

**Addis Ababa University**  
**Department of Management, EMBA**



# **Assessment of appropriateness of the indirect distribution channel of ethio tel ecom**

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**December, 2014**  
**Addis Ababa, Ethiopia**

**Addis Ababa University**  
**Department of Management, EMBA**

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Telecom**

**A Thesis Submitted In Partial Fulfillment of the  
Requirements for the Award of Executive Master of  
Business Administration Degree.**

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**By Nehmya Tadesse**

**Approved by Board of Examiners**

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## **Abstract**

Despite its impressive revenue contribution, the indirect channel of Ethio Telecom is full of administrative problems. In this indirect channel distribution the company on the one hand employs local distributors which are required to sell within their respective zone/region territory only and on the other hand national distributors which are free to circulate the products anywhere in the country.

The objective of this research is therefore to evaluate appropriateness of the current indirect channel of ethio telecom and recommend an optimal channel structure alternative. Accordingly, questionnaires were distributed to three channel stakeholders namely Ethio Telecom staffs, distributors and retailers.

In a nutshell, performance of the indirect distribution channel based on the primary data is poor qualitatively. The major poor performance areas are pillar terms of the distribution agreement (such as door to door distribution, territory confined distribution of the products) are not implemented, and Channel stakeholders indicated that it is impossible and not feasible to control territory confined distribution of ET's products. It is impossible to avoid territory breach. Some retailers purchase ET products not from distributors in their territory which is a best prove of uncontrollability of the policy of territory limited distribution.

Consequently, the researcher proposed/recommended alternative and optimal distribution channel design. The recommendation is that ethio telecom needs to waive the concept of territory limited distribution and employ few mega national distributors at upstream channel level parallel to the undifferentiated nature of Ethiopian market. The national distributors would organize themselves in 14 regional/zonal branch offices parallel to organizational structure of ethio telecom. Candidate distributors for this proposal are Ethiopian Postal Service Enterprise and Hidassie Telecom Share Company. These two candidate and strategic business partners of ethio telecom have more than one thousand five hundred sales outlets together throughout Ethiopia.

**Addis Ababa University**  
**Department of Management, EMBA**

**Statement of Declaration**

I, Nehmya Tadesse, hereby declare that the project entitled 'Assessment of Appropriateness of the Indirect Distribution Channel of Ethio Telecom' is my original work and has not been presented for degree in any other universities and that all sources of material used for the project have been duly acknowledged.

**Declared by:**

Nehmya Tadesse \_\_\_\_\_                      April 2015  
Student    Signature

**Confirmation by Advisor:**

ZewdieShibre (PhD) \_\_\_\_\_                      April 2015  
Advisor    Signature

## Acronyms

ET	Ethio telecom
SAAZ	South Addis Ababa Zone
SWAAZ	South West Addis Ababa Zone
WAAZ	West Addis Ababa Zone
NAAZ	North Addis Ababa Zone
EAAZ	East Addis Ababa Zone
CAAZ	Central Addis Ababa Zone
ER	East Region
SER	South East Region
SR	South Region
SWR	South West Region
WR	West Region
NWR	North West Region
NR	North Region
NER	North East Region
POS	Point of Sales
IDC	Indirect Channel
DC	Direct Channel
CAF	Client Acquisition/Agreement Form
SIM	Subscriber Identification Module
VC	Voucher Cards
EPS	Ethiopian Postal Service Enterprise
CHD	Channel design
RSD	Residential Sales Division

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## Definitions of operational terms:

- **Distributors** – are mega distribution intermediaries hired by ethio telecom at level one which deal directly with ethio telecom.
- **Sub-distributors** – are distribution intermediaries who engage in wholesales by taking ethio telecom products from the distributors to retailers.
- **Retailers** - are distribution intermediaries who engage in retail sales to end users by taking ethio telecom products from the distributors or sub-distributors.
- **Indirect distribution channel**- A chain of intermediaries through which a product moves in order to be made available for purchase by a consumer. An indirect channel of distribution typically involves a product passing through additional steps as it moves from the manufacturing business via distributors to wholesalers and then retail stores.

# CHAPTER ONE: INTRODUCTION

## 1.9. Background of the Study

The formulation and implementation of appropriate distribution strategies is a key to success, in terms of maximizing sales and profits for product-focused companies. Unfortunately, many of these companies often fail to establish or maintain the most effective distribution strategies, which in most cases militate against their business fortunes.

Several companies are unsatisfied with the distribution of their products and services. Among the marketing 4P's: (products; place/distribution channels; price; promotions/communications) distribution channels are important sources of competitive advantage, since in the other Ps, for example products, the rate of technology transfer between companies all over the world and global competition make new products and attributes available for competitors to imitate. Distribution builds stable competitive advantages, since marketing channels have a long run character and to build them it is necessary to have a consistent structure; and due also to the fact that they are focused on people and relationships (Stern et al., 1996; Rosenbloom, 1999; Berman, 1996; Neves, 2000). Though the current market for ethio telecom is a monopoly and hence no need to worry about competitive advantage, the company needs to have an effective distribution channel for two main reasons. The first reason is that the company needs to adopt customer relationship marketing perspective to serve its downstream channel members including the end customers effectively so that negative company image and associations would not be built. The second reason is that channel members and the end users will not shift business relationship to potential competitors when the market will be open for competition in the future.

It cannot be said that ethio telecom's current distribution channels have performed to the level that meets industry and stakeholders' expectations because there are many chaos in the channels, especially in the indirect channel, as the researcher's experience in ethio telecom's indirect channel can serve as an unproven and mere clue about the channels' inefficiency .

This current paper evaluates of appropriateness of indirect distribution channel of ethio telecom.

### **1.10. Statement of the Problem**

Despite its impressive revenue contribution, the indirect channel of ethio telecom is full of administrative problems. The root cause of the channel design problem seems to be an inherent understanding gap with the architects of the channels(France telecom) about the Ethiopian market situation and prior distribution experiences. The prior non-territory limited distribution experience was already deeply adopted by players of the market such as the sub-distributors which already long established their own distribution networks under them especially for physical voucher card and SIM distribution. These sub-distributors have already had the power to distort functionality of the newly launched distribution channels of ethio telecom for the new distribution channel had not taken them into consideration as stakeholders and snatched their business which had long been delivering them lucrative profit without being seen by tax authority of the land. There are inter-conflicts in the indirect channel (price cut and territory violations targeting increased sales volumes because the higher the sales volume the higher the commission is).

The company on one hand employs local distributors which are required to sell within their respective zone/region territory only and on the other hand national distributors which are free to circulate the products anywhere in the country. The local distributors have low bargaining power because local retailers can turn to the national distributors or to other local distributors in

other territories for minor benefits. In the first place, it is very difficult for distributors to trace and control where the products may be taken to once issued to retailers. What the distributors can do is selling to retailers under their territory. The retailers might transfer the products to other territories where their territory specific distributor is not assigned to without its knowledge. However, it is only the distributor, not the retailer, which would be penalized if the products are discovered in the territory of other distributors through mystery shopping. In addition, the local distributors face difficulty in retaining retailers because retailers have no threat of control and they always bargain for discount and look for distributors intending to discount for catching up the predetermined monthly sales targets. This results in frustration of other distributors' losing their own retailers because it means they can't meet sales targets upon which their commission is based. There is too much territory breach and price violation (price cut to attract more retailers). When the distributors forecast that their sales figures are short of monthly time lapses, they start to cut price not to lose their whole commission. Such price cut at one corner of the country is sensed throughout. As a result all distributors and ethio telecom staffs assigned in the channel are currently unhappy of the fruitless challenge. There is a lot of frustration from both sides. The partnership is a kind of perfect transactional rather than strategic.

Customer service in the contemporary challenging business climate demands meeting needs of both internal and external customers far more than by merely offering product and service package. Improved customer service cannot be expected without having an effective distribution channel in place where all channel members and stakeholder staffs are satisfied.

Though customers of the monopoly telecom service provider in Ethiopia have no choice to go elsewhere even when their need is not met, it is inevitable that these customers will migrate to another service provider when the market might be opened for competition even if the provider improves it then. This may

lead to total crisis beyond loss of business in the long run. On the other hand such unresponsive practice of service provision would also lead to spoiled company image, though the market may not be open for competition in the future.

The research problem is that inappropriate distribution strategy has lead to poor satisfaction with both internal and external customers. The external customers (channel members) are experiencing stiff channel conflicts. The internal customers (staffs working on the channels) are facing management problems emanating from the nature of the channel design itself and they will dissatisfied in their job.

### **1.11. Objective of the study**

The main objective of this study is to evaluate appropriateness of the current indirect distribution channel of ethio telecom and suggest optimal channel towards satisfying internal and external customers (service users, distributors, retailers and line staffs).

The specific objectives are:

- ✚ To determine channel members' level of satisfaction in the indirect distribution channel.
- ✚ To evaluate level of service provided by distributors
- ✚ To assess effectiveness and efficiency of ET's indirect channel
- ✚ To evaluate why pillar terms of the IDC agreement were not implemented.
- ✚ To evaluate possibility and feasibility of controlling territory confined distribution of ethio telecom products.
- ✚ To evaluate if ethio telecom adopted the right indirect channel structure (length, breadth and depth).
- ✚ To compare IDC's sales contribution in relation to other ET channels.
- ✚ To asses experience of other countries telecom services distribution via IDC

## **1.12. Research Questions**

The following are research questions derived from the research problem:

1. Is the business relationship between ethio telecom and the pool of 40 distributors' strategic or transactional partnership?
2. To what extent do staffs of ethio telecom assigned in the indirect distribution channel satisfied in their job?
3. Is the service provided by distributors satisfactory?
4. Is ethio telecom's indirect distribution channel effective and cost efficient?
5. What are causes of CAF collection problem?
6. Is there territory breach in distribution of ethio telecom products?
7. Is it possible and feasible to control territory limited distribution of ET's products? If not, why?
8. Is the current indirect distribution channel of ethio telecom best of all other alternatives?
9. How many channel levels are better for ethio telecom?
10. How many channel members are better for ethio telecom at upstream channel level?

## **1.13. Scope of the study**

The study assesses performance of indirect distribution channel of ethio telecom as a whole companywide. That means the study covers all distributors operating in Addis Ababa and Regions.

The study does not incorporate Enterprise Division sales outlets because it is more of a retail business mainly focusing on providing retail sales and after sales services to key enterprise customers than mass distribution business like residential sales division.

### **1.14. Significance of the study**

The research would be beneficial to both business practitioners and academicians. First, significance of this study is for the company under consideration i.e. ethio telecom.

#### **A) To ethio telecom and other companies**

Though this research is an academic thesis, the researcher's interest is to contribute to his employer's attempt to solve channel design and administration problems. So, executives of ethio telecom will benefit from this research in the first place to get rid of the horizontal as well as vertical channel conflicts/chaos, to meet the company's ambitious goals, to satisfy its customers, and to build the company's brand image and protect the image from negative associations.

#### **B) To scholars interested to further inquire on the subject and to educational institutions**

Other academicians can also make use of this distribution channel research endeavor for other related inquiries. The study can also help as a stepping stone for those who would like to carry out further exploration in the area of marketing channels for other companies and also for the company under study as internal policies and business environments change.

### **1.15. Limitation of the study**

Smaller sample size on ethio telecom staffs and distributors is the prime limitation of this study for time and financial constraints.

The study topic is vast and would have been good if sufficient time had been available to exhaustively harbor from many different dimensions. Delays in collecting all questionnaires distributed to sample population added to a problem coming from time constraint and this was among the reason for not increasing sample size of the study to more distributors, retailers and POS Coordinators. Financial limitation is also a reason to reduce sample size of the study.

The last but not the least, some relevant documents such as audit reports were made inaccessible by respective ethio telecom executives for privacy and other reasons.

### **1.16. Organization of the Research**

The research paper is organized in five chapters. The first chapter deals with introduction of the research project. The second chapter covers literature reviews related to **distribution channel design, management, and performance evaluation**. Research methodology is covered in chapter three. In the fourth chapter the secondary data and the primary data gathered by questionnaire are organized, analyzed and interpreted. The fifth chapter is dedicated to conclusionsof the study and recommendation of better distribution channel based on distribution channel design literatures presented in chapter two and in line with corporate objectives, channel objectives, channel harmony, Ethiopia's business and regulatory environment, market background, customer tastes and manageability.

