logistics was equated mainly with transportation. Thus, the field was narrowly defined in terms of the activities involved in shipping and receiving products and was given relatively little management attention. But in recent decades, a broader perspective, referred to as separate and distinct from one another, logistical factors as diverse as transportation, materials handling, inventory control, warehousing, and packaging of goods are now recognized as interrelated

components of a system. Decisions or actions affecting one component have implications for other components of the logistical systems.

The concept of logistics as a system has served as the foundation of modern logistics management. In essence, those in charge of managing logistics seek to find the optimum combination of logistics components (transportation, materials handling, order processing, inventory control, warehousing and packaging) to meet customer service demands.

The logistics manager also attempts to achieve the desired level of customer service at the lowest cost by applying the total cost approach. This concept is logistical extension of the systems concept, because it addresses all of the costs of logistics taken together, rather than the cost of individual components taken separately, and seeks to minimize the total cost. Consequently, when designing a logistics system a company must examine the cost of each component and how it affects other components.

The use of the systems concept and the total cost approach to manage logistics is shown in figure 2.6. This figure suggests not only that all the basic components of a system are related, but also that the systems concept and the total cost approach providing the guiding principles for blending the components. This blending helps ensure that the types and levels of service desired by customers will be provided at the lowest total cost for the logistics system as a whole. The basic components of a logistics system are transportation, materials handling, order processing, inventory control, warehousing and packaging (K.Douglas, 2006).

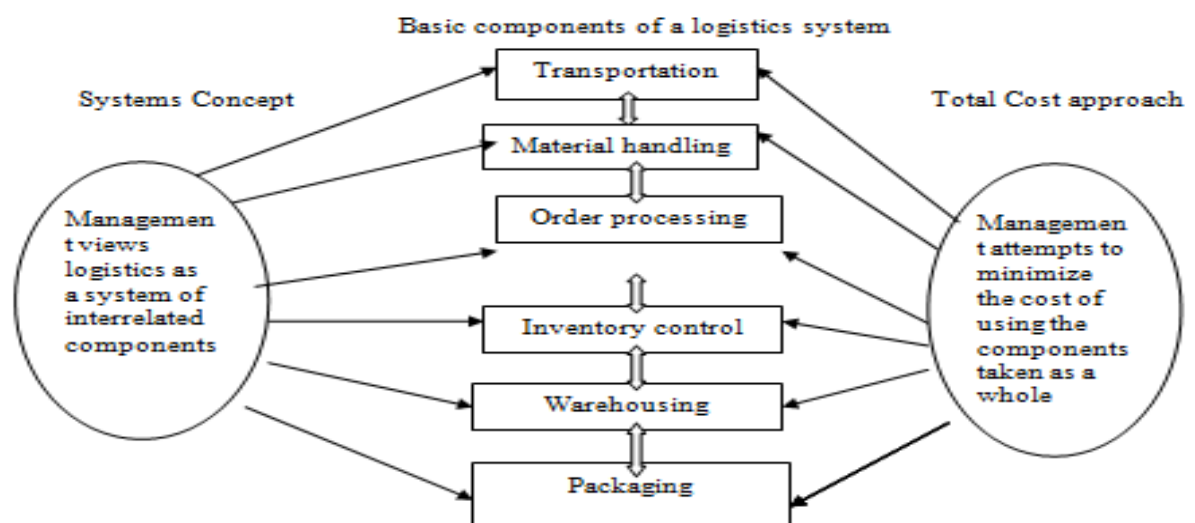


Figure 1:6 View of Logistics Management Based on the Systems Concept and the Total Cost Approach

Source: (K. Douglas 2006, p. 378)

2.16.3 Definition of Third Party Logistics (3PLs)

(Sadler, 2007) describes third party is a company which carries out logistics functions for shippers (the first party) or customers (the second Party).

Third-party logistics (3PL) is the use of a transport company to carry out a variety of transport and distribution tasks along the supply chain. 3PL is a particular application of the general concepts already enunciated. If transport has no particular importance to a business, and it is just a commodity to be purchased as required, then there is a strong case for using a third party to carry the goods. The 3PL operator specialities in this area and can achieve economies of scale beyond those available to most small or medium-sized companies. A 3PL is also indicated if a company's in-house skills are deficient in this area.

(Sadler, 2007) argued that when transport is a key performance objective for a company, then there is a strong argument for keeping it in-house. If the company still desires to outsource, then it must be careful in its choice of a capable 3PL operator and ensure that the contract covers the particular facets which are important to its business.

2.16.4 Outsourcing Logistics

This section first examines outsourcing in relation to the most frequent application: outsourcing part or all of the distribution function. Within this, consider the strategic implications and potential risks caused by giving some tasks to third parties. Secondly, it looks more widely at all the 'make or buy' decisions faced by organizations at various parts of the supply chain. Thirdly, third-party logistics companies are examined. Outsourcing means using a contract with outside parties for services such as transport, warehousing, and other distribution functions, often including concomitant information services. It appeals to companies that view logistics as a necessary business expense rather than as a competitive weapon. However, outsourcing distribution can be much more than a money-saving option. Outside service vendors, such as, transport companies and public warehouses (uncommon outside the USA), can often provide a better, more cost-effective, logistics service than a manufacturer or a chain retailer.

Consider the strategic and risk dimensions in outsourcing before a decision process is suggested and an example is provided (Sadler, 2007).

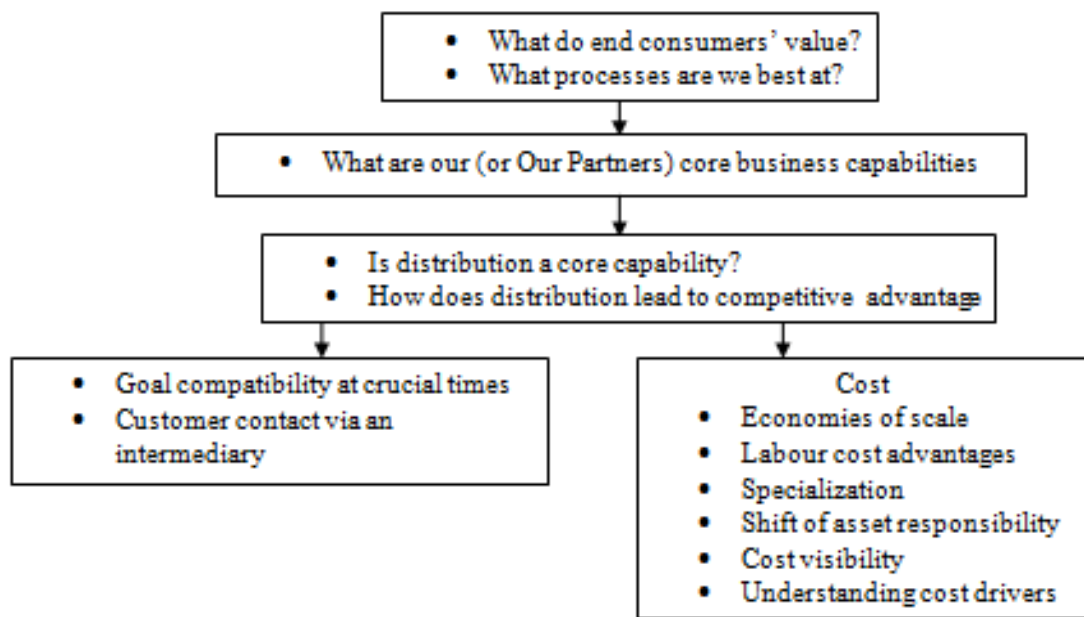


Figure 2.7 the Strategic Dimensions of Outsourcing

Source: (Sadler 2007, p. 199)

2.16.5 The strategic Dimension

Strategic outsourcing decision are made by answering a series of questions before making a choice based on service levels and cost (see figure 2.7). The questions should apply to supply chain partners as well as to the focal company. So, the question: what processes are we best? Applied to product inventory control, must be directed to the receiving company chain (perhaps a supermarket chain) as well to our own company (a manufacturer). When all these questions are answered and the correct balance of service and costs is established, the company is a position to decide what functions should be outsourced and what should be retained (Sadler, 2007).

2.16.6 The Risk Dimension

There are money possible risks incurred when outsourcing a function to a third party. Some of the main categories are (Sadler, 2007).

- Loss of in-house expertise,
- Dependence on/dominance by a third party,
- Deteriorating performance of a third party,
- Cost of switching between in-house and a third-party operation,

- Legal legitimate power versus traditional legitimate power, and
- Cancellation of competitive advantage.

2.16.7 Contract Logistics-the decision Process

According to (Sadler, 2007) the following steps should be taken in the decision process to place an outsourcing contract with a third party:

- Evaluate the strategic dimension
- Benchmarking in-house verses contract, and
- Evaluate risk.

Key issues that should be considered in the contract are:

- The volumes to be handled and service provided,
- The bases for cost calculations and cost fluctuations,
- Who is responsible for loss, damage and stock discrepancies,
- What performance criteria and regular reporting are required,
- Whether any special storage, handling, security, or fire protection is needed, and
- The length of the contract and termination arrangements.