# **CHAPTER TWO: LITERATURE REVIEW**

## **2.1. Introduction**

The number, type and reach of possible channels through which a customer can interact with an organization have increased rapidly over the last decade to include the internet, smartphones and a host of social media options. Distribution Channels have become the most important component of marketing today and are receiving increased attention. Channels not only add value to products and services, but also create customer and shareholder value, brand equity and market presence for a company. For most service organizations, consumer marketing and industrial marketing firms, the distribution channel, or inter organizational network of institutions, comprising of agents, wholesalers, distributors, and retailers (Gorchels et al. 2004, Pelton et al. 2002, Lambart et al. 1998) play a significant role in the flow of goods from producers to consumers. According to Cespedes (2006), demand generation, inventory storage, distribution of goods, providing credit to buyers, after sales service, product modification and maintenance are some of the functions that a channel performs. When competition increases few leading companies remain, who then become very competitive and offer high quality products.

This section of the research touches three bodies of knowledge relevant to the study namely distribution channel design, channel management and channel performance evaluation in brief in two main sections namely theoretical and empirical literatures.

## **2.2. Theoretical literature reviews**

Definitions (Business dictionary): Indirect channels is chain of intermediaries through which a product moves in order to be made available for purchase by a consumer. An indirect channel of distribution typically involves a product

passing through additional steps as it moves from the manufacturing business via distributors to wholesalers and then retail stores.

Normally goods and services pass through several hands before they come to the hands of the consumer for use. But in some cases producers sell goods and services directly to the consumers without involving any middlemen in between them, which can be called as direct channel. So there are two types of channels, one direct channel and the other, indirect channel.

The mix of direct vs. indirect channels used by many companies has changed significantly over the past 10 years. Direct channels are critical routes into the marketplace, but diminishing economic returns often require a company to add indirect channels to their go-to-market strategy at some point. The experience of many organizations over the past several years demonstrates that indirect channels can be critical to expanding market coverage. This has been particularly true in the electronics, communications and high tech sectors. This change in the channel mix—to include both direct and indirect channels—has enabled companies to better target customers and expand into new markets. (Global Technology Distribution Council, September, 2008)

However, while more companies have incorporated indirect channels into their sales approaches, the success of these programs can vary significantly. To build an indirect channel that boosts revenue and ultimately enables high performance, a company must select the right channels partners, bring them on board in the right way, and manage their performance closely.

### **2.2.1. Distribution Channel design literatures**

Marketing channels decision need to evaluate every aspect connected with the design of marketing channel. Thus an enterprise, in planning its marketing complex, must pay considerable attention to the decisions of product distribution (Rasa Gudonaviciene & Sonata Alijosiene, 2008).

Strategic decisions in the field of distribution policy are of two kinds:

## 1. Design of distribution systems

This part of the channel strategic decision involves design Vertical distribution channel structure (direct vs. indirect distribution) and Horizontal distribution channel structure (Number and kind of intermediaries per level).

## 2. Engagement of intermediaries

The engagement part of distribution channel strategic decision involves two main activities namely: Selection and Steering/motivation.

### 2.2.1.1. Channel Structure

One can account for the variations in channel structure in terms of the number of levels and extent of specialization of functions or flows in the following determinants:

- 1) **Channels as a network of systems:** A channel can be viewed as a system because of the interdependency; it is a system of interrelated and interdependent components engaged in producing an output.
- 2) **Service outputs as determinants of channel structure:** Other things being equal (especially price), end-users will prefer to deal with a marketing channel that provides a higher level of service outputs.
- 3) **Marketing cost as determinant of channel structure:** Each marketing flow may have to be thought to have a differently shaped cost curve, which may include increasing, decreasing, or constant returns.
- 4) **Other determinants are technological, cultural, physical, social, and political factors:** **Geography**, size of market area, location of production centers, and concentration of population, among other physical factors, also play important roles in determining the structure of channels.

According to wikipedia, on the other hand, important factors affecting the choice of channels of distribution by the manufacturer are **considerations related to product, market, manufacturer/company, government and other factors** such as cost, availability and possibilities of sales.

As stated above channel structure can be seen in two ways namely vertical and horizontal structures (Stern et al (2001)).

1. **Vertical structure** - vertical structure refers to number of sales levels i.e. length of channel. Vertical structure of a channel can be zero level (direct sales), two level, three level, and so on.
2. **Horizontal Structure** – horizontal structure refers to breadth and depth of a distribution channel. Channel Breadth (intensity): This refers to number of intermediaries per level. A distribution channel can have a form of universal distribution, selective distribution, exclusive distribution or sole distribution at a level. Channel Depth: This refers to types of intermediaries per level. Specialty shop, Discounter, and etc at a level are examples of intermediary types (channel depth).

**Universal distribution/ Intensive distribution** - It is a multi-channel approach which is about using two or more different channels to distribute goods and services, to distribute from as many outlets as possible to provide location convenience and to serve wider reach. Selective distribution: It involves appointing several but not all retailers which is characterized in better control and better reach. Whereas Exclusive distribution: It is about limiting the distribution to only one intermediary in the territory

### **Channel Design Decisions and models**

Definitions (Wikipedia): *Channel design* refers to the decisions that are taken by the organization to form a new distribution channel or secondly the decisions taken to change an existing distribution channel.

Review of existing literature reveals five main models (sequence of steps) of panning distribution channels namely

- A. Model of stern et al., 1996;
- B. Model of Resenbloom, 1999;
- C. Model of Berman, 1996; Kotler, 2000 and
- D. Model of Marcos Fava Neves, 2001).

### **A. Model of Stern et al., 1996;**

The consumer in the central focus, Starting from the consumer, the model progresses in setting the company's distribution system always trying to put it as near as possible to the consumers' desires.

In brief the steps of this model can be summarized as:

1. Review existing materials and research on channels.
2. Understand current distribution system.
3. Conduct existing channel workshops/interviews.
4. Conduct competitor channel analysis.
5. Assess near term opportunities in existing channels
6. Develop a near term plan of attack.

### **B. Model of Rosenbloom, 1999;**

Rosenbloom (1999) has his model centered on inserting the distribution channel in the general strategy of the company, presenting, formally, a preceding step about the role of distribution in the objectives and strategies, being the most dedicated model to integrate strategic planning of the company and its distribution channels.

The steps of this model can be presented in brief as:

1. The role of distribution in overall objectives and strategies
2. Role of distribution in marketing mix
3. Designing marketing channels
4. Selecting marketing channels
5. Managing the channel
6. Evaluating channel member performance

### **C. Model of Berman, 1996;**

The model of Berman (1996), despite having fewer steps than the others, is very detailed within the proposals, giving lists of factors to be used in the analysis of each item, models of questionnaires to be applied.

In other words, it facilitates work of companies by giving ready-made models to be adapted by them.

The steps of this model can be presented in nutshell as:

1. Determining channel objectives
2. Assessing channel width and depth and types of intermediary requirements.
3. Evaluating market, product, company, and intermediary factors that affect channel length.
4. Allocating channel tasks among channel members
5. Selection of specific channel re-sellers
6. Revising channel arrangements.

#### **D. Model of Kotler, 2000**

The model of Kotler (2000) like that of Stern et al focuses on the consumer as the starting point but it is simpler in terms of steps.

In nutshell the steps of this model can be presented as:

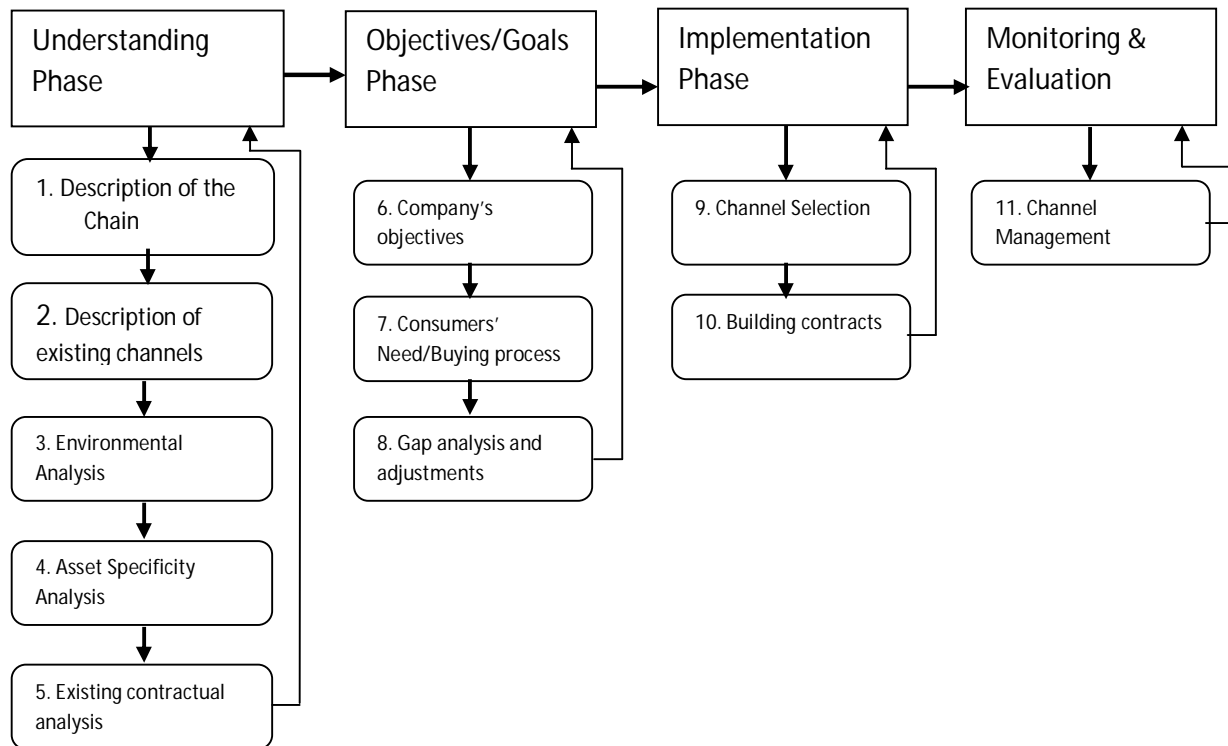
1. Analysis of production and services demanded by clients
2. Establish objectives and restrictions from the channels
3. Identify the main channel options
4. Evaluate the main channel options

#### **E. Model of Marcos Fava Neves, Peter Zuurbier & Marcos Cortez Campomar, 2001**

The concepts linked to transaction cost economies (TCE) are not formally treated on the above four models. In this model a sequence of steps is outlined in which some tools from the transaction cost economies are added to the distribution channels planning model.

The sequence of steps is more complete than other models in the literature because it was elaborated after careful study of the four other models, combining more parts and adding extra steps. The model adds a step of power analysis, to help in the steps of building contracts, asset specificity analysis and others.

The sequence of steps of this model starts with an understanding phase. The steps of the model are presented diagrammatically as follows:



Source (Marcos Fava Neves, Peter Zuurbier, Marcos Cortez Campomar, (2001))

### 2.2.2 . Distribution Channel management

**Channel Behavior** – Wikipedia (referenced at the end) states that a channel is characterized by **Channel Captain** which is a dominant and controlling member of a marketing channel & **Channel Conflict** it is a state of opposition, or discord, among the organizations comprising a marketing channel.

#### When Conflict Is Desirable?

Conflict is usually thought to be dysfunctional, to hurt a relationship's coordination and performance. Although this is generally true, opposition actually makes a relationship better on certain occasions. Indeed, a certain amount of conflict is even a desirable state. This is functional (useful) conflict.

## **Achieving Channel Cooperation**

Success Strategies in Channel Management involves managing conflict to increase channel coordination. Channel Cooperation, achieved via effective cooperation among channel members, is the desired antidote to channel conflict, it is best achieved when all channel members regard themselves as components of the same organization.

### **2.2.2.1. Channel Relationships: from Transactions to Partnerships and Strategic Alliances**

Stern et al (2001) stated that in every marketing channel, the members that do business together have some kind of working relationships. The relationship can be harmonious, acrimonious, misunderstood, or mismanaged.

Harmonious channel relationships require similar goals for channel members regarding the various aspects of the relationship as well as process convergence, that is, how to achieve effectiveness and efficiency in the process of delivering service outputs required by end-users. On the extreme ends on the continuum of these relationships, there are ad hoc operationally oriented transactional relationships on one side and ongoing strategic partnering relationships on the other.

Transactional relationships occur when the customer and supplier focus on the timely exchange of basic products for highly competitive prices. Partnerships occur through extensive social, economic service and technical ties over time. The intent in a strategic partnership is to lower total costs and /or increase value for the channel, thereby achieving mutual benefit.