A contract is the –back document to mould business dealings. Be careful not to assume anything important will be done. You should also talk, rather than argue or sue, when the relationship is not working.

2.16.8 Make-or- Buy decisions

An important decisions faced by a company or a supply chain is the make-or-buy decision. Which components should be manufactured in- house and which should be out-sourced? a framework developed by fine and Whitney provides advice on this decisions, depending upon the class in to which the component falls (see table 2.2). A firm which has the knowledge and skills to produce the component, but lacks the resource, is dependent upon capacity. A company which lacks the skills and knowledge to produce the component is dependent on knowledge. Companies fall in to one of the columns according to whether they are independent or dependent on either of these factors. Table 2.2 also distinguishes between:

- Modular products, which are made by combing different components which are independent of each other and interchangeable, and
- Integral products which are made from tightly, related, non-commodity components.

For example, Toyota outsources two-thirds of its transmission; it has the knowledge to make the products but lacks the capacity to do so. Since the transmission is an integral component within the drive train of Toyota cars, table 2.2 suggests that outsourcing is an option for Toyota (Sadler, 2007).

Table 2.2 A framework for Make-or-Buy Decisions

Product type	Dependent on knowledge & capacity	Independent for knowledge, dependent for capacity	Independent for knowledge & capacity
Modular	Outsourcing is risky	Outsourcing is an opportunity	Opportunity to reduce cost through outsourcing
Integral	Outsourcing is very risky	Outsourcing is an option	Keep production internal

Source: (Sadler 2007, p.201)

2.16.9 Reverse Logistics

Reverse logistics is the movements of products or goods up the supply chain in the opposite direction to the normal flow of products. It can be caused by a number of factors, considered in this section, such as faulty goods, recycling containers when the active ingredient has been used, or disposal of products which are no longer required by the customer or retailer.

A great deal of physical work related to logistics is performed at distribution centres and warehouses. Reverse logistics supports: (Sadler, 2007).

1. Returns of unwanted or faulty goods, e.g. unsold books and magazines.
2. Remanufacturing to add an active ingredient, such as computer printer ink, to a container.
3. Recycling and disposal to remove goods, which have ceased to work, from the consumer. Recycling returns product following its useful life with the aim of breaking it down in to constitute materials which can be re-used. Materials, plastics and precious metals are frequently recycled.

Reverse logistics also results from the increasing recycling of drink containers and packaging materials. The operational requirements for reverse logistics include achieving lowest total cost, such as returning bottles for recycling, and maximum control when products are found to be defective. Firms that design efficient reverse logistics are able to reclaim value by reducing the quality of products that might otherwise be scrapped. Reverse logistics is a major service to the consumer, who gets rid of goods, which are possibly bulky, with little personal effort.

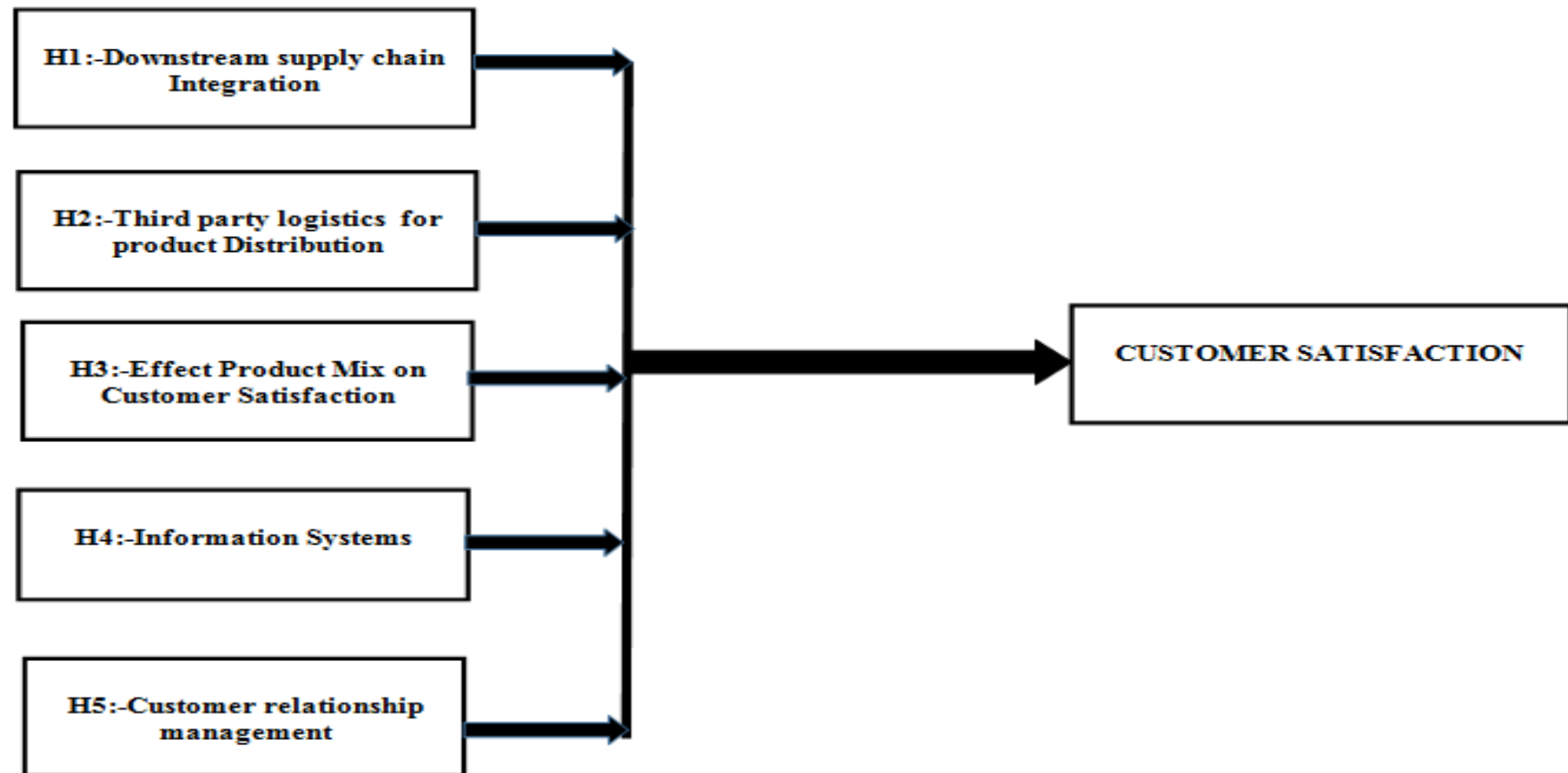


Figure 2.8 Conceptual framework of the study

Source: adapted from Mesfin, 2015

CHAPTER THREE

RESEARCH METHODOLOGY

The research design is the general research approach that includes specific research techniques or methodologies in which particular research or study is conducted (Lee, 2012).

3.1 Research Approach

In this descriptive study, a quantitative data collection technique is used by utilizing a questioner with structured questions. 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.

3.2 Research Design

According to John W. Creswell (2006) research can be classified as descriptive, explanatory and exploratory depending on the specific purpose that the research tries to address.

Descriptive research sets out to describe and to interpret what is. It looks at individuals, groups, institutions, methods and materials in order to describe, compare, contrast, classify, analyze and interpret the entities and the events that constitute the various fields of inquiry. It aims to describe the state of affairs as it exists.

Explanatory research aims at establishing the cause and effect relationship between variables. The researcher uses the facts or information already available to analyze and make a critical evaluation of the data/information.

Exploratory research is less formal, sometimes even unstructured and focuses on gaining background information and helps to better understand and clarify a problem. It can be used to develop hypotheses and to develop questions to be answered.

The objective of this study is to investigate the effect of customer satisfaction with the channel management decision by National Alcohol and Liquor factory and explain the relationship between customer satisfaction and channel management decision. In order to investigate the objectives and answer the hypothesis, descriptive and explanatory research method was employed. The questionnaire survey technique was used to collect data and the questions were developed based on self-completion questionnaires. In this study through the

use of such statistical tools as regression analysis, reliability analysis using Cronbach's alpha, descriptive statistics using frequency distribution, diagrams and cross tabulation to assess and describe the impact of channel management decision on customer satisfaction of National Alcohol and liquor Factory and to collect the relevant data.

3.3 Research Instrument

Structured questionnaires are used to collect the primary data needed for this study. The questionnaires are going to be self-completion questionnaires since they are a useful way of collecting data. Bryman & Bell, (2007), hails the self-completion questionnaires for a couple of reasons among which are: they are cheaper to administer especially when the sample is widely dispersed, they are quicker to administer since many people can be filling them at the same time and respondents have some autonomy to respond to questions which avoids biases that come in when you have to talk to a particular individual.

The main drawbacks of self-completions questionnaires include, Low response rate from respondents, some questionnaires will not be completely answered and responses could be biased.