		Relationship Nature	
		Ad hoc	on going
Strategic	Relationship Purpose	Alliance Relationship	Partnering Relationship
Operational		Transactional Relationship	Cooperative Relationship

Source: Stern et al (2001)

According to Stern et al (2001) strategic alliances and partnerships require:

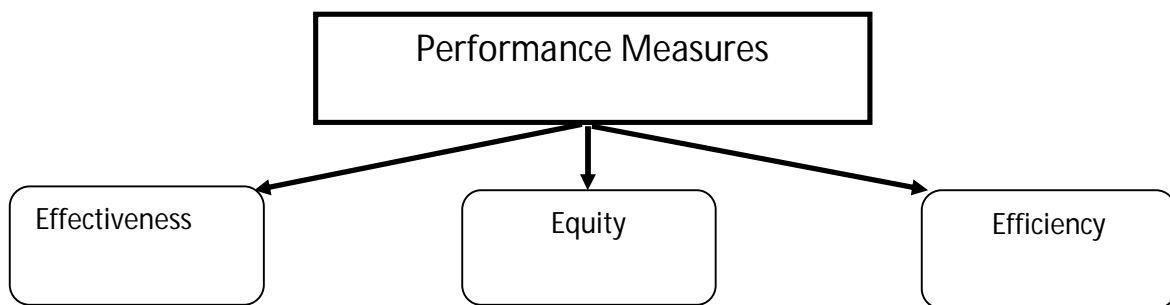
- a) *Recognition of the* interdependence of channel members,
- b) Close cooperation between channel members,
- c) Careful specification of the roles and functions, that is, joint rights and responsibilities each play in the marketing channel,
- d) Coordinated effort focused on a common goal (s), and
- e) Trust and communication between channel members.

Channel relations look into developing long term positive interactions between the company and the channel members. It offers numerous chances to improve revenue and profitability. This focuses on the need for effective channel management. Channel management includes key decisions such as 1) Designing marketing channels, 2) Selecting channel members 3) Motivating and communicating with channel members, 4) Evaluating channel performance (Mehta, 2000, Kotler, 1999).

### 2.2.3. Evaluation of distribution channel performance

Performance may be defined as 'the sum of all processes that will lead managers to taking appropriate actions in the present that will create a *performing* organisation in the future. The channel management process is not complete without assessment of the performance of the institutions and the channel structures in which they have been housed (Louis W. Stern and Adel I. El-Ansary, 1982).

According to Stern et al (2001) channel performance is a multidimensional concept and performance of marketing channels and institutions thereof can be assessed by considering a number of dimensions including **effectiveness, equity, efficiency (productivity and profitability)**.



Source: Stern et al (2001)

While channel efficiency emphasizes **controlling costs** incurred by intermediaries while performing channel functions. Channel effectiveness deals with the intermediary's **proficiency in satisfying** customer needs and channel equity measures the **distribution of accessibility** of the channel among customers.

### 2.2.3.1. Approaches of measuring channel performance

There are two approaches to measuring channel performance: Macro or societal perspective and Micro or managerial perspective

While performance at a macro-level is evaluated through **societal contributions** of intermediaries, a micro-level evaluation involves assessing the **performance of individual intermediaries** in terms of achieving the manufacturer's **objectives** of goal attainment, integration, adaptation and pattern maintenance. The performance of intermediaries is measured on **three scales**, namely **facet, global and composite scales**.

#### A) Macro or societal perspective

This perspective tries to answer the following questions: Does distribution cost too much? And Are there people who are disadvantaged by the current distribution system? (Inner city & rural areas).

**Effectiveness** – A goal oriented measure of how well did the commercial channel sector or any of its members meet the demand for service outputs placed on it by the consumption sector.

**Equity:** It is the extent to which marketing channel serves problem ridden markets and market segments, such as disadvantaged, immobile consumers or geographically isolated consumers.

#### **Efficiency:**

1. **Productivity:** it is a measure of efficiency in using inputs, e.g., labor & capital, to generate outputs, e.g., sales volume, gross margins & value added.
2. **Profitability:** Is the a general measure of the financial efficiency of channel members, i.e. return on investment, liquidity, leverage, growth patterns in sales and profits, and growth potential in sales and profits.

## B) Micro or managerial perspective

Question here focus on profitability & cost relative to figure out

- ✚ Which channel member are solid to run
- ✚ Which channel seems to produce highest returns
- ✚ Which suppliers/intermediaries will help the firm generate the greatest end user satisfaction
- ✚ which of the marketing flows is best performed by specific channel member

### 2.3. Empirical literature reviews

#### 2.3.1. Overview of ET's distribution channels

Parallel to its ambitious goals, ethio telecom has designed its distribution channels in three forms namely direct, indirect and alternative channels.

##### Roles of the three channels:

- A. Indirect channel to cover the mass market (through retail outlets).
- B. Organized channel to operate through own channel, catering mainly to high end market (Gas stations, banks ....) across the country.
- C. Alternative channel to reach specific segments, mainly in the regional or rural area (MFI, Cooperatives...).

Though the channels were conceptually designed in these forms with the roles & objectives, the operational existence seems divergent from what was planned, many unresolved administrative problems and channel conflicts (horizontal and vertical) embedded within and among them.

##### 2.3.1.1. Indirect Channel

The most important channel in terms of revenue contribution is the Indirect Distribution Channel which generates around 67% of the company's total revenue and more than 80% of its domestic sales volume.

The indirect distribution channel comprises of 38 local mega distributors (as of July 1<sup>st</sup>, 2014) assigned under the 6 zonal and 8 regional offices of the company throughout the country and two national distributors which sell directly to retailers (shoppers).

Specifically speaking the design general look and distribution guidelines of the indirect channel are as follows as per internal documents of ethio telecom:

**Brief channel design look of IDC:**

The country will be structured into zones/regions, Every zone will have 2-9 distributors supplying retailers with SIM and recharge cards. Recharge POS will sell Ethio Telecom vouchers and e-recharge , Certified retailers will sell SIM cards and may over time sell a bigger part of Ethio Telecoms portfolio (fixed line, internet)

**Major distribution guidelines:**

Distributors have to sell ET's products/services to sub distributors under its assigned respective territory. The distributor is responsible for a territory, not exclusive. Fixed price across the country. It shall strictly stick to the distribution prices agreed upon in the agreement.

Distributors shall ensure that its staffs are correctly using ET's software's & Templates/Forms, and required data are entered into the CAF & subscriber signed on it. And provide training to staffs of its retailers outlets/agents. Distributor's staffs & retailers staffs display honest, transparent & friendly attitude towards existing and all potential customers. Having sufficient stock of all ET's products in the whole distribution chain throughout a two weeks business making orders at the beginning and mid of each month for the next 15 days. (Order = (Target + 25% of Target)/2). Providing all reports required in the agreement (daily, weekly & Monthly).

## **Distribution -Objectives**

- ✚ Ensure availability across the country, in most efficient way
- ✚ Achieve sales and revenue objectives complying with legal requirements
- ✚ Brand visibility and product availability across the territory
- ✚ Customer education
- ✚ Being close to the end user

### **2.3.2 Missions and deliverables of Indirect channels Department**

**Mission:** Ensure budgeted sales and revenue from Mobile SIM Cards and voucher cards by planning, developing and implementing distribution channels.

#### **Activities**

- ✚ Define Ethio Telecoms sales objectives and strategies.
- ✚ Develop a yearly sales budget and deliver the budgeted results (customers, revenue) – total and per region.
- ✚ Ensure customer information and corporate KPIs supporting planning and performance assessment.
- ✚ Develop and manage indirect distribution channels and ensure the required training of employees in distribution channels.
- ✚ Implement sales activities ensuring the committed sales targets.
- ✚ Ensure the customer satisfaction objectives related to sales elements.

#### **Sales Strategies**

**A. Mass Distribution** - ensuring ET presence everywhere in the country

- ✚ Implement a new indirect channel distributor concept.
- ✚ Increase indirect channels to 3,000 certified retailers selling GSM SIMs

✚ Increase recharge POS to 75,000

✚ Implement e-recharge/e-top up/

**Table 2.1: Summary of ethio telecom’s regional/zonal offices and respective distributors’ assignment:**

Zone	Number of distributors	Distributors (Company)
Corporate	2	Ethiopian Postal Service
		Hidassie Telecom Comp.
WAAZ	2	Get-As-International
		Dire Industries PLC
CAAZ	1	Hikma PLC
SAAZ	1	Admastel S/C
NAAZ	2	Glorious PLC
		Haron Computer
EAAZ	2	Hantad PLC
		ASBEK Engineering and Commerce PLC
SWAAZ	2	Nebula PLC
		AI-dave PLC
NR	3	PeAm PLC
		Mulu Digital Computer
		Talent citizen cooperatives
NWR	4	Ephrem Haile General Trading
		Kedir Mobile center
		Luel Hagos IM-Ex
		Merem Mohammednur Trading
NER	3	Bridgetech PLC
		ALTABE PLC
		Mohammed Arega Reshad Whole seller

<b>Zone</b>	<b>Number of distributors</b>	<b>Distributors (Company)</b>
SER	4	Hulle General Trading PLC
		Momur Trading PLC
		Commercial Nominees
		Mohammed Jemal
ER	3	MA'ASH General Trading Company
		Mestawet Girma Electronics & Appliance Stars
		Seido International Trading
SWR & Gambella	3	Kemal Abdella International
		Tsehay Abebe Trading
		Abdela Buri
SR & SSWR	6	Fedlu Yassin Importer
		Jupiter Trading
		Fortschritt Electro-Mechanical Services
		Tamire & his family
		Sultan Yimam
		Nasir Sabir General Trading
WR	2	Dibora health college
		Degnew G/Micheal Trading

Total..... 40

Source: ET's internal documents

# CHAPTER THREE:

## RESEARCH METHODOLOGY

### 3.1. Type of Research Design

The researcher purposely chose to conduct an applied research on his employer which is directly attached to his career profession as the ultimate goal of any research is problem solving. This decision is also in recognition of the belief that government's investment on teaching should target national and domestic companies' problems so that the nation and society would benefit from it.

From the perspective of specific objectives, the research can also be taken as descriptive (survey) research as it aims to describe, contrast and analyze the problem identified. A cross-sectional survey was conducted to evaluate how indirect distribution channel of ethio telecom is performing to achieve the ambitious goals of the company and serve as a lever for the fast development of the country. The research tries to look at channel objectives, expectations, agreements, channel structures & performances, in order to describe, compare, contrast, analyze and interpret based on existing body of knowledge and experiences acquired by the researcher.

### 3.2. Target Population

The total target population for the study is five hundred sixty eight, of which forty are mega distributors, four hundreds are sub-distributors & retailers, the rest one hundred twenty eights are staffs of ethio telecom working in the indirect distribution channel. The study covered 6 mega distributors in Addis Ababa, the two national distributors in Addis Ababa, 10 mega distributors assigned at regional territories, ten sub-distributors in Addis Ababa, ninetyone retailers, ten IDC managers and forty three POS Coordinators working on the distribution channels.

### **3.3. Sampling Designs and Sampling procedures**

Since the population groups from which samples were selected are heterogeneous and different channel members, non probability purposive sampling tools was employed and generally applied in order to obtain representative data. Stratification method was employed to address all strata stakeholders to make the inferences representative of the actual situation that is all channel members from downstream (retailers) to upstream (mega distributors) and ethio telecom residential sales teams.

### **3.4. Types of Data and methods of collection**

Both primary and secondary data are used for the study. In the same way, quantitative and qualitative data were also used. Primary data were mainly collected through questionnaires.

#### **3.4.1. Primary data**

To collect primary data, questionnaires were distributed to target sample population defined above, and interviews and questionnaires were employed for ethio telecom consultants.

#### **3.4.2. Secondary data**

The secondary data, related to telecom distribution channel and general literature, such as earlier researches, books, articles, website of ethio telecom are used for this research project. In addition, company internal documents, guidelines, policies, plans, mystery shopping reports, contractual agreements and other relevant materials such as sales and other performance reports, are referred to and exploited to deliver a fruitful and genuine study.

#### **3.4.3. Data collection method**

Before the questionnaire was applied for the main data collection, preliminary data were collected from a sample of fifteen respondents for the three respondent groups i.e. ethio telecom staffs, distributors and retailers. Consistency (goodness) of the data gathered by the questionnaires was tested by submitting test data to cronbache's alpha.