3.4 Population of the study

In order to gather the necessary data clearly the researcher was used convenience sampling technique and divides the target population in to two categories. These are the company's owned sales routes (P1) and retailers/Agent owned (regional) (P2) routes as a domain of the population. Out of the total 16 routes of NALF that contains 625 outlets, 10 of them owned by the company itself which comprises 625 outlets and the other 6 routes are agents that include 625 outlets. The researcher therefore targets the employees and retail outlets which are found on those P1 and P2's.

The target population for the study are wholesalers, agents, retailers, groceries, of customers' of the organization. The questionnaire was apply the likert scale in order to measure the degree of influence of channel management decisions on organization customer satisfaction.

3.4.1 Sample size Determination

To ensure adequate representation, the 10,000 customers' population and outlets figure are used as a base to calculate the sample size. Samples are determined from the ownership type of distribution outlets. The first sample (S1) is derived from population one that are distribution routes owned by the company and second sample (S2) is obtained from population two which are distribution routes that are agents. The criteria used in sample size determination for the sample sales routes are the same. The company owned 625 outlets, 385 outlets are taken used as a sample with 95% confidence level and 5% margin of error. This number is in accordance the calculation of (Guwahati,, 2013), who suggested simplified formula for calculation of sample size from a population. According to him, for a 95% confidence level and $p = 0.05$, and a 5% precision.

$$n = \frac{N}{1+N(e^2)}$$

Where, n = is the ample size

N = is the population size

e = is the desired level of precision

$$\begin{aligned} n &= \frac{10,000}{1+10,000(.052)} \\ n &= 385 \end{aligned}$$

3.4.2 Sampling Procedure

Since the customers of National Alcohol & Liquor Factory have experience of dimensions of channel management decision and knowledge, information regarding its importance, the researcher has applied convenience sampling technique. The target population of the study comprises of sales distribution routes of NALF that are owned by the company itself and agent ones. The researcher divides the total population (16 routes) in to two groups. One group which contains 10 routes that are owned by the company and the other contain 6 agent routes.

Sample of 231 outlets is taken out of the total 625 outlets which are parts of the company owned distribution routes. And questionnaires were distributed to gather information from these 231 outlets.

Additionally, a sample of 175 outlets is taken out of the total 625 outlets which are from agents' distribution routes. Again questionnaires are distributed to gather information from these 175 outlets.

In order to collect relevant data, the questionnaires are filled out by individuals who are believed to have the capacity to provide the necessary data. These people are the managers or owners of 385 sample outlets.

3.5 Data Source and Types

Throughout the study, the researcher used both primary and secondary data sources. Primary data, directly related to the purpose, were collected through an empirical study. The empirical study was made through distributing questionnaire regarding Product distribution channel management decision. Secondary data, indirectly relating to the purpose, was collected through a theoretical study comprised of; books, research thesis, articles, journals, magazines, manual and annual reports.

3.6 Data collection Methods

For the use of the study quantitative data have been used in this study to answer the research questions and meet the objectives of the study. Kothari, R. (2004) deciding about the method of data collection to be used for the study, the research uses quantitative data collection methods. The data is collected by using self-administered questionnaires that are distributed to different outlet managers.

3.7 Data Preparation

The data preparation works such as data cleaning, data editing, and data transcribing are done based on their necessity.

3.8 validity and Rreliability of Data Collection Instrument

3.8.1 Validity

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to hit "the bull's eye" of your research object? Researchers generally determine validity by asking a series of questions, and will often look for the answers in the research of others (Joppe, as cited in Golafshani, 2003,)

Wainer & Braun, 1998 as cited in Golafshani, 2003 describe the validity, whether the means of measurement are accurate and whether they are actually measuring what they are intended to measure. The respondents of the study are active participants in the product distribution channel decision with considerable knowledge. Thus, it has been indicated that respondents for this study are supposed to understand the questionnaire and are believed to give proper feedback during the data collection. However, inconsistencies may occur in understanding contexts when respondents have their own understandings/ perceptions, which could affect the true value that is actually measured in the survey. In order to align the data collected with needed quality of information a pre-tested questionnaire will be used during the study.

Furthermore, to avoid confusion of respondents about the distribution channel decision, short description of each decision under concern and elaboration of the ways of achieving customer satisfaction were included in the questionnaire.

3.8.2 Reliability

The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable (Golafshani, 2003).

Kirk and Miller ,1986 as cited in (Golafshani, 2003).identify three types of reliability referred to in quantitative research, which relate to: (1) the degree to which a measurement, given repeatedly, remains the same (2) the stability of a measurement over time; and (3) the similarity of measurements within a given time period. This will be addressed by the fact that the focus on dependent variable (customer satisfaction) will show significant changes as the independent variables (application of downstream supply chain integration, 3PL for product distribution, the use of IS for product distribution, product mix decision and CRM) change by management of organization. It is believed that the instrument used in the study will sense this change showing reliability. Furthermore, since the measuring instrument involves constructs of channel management decision which are addressed by literature review, the determination of reliability through cronbach's alpha is necessary. Hence, to assure the reliability of items Cronbach's alpha will be determined and item with value less than 0.7(70%) is avoided.

3.9 Methods of data Analysis and Interpretation

Analytical computer software (Statistical Package for Social Scientists- SPSS IBM V 20.0) as well as descriptive statistics in the form of percentage to analyse demographic data, Chi - square was used to examine the relationship between customer satisfaction (dependent variable) and independent variables (product mix decision, downstream supply chain integration, CRM, the use of IS in product distribution, and third party logistics) that influence customer satisfactions in the context of national alcohol and liquor factory. Moreover, Regression analysis is used to identify the most influencing elements of channel management decisions (independent variables) that have greater impact towards the dependent variable (customer satisfaction).

3.10 Ethical Considerations of the Study

As this study required the participation of human respondents, specifically Business owners, managers, owners and managers, salesperson and others certain ethical issues like consent and confidentiality were considered. In order to secure the consent of the selected participants, all important details of the study, including its aim and purpose was relayed. By explaining these important details, the respondents were able to understand the importance of their role in the completion of the research. With this, the participants were not forced to participate in the research. The confidentiality of the participants was also ensured by not disclosing their names or personal information in the research. Only relevant details that helped in answering the research questions were included. Finally, ethical consideration of proper and due referencing and acknowledgement were also made during the entire research process.

CHAPTER FOUR: - RESEARCH RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis, interpretation and findings of information collected through self-administered questionnaires with 385 randomly selected customers of National Alcohol and Liquor Factory. The analysis is based on the information obtained from 385 customers. In order to get a representative data 385 questionnaires were prepared and distributed to customers of the factory. Out of these 385 questionnaires distributed to customers, 350 (91%) questionnaires were collected back. From these only 314 were properly filled. Thus, the analysis is based on the valid 314 questionnaires (with 82 % response rate) response while the remaining 71 (18.4%) questionnaires were not included due to incompleteness of the questionnaires.

Table 4.1 Response Rate of Questionnaires Administered

	Correctly Filled and Returned	Not Correctly Filled	Not Returned
No.	314	27	44
Percent	82	7	11.4

Source: Own Survey result (2018)

Before going into the data collection and then to data analysis, it is appropriate to determine the questions that are included will sufficiently address the concept that is going to be studied. In this study, the internal consistency (Alpah) was determined using Cronbach's alpha test. There, fore the result was presented in the table 4.2 below and any element having the alpha less than 0.7 was rejected.(for detailed reliability test result please see Appendix section 2). Besides, as it was attached in Appendix the determined value of alpha is in the acceptable range (very good) assuring the reliability of data gathering instrument.

Therefore, the Chi-square test was carried out first to determine whether there exists association between channel management decision and customer satisfaction after which regression analysis of channel management decision and customer satisfaction was done to investigate which channel management decision has greater impact on customer satisfaction. The results of both tests are presented here under turn by turn.

4.2 Research Reliability

Reliability is the degree to which the measure of a construct is consistent or dependable. There are many ways of estimating reliability, of which internal consistency reliability is one. Internal consistency reliability is a measure of consistency between different items of the same construct. If a multiple-item construct measure is administered to respondents, the extent to which respondents rate those items in a similar manner is a reflection of internal consistency. This reliability measure can be estimated more commonly in terms of Cronbach's alpha (Golafshani, 2003). Thus, the Cronbach's alpha coefficients were used to assess the scale reliability of this research. The following table shows the Cronbach's alpha coefficients of the Channel Management Decision Dimensions.

Table 4.2 Summary of reliability tests per variable

	Type of variable	Cronbach's Alpha	Number of Items
1	Down Stream supply chain integration	.712	7
2	Customer Relationship management	.786	6
3	Product Mix Decision	.757	5
4	Information Systems	.689	6
5	Third Party Logistics	.737	6
	Total Over All Reliability Test	.891	30

4.3 Descriptive Statistics of Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of information related to personal and demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent table. These variables includes: customer type, customer status and customer Experience.