Cronbache alpha values for the three sample respondent groups on the preliminary questionnaire were 0.784, 0.698 and 0.725 ethio telecom staffs, distributors and retailers respectively which are good. The questionnaires were distributed to seventy, sixty four and one hundred fifty respondent groups of ethio telecom staffs, distributors and retailers respectively. From these target respondents fifty three, forty two and one hundred one responses were collected from ethio telecom staffs, distributors and retailers respectively. So, the response rate is 76%, 66% and 68% for ethio telecom staffs, distributors and retailers respectively. Cronbache alpha values of the main questionnaires were also tested and the tools are found to be very good. Cronbache alpha value for these three respondent groups from the main questionnaire data is summarized below.

Respondent Groups	Cronbach's Alpha values	Number of items	Comment of reliability
Staffs	.976	23	Very good/reliable
Distributors	.977	20	Very good/reliable
Retailers	.975	22	Very good/reliable

On the other hand the questionnaire for retailers was developed in English and converted to Amharic.

To check similarity between the Amharic and English versions, the Amharic version was translated back to English.

### **Data Analysis and Interpretation**

As the study is descriptive research the data collected is presented, organized, and analyzed using descriptive statistical tools such as frequency, percentages, bar-graphs, means, variance and standard deviation as per convenience to types of data for best interpretation for easy understanding.

## CHAPTER FOUR: ANALYSIS OF INDIRECT DISTRIBUTION CHANNEL OF ETHIO TELECOM

### 4.3. EVALUATION OF ET'S INDIRECT CHANNEL BASED ON PRIMARY DATA

#### 4.3.1. DEMOGRAPHICS OF RESPONDENT GROUPS INCLUDED IN THE SURVEY.

Table 4.1: Positions of ethio telecom staffs included in the survey

	Frequency	Percent	Valid Percent	Cumulative Percent
IDC Manager & specialists	12	22.6	22.6	22.6
Valid POS COORDINATOR	40	75.5	75.5	98.1
Clerical staff	1	1.9	1.9	100.0
Total	53	100.0	100.0	

Source: Survey 2014

The data collected from ethio telecom staffs using questionnaire is very representative as all staff stakeholders in the indirect channel are included proportionately. POS Coordinators are the largest staffs in the channel.

Table 4.2: Distributors' territory of assignment

	Frequency	Percent	Valid Percent	Cumulative Percent
Addis Ababa distributors	13	31.0	31.0	31.0
Valid Region distributors	15	35.7	35.7	66.7
National distributors	14	33.3	33.3	100.0
Total	42	100.0	100.0	

Source: Survey 2014

Numbers of zonal, regional and national distributors included in the target respondents are six, eleven and two respectively. The data was collected from the two national distributors, zonal distributors (under SAAZ, NAAZ, SWAAZ and WAAZ) and regional distributors (under SER, ER, NR& NER). So, it can be seen that the data is very representative.

Table 4.3: Retailers' address

	Frequency	Percent	Valid Percent	Cumulative Percent
Addis Ababa	46	45.5	45.5	45.5
Region	55	54.5	54.5	100.0
Total	101	100.0	100.0	

Source: Survey 2014

The above table shows representativeness of target retailer respondents that 45.5% and 54.5% are from Addis Ababa and regions respectively.

#### 4.3.2. ETHIO TELECOM STAFFS' SATISFACTION LEVEL IN NATURE OF THEIR JOB

Table 4.4: Ethio telecom staffs' satisfaction level in nature of their job

	Frequency	Percent	Valid Percent	Cum. Percent
highly dissatisfied	1	1.9	1.9	1.9
Dissatisfied	6	11.3	11.3	13.2
Valid Medium	19	35.8	35.8	49.1
Satisfied	24	45.3	45.3	94.3
highly satisfied	3	5.7	5.7	100.0
Total	53	100.0	100.0	

Source: Survey 2014

Greater than half (51%) of Ethio telecom staffs assigned in the indirect distribution channel are either satisfied or very satisfied in their job nature. Staffs who are dissatisfied and very dissatisfied together account for 13.2% only.

#### 4.3.3. DISTRIBUTORS ASSIGNED IN A TERRITORY Vs DISTRIBUTOR SUPPLYING THE PRODUCTS TO RETAILERS

Table 4.5: Distributer(s) assigned in a territory vs distributor supplying the products to retailers

	Frequency	Percent	Valid Percent	Cum. Percent
purchasing from other territories	16	15.8	20.0	20.0
Valid purchasing from same territories	44	43.6	55.0	75.0
purchasing from national distributor	20	19.8	25.0	100.0
Total	80	79.2	100.0	
Missing Non-respondent	21	20.8		
Total	101	100.0		

Source: Survey 2014

These data are systematically collected by asking two different questions separately. From the above table it is visible that some retailers (15.8%) purchase ET products not from distributors in their territory which is another best prove of uncontrollability of the policy of territory limited distribution. It shows that there is territory breach.

#### 4.3.4. REASONS WHY RETAILERS CHANGE DISTRIBUTOR FOR BUYING ET PRODUCTS

Table 4.6: Reasons why retailers change distributor for buying ethio telecom product

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
to get discount	36	35.6	52.2	52.2
to avoid TIN & VAT issue	7	6.9	10.1	62.3
for location conv.	10	9.9	14.5	76.8
All	16	15.8	23.2	100.0
Total	69	68.3	100.0	
Missing Non-respondent	32	31.7		
Total	101	100.0		

Source: Survey 2014

The top reason why retailers change/shift distributors is to get discount followed by location convenience. The above data, however, shows that distributors had not been respecting terms of the agreement. Therefore, this is another proof for the malfunctioning of the current distribution.

### 4.3.5. EVALUATION OF ET INDIRECT CHANNEL'S APPROPRIATENESS

#### 4.3.5.1. Evaluation of service level provided by distributors

Table 4.8: Ethio telecom staffs' evaluation of service level provided by distributors

	Frequency	Percent	Valid Percent	Cumu. Percent
Very unsatisfactory	3	5.7	5.7	5.7
Unsatisfactory	18	34.0	34.0	39.7
Moderate	22	41.5	41.5	81.2
Satisfactory	9	17.0	17.0	98.2
Very satisfactory	1	1.9	1.9	100.0
Total	53	100.0	100.0	

Source: Survey 2014

Though the highest figure is moderate service level, distribution of the responses is a little bit skewed towards unsatisfactory service provision which can be taken as a sign of warning for improving service level provided by distributors.

Table 4.9: Retailers' evaluation of level of service provision by distributors

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	7	6.9	6.9	6.9
Disagree	28	27.7	27.7	34.7
Moderate	49	48.5	48.5	83.2
Agree	11	10.9	10.9	94.1
Strongly agree	6	5.9	5.9	100.0
Total	101	100.0	100.0	

Source: Survey 2013

Similarly, responses from retailers tend/skewed towards unsatisfactory service provision by local distributors as can be seen from the above table though the majority indicated moderate service provision.

#### 4.3.5.2. Nature of business relationship between retailers and distributors

Table 4.7: Nature of business relationship between retailers and distributors

	Frequency	Percent	Valid Percent	Cumulative Percent
Perfect strategic	39	38.6	38.6	38.6
non-strategic	32	31.7	31.7	70.3
Valid Neither strategic nor transactional	30	29.7	29.7	100.0
Total	101	100.0	100.0	

Source: Survey 2014

Nature of business relationship between retailers and distributors is not very clear but it tends to be more of strategic.

#### 4.3.5.3. Evaluation of business relationship between ethio telecom and distributors

Table 4.10: Ethio telecom staffs' judgment of business relationship between ethio telecom and distributors

	Frequency	Percent	Valid Percent	Cumulative Percent
Perfect strategic	6	11.3	11.3	11.3
Transactional	14	26.4	26.4	37.7
Valid Neither strategic nor transactional	33	62.3	62.3	100.0
Total	53	100.0	100.0	

Source: Survey 2014

According to table 4.10, the business relationship between distributors and ethio telecom tends to be transactional than strategic though the majority indicated as indifferent.

Table 4.11: Distributors' judgment of business relationship between ethio telecom and distributors

	Frequency	Percent	Valid Percent	Cumulative Percent
perfect strategic	10	23.8	23.8	23.8
non-strategic	13	31.0	31.0	54.8
Valid Neither strategic nor transactional	19	45.2	45.2	100.0
Total	42	100.0	100.0	

Source: Survey 2014

According to table 4.11, the business relationship between distributors and ethio telecom tends to be transactional than strategic though the majority indicated as indifferent.

#### 4.3.5.4. Evaluation of effectiveness of ethio telecom's indirect distribution channel

Table 4.12: Ethio telecom staffs' evaluation of effectiveness of ethio telecom's indirect distribution channel

	Frequency	Percent	Valid Percent	Cum. Percent
strongly disagree	4	7.5	7.7	7.7
Disagree	12	22.6	23.1	30.8
Moderate	18	34.0	34.6	65.4
Agree	14	26.4	26.9	92.3
strongly agree	4	7.5	7.7	100.0
Total	52	98.1	100.0	
Missing Non-respondent	1	1.9		
Total	53	100.0		

Source: Survey 2014

According to table 4.12, ethio telecom staffs' judgment of the indirect channel's effectiveness tends to be agreement than disagreement though the majorities are indifferent.

Table 4.13: Distributors' evaluation of effectiveness of ethio telecom's indirect distribution channel

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	1	2.4	2.4	2.4
Disagree	11	26.2	26.2	28.6
Moderate	9	21.4	21.4	50.0
Agree	18	42.9	42.9	92.9
strongly agree	3	7.1	7.1	100.0
Total	42	100.0	100.0	

Source: Survey 2014

According to table 4.13, distributors' judgment of the indirect channel's effectiveness tends to be agreement than disagreement though the majorities are indifferent.

Table 4.14: Retailers' evaluation of effectiveness of ethio telecom's indirect distribution channel

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	7	6.9	7.3	7.3
Disagree	18	17.8	18.8	26.0
Valid Moderate	28	27.7	29.2	55.2
Agree	23	22.8	24.0	79.2
strongly agree	20	19.8	20.8	100.0
Total	96	95.0	100.0	
Missing non-respondent	5	5.0		
Total	101	100.0		

Source: Survey 2014

According to table 4.14, retailers' judgment of the indirect channel's effectiveness tends to be agreement than disagreement though the majorities are indifferent.

Percentage of respondents who agree & strongly agree that ET's indirect distribution channel is effective in meeting the company's pillar objective from ET staffs, distributors and retailers are 34.6%, 50% and 44.8% where as those who disagree & strongly disagree are 30.8%, 28.6% & 26.1% respectively.

Therefore, it can be inferred from these figures that ET's distribution channel has been more of effective in relative terms than the counterargument.

#### 4.3.5.5. Evaluation of efficiency of ethio telecom's indirect distribution channel

Table 4.15: Ethio telecom staffs' evaluation of efficiency of ethio telecom's indirect distribution channel

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	5	9.4	9.4	9.4
Disagree	20	37.7	37.7	47.2
Valid Moderate	5	9.4	9.4	56.6
Agree	18	34.0	34.0	90.6
strongly agree	5	9.4	9.4	100.0
Total	53	100.0	100.0	

Source: Survey 2014

According to table 4.15, ethio telecom staffs' judgment of the indirect channel's efficiency tends to be disagreement than agreement in small margin.

Table 4.16: Distributors' evaluation of efficiency of ethio telecom's indirect distribution channel

	Frequency	Percent	Valid Percent	Cum. Percent
strongly disagree	1	2.4	2.4	2.4
Disagree	15	35.7	35.7	38.1
Valid Moderate	11	26.2	26.2	64.3
Agree	10	23.8	23.8	88.1
strongly agree	5	11.9	11.9	100.0
Total	42	100.0	100.0	

Source: Survey 2014

According to table 4.16, distributors' judgment of the indirect channel's efficiency tends to be disagreement than agreement in small margin.

Table 4.17: Retailers' evaluation of efficiency of ethio telecom's indirect distribution channel

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	17	16.8	16.8	16.8
Disagree	25	24.8	24.8	41.6
Valid Moderate	37	36.6	36.6	78.2
Agree	16	15.8	15.8	94.1
strongly agree	6	5.9	5.9	100.0
Total	101	100.0	100.0	

Source: Survey 2014

According to table 4.17, ethio telecom retailers' judgment of the indirect channel's efficiency tends to be disagreement than agreement in clear difference.

While 47.2%, 38.1% & 41.6% from ET staffs, distributors and retailers either disagree or strongly disagree to efficiency of ET's indirect distribution channel, 43.4%, 35.7% and 21.7% agree to it respectively. That means those who believe ET's indirect distribution channel is inefficient outweigh slightly those who agree to it.

So, we can make a statement that ET's indirect distribution channel has been inefficient in terms of cost though it has been effective.

**4.3.5.6. Evaluation of why pillar terms of the distribution agreement**(such as door to door distribution, respecting territory policy and so on) were not implemented

Table 4.18: Ethio telecom staffs' judgment of why pillar terms of the distribution agreement were not implemented

	Frequency	Percent	Valid Percent	Cumulative Percent
CHD lacks practicality & doesn't reflect test of the mrkt	28	52.8	52.8	52.8
Valid ET's inability to implement	13	24.5	24.5	77.4
Both	12	22.6	22.6	100.0
Total	53	100.0	100.0	

Source: Survey 2014

According to table 4.18, the majority of ethio telecom staffs attributed the reason why pillar terms of ET's distribution agreement were not implemented to the fact that channel design lacks practicality and doesn't reflect test of the market.

Table 4.19: Distributors' judgment of why pillar terms of the distribution agreement were not implemented

	Frequency	Percent	Valid Percent	Cum. Percent
Valid CHD lacks practicality & doesn't reflect test of the mrkt	27	64.3	65.9	65.9
Valid ET's inability to implement	6	14.3	14.6	80.5
Valid Both	8	19.0	19.5	100.0
Valid Total	41	97.6	100.0	
Missing Non-respondent	1	2.4		
Missing Total	42	100.0		

Source: Survey 2014

According to table 4.19, the majority of distributors attributed the reason why pillar terms of ET's distribution agreement were not implemented to the fact that channel design lacks practicality and doesn't reflect test of the market.

Table 4.20: Retailers' judgment of why pillar terms of the distribution agreement were not implemented

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid CHD lacks practicality & doesn't reflect test of the mrkt	37	36.6	39.8	39.8
Valid ETC's inability to implement	46	45.5	49.5	89.3
Valid Both	10	9.9	10.7	100.0
Valid Total	93	92.1	100.0	
Missing Non-respondent	8	7.9		
Missing Total	101	100.0		

Source: Survey 2014

According to table 2.20, the majority of retailers attributed the reason why pillar terms of the indirect distribution channel were not implemented to ET's inability to implement the channel as designed in a slight margin over the other alternative.

Both ET staffs and distributors vividly attributed the reason why pillar terms of the distribution agreement were not implemented to the fact that existing channel lacks practicality and does not reflect test of the market.

#### 4.3.5.7. Evaluation of possibility and feasibility of controlling territory confined distribution of ethio telecom products

Table 4.21: Ethio telecom staffs' judgment of possibility and feasibility of controlling territory confined distribution of ethio telecom products

	Frequenc y	Percent	Valid Percent	Cumulative Percent
strongly disagree	10	18.9	18.9	18.9
Disagree	16	30.2	30.2	49.1
Valid Moderate	13	24.5	24.5	73.6
Agree	11	20.8	20.8	94.3
strongly agree	3	5.7	5.7	100.0
Total	53	100.0	100.0	

Source: Survey 2014

According to table 4.21, majority of ethio telecom staffs indicated that they disagree to possibility and feasibility of controlling territory confined distribution of ethio telecom products.

Table 4.22: Distributors' judgment of possibility and feasibility of controlling territory confined distribution of ethio telecom products

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	5	11.9	11.9	11.9
Disagree	17	40.5	40.5	52.4
Valid Moderate	10	23.8	23.8	76.2
Agree	8	19.0	19.0	95.2
strongly agree	2	4.8	4.8	100.0
Total	42	100.0	100.0	

Source: Survey 2014

According to table 4.22, majority of distributors clearly indicated that they disagree to possibility and feasibility of controlling territory confined distribution of ethio telecom products.

Table 4.23: Retailers' judgment of possibility and feasibility of controlling territory confined distribution of ethio telecom products

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	19	18.8	19.0	19.0
Disagree	36	35.6	36.0	55.0
Valid Moderate	16	15.8	16.0	71.0
Agree	19	18.8	19.0	90.0
strongly agree	10	9.9	10.0	100.0
Total	100	99.0	100.0	
Missing non-respondent	1	1.0		
Total	101	100.0		

Source: Survey 2014

According to table 4.23, majority of distributors clearly indicated that they disagree to possibility and feasibility of controlling territory confined distribution of ethio telecom products.

All the three respondent groups clearly indicated that it is impossible and not feasible to control territory confined distribution of ethio telecom products. The majority of the three respondent groups indicated that they either disagree or strongly disagree to the possibility and feasibility of controlling territory confined distribution of ET products.

**4.3.5.8. Evaluation of why territory confined distribution of ethio telecom products is not possible and feasible**

Table 4.24: Ethio telecom staffs' judgment of why territory confined distribution of ethio telecom products is not possible and feasible.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid products are freely fast moving	5	9.4	17.9	17.9
Valid All	23	43.4	82.1	100.0
Valid Total	28	52.8	100.0	
Missing Non-respondent	25	47.2		
Missing Total	53	100.0		

Source: Survey 2014

According to table 4.24, ethio telecom staffs indicated in significant voice that all the three explanations (products are minute in nature, products are freely fast moving, and market's prior experience is different) are reasons for the impossibility and non-feasibility of territory confined distribution of ET products.

Table 4.25: Distributors' judgment of why territory confined distribution of ethio telecom products is not possible and feasible

	Frequency	Percent	Valid Percent	Cum. Percent
Valid products are minute in nature	1	2.4	4.2	4.2
Valid products are freely fast moving	4	9.5	16.7	20.8
Valid market's prior experience is different	6	14.3	25.0	45.8
Valid All	13	31.0	54.2	100.0
Valid Total	24	57.1	100.0	
Missing Non-respondent	18	42.9		
Total	42	100.0		

Source: Survey 2014

According to table 4.25, distributors indicated in significant voice that all the three explanations (products are minute in nature, products are freely fast moving, and market's prior experience is different) are reasons for the impossibility and non-feasibility of territory confined distribution of ET products.

Table 4.26: Retailers' judgment of why territory confined distribution of ethio telecom products is not possible and feasible. Source: Survey 2014

	Frequency	Percent	Valid Percent	Cum. Percent
Valid products are minute in nature	8	7.9	13.3	13.3
Valid products are freely fast moving	7	6.9	11.7	25.0
Valid market's prior experience is different	32	31.7	53.3	78.3
Valid All	13	12.9	21.6	100.0
Valid Total	60	59.4	100.0	
Missing Non-respondent	41	40.6		
Total	101	100.0		

According to table 4.26, retailers indicated in significant voice that all the three explanations (products are minute in nature, products are freely fast moving, and market's prior experience is different) are reasons for the impossibility and non-feasibility of territory confined distribution of ET products.

#### 4.3.5.9. Judgment of reasons for CAF collection problem

Table 4.27: Ethio telecom staffs' judgment of reasons for CAF collection problem

	Frequency	Percent	Valid Percent	Cumulative Percent
ineffective CHD	6	11.3	14.6	14.6
Poor channel management skill	12	22.6	29.3	43.9
Both	23	43.4	56.1	100.0
Total	41	77.4	100.0	
Missing Non-respondent	12	22.6		
Total	53	100.0		

Source: Survey 2014

According to table 4.28, majority of ethio telecom staffs attributed the reason for CAF collection problem to both poor channel management skill and ineffective channel design. But the voice of poor channel management skill is greater than that of ineffective channel design.

Table 4.28: Distributors' judgment of reasons for CAF collection problem

	Frequency	Percent	Valid Percent	Cumulative Percent
ineffective CHD	6	14.3	18.8	18.8
Poor channel management skill	7	16.7	21.9	40.6
Both	19	45.2	59.4	100.0
Total	32	76.2	100.0	
Missing Non-respondent	10	23.8		
Total	42	100.0		

Source: Survey 2014

According to table 4.28, majority of distributors attributed the reason for CAF collection problem to both poor channel management skill and ineffective channel design.

Table 4.29: Retailers' judgment of reasons for CAF collection problem

	Frequency	Percent	Valid Percent	Cumulative Percent
Ineffective CHD	16	15.8	23.5	23.5
Poor channel management skill	14	13.9	20.6	44.1
Both	38	37.6	55.9	100.0
Total	68	67.3	100.0	
Missing Non-respondent	33	32.7		
Total	101	100.0		

Source: Survey 2014

According to table 4.29, majority of retailers attributed the reason for CAF collection problem to both poor channel management skill and ineffective channel design.

All the three respondent groups clearly attributed that reasons/causes of CAF collection problem are both ineffective channel design and poor channel management skill.

#### 4.3.5.10. Evaluation of whether ET employed the right channel length/levels

Table 4.30: Ethio telecom staffs' judgment of whether ET employed the right channel length/levels

	Frequency	Percent	Valid Percent	Cum. Percent
strongly disagree	6	11.3	11.3	11.3
Disagree	19	35.8	35.8	47.2
Moderate	10	18.9	18.9	66.0
Agree	14	26.4	26.4	92.5
strongly agree	4	7.5	7.5	100.0
Total	53	100.0	100.0	

Source: Survey 2014

According to table 4.30, ethio telecom staffs' judgment of whether ethio telecom employed the right channel length is skewed towards disagreement.

Table 4.31: Distributors' judgment of whether ET employed the right channel length/levels

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	3	7.1	7.7	7.7
Disagree	7	16.7	17.9	25.6
Moderate	4	9.5	10.3	35.9
Agree	22	52.4	56.4	92.3
strongly agree	3	7.1	7.7	100.0
Total	39	92.9	100.0	
Missing non-respondent	3	7.1		
Total	42	100.0		

Source: Survey 2014

According to table 4.31, distributors' judgment of whether ethio telecom employed the right channel length is skewed towards agreement.

Findings of this issue from ethio telecom staffs and distributors are contrasting to each other.

#### 4.3.5.11. Evaluation of whether ET employed the right channel breadth/intensity

Table 4.32: Ethio telecom staffs' judgment of whether ET employed the right channel breadth/intensity

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	5	9.4	9.6	9.6
Disagree	13	24.5	25.0	34.6
Moderate	18	34.0	34.6	69.2
Agree	14	26.4	26.9	96.2
strongly agree	2	3.8	3.8	100.0
Total	52	98.1	100.0	
Missing non-respondent	1	1.9		
Total	53	100.0		

Source: Survey 2014

According to table 4.32, ethio telecom staffs' judgment of whether ethio telecom employed the right channel breadth is skewed towards agreement in small margin.

Table 4.33: Distributors' judgment of whether ET employed the right channel breadth/intensity

	Frequency	Percent	Valid Percent	Cum. Percent
Valid strongly disagree	1	2.4	2.5	2.5
Disagree	9	21.4	22.5	25.0
Moderate	14	33.3	35.0	60.0
Agree	14	33.3	35.0	95.0
strongly agree	2	4.8	5.0	100.0
Total	40	95.2	100.0	
Missing non-respondent	2	4.8		
Total	42	100.0		

Source: Survey 2014

According to table 4.33, distributors' judgment of whether ethio telecom employed the right channel breadth is skewed towards agreement.

This finding is not very clear on both respondent groups. But, on distributors the responses are a little bit skewed towards agreement that ethio telecom adopted the right channel breadth/intensity.

**4.3.5.12. Evaluation of whether ET employed the right channel depth (mix of channel intermediaries)**

Table 4.34: Ethio telecom staffs' judgment of whether ET employed the right channel depth (mix of channel intermediaries)

	Frequenc y	Percent	Valid Percent	Cumulative Percent
strongly disagree	3	5.7	5.7	5.7
Disagree	14	26.4	26.4	32.1
Valid Moderate	14	26.4	26.4	58.5
Agree	21	39.6	39.6	98.1
strongly agree	1	1.9	1.9	100.0
Total	53	100.0	100.0	

Source: Survey 2014

According to table 4.34, ethio telecom staffs' judgment of whether ethio telecom employed the right channel depth is skewed towards agreement.

Table 4.35: Distributors' judgment of whether ET employed the right channel depth (mix of channel intermediaries)

	Frequency	Percent	Valid Percent	Cum. Percent
Valid				
strongly disagree	1	2.4	2.7	2.7
Disagree	6	14.3	16.2	18.9
Moderate	11	26.2	29.7	48.6
Agree	17	40.5	45.9	94.6
strongly agree	2	4.8	5.4	100.0
Total	37	88.1	100.0	
Missing				
non-respondent	5	11.9		
Total	42	100.0		

Source: Survey 2014

According to table 4.35, distributors' judgment of whether ethio telecom employed the right channel depth is skewed towards agreement.

Though not in a very clear figure, it can be inferred from the above two tables that ethio telecom employed the right channel depth (mix of channel intermediaries). Responses of the two respondent groups are more or less skewed towards agreement.