4.3.1 Demographic Analysis

Table 4.3 Respondents by Customer Type					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agent	70	18.2	22.3	22.3
	Wholesalers	50	13.0	15.9	38.2
	Retailer	88	22.9	28.0	66.2
	Liquor Distributors	39	10.1	12.4	78.7
	Groceries	67	17.4	21.3	100.0
	Total	314	81.6	100.0	
Missing value		71	18.4		
Total		385	100.0		

Source: own survey 2018

As the table shows the customer type of the majority of the respondents 88 (22.9%) and 70(18.2%) were Retailers and Agent of the organization respectively. The next majority of respondents 67(17.4%) and 50(13%) were groceries and Wholesalers. The rest 39(10.1%) were liquor distributors.

Table 4.4 Respondents by Customer Status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Owner	51	13.2	16.2	16.2
	Manager	74	19.2	23.6	39.8
	Owner and Manager	95	24.7	30.3	70.1
	Sales Person	84	21.8	26.8	96.8
	Other	10	2.6	3.2	100.0
	Total	314	81.6	100.0	
Missing value		71	18.4		
Total		385	100.0		

Source Own Survey 2018

Regarding respondent's customer status, since the researcher tried to accommodate various business status for the study, 95(24.7%), 84(21.8%), 74(19.2%), 51(13.2%) and 10(2.6%) were Owners and Manager, Sales person, Manager, Owner and finally other shareholders respectively lead their business.

Table 4.5 Respondents by Customer Experience					
			Frequency	Percent	Valid Percent
Valid	Less Than 2 Years	44	11.4	14.0	14.0
	2-5 Years	74	19.2	23.6	37.6
	5-10 Years	71	18.4	22.6	60.2
	10-15 Years	48	12.5	15.3	75.5
	more than 15 years	77	20.0	24.5	100.0
	Total	314	81.6	100.0	
Missing value			71	18.4	
Total			385	100.0	

Source: Own survey 2018

Table 4.5 shows the majority of the respondents 77(20%), 74(19.2%) and 71 (18.4%) have working experience in their current business more than 15 years, between 2-5 years and between 5-10 years respectively, 48(12.5%) have between 10-15 years' experience and 44(11.4%) have less than 2 years' experience in their current business.

4.4.1 Hypothesis 1

H01: Downstream supply chain integration is not associated with organizational customer satisfaction.

Ha1: Downstream supply chain integration is associated with organizational customer satisfaction.

Table 4:6 Chi-Square test Statistic of downstream supply chain integration with measures of customer satisfaction.

Down Stream Supply Chain Integration		Measures of Customer Satisfaction				
		Offered Product Mix	Product Delivery & Sales	Information Technology in Distribution of Products	Customer Relationship Management	Collaborative Efforts
Chi-Square	141.318	167.048	147.752	91.701	217.115	183.318
Df	4	4	4	4	4	4
Asymp. Sig.	.000	.000	.000	.000	.000	.000

*Chi-Square test is significant at $P < 0.05$

As it is indicated in the above table, the calculated chi-square result was found to be less than 5% indicating the relationship of downstream supply chain integration and customer satisfaction is significant. Therefore, the null hypothesis that depicts ‘Downstream Supply Chain integration is not associated with a firm customer satisfaction’ was rejected and the alternative hypothesis that mentions ‘Downstream Supply Chain integration is associated with a firm customer satisfaction’ was accepted.

4.4.2 Hypothesis 2

H₀₂: The decision of use of third party logistics to deliver products is not related to customer satisfaction of NALF.

H_{a2}: The decision of use of third party logistics to deliver products is related to customer satisfaction of NALF.

Table 4:7 Chi-Square test Statistic of the use of third party logistics with measures of customer satisfaction

Channel Management Decisions		Measures of Customer Satisfaction				
Third Party Logistics		Offered Product Mix	Product Delivery & Sales	Information Technology in Distribution of Products	Customer Relationship Management	Collaborative Efforts
Chi-Square	178.898	167.048	147.752	91.701	217.115	183.930
Df	4	4	4	4	4	4
Asymp. Sig.	.000	.000	.000	.000	.000	.000

*Chi-Square test is significant at P<0.05

The Chi-square test result for second null hypothesis stating that the decision of use of third party logistics to deliver products is not related to customer satisfaction of NALF has resulted in significance level less than 5%. Thus, the alternative hypothesis that says ‘the decision of use of third party logistics to deliver products is related to customer satisfaction of NALF is positively related to a firm customer satisfaction’ is accepted and consequently the null hypothesis was rejected.

4.4.3 Hypothesis 3

H₀₃: Downstream supply chain customer relationship management is not positively related to organizational customer satisfaction.

H_{a3}: Downstream supply chain customer relationship management is positively related to organizational customer satisfaction.

Table 4:8 Chi-Square tests Statistic of downstream supply chain customer relationship management against customer satisfaction.

Channel Management Decisions		Measures of Customer Satisfaction				
Customer Relationship Management		Offered Product Mix	Product Delivery & Sales	Information Technology in Distribution of Products	Customer Relationship Management	Collaborative Efforts
Chi-Square	315.045 ^a	167.048 ^b	147.752 ^a	91.701 ^b	217.115 ^a	183.930 ^a
Df	4	4	4	4	4	4
Asymp. Sig.	.000	.000	.000	.000	.000	.000

*Chi-Square test is significant at $P < 0.05$

As shown in the table 4.8 the Chi-square statistic that was conducted downstream supply chain customer relationship management was tested versus organizational customer satisfaction has resulted in value less than 5% leading to the rejection of null hypothesis. Hence, the alternative hypothesis that mentions ‘downstream supply chain customer relationship management is positively related to organizational customer satisfaction are positively associated with a firm customer satisfaction was accepted.

4.4.4 Hypothesis 4

H₀₄: Product mix decisions are negatively related to organizational customer satisfaction.

Ha₄: Product mix decisions are positively related to organizational customer satisfaction.

Table 4:9 Chi-Square test Statistic of Product mix decisions with the measure of organizational customer satisfaction

Channel Management Decisions		Measures of Customer Satisfaction				
Product Mix		Offered Product Mix	Product Delivery & Sales	Information Technology in Distribution of Products	Customer Relationship Management	Collaborative Efforts
Chi-Square	336.446	167.048	147.752	91.701	217.115	183.930
Df	4	4	4	4	4	4
Asymp. Sig.	.000	.000	.000	.000	.000	.000

*Chi-Square test is significant at $P < 0.05$

As one can see from the above table, all results of Chi-square test between Product mix decisions and customer satisfaction is exactly 0.000. This indicates that there is significant relationship between the product mix decision and customer satisfaction. Hence, the null hypothesis stating ‘Product mix is negatively related to firm customer satisfaction’ was rejected and the alternative hypothesis was accepted.

4.4.5 Hypothesis 5

H₀₅: The use of information systems in channel management decision is negatively related to organizational customer satisfaction.

H_{a5}: The use of information systems in channel management decision is positively related to organizational customer satisfaction.

Table 4:10 Chi-Square test Statistic of the use of information systems in channel management decision

Test Statistics						
Channel Management Decisions		Measures of Customer Satisfaction				
Information System		Offered Product Mix	Product Delivery & Sales	Information Technology in Distribution of Products	Customer Relationship Management	Collaborative Efforts
Chi-Square	172.178	167.048	147.752	91.701	217.115	183.930
Df	4	4	4	4	4	4
Asymp. Sig.	.000	.000	.000	.000	.000	.000

*Chi-Square test is significant at P<0.05

As it was the case before, the chi-square test result for information systems in channel management decision and customer satisfaction also below 5%. Therefore, the null hypothesis that mentions ‘The information systems in channel management are negatively related to firm customer satisfaction’ was rejected and on the other hand the alternative hypothesis stating ‘The information systems in supply chain management are positively related to firm customer satisfaction was accepted.

Conclusion: At the bottom line, it can be concluded that the channel management decisions were effectively implemented in National Alcohol and Liquor Factory which was assured by acceptance of alternative hypotheses. However, the mentioned channel management decisions may influence the customer satisfaction on varying degree. Thus, the next session will find answer for this issue through the application of Regression analysis to order them from strongest to the weakest.

4.5 Regression Analysis

Linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. In this study, the regression analysis uses channel management dimensions which are downstream supply chain integration, customer relationship management, product mix decision, information system and third party logistics as independent variables to measure overall customer satisfaction. The significance level of 0.05 was used with 95% confidence interval. The reason for using this multiple regression analysis was to examine the effect of these channel management dimension on customer satisfaction towards NALF.

Multiple regression analysis was conducted to examine effect of channel management decision on customer satisfaction. In this survey, ten hypotheses were developed to study the effect of channel management dimensions on customer satisfaction.