**4.3.5.13. Evaluation of whether the current indirect channel of ET is best of all other alternatives**

Table 4.36: Ethio telecom staffs' judgment of whether the current indirect channel of ET is best of all other alternatives. Source: Survey 201

	Frequenc y	Percent	Valid Percent	Cumulative Percent
strongly disagree	5	9.4	9.4	9.4
Disagree	19	35.8	35.8	45.3
Valid Moderate	14	26.4	26.4	71.7
Agree	12	22.6	22.6	94.3
strongly agree	3	5.7	5.7	100.0
Total	53	100.0	100.0	

According to table 4.36, ethio telecom staffs tend to disagree that the current indirect channel of ET is best of all other alternatives.

Table 4.37: Distributors' judgment of whether the current indirect channel of ethio telecom is best of all other alternatives

	Frequenc y	Percent	Valid Percent	Cumulative Percent
strongly disagree	4	9.5	10.0	10.0
Disagree	14	33.3	35.0	45.0
Valid Moderate	14	33.3	35.0	80.0
Agree	5	11.9	12.5	92.5
strongly agree	3	7.1	7.5	100.0
Total	40	95.2	100.0	
Missing non-respondent	2	4.8		
Total	42	100.0		

Source: Survey 2014

According to table 4.37, distributors disagree that the current indirect channel of ET is best of all other alternatives.

Table 4.38: Retailers' judgment of whether the current indirect channel of ethio telecom is best of all other alternatives

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	17	16.8	17.5	17.5
Disagree	19	18.8	19.6	37.1
Moderate	33	32.7	34.0	71.1
Agree	15	14.9	15.5	86.6
strongly agree	13	12.9	13.4	100.0
Total	97	96.0	100.0	
Missing non-respondent	4	4.0		
Total	101	100.0		

Source: Survey 2014

According to table 4.38, distributors disagree that the current indirect channel of ET is best of all other alternatives.

As can be seen from the above three tables it is visible that all the three respondents believe that the current indirect distribution channel of ethio telecom is not best of all other alternatives. Those who disagree and strongly disagree account to 45.3%, 45% and 37.1% where as those who agree and strongly agree account to 28.3%, 20% and 28.9% from ethio telecom staffs, distributors and retailers respectively.

#### 4.3.6. SUGGESTIONS OF INDIRECT CHANNEL DESIGN/ STRUCTURE

##### 4.3.6.1. Suggestion of how much channel levels are better for ethio telecom

Table 4.39: Ethio telecom staffs' judgment of how much channel levels are better for ethio telecom

	Frequency	Percent	Valid Percent	Cumulative Percent
1	1	1.9	1.9	1.9
2	24	45.3	45.3	47.2
Valid 3	18	34.0	34.0	81.1
4	10	18.9	18.9	100.0
Total	53	100.0	100.0	

Source: Survey 2014

According to table 4.39, Ethio telecom staffs preferred two channel levels for ethio telecom indirect channel.

Table 4.40: Distributors' judgment of how much channel levels are better for ethio telecom

	Frequency	Percent	Valid Percent	Cumulative Percent
1	1	2.4	2.5	2.5
2	8	19.0	20.0	22.5
Valid 3	27	64.3	67.5	90.0
4	4	9.5	10.0	100.0
Total	40	95.2	100.0	
Missing Non-respondent	2	4.8		
Total	42	100.0		

Source: Survey 2014

According to table 4.40, distributors preferred adoption of three channel levels in indirect channel of ethio telecom.

Table 4.41: Retailers' judgment of how much channel levels are better for ethio telecom

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	23	22.8	23.2	23.2
2	32	31.7	32.3	55.6
3	20	19.8	20.2	75.8
4	24	23.8	24.2	100.0
Total	99	98.0	100.0	
Missing Non-respondent	2	2.0		
Total	101	100.0		

Source: Survey 2014

According to table 4.41, retailers preferred adoption of few channel levels (two or one) in indirect channel of ethio telecom.

On commutative basis it appears that two channel levels are preferred for ethio telecom when seen from the perspective of ET's benefit.

**4.3.6.2. Suggestion of how much channel members are better for ET to recruit at upstream level**

Table 4.42: Ethio telecom staffs' judgment of how much channel members are better for ET to recruit at upstream level

	Frequency	Percent	Valid Percent	Cum. Percent
Valid 2-3	16	30.2	31.4	31.4
4-6	9	17.0	17.6	49.0
7-10	7	13.2	13.7	62.7
11-20	6	11.3	11.8	74.5
21-41	13	24.5	25.5	100.0
Total	51	96.2	100.0	
Missing Non-respondent	2	3.8		
Total	53	100.0		

Source: Survey 2014

According to table 4.42, ethio telecom staffs believe that it is better for ethio telecom to recruit two to three channel members at upstream channel level.

Table 4.43: Retailers' judgment of how much channel members are better for ET to recruit at upstream level

	Frequency	Percent	Valid Percent	Cum. Percent
Valid 2-3	40	39.6	40.4	40.4
4-6	21	20.8	21.2	61.6
7-10	13	12.9	13.1	74.7
11-20	9	8.9	9.1	83.8
21-41	16	15.8	16.2	100.0
Total	99	98.0	100.0	
Missing Non-respondent	2	2.0		
Total	101	100.0		

Source: Survey 2014

According to table 4.43, the majority of retailers believe that it is better for ethio telecom to recruit two to three channel members at upstream channel level.

Both ethio telecom staffs and retailers clearly indicated they believe that it is better for ethio telecom to recruit two to three channel members at upper channel level.

#### 4.4. QUANTITATIVE PERFORMANCE ANALYSIS OF ET's DISTRIBUTION CHANNELS BASED ON SECONDARY DATA

The following tables summarizes SIM and airtime (recharge) sales performance of the direct channel, two national distributors separately and local distributors cumulatively.

Table 4.45: SIM sales performance of ET channels

Months	SIM Performance of:				
	Direct Channel	EPS (National Distributor)	Hidassie Telecom S.C. (National Distributor)	39 Local Distributors	Total
Jan-13	15.87%	0%	9.58%	74.54%	100.00%
Feb-13	13.71%	7%	6.01%	72.98%	100.00%
Mar-13	13.38%	7%	5.82%	74.13%	100.00%
Apr-13	12.86%	10%	3.10%	74.33%	100.00%
May-13	11.25%	0%	4.83%	83.92%	100.00%
Jun-13	13.01%	5%	6.75%	75.13%	100.00%
Jul-13	19.70%	6%	12.22%	61.61%	100.00%
Aug-13	22.98%	0%	17.70%	59.32%	100.00%
Sep-13	23.66%	9%	8.80%	58.11%	100.00%
Oct-13	37.05%	5%	9.52%	48.23%	100.00%
Nov-13	28.27%	0%	12.79%	58.94%	100.00%
Dec-13	22.12%	7%	11.66%	59.69%	100.00%
<b>Average</b>	<b>19.49%</b>	<b>4.70%</b>	<b>9.07%</b>	<b>66.74%</b>	

Per head=1.76%

Jan-14	18.00%	4%	9.84%	68.63%	100.00%
Feb-14	24.25%	8%	23.31%	44.80%	100.00%
Mar-14	18.24%	7%	18.66%	55.64%	100.00%
Apr-14	12.90%	17%	18.31%	51.74%	100.00%
<b>Average</b>	<b>18.35%</b>	<b>8.92%</b>	<b>17.53%</b>	<b>55.20%</b>	

Source: ET RSD sales reports Per head = 1.45%

Table 4.46: Airtime (Voucher card) sales performance of ET channels

Months	Voucher Sales Performance of:				
	Direct Channel	EPS (National Distributor)	Hidassie Telecom S.C. (National Distributor)	39 Local Distributors	Total
Jan-13	0.34%	0.00%	14.74%	84.91%	100.00%
Feb-13	0.36%	0.00%	22.35%	77.29%	100.00%
Mar-13	0.37%	17.80%	13.12%	68.70%	100.00%
Apr-13	0.26%	11.65%	15.64%	72.44%	100.00%
May-13	0.46%	0.00%	19.39%	80.15%	100.00%
Jun-13	0.30%	11.27%	35.66%	52.77%	100.00%
Jul-13	0.24%	8.92%	30.53%	60.31%	100.00%
Aug-13	0.36%	0.00%	25.69%	73.95%	100.00%
Sep-13	0.29%	10.51%	22.59%	66.61%	100.00%
Oct-13	0.29%	9.32%	35.87%	54.52%	100.00%
Nov-13	0.27%	0.00%	35.03%	64.70%	100.00%
Dec-13	0.24%	11.90%	33.74%	54.12%	100.00%
<b>Average</b>	<b>0.32%</b>	<b>6.78%</b>	<b>25.36%</b>	<b>67.54%</b>	

Source: ET RSD sales reports

Per head =  
1.78%

Jan-14	0.25%	8.23%	33.23%	58.29%	100.00%
Feb-14	0.22%	19.65%	30.41%	49.72%	100.00%
Mar-14	0.37%	20.09%	30.43%	49.11%	100.00%
Apr-14	0.32%	18.40%	30.80%	50.48%	100.00%
<b>Average</b>	<b>0.29%</b>	<b>16.59%</b>	<b>31.22%</b>	<b>51.90%</b>	

Source: ET RSD sales reports Per head = 1.37%

The two national distributors account for 13.77% and 26.45% together in SIM sales performance in 2013 and for the first four months of 2014 respectively. Contribution of the thirty eight local distributors per head was 1.76% (66.74%/38) in 2013 and 1.45% (55.2%/38) for the first four months of 2014. Contribution of the national distributors is much greater and significant in airtime (recharge cards) sales than in SIM sales. The two national distributors together account for 32.14% in 2013 and nearly half of the market share (47.81%) in the first four months of 2014 where as contribution of the 38

national distributors per head was only 1.78%(67.545/38) in 2012 and 1.37% (51.9%/38) in the first four months of 2014.

This shows that there is a huge improvement of contribution from the two national distributors which shows their strategic importance and their potential to cover the market alone. If the distribution is given to the two national distributors share of the 38 local distributors will shared between the then and will go nowhere. That means there will not be decrease in sales performance. The only thing ET needs to do is to organize of the two national distributors throughout the country as many as possible. This will help ET have a managed distribution channel.

## CHAPTER FIVE:

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.5. Summary of findings

The following points are summary findings of the data analysis under chapter four:

- ✚ Greater than half (51%) of ethio telecom staffs assigned in the indirect distribution channel are either satisfied or very satisfied in nature of their job.
- ✚ Though nature of business relationship between distributors and ethio telecom is indicated by majority of both parties as neither perfect strategic nor perfect transactional, it tends to be more of transactional than strategic. Nature of business relationship between retailers and distributors is not very clear but it tends to be more of strategic.
- ✚ Level of service provided by distributors tends towards unsatisfactory than satisfactory.
- ✚ The primary data shows that there is territory breach. The top reason why retailers shift distributors is for getting price discount followed by location convenience.
- ✚ ET's distribution channel has been more of effective in relative terms than the counterargument.
- ✚ ET's indirect distribution channel has been inefficient in terms of cost.
- ✚ All the three respondents believe that the current indirect distribution channel of ethio telecom is not best of all other alternatives.
- ✚ The analysis indicates that territory breach has been the usual practice of the indirect distribution channel of ethio telecom as opposed to operational requirement which means the channel has failed to operate according to its design requirement.

- ✚ The reason why terms of the distribution agreement was not implemented is the existing channel lacks practicality and does not reflect test of the market.
- ✚ All the three respondent groups clearly indicated that it is impossible and not feasible to control territory confined distribution of ethio telecom products. The reasons why it is impossible and non feasible to control territory limited distribution are the products are minute in nature, products are freely fast moving, and market's prior experience is different. So, it can be argued that ET's distribution channel has some design error and hence needs rectification.
- ✚ It is clearly attributed that causes of CAF collection problem are both ineffective channel design and poor channel management skill.
- ✚ Findings on channel length and breadth are not very clear. Whereas ethio telecom staffs disagree, distributors agree that ethio telecom adopted the right channel length. On channel breadth, the finding tends to be right in a very insignificant margin.
- ✚ Ethio telecom employed the right channel depth (mix of channel intermediaries).
- ✚ Ethio telecom staffs and retailers preferred adoption of few channel levels (two or one) in indirect channel of ethio telecom. Distributors, however, preferred adoption of three channel levels in indirect channel of ethio telecom. On commutative basis it appears that two channel levels are preferred for ethio telecom when seen from the perspective of ET's benefit.
- ✚ Both ethio telecom staffs and retailers clearly indicated they believe that it is better for ethio telecom to recruit two to three channel members at upper channel level.