4.5.1 Regression Analysis of Channel Management Decision and Customer Satisfaction

The Results of regression analysis against customer satisfaction can be seen in Table 4.11 the result shows that channel management decision has the power to explain customer satisfaction. In this case the results of correlation of channel management and customer satisfaction and R Square (0.561) are taken into consideration. The regression analysis model summary indicates that channel management decision which is entered into the regression model on SPSS has relationship with customer satisfaction with correlation coefficient of 0.749. The R square is the explained variance and it is actually the square of the multiple R (0.561)². Therefore, it is pointed out that 56.1% of channel management can explain the dependent variable that is customer's satisfaction. As it is indicated in Table 4.11, total channel management decision was considered as predictors of customer's satisfaction and reported high level of significance $p < 0.01$. And also the R square value of 0.561 confirming that, 56.1% of the variation in customer satisfaction is explained by channel management. Channel management decision as used for prediction was found to be significantly related to customer satisfaction as the p-value is less than 0.01.

Table 4:11 Regression Analysis result for Channel Management Decisions Dimensions**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.749 ^a	.561	.534	.455	.561	21.385	17	285	.000

a. Predictors: (Constant), Downstream Supply Chain Integration, Customer Relationship Management, Product Mix Decision, Information System, Third Party Logistics

Table 4.12 titled as multiple regression result of channel management decision dimension and overall customer satisfaction, helps us to understand which variables among the five independent variables is the most important in explaining the variance in customer satisfaction. As it is indicated in the table, high beta value shows that it is significant in explaining. If we can see the Beta column under standardized coefficients below, we can understand that the highest number in the beta was 0.196 for product mix decision, the second highest was customer Information system 0.193, the third highest was third party logistics 0.159, and the fourth and fifth highest was customer relationship management and downstream supply chain integration with beta vale 0.145 and 0.121 respectively has the weakest impact, Therefore product mix decision, information system and third party logistics are the major determinant of customer satisfaction. It can be seen also from the table that the upper three independent variables were significant in contributing customers satisfaction and the lower two variable were least significant in contributing to over all customers satisfaction.

Therefore the established regression equation will be:

$$CS = 1.699 + 0.196 (PMD) + 0.193 (IS) + 0.159 (TPL) + 0.145 (CRM) + 0.121 (DSCI)$$

Where: 1.699 = Constant

CS = Customer Satisfaction

PMD = Product Mix Decision

CRM = Customer Relationship Management

IS = Information System

TPL = Third Party Logistics

DSCI = Downstream Supply Chain Integration

Table 4.12 Multiple Regression Result of Channel Management Decision Dimension and Overall Customer Satisfaction

Model	Un standardized Coefficients		Standard ized Coefficients	t	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.699	.181		9.365	.000		
Downstream Supply Chain Integration	.078	.033	.121	2.397	.002	.808	1.244
Customer Relationship Management	.092	.032	.145	2.771	.006	.766	1.330
Product Mix Decision	.128	.031	.196	4.047	.015	.835	1.211
Information System	.127	.031	.193	4.074	.010	.886	1.131
Third Party Logistics	.098	.035	.159	3.132	.005	.712	1.476

Table 4.13 ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	75.298	17	4.429	21.385	.000 ^b
Residual	59.029	285	.207		
Total	134.327	302			

a. Dependent Variable: Overall customer satisfaction

b. Predictors: (Constant), Downstream Supply Chain Integration, Customer Relationship Management, Product Mix Decision, Information System, Third Party Logistics

Table 4.13, the ANOVA test, it is noticed that F value of 21.385 is significant at 0.000 level. Therefore, from the result, it can be concluded that with 56.1% of the variance (R-Square) in customer satisfaction is significant and the model appropriately measures the construct. The remaining 43.9% are other extraneous variables that can affect customer satisfaction.

4.5.2 Multi colinearity Test Analysis

The next step to determine whether there is similarity between the independent variables (Downstream Supply Chain Integration, Customer Relationship Management, Product Mix Decisions, Information System, and Third Party Logistics) in a model it is necessary to Multi colinearity test. Similarities between the independent variables will result in a very strong correlation. In addition, Multicollinearity test is done to investigate the inter correlation between the independent and dependent variables. The Good regression model shall not indicate the problem of Multicollinearity shown by values of Multicollinearity explained by VIF between < 1 or >10 and tolerance value >0.02

We can see from the above table 4.12 based on the coefficients output collinearity statistics, obtained VIF value of 1.244 for downstream supply chain integration, 1.330 for customer relationship management, 1.211 for product mix decision, 1.131 for Information System and 1.476 for Third Party Logistics, meaning that the VIF value obtained was between 1 to 10 together with indicated tolerance values greter than 0.02. (i.e., 0.808, 0.766, 0.835, 0.886, 0.712). As a result, it can be concluded that there were no Multicollinearity symptoms. The predictor variables in a multiple regression model are not correlated, meaning that one cannot be linearly predicted from the others with a substantial degree of accuracy.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter has come up with the elaboration of important findings of the research in relation to the previously mentioned research questions after which the conclusions and recommendations that may help the organization sustain customer satisfaction were extracted and forwarded.

5.2 Summary of Findings

5.2.1 The Association of Channel management Decisions with Customer Satisfaction

RQ1: How does these implemented channel management decisions relate to customer satisfaction of NALF?

Once selected, channel members must be continuously managed and motivated to do their best. The company must sell not only through the intermediaries but also to and with them. Most companies see their intermediaries as first-line customers and partners. They practice strong partner relationship management (PRM) to forge long-term partnerships with channel members. This creates a value delivery system that meets the needs of both the company and its marketing partners. In managing its channels, a company must convince distributors that they can succeed better by working together as a part of a cohesive value delivery system Kotler and Keller (2012) while distribution decisions continue to be mostly tactical and made on market-by-market base, marketing managers may need to adjust the channel management decision strategy. Distribution formats are crossing borders, especially to newly emerging markets. K.Douglas (2006) further notes that marketing channel strategy (place), along with the other three Ps of the marketing mix- Product, price, and promotion, must be developed and coordinated to meet the needs and wants of target markets. A marketing channel is the network of organizations that create time, place, and ownership utilities for household consumers and business customers. The first step in the cycle of satisfaction is to get in to the mind of the customer to identify customer needs and desires. This is marketing's speciality. Marketing brings the voice, the mind, and the heart of the customer in to the company when the customer's desires are translated in to viable, profitable products and services. How do companies continue to win the customers year after year? How do new comers steal customers from other companies? The answer lie in effective marketing, which focuses on

understanding customers' current needs while seeking to identify and articulate their future, wants (Fawcett, S. ;Ellram, L.; Ogden, 2007).

The findings of this study showed that the identified channel management decisions, downstream supply chain integration, customer relationship management, product mix decisions, the use of information systems in channel management decision and third party logistics were implemented in varying degree in National Alcohol and Liquor Factory but strongly associated with customer satisfaction. By developing and coordinating channel management decisions or strategy (place), along with the other three Ps of the marketing mix- Product, price, and promotion, to meet the needs and wants of target markets, therefore, Firms achieve customer satisfaction through the effective channel management decisions of customer perceptions and expectations. If the perceived service is better than or equal to the expected service, then customers are satisfied.

The identified channel management decision arrangements must be reviewed periodically and modified when distribution is not working as planned, consumer buying patterns change, the market expands, new competition arises, innovative distribution channels emerge, or the product moves into later stages in the product life cycle. Rarely will a marketing channel remain effective over the entire product life cycle. To some extent, this has helped the organization to improve customer satisfaction enhancing organizational performance. This was assured by the results of research indicating the relationship of channel management decisions to customer satisfactions. Designing channel management decisions based on different economic conditions, socio cultural developments, new competitive structure, advancing technology, and government regulation all may positively influence firms' customer satisfaction.

5.2.2 The Contribution of Channel Management Decisions in creation of organizational capabilities

RQ2: Do channel management decisions lead to creation of capabilities that enhance organizational competitiveness?

The identified channel management decisions lead to creation of capabilities that enhance organizational competitiveness were formulating channel strategy, designing the channel management structure, selecting the channel member, motivating the channels members, coordinating channels strategy with the marketing mix and evaluating channel members performance and noted in the literature by kotler and keller (2012) no channel strategy

remains effective over the whole product life cycle. In competitive markets with low entry barriers, the optimal channel structure will inevitably change over time. The change could mean adding or dropping individual market channels or channel members or developing a totally new way to sell goods. By Design Channel is the process of developing new channels where none existed before, or making significant modifications to existing channels can be broken down in to Setting distribution objectives, Specifying the distribution tasks that need to be performed by the channel, Considering alternative channel structure and Choosing an optimal channel structure. Channels provide time, place, and ownership utility. They make products available when, where, and in the sizes and quantities that customers want. Distribution channels provide a number of logistics or physical distribution functions that increase the efficiency of the flow of goods from producer to customer. Distribution channels create efficiencies by reducing the number of transactions necessary for goods to flow from many different manufacturers to large numbers of customers. This occurs in two ways. The first is called breaking bulk. Wholesalers and retailers purchase large quantities of goods from manufacturers but sell only one or a few at a time to many different customers. Second, channel intermediaries reduce the number of transactions by creating assortments—providing a variety of products in one location—so that customers can conveniently buy many different items from one seller at one time. Channels are efficient. The transportation and storage of goods is another type of physical distribution function. Retailers and other channel members move the goods from the production site to other locations where they are held until they are wanted by customers. Channel intermediaries also perform a number of facilitating functions, functions that make the purchase process easier for customers and manufacturers. Intermediaries often provide customer services such as offering credit to buyers and accepting customer returns. Customer services are oftentimes more important in B2B markets in which customers purchase larger quantities of higher-priced products.