## 5.6. Conclusions

The following points are major gap findings according to the data analysis under chapter four:

- It is not feasible and impossible to control territory breach
- ET's indirect channel has design errors. It is characterized by territory breach. There is too much channel conflict. Terms of the distribution agreement are not implemented.
- Business relationship between ethio telecom and distributors tends to be transactional.
- Level of service provided by distributors is not satisfactory.
- ET's indirect channel is inefficient in terms of costs.

The only positive evaluation finding seen is that the channel has been effective in meeting the company's core objective.

There is too much chaos in the distribution channel as analysis under chapter four somehow indicates. Retailers always switch distributors. Distributors are too much frustrated by requirement of target achievement on one hand and threat of territory breach and price violation on the other hand which has negative impact on image of ethio telecom.

The pillar term of the agreement is that local distributors are required to sell the products in their respective territory of assignment only and hence discovery of the products in other territories would result in penalty. However, it is very difficult for distributors to control the products from moving to other zones/regions once ownership of the products is transferred to retailers. The products are highly liquid and easily movable from place to place and hence it is not feasible to control intrusion to other zones/regions.

The concept of territory was not functional yet as opposed to the designed concept and even resulted in huge undesirable channel conflict which is

detrimental to customer service and the company's image. Existing literature shows that market segmentation is conducted based on market characteristics/demographics such as geographic differences. However, there is no identifiable difference of market characteristics between the 14 zonal/regional boundaries of Ethiopia.

Parallel to this fact the questionnaire with target respondents show that they do not believe the possibility and feasibility of controlling ethio telecom products from territory breach.

Contrary to the territory requirement on local distributors, the two national distributors do not have such worry and hence they are free to move the products anywhere in the country.

It means ethio telecom's indirect distribution channel policy is inter-conflicting. The other way speaking design of the indirect distribution channel is inter-conflicting. Ethio telecom adopts territory limited distributors on one hand and national distributors on the same market.

In addition, although terms of the current agreement also require distributors to travel door to door for distributing the products none have implemented it yet. This is evidenced by the primary data collected by the questionnaire and comparing it to terms of the distribution agreement. As per the experience of staffs of ethio telecom supervising the indirect channel, the distributors tend to cluster and compete for the potential urban markets and almost none of them opened sales outlets in rural areas as required. Distributors are not responsive to retailers' and end users' service requirement as presented in chapter four. They are also reasons for the poor CAF collection performance.

Prior distribution practices and taste of the market (retailers) is different. Distribution experience of the operator during the regime of 'Ethiopian Telecommunications Corporation' had not been territory confinement rather retailers, many in number, access the principal's numerous outlets (around

one thousand), currently transferred to Hidassie telecom S.Co, for purchasing the products to further distribute to remote corners of the country. There was no concept of target setting. It was because there has not been competitor taking business share of the industry.

As products of ethio telecom are more or less standardized and almost like commodities, distributors perform few functions. The distributors add place utility alone. There is no form utility to be added. The only asset specific to distributors is location as ethio telecom has narrowed down its presence from around one thousand (1024) outlets to 216 shops all over the country. So, ethio telecom has no option except using indirect channel of distribution to address its products and services to the awaiting Ethiopian market. However, the policy of territory confined distribution does not seem sound for ethio telecom and needs to be revised.

## 5.7. Recommendations

Based on the above conclusions excepted from prior analyses, the researcher suggests that ethio telecom should waive the concept of territory confined distribution of its products and employ few mega national distributors at upstream channel level parallel to the undifferentiated nature of Ethiopian market.

Candidate distributors for this proposal are Ethiopian Postal Service Enterprise and Hidassie Telecom Share Company. These two candidate and strategic business partners of ethio telecom have more than one thousand five hundred sales outlets together throughout Ethiopia.

Hidassie telecom has around one thousand outlets throughout Ethiopia transferred to from the previous Ethiopian Telecommunications Corporation. Ethiopian Postal Service Enterprise has two hundred eighty nine outlets are currently selling both voucher and SIM cards. On top of the 289 EPS outlets currently functioning in distribution of ethio telecom products, another 41 outlets will soon turn operational and there is still a potential of increasing sales outlets to 521 from EPS alone.

As the last analysis under chapter four shows there is a huge improvement of contribution from the two national distributors which highlights their strategic importance and their potential to cover the market alone. If the distribution is given to the two national distributors share of the 38 local distributors will shared between the then and will go nowhere. That means there will not be decrease in sales performance.

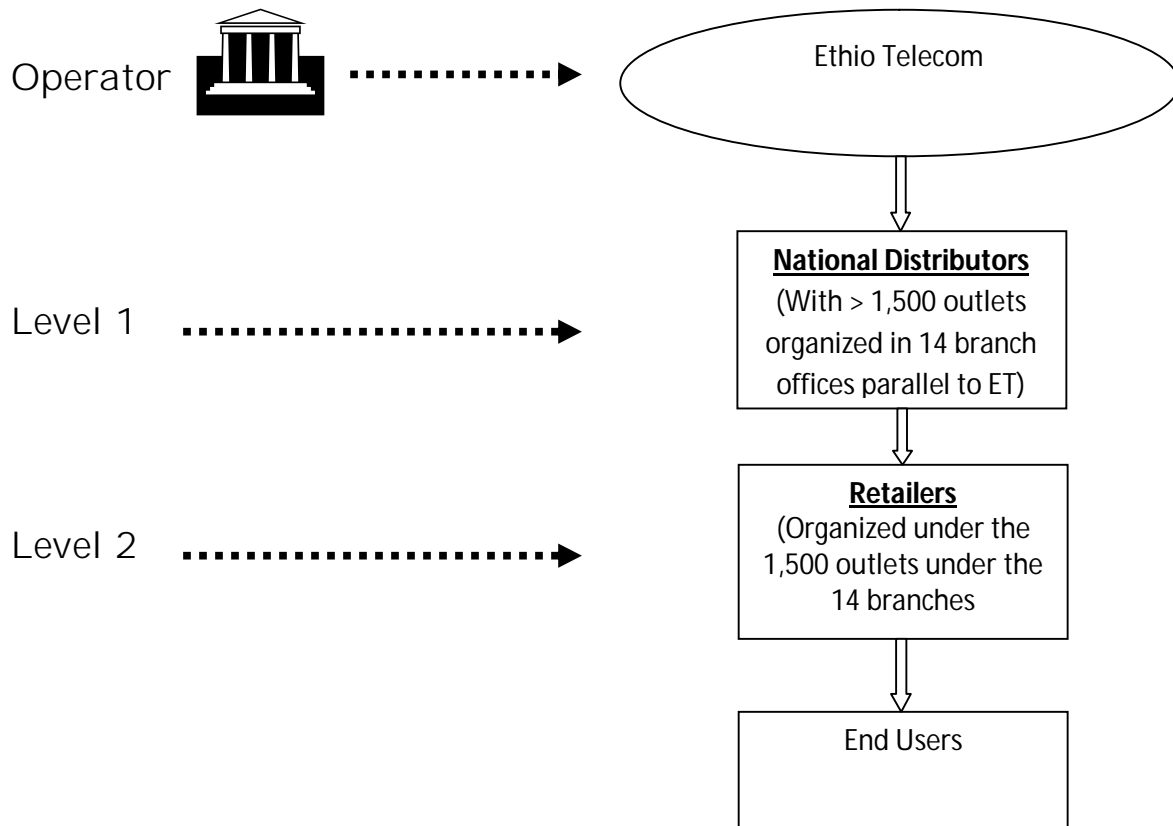
Parallel to zonal and regional office structures of ethio telecom, the two national distributors would establish respective 14 offices for proper sales management. Each zone and region will have two distributors (Ethiopian Postal Service Enterprise and Hidassie Telecom Share Company) which are of the same characteristics. The already existing multiple retailers of ethio telecom will be organized under the national distributors to the nearby outlets

scattered nationwide. The only thing ET needs to do is to organize of the two national distributors throughout the country as many as possible. If ethio telecom properly uses these two business partners, the market will be covered properly while minimizing the channel management problems. This will help ET have a managed distribution channel.

It would avoid price and territory breach as business will go to the same companies and branches would be managed and given directions centrally. The possibility of differing sales practices will be very minimal. Therefore, there would not be much worry of business snatching as much as the existing phenomenon. The only possible channel conflict that would be encountered will be conflict between the two national distributors which is minimal and manageable.

This will highly stabilize the market enhancing customer service because managed channel will be therein. It would help ET have a managed distribution channel. Image of the company will also be protected from below standard representation.

Based on need assessment after adopting the national distributors alone in the first place, ethio telecom can add few national distributors provided that the two national distributors fail to cover all market territories of Ethiopia. Therefore, structure of the indirect distribution channel proposed by the researcher looks like the following:



Contract terms stipulating the business partnership on commission structures, selling price, branding, customer service, documentation requirement, relationship to regional/zonal offices, relationship to ET head office, delegation of regional/zonal offices, rights of both parties, obligations of both parties, measures for breach of contract terms and others would be developed in a way to facilitate decentralized operational management of the indirect distribution channel.

Channel management will be more of decentralization towards zonal/regional offices. However, there would also be centralized audit team which will work on companywide issues (among zones/regions) of the channel and management of terminated distributors.

## **5.8. Further area of study**

As sample size of the study on ethio telecom staffs and distributors is relatively small mainly because of time constraint, the same study can be replicated on more respondent groups.

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# **Annex-I :QUESTIONNAIRE TO BE FILLED BY ETHIO TELECOM STAFFS**

## **IN THE DISTRIBUTION CHANNELS**

**DEAR RESPONDENT,**

**THE PURPOSE OF THIS QUESTIONNAIRE IS TO COLLECT PRIMARY DATA FOR A RESEARCH ON 'DISTRIBUTION CHANNEL' FOR ACADEMIC PURPOSE IN THE FIRST PLACE AND BENEFIT OF ETHIO TELECOM IN THE SECOND PLACE. I WOULD BE VERY THANKFUL FOR TAKING FEW MINUTES TO ANSWER THE QUESTIONS PROVIDED. THANK YOU IN ADVANCE FOR YOUR GENUINE ANSWERS AS YOU WOULD CONTRIBUTE YOUR OWN INVALUABLE STAKE TOWARDS THE REALIZATION OF THE PROJECT'S END IN DOING SO!**

1. Please state your position in ethio telecom.

### **PART- I: EVALUATION OF APPROPRIATENESS OF ET'S INDITECT CHANNEL**

**General Direction:** Please indicate your rate of agreement to the following positive statements. (Strongly disagree = 1, disagree = 2, moderate = 3, agree = 4 and strongly agree = 5).

Positive statement				
2. You are highly satisfied in nature of your current job.	12	3	4	5
3. Distribution channel of ethio telecom is <b>effective</b> (in terms of meeting its pillar objective of telecom service penetration) from the company's perspective.	12	3	4	5
4. Distribution channel of ethio telecom is <b>efficient</b> (in terms of costs) from the company's perspective.	12	3	4	5
5. Controlling territory confined distribution of ethio telecom's products is possible and feasible.	12	3	4	5

6. How do you evaluate level of service provided by distributors?  
a) Very unsatisfactory                      b) unsatisfactory                      c) moderate  
d) Satisfactory                                      e) Very satisfactory
7. How do you evaluate nature of business relationship between ethio telecom and distributors?  
a) Perfect strategic partnership    b) Perfect transactional or non strategic  
c) Moderate (neither strategic nor transactional) relationship
8. The distribution agreement entered into between ethio telecom and distributors stipulates that distributors would develop weekly beat plan and

distribute products travelling **door to door**. However, this and many other pillar terms of the agreement are not implemented practically. Why it was not implemented?

- a) Channel design lacks practicality & doesn't reflect taste of the market.
- b) Because of ethio telecom's inability to implement
- c) Both 'a' & 'b'

9. If your answer to Q#5 above is either '1' or '2', why do you think is it not possible and feasible to control territory confined distribution of ethio telecom's products?

- a) The products are minute in nature and hence not feasible to control from territory breach.
- b) The products are freely fast moving and hence not feasible to control from territory breach.
- c) The market's prior experience/taste of distributing the products is not territory confined and hence the market participants strongly oppose the current practice.
- d) All

10. What do you think is the cause of CAF collection problem?

- a) Ineffective channel design
- b) Poor channel management skill
- d) Both 'a' & 'b'

**PART II: CHANNEL DESIGN JUDGEMENTS**

**General Direction:** Please indicate your rate of agreement to the following positive statements on channel design. (Strongly disagree = 1, disagree = 2, moderate = 3, agree = 4 and strongly agree = 5).