In conclusion to this research question, if implemented with higher degree, the channel management decisions which are investigated with the context of the study, downstream supply chain integration, customer relationship management, product mix decisions, the integration of information systems in product delivery and the implementation of third party logistics can create dynamic capabilities to National Alcohol and Liquor Factory thereby enhancing further increase of customer satisfaction that its competitors cannot copy and implement.

5.2.3 The Effects of Channel Management Decisions towards Customer Satisfaction

RQ3: What are the dominant channel management decisions affecting customer satisfaction at NALF?

Through the application of the regression analysis of Channel management decisions, it was found that the most dominant channel management decision in the organization is product mix decision. Thus, this was indicated in the study with higher values of regression analysis. Next, the second most important channel management decisions that significantly impacted the customer satisfaction of the organizations under concern are information system in the channel management decision, the third most important channel management decisions that significantly impacted the customer satisfaction of the organizations is third party logistics. Moreover, the increased impacts of customer relationship management and downstream supply chain integration in channel management decision has been reflected also in making the channel management decision as the most customer satisfaction tool between the organizations. The degree of influence starting from the strongest to weakest is as follows:

1. Product mix decision
2. Information system
3. Third party logistics
4. Customer relationship management
5. Downstream supply chain integration

5.3 Limitations of the Study

The limited practices of implementing channel management decisions particularly in beverage industry may lead to the applications of channel management in varying degree in organizations like National Alcohol and Liquor Factory. Thus, the study will have limited capacity:

-  In treating all dimensions of channel management decisions that affect customer satisfaction.
-  Although the selected participants of the study believed to have sufficient knowledge of channel management decisions, their responses may be influenced by incidents of shortage of delivery which has previously occurred.
-  As the domain of respondents is constructed from various types customer with different back grounds, some of the questionnaires may be returned in complete or missed.

5.4 Scope for Future Research

The increasing intensity of competition in the alcoholic beverage industry as a result of new entrants to the industry will surely enquire the effective implementations channel management decisions with competent marketing strategies. Therefore, such type of research can be utilized in the investigations of impacts of channel management decisions on customer satisfaction and organizational performance in the beverage industry like wineries and breweries.

5.5 Conclusion

As many industry sectors mature, competitive advantage through appropriate Channel management decision is an increasingly important weapon in business survival. Channel management decision and customer satisfaction have long been recognized as playing a vital role for success and survival in today's competitive market. Increasing competition is forcing businesses to pay much more attention to satisfying customer's needs. The major objective of this study was to investigate channel management decision and customer satisfaction in NALF.

Based on the result of those regression result shows that product mix decision, information systems and third party logistics were significant in contributing to customer satisfaction from channel management decision regression result observed and customer relationship management and downstream supply chain integration were observed least significant in contributing to overall customers' satisfaction. From the study it is concluded that the selected respondents are satisfied with the channel management decisions. The regression result also shows reliability has highest impact on customer satisfactions followed by product mix decision, information system and third party logistics. The other problems that create weak impact on channel management decisions and dissatisfaction of selected respondents are customer relationship management utilization of the organization and improper integration setting of downstream supply chain integration.

5.6 Recommendation

Following the discussions of the research results in the previous section, the next mentioned recommendations could be forwarded in order to fill the gap in implementation of identified channel management decisions:

5.6.1 Downstream supply chain Integration

Sustainable downstream supply chain integration systems are the one which is more effectively channel management decision in the firm.

However, there are also important dimensions that need to be considered by the organizations with regard to downstream supply chain integration. The following is a list of recommendation with regard to downstream supply chain integration:

- Strengthen information sharing
- Have quality of information for distributors and customers
- Measure the performance evaluation of the distributors
- Have detail downstream supply chain strategy

5.6.2 Customer Relationship Management

The traditional customer relationship management in the alcoholic beverage manufacturing organizations has made firms not to exploit advantages from distributors. In order to do this, the organizations need to get out of the traditional practices by implementing the following recommendations:

- To meet the specific needs of their most profitable customers, business marketing firms, large and small, are making substantial investments in CRM systems enterprise software applications that synthesize customer information from all of a company's contact or touch points, including call centres and sales and services representatives to support subsequent customer interactions and to inform market forecasts and marketing strategies.
- Acquiring the right customers: A customer strategy requires a clear understanding of customer needs, a tight grasp on the costs that will be incurred in serving different types of customers, and an accurate forecast of profit potential.
- Crafting the right value proposition.
- Instituting the best processes. Instituting the best processes. Frontline employees, such as salesperson, are responsible for creating satisfied, loyal customers because of their role in executing the strategy.
- Motivating employees. Dedicated employees are the cornerstone of a successful customer strategy.
- Learning to retain customers. Customer loyalty and retention are important to business marketers because the cost of serving a long standing customer is often far less than the cost of acquiring a new customer.

5.6.3 Third Party Logistics

The improvement of channel management performance as well as enhancement of customer satisfaction requires effective integration of internal and external operations. In order to achieve this, the organization may have to do the following:

- In more recent years, the term supply chain management has been used to describe logistical systems that emphasise close cooperation and comprehensive inter organizational management to integrate the logistical operation of the different firms in the channel.
- When designing a logistics system a company must examine the cost of each component and how it affects other components.
- When we outsourcing the logistics first examine outsourcing in relation to the most frequent application: out sourcing part or all of the distribution function. Within this, consider the strategic implications and potential risks caused by giving some tasks to third parties. Secondly, it looks more widely at all the 'make or buy' decisions faced

by organizations at various parts of the supply chain. Thirdly, third-party logistics companies are examined.

- Strategic logistics outsourcing decision are made by answering a series of questions before making a choice based on service levels and cost.
- Concentrate on core activities and processes;
- Improve customer service level;
- Integrate and evaluate the entire supply chain;
- Reduce conflict and reciprocate on mutual goal-related matters;
- Increase efficiency, stability and flexibility of channel management decisions implemented
- Establish market legitimacy;
- Leverage resources;
- Improve expertise, market knowledge and data access;
- Create a competitive advantage either locally or globally;

5.6.4 Information System

The current globalization of markets is requiring the efficient product delivery to increase market reaches to customers. In such a case, the use of information systems in the channel management decision plays critical role in satisfying customers with increased flexibility and reduced cost. Therefore, the manufacturing organizations should have to pay attention to use of information systems as enablers of their channel management decision performance.

Moreover, manufacturing organizations are carrying out significant amounts of transactions while selling products to their customers through their distribution channels. Meanwhile, the channel management is ineffective and exposed to corruption. Therefore, the firm's shall consider the implementations of TPS (transaction processing systems) and point of sale solutions(POS) to better inventory management ,reduce delivery cycle time and protect wastage of resources.

5.6.5 Product Mix Decision

The alcoholic beverage sector in Ethiopia is characterized by the dynamically changing needs and preferences of customers. In addition to this, the potential local and export market is becoming more promising such that new multi-national companies are entering in to Ethiopian market. Therefore, in order to withstand this competitive pressure, the organization needs to take into account the following recommendations with regard to product mix:

- Ensure the product sales mix matches the product life cycle and conduct product life cycle assessment in order not to stick on one product sales.
- Properly identify the point at which the organization has diversified liquor products
- Firms introducing higher-margin products, possibly by replacing lower-margin products.
- the organization deliver the product sustainably with product mix and quality
- Put in place the raw materials for all types of products so that the product mix effectiveness shall improve.
- Do root cause analysis and take corrective action accordingly.

6 Reference

- Ahmed, S. and Rahman, H. (2015) ‘ The Effects of Marketing Mix on COnsumer Satisfaction : A Literature Review From Islamic’, 2(1), pp. 17–30.
- Akyuz, G. A. and Erkan, T. E. (2010) ‘Supply chain performance measurement : a literature review’, 48(17), pp. 5137–5155.
- Angelova, B. (2011) ‘Measuring Customer Satisfaction with Service Quality Using American Customer Satisfaction Model (ACSI Model)’, 1(3), pp. 232–258.
- Ataseven, C. and Nair, A. (2017) ‘Assessment of supply chain integration and performance relationships: A meta-analytic investigation of the literature’, *International Journal of Production Economics*, 185.
- Belanger France and Slyke Craig Van (2012) *Information Systems for Business An Experiential Approach*. Hoboken, New Jersey.: John Wiley & Sons, Inc.
- Birhanu, D., Lanka, K. and Rao, A. N. (2014) ‘Investigating Supply Chain Metrics of Alcohol and Liquor Industries : A Case Study’, 3(4), pp. 68–78.
- Burnett, J. (2008) *Core Concepts of Marketing*. Zurich, Switzerland: Jacobs Foundation,.
- Capon , Noel;Capon, R. ; M. (2009) *Managing marketing in the 21st Century; Developing & Implementing the marketing Strategy*. New York: Wessex, Inc.,.
- Cerasoli, C. P., Nicklin, J. M. and Ford, M. T. (2014) ‘Intrinsic motivation and extrinsic incentives jointly predict performance: A 40-year meta-analysis’, *Psychological Bulletin*, 140(4).
- Chen, M. S., Lai, G. C. and Chen, M. S. (2010) ‘Distribution systems , loyalty and performance’, pp. 698–718.
- Cunningham William H., C. I. C. M. and M. S. C. (1987) *Marketing A Managerial Approach*. 2nd edn. Ohio: South-Western Publishing Ca.
- David, M. G. D. and F. (2005) *Essentials of Research Design and Methodology*. Hoboken, New Jersey.: John Wiley & Sons, Inc.
- Fawcett, S. ;Ellram, L.; Ogden, J. (2007) *Supply Chain Management:From Vision to Implementation*. Pearson In. Upper Saddle River, New Jersey.: Pearson Education,Inc.
- Georgise, F. B., Thoben, K. and Seifert, M. (2014) ‘Supply Chain Integration in the Manufacturing Firms in Developing Country : An Ethiopian Case Study’.
- Gilaninia, S. *et al.* (2012) ‘Impact of Supply Chain Dimensions on Customer Satisfaction, 1(5), pp. 104–111.

- Golafshani, N. (2003) 'Understanding Reliability and Validity in Qualitative Research', 8(4), pp. 597–606.
- Guwahati (2013) 'Chapter 2 Determination of appropriate Sample Size', 2(1).
- He, Y. *et al.* (2014) 'The impact of supplier integration on customer integration and new product performance: The mediating role of manufacturing flexibility under trust theory', *International Journal of Production Economics*.
- Huo, B., Zhang, C. and Zhao, X. (2015) 'The effect of IT and relationship commitment on supply chain coordination: A contingency and configuration approach', *Information and Management*, 52(6).
- Huo, B., Zhao, X. and Zhou, H. (2014) 'The effects of competitive environment on supply chain information sharing and performance: An empirical study in China', *Production and Operations Management*, 23(4).
- K.Douglas, H. (2006) *Marketing Principles & Best Practices*. United States of America: South Western part of the Thomson corporation.
- Kazak, K., Choi, W. Y. and Timlon, J. (2009) 'Improving Customer Service through Just-in-Time Distribution'.
- Kilibarda, M. (2015) 'Distribution Channels Selection Using PCA-DEA', 5(1), pp. 74–81.
- Kotler, P. (2002) *Marketing Management , Millenium Edition*. 10th edn. Upper Saddle River, New Jersey: A Pearson Education Company.
- Kotler, P. and K. K. L. (2006) *Marketing Management*. 12th edn. New Jersey: Pearson Education, Inc.
- Kotler, P. and Keller, K. L. (2012) *Marketing Management*. 14th edn. Upper Saddle River, New Jersey: Pearson.
- Lee, T. (2012) *Using Qualitative Methods in Organizational Research*. London: Sage Publications Ltd.
- Levy Michael and A. weitz Barton (2001) *Retailing Management*. 4th edn. New York: McGraw-Hill companies, Inc.
- Liu, H. *et al.* (2016) 'The configuration between supply chain integration and information technology competency: A resource orchestration perspective', *Journal of Operations Management*.
- Mesfin G.(2015) *The Impact of Supply Chain Management Decisions and Practices on Competitive Strength of Alcoholic Beverage Manufacturing Firms in Ethiopia* .

Masters Degree in Business Leadership .

Michael, J. B. (2003) *The Marketing Book*. 5th edn. Edited by M. Baker. London: Elsevier Science.

NALF (2015) *Customer Satisfaction Survey*. Addis Ababa.

Narayanamurthy G.; Gurumurthy A. (2015) " A case study on downstream supply chain of an Indian Alcoholic Beverage Manufacturer''', (June).

Pule, S. and Kalinzi, C. (2014) 'Relationship Management in Downstream Supply Chain :A Predictor of Performance Among Selected Pharmaceutical Companies', 5(3).

Sadler, I. (2007) *Logistics and Supply Chain Integration*. London: Sage Publications Ltd.

Saremi, H., Masomeh, S. and Zadeh, M. (2014) 'Management of Distribution Channels', 5(3), pp. 452–456.

Srivastava, M. (2012) 'Customer Relationship Management (CRM): A Technology Driven Tool', IV(March), pp. 14–25.

Tanner, J. and R. M. (2012) *Marketing Principles*. USA: Creative Commons.

Uysal, F. (2016) 'Physical Distribution Flexibility in Logistics Systems and Its Impact on Productivity', 4(1), pp. 53–56.

Wassenhove, V. (2003) 'The impact of ERP on supply chain management : Exploratory findings from a European Delphi study'.

Wathne, K. H. and Heide, J. B. (2015) 'Governance', 68(1), pp. 73–89.

Wiengarten, F. *et al.* (2014) 'Do a country's logistical capabilities moderate the external integration performance relationship?', *Journal of Operations Management*, 32(1–2).

Williams, C. (2007) 'Research Methods', 5(3), pp. 65–72.

Yang, X. (2014) 'Status of Third Party Logistics – A Comprehensive Review', 3(1), pp. 17–20.

Yeboah, A.;Owusu, Alfred;Boaskye, Solomon;Mensah, S. (2013) 'Microsoft Word - Effective Distribution Management, A Pre-Requisite For Retail Operations A Case of Poku Trading', 1(3), pp. 28–44.

Zailani, Suhaiza;Rajagopal, P. (2008) 'Supply chain integration and performance : US versus East Asian companies', 10(5), pp. 379–393.

Zhao, Y., Cavusgil, E. and Cavusgil, S. T. (2014) 'An investigation of the black-box supplier integration in new product development', *Journal of Business Research*, 67(6).

APPENDIX 1:- Data Collection Instrument(Questionnaire)

A Self-Administered Questionnaire

Addis Ababa University School of Commerce

Department of Marketing Management

MBA program

Dear Respondents,

My name is Simieneh Dagne. I am postgraduate student at Addis Ababa University School of Commerce. I am conducting a research study on “The Effect of Channel Management Decision on Customer Satisfaction the case of National Alcohol And Liquor Factory” In partial fulfilment of Master of Arts Degree in Marketing Management at Addis Ababa University school of commerce (AAUSC) . I request your help to spend some minutes of your time by filling the provided questionnaire. The aim of this survey is to examine the effect of channel management decision and associated customer satisfaction with National Alcohol and Liquor Factory. The data will be used only for academic purpose. Also, I ensure you that the information provided will be kept confidential and will not be used for any other purpose. I thank you in advance for active participation and kind cooperation. If you have any questions regarding the research please contact me through simienehd@gmail.com .

Note: Participation is purely voluntary and no need to write your name anywhere.

Cordially,

Simeneh Dagne

General instruction

- Please do not write your name in the questionnaires
- Please make a checkmark **X** or (✓) on the appropriate choices to the closed-ended questions or give an explanation to the open-ended questions.

SECTION A – Demographic Information

1. What is your customer type

- | | |
|-----------------------|----------------------|
| 1. Agent | <input type="text"/> |
| 2. Wholesaler | <input type="text"/> |
| 3. Retailer | <input type="text"/> |
| 4. Liquor distributor | <input type="text"/> |
| 5. Grocery house | <input type="text"/> |

2. What is your status in the NALF Product outlet?

- | | |
|--------------------------|----------------------|
| 1. Owner | <input type="text"/> |
| 2. Manager | <input type="text"/> |
| 3. Owner and Manager | <input type="text"/> |
| 4. Sales Person | <input type="text"/> |
| 5. Other, please specify | _____ |

3. How long have you been stay as a Customer?

- | | |
|-------------------------------|----------------------|
| 1. Less than 2 Years | <input type="text"/> |
| 2. From 2 years up to 5 years | <input type="text"/> |
| 3. From 3 years up to 5 years | <input type="text"/> |
| 4. From 5 years up to 7 years | <input type="text"/> |
| 5. More than 7 years | <input type="text"/> |

SECTION B:-INDEPENDENT VARRIABLES

Please put √(X) mark in place where it best describes your interest in front of each question.

S.NO	<u>Short Description</u> <u>Down Stream supply chain Integration (DSCI)</u> Is the integration and collaboration among supply chain members which are down the value chain(1 st & 2 nd customers) through the use of their facilities like transport, ware house, etc. in distribution of the products of the manufacturer.	Respondents response				
		1	2	3	4	5
		Strongly disagree	disagree	Neutral	Agree	Strongly Agree
DSCI 1	There is strong information exchange with major distributor through information network					
DSCI 2	There is quick ordering system with major distributor					
DSCI 3	There is strong strategic partnership with major liquor agents.					
DSCI 4	NALF has set the criteria's for effective selection of its channel members for sustainable delivery of its products.					
DSCI 5	NALF uses main practices of downstream supply chain integration (transport facilities of agents, ware houses, etc.) to deliver its products on time to customers.					
DSCI 6	NALF continuously evaluates and motivate its liquor agents & distributors on planned basis.					
DSCI 7	NALF has included supply chain/marketing strategy in the strategic plan that will facilitate the integration with agents & distributors.					

S.NO	<u>Short Description</u> <u>Customer Relationship Management (CRM)</u> Customer relationship management (CRM) refers to an organization-wide strategy for managing an organization's multiple interactions with customers.	Respondents response				
		1	2	3	4	5
		Strongly disagree	disagree	Neutral	Agree	Strongly Agree
CRM1	NALF is highly responsive to its customers with regards to complaints raised.					
CRM2	NALF delivers its products to customers with quality sales service.					
CRM3	NALF uses the methods of CRM like customers' day, enquiries from customers by phone and the like effectively.					
CRM4	NALF is currently using gathered information in different ways for future improvement of customer satisfaction.					
CRM5	The organization always keeps an organized data of CRM takes it as input for management review in order to improve customer satisfaction.					
CRM6	NALF always tries to build thrust with its agents through long term relationships.					

S.NO	<u>Short Description</u> <u>Product Mix Decision(PM)</u> All of the products a company markets can be thought of as its Product mix. The mixture of products typically includes various items that are related in terms of the raw materials used to create them, the products' end uses, or the customers targeted.	Respondents response				
		1	2	3	4	5
		Strongly disagree	disagree	Neutral	Agree	Strongly Agree
PM 1	NALF has diversified types of liquor products.					
PM 2	NALF continuously ensures the balance between product mix and quality of delivery to customers.					
PM 3	A company tries to achieve greater impacts by offering complete product mix to customers.					
PM 4	NALF avoids obsolete (out of date) product lines according to its product life cycle.					
PM 5	The organization tries to collect data that reflect the changing interests & preferences of customers to produce new products through research & development.					

S.NO	<u>Short Description</u> <u>Information system (IS)</u> Information system (IS): can be defined technically as set of interrelated components that collect (or retrieve), process, store, and distribute information to support decision making, coordinating, and control in an organization.	Respondents response				
		1	2	3	4	5
		Strongly disagree	disagree	Neutral	Agree	Strongly Agree
IS 1	NALF uses information systems like ERP (enterprise resource planning),					
IS 2	NALF uses supply management system (movement of goods), (orders and delivery status), (credit terms, payment schedules, and consignment and title ownership arrangements)					
IS 3	NALF uses web based interfaces to access inventory, order processing, delivery, and other information from the SCM system					
IS 4	NALF uses customer relationship system for managing an organization's multiple interactions with customers.					
IS 5	NALF currently applied SCM, CRM, ERP systems to minimize order cycle times thereby improving customer satisfaction.					
IS 6	NALF currently uses IT enablers like GPS (Global Position Systems) technology to facilitate effective delivery routing services to improve customer satisfaction					

S.NO	<u>Short Description</u> <u>Third Party logistics (3PLs)</u> 3PL is the use of a transport company to carry out a variety of transport and distribution tasks along the supply chain.	Respondents response				
		1	2	3	4	5
		Strongly disagree	disagree	Neutral	Agree	Strongly Agree
3PL 1	The use of 3PL to distribute its products to customers will assure the satisfaction of customers.					
3PL 2	By using third party logistics NALF ensures high quality delivery through regulated price, high quality product, quick delivery time, etc. that improve customer satisfaction.					
3PL 3	NALF currently is trying to use out sourced services of 3PL like freight forwarding, docking service, etc. to deliver its products for foreign customers.					
3PL 4	The 3PL practice (transportation, materials handling, order processing, inventory control, warehousing and packaging) will surely enable the organization concentrate on its core business and therefore achieve improved customer satisfaction.					
3PL 5	Our firm has formal performance goals relating to the 3PL practice					
3PL 6	The 3PL practice (transportation, materials handling, order processing, inventory control, warehousing and packaging) has enabled the organization to excel from the previous performance.					

SECTION C: - DEPENDENT VARIABLE

S.NO	<u>Customer satisfaction</u> Ultimately firms achieve customer satisfaction through the effective management of customer perceptions and expectations. If the perceived service is better than or equal to the expected service, then customers are satisfied.	Respondents response				
		1	2	3	4	5
		Very Low	Low	Average	High	Very High
CS 1	The extent to which the range of product mix offered by NALF is complete.					
CS 2	The degree of quality of product delivery and sales service by NALF is competent and dependable according to time, place and quality.					
CS 3	Indicate The contribution of support of Information Technology in distribution of products of NALF in generating improved customer satisfaction.					
CS 4	The implementations of practices of CRM have enabled NALF to improve customer satisfaction.					
CS 5	The collaborative efforts of agents, liquor distributors and whole sellers with NALF (downstream supply chain integration) in product distribution of NALF have resulted in significant improvements of customer's satisfaction with regard to product distribution.					

APPENDIX 2: Statistical Out Put

Channel Management decision Over All Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.891	.890	30

Downstream Supply chain Integration Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.712	.702	7

Customer Reelationship Management Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.786	.756	6

Product Mix Decision Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.757	.723	5

Information System Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.689	.605	6

Third Party Logistics Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.737	.706	6

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.749 ^a	.561	.534	.455	.561	21.385	17	285	.000

a. Predictors: (Constant), Downstream Supply Chain Integration, Customer Relationship Management, Product Mix Decision, Information System, Third Party Logistics

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	1.699	.181		9.365	.000		
1	Downstream Supply Chain Integration	.078	.033	.121	2.397	.002	.808	1.244
2	Customer relationship Management	.092	.032	.145	2.771	.006	.766	1.330
3	Product Mix Decision	.128	.031	.196	4.047	.015	.835	1.211
4	Information System	.127	.031	.193	4.074	.010	.886	1.131
5	Third Party Logistics	.098	.035	.159	3.132	.005	.712	1.476

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	75.298	17	4.429	21.385	.000 ^b
	Residual	59.029	285	.207		
	Total	134.327	302			

a. Dependent Variable: Overall customer satisfaction

b. Predictors: (Constant), Downstream Supply Chain Integration, Customer Relationship Management, Product Mix Decision, Information System, Third Party Logistics

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.699	.181		9.365	.000		
Downstream supply Chain Integration 1	.140	.032	.217	4.343	.000	.764	1.308
Downstream supply Chain Integration 2	.211	.033	.307	6.308	.000	.805	1.242
Downstream supply Chain Integration 3	-.088	.039	-.109	-2.264	.004	.830	1.205
Downstream supply Chain Integration 4	-.091	.028	-.145	-3.204	.001	.927	1.078
Downstream supply Chain Integration 5	.070	.034	.106	2.080	.008	.736	1.360
Downstream supply Chain Integration 6	.225	.032	.351	7.117	.000	.786	1.273
	.078	.033	.121	2.397	.002	.808	1.244
Customer Relationship Management 1	.132	.032	.207	4.116	.000	.762	1.313
Customer Relationship Management 2	-.047	.029	-.072	-1.634	.003	.989	1.011
Customer Relationship Management 3	.136	.036	.199	3.732	.000	.678	1.475
Customer Relationship Management 4	.073	.032	.124	2.271	.024	.645	1.551
Customer Relationship Management 5	.077	.030	.127	2.549	.011	.777	1.287
Customer Relationship Management 6	.181	.032	.284	5.589	.000	.744	1.345
	.092	.032	.145	2.771	.006	.766	1.330
Product Mix Decision 1	.190	.032	.276	5.959	.000	.894	1.118
Product Mix Decision 2	.059	.030	.086	1.929	.055	.976	1.024
Product Mix Decision 3	.208	.032	.324	6.477	.000	.768	1.302
Product Mix Decision 4	.117	.033	.181	3.531	.000	.731	1.368
Product Mix Decision 5	.067	.029	.114	2.338	.020	.803	1.245
	.128	.031	.196	4.047	.015	.835	1.211

Information System 1	.171	.031	.266	5.521	.000	.854	1.171
Information System 2	.114	.030	.175	3.811	.000	.938	1.066
Information System 3	.131	.034	.180	3.819	.000	.896	1.116
Information System 4	.089	.028	.156	3.173	.002	.820	1.220
Information System 5	.054	.028	.090	1.923	.055	.906	1.104
Information System 6	.200	.032	.291	6.199	.000	.901	1.110
	.127	.031	.193	4.074	.010	.886	1.131
Third Party Logistics 1	-.132	.042	-.195	-3.164	.002	.537	1.861
Third Party Logistics 2	.147	.039	.243	3.766	.000	.490	2.041
Third Party Logistics 3	.120	.036	.178	3.347	.001	.727	1.376
Third Party Logistics 4	.074	.033	.114	2.265	.024	.814	1.228
Third Party Logistics 5	.101	.028	.176	3.562	.000	.834	1.198
Third Party Logistics 6	.281	.031	.438	9.018	.000	.868	1.152
	.098	.035	.159	3.132	.005	.712	1.476