Channel Design positive statements	1	2	3	4	5
11. Ethio telecom employed the right channel length (level). (Take the case of new channel restructuring under implementation - i.e Ethio → Distributors → Sub-distributors → Retailers → End users).					
12. Ethio telecom employed the right channel breadth (intensity). Note that ethio employs/adopts					

intensive distribution (around 41 distributors).					
13. Ethio telecom employed the right channel depth (mix of channel intermediary types).	1	2	3	4	5
14. Design of the current distribution channel of ethiotelcom is the best of all other alternatives	1	2	3	4	5

15. Ethio telecom currently employed **three** channel **levels**. This is ethio telecom → **Mega Distributors** → **sub-distributor** → **Retailer** → End user. Therefore, how much channel levels are better for ethio telecom do you believe?

- a) 1                      b) 2                      c) 3                      d) 4

16. How much channel members are better for ethio telecom to recruit at **upstream level**?

- a) 2 - 3                      b) 4 - 6                      c) 7-10                      d) 11 - 20                      e) 21 - 41

*So much thanks & be blessed*

## **Annex-II: QUESTIONNAIRE TO BE FILLED BY DISTRIBUTORS**

**DEAR RESPONDENT,**

*THE PURPOSE OF THIS QUESTIONNAIRE IS TO COLLECT PRIMARY DATA FOR A RESEARCH ON 'DISTRIBUTION CHANNEL' FOR ACADEMIC PURPOSE IN THE FIRST PLACE AND BENEFIT OF ETHIO TELECOM IN THE SECOND PLACE. I WOULD BE VERY THANKFUL FOR TAKING FEW MINUTES TO ANSWER THE QUESTIONS PROVIDED. THANK YOU IN ADVANCE FOR YOUR GENUINE ANSWERS AS YOU WOULD CONTRIBUTE YOUR OWN INVALUABLE STAKE TOWARDS THE REALIZATION OF THE PROJECT'S END IN DOING SO!*

1. Please indicate your company's territory (zone/region) of distribution assignment.

### **PART- I: EVALUATION OF APPROPRIATENESS OF ET'S INDITECT CHANNEL**

**General Direction:** Please indicate your rate agreement to the following positive statements. (Strongly disagree = 1, disagree = 2, moderate = 3, agree = 4 and strongly agree = 5).

Positive statement					
Evaluation of ET Indirect Channel's appropriateness					
2. Distribution channel of ethio telecom is <b>effective</b> (in terms of meeting its pillar objective of telecom service penetration) from the company's perspective.	1	2	3	4	5
3. Distribution channel of ethio telecom is <b>efficient</b> (in terms of costs) from the company's perspective.	1	2	3	4	5
4. Controlling territory confined distribution of ethio telecom's products is possible and feasible.	1	2	3	4	5

5. How do you evaluate nature of business relationship between your company and ethio telecom?
  - b) Perfect strategic partnership
  - b) Perfect transactional or non strategic
  - c) Moderate (neither strategic nor transactional) relationship
6. The distribution agreement entered into between ethio telecom and distributors stipulates that distributors would develop weekly beat plan and distribute products travelling door to door. However, this and many other

pillar terms of the agreement are not implemented. Why were such terms not implemented?

- a) Channel design lacks practicality & doesn't reflect taste of the market.
- b) Because of ethio telecom's inability to implement
- c) Both 'a' & 'b'

7. If your answer to Q#4 above is either '1' or '2', why do you think is it not possible and feasible to control territory confined distribution of ethio telecom's products?

- e) The products are minute in nature and hence not feasible to control from territory breach.
- f) The products are freely fast moving and hence not feasible to control from territory breach.
- g) The market's prior experience/taste of distributing the products is not territory confined and hence the market participants strongly oppose the current practice.
- h) All

8. What do you think is the cause of CAF collection problem?

- a) Ineffective channel design
- b) Poor channel management skill
- d) Both 'a' & 'b'

**PART II: CHANNEL DESIGN JUDGEMENTS**

**General Direction:** Please indicate your rate agreement to the following positive statements. (Strongly disagree = 1, disagree = 2, moderate = 3, agree = 4 and strongly agree = 5).

Positive statement	1	2	3	4	5
9. Ethio telecom employed the right channel length (level). (Take the case of new channel restructuring under implementation – i.eEthio→ Distributors → Sub-distributors → Retailers → End users).					
10. Ethio telecom employed the right channel					

breadth (intensity). Note that ethio employs/adopts intensive distribution (around 40 distributors).					
11. Ethio telecom employed the right channel depth (mix of channel intermediary types).	1	2	3	4	5
12. Design of the current distribution channel of ethiotelcom is the best of all other alternatives	1	2	3	4	5

13. Ethio telecom currently employed **three** channel **levels**. This is ethio telecom → ***Mega Distributors*** → ***Sub-distributors*** → ***Retailer*** → End user. Therefore, how much channel levels are better for ethio telecom do you believe?
- a) 1                      b) 2                      c) 3                      d) 4

*So much thanks & be blessed*



- b) Very unsatisfactory                      b) unsatisfactory                      c) moderate  
d) Satisfactory                                      e) Very satisfactory
9. How do you evaluate nature of business relationship between your company and local distributors assigned around your business area?  
c) Perfect strategic partnership    b) Perfect transactional or non strategic  
c) Moderate (neither strategic nor transactional) relationship
10. The distribution agreement entered into between ethio telecom and distributors stipulates that distributors would develop weekly beat plan and distribute products travelling door to door. However, this and many other pillar terms of the agreement are not implemented practically. Why was it not implemented?  
a) Channel design lacks practicality & doesn't reflect taste of the market.  
b) Because of ethio telecom's inability to implement  
c) Both 'a' & 'b'
11. If your answer to Q#7 above is either '1' or '2', why do you think is it not possible and feasible to control territory confined distribution of ethio telecom's products?  
  - The products are minute in nature and hence not feasible to control from territory breach.
  - The products are freely fast moving and hence not feasible to control from territory breach.
  - The market's prior experience/taste of distributing the products is not territory confined and hence the market participants strongly oppose the current practice.
  - All
12. What do you think is the cause of CAF collection problem?  
a) Ineffective channel design  
b) Poor channel management skill  
c) Both 'a' & 'b'
13. Ethio telecom currently employed two channel levels. This is ethio telecom → **Mega Distributors** → **Retailer** → End user. Therefore, how much channel levels are better for ethio telecom do you believe?

- b) 1                      b) 2                      c) 3                      d) 4

14. How much channel members are better for ethio telecom to recruit at upstream level?

- a) 2 - 3                      b) 4 - 6                      c) 7-10                      d) 11 - 20                      e) 21 - 41

*So much thanks & be blessed*

# Annex- IV :u>=fÄ , K?U "®e >YóóÄ< እና ቸርቻሪዎች

## ¾T>VL S ÖÃp

¾²=I S ÖÃp ~LT ¾>=fÄ , K?U U` „ < " uT YóóM } dታò YJ' < > "Lf Ø\_ መረጃዎችን በመሰብሰብበመጀመርያ የትምህርት ጥናት ማከናወን ሲሆን በሁለተ- Å[Í u>=fÄ , K?U ¾T YóóÄ c" cKf " eØ ÁK" < " < Ó` KS öታf > e}ª e\* KT É[Ó ' ' <:: u²=I S ÖÃp ¾T xucw T " - " < U S [Í UeØ^@' f u> Óvu< ¾T Öup SJ' < " እÁ[ÖÑØY< ¾] " c' Ñ? " eÄ " እርስዎም የበኩልዎን ድርሻ እርፍ= Ök u> j waf Ø] > k` vKG<: ðnÁ- J' " eKT > V K < እ" f j ÝK- S MeeKT > W Ö u p É T Á > S c Ó " KG<:

- ¾" ÓÉ አድራሻዎን ይግለጹልን::  
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 kuK?:- M¿ xታ:-
- በንግድ አድራሻዎ አካባቢ የተመደበውን የበላይ አከፋፋይ (Mega distributor) ለÖKè::
- የኢትዮ ቴሌኮም ምርቶችን የሚያቀርብልዎን የበላይ አከፋፋይ (Mega distributor) ለÖKè::
- በአካባቢዎ ከተመደበው የበላይ > YóóÄ " < B ¾>=fÄ , K?U U` „ < " KS Ó³f KU" K?L > YóóÄ Ò` ÅHÇK<;  
 G) ¾ª Ò p" i KT Ó-f K) ¾+ " እ" ¾zf ØÄoKS gi  
 N) Kxታp` ufS) G<K<U

**ØpM ¾S Me > p x Ý:** Ýታ< uW" Ö[y K} ÑKèf > [õ} 'Ña< ¾eUU' f ደረጃዎን ያክብቡበት:: (በጣም አልስማማም = 1፣ አልስማማም = 2፣ መካከል- , 3' እeTT KG< , 4' u x U እeTT KG< , 5'

አዎንታዊ [õ} 'Ñ`					
¾>=fÄ , K?U >="ÇÄ_i f %o" M > Óvw' f					
5. > G< " u} Óv` LÄ ÁK" < ¾>=fÄ , K?U ¾T YóóÄ c" cKf ¾É` Ì ~ " > " ኳ` Óx< ÝT d" f > ኳÁ c-ታÄ u x U " < Ö!ታT (effective) ' ' <::	12	3	4	5	
6. > G< " u} Óv` LÄ ÁK" < ¾>=fÄ , K?U ¾T YóóÄ c" cKf ¾É` Ì ~ " Ów` f (Resource) u> Óvu< ÝS ÖkU > ኳÁ c-ታÄ u x U " < Ö!ታT ' ' < (efficient) ' ' <::	1	2	3	4	5
7. u} " c' ¾T YóóÄ x u=Ä w%o ¾T ታÖ` ¾>=fÄ , K?U ¾T YóóÄ c" cKf > S ^ እ" >ª B ' ' <::	1	2	3	4	5

- በንግድ አድራሻዎ አካባቢ በተመደበው የበላይ አከፋፋይ የሚኖር " < > ÑMÓKA f እ" È f ¾ÑS ÓT K<;  
 G) u x U > ØØu= > ÄÄKU K) > ØØu= > ÄÄKU N) S " ÝK-  
 S) > ØØu= ' ' < W) u x U > ØØu= ' ' <



# Annex-V

## 1. Descriptive statistics

### 1.1. ET staffs

**Descriptive Statistics**

	N	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Position of the respondent in ET	53	1.79	0.454	0.206	-0.823	0.327
Level of satisfaction in the nature of work	53	3.42	0.842	0.709	-0.526	0.327
Level of service provided	53	3.25	0.875	0.766	-0.151	0.327
Nature of business r/ship b/n ET & distributors	53	2.51	0.697	0.485	-1.098	0.327
ET indirect distribution channel is effective in meeting ET objectives	52	3.04	1.066	1.136	-0.079	0.33
ET indirect distribution channel is efficient in terms of cost	53	2.96	1.224	1.499	0.074	0.327
reasons for not implementing distribution agreements practically	53	1.7	0.822	0.676	0.622	0.327
Controlling territory confined distribution of ET's products is possible and feasible.	53	2.64	1.178	1.388	0.233	0.327
why impossible & not feasible to control territory confined dist.of ET's products?	28	3.64	0.78	0.608	-1.775	0.441
Cause of CAF collection problem	41	2.41	0.741	0.549	-0.855	0.369
ET employed the right channel length	53	2.83	1.172	1.374	0.194	0.327
ET employed the right channel breadth/intensity	52	2.9	1.034	1.069	-0.133	0.33
ET employed the right channel depth	53	3.06	0.989	0.978	-0.365	0.327
current dist.channel of ET is best of all other alternatives	53	2.79	1.081	1.168	0.242	0.327
Number of channel levels better for ET	53	2.7	0.799	0.638	0.373	0.327
Number of channel members better for ET to recruit at upstream level	51	2.82	1.609	2.588	0.209	0.333
Valid N (listwise)	23					

## 1.2. Distributors

### Descriptive Statistics

	N	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Company's zone/region distr.	42	2.02	0.811	0.658	-0.045	0.365
Nature of business r/ship b/n ET & distributors	42	2.21	0.813	0.66	-0.421	0.365
ET's distribution channel is effective in meeting objectives	42	3.26	1.014	1.027	-0.267	0.365
ET's distribution channel is cost efficient	42	3.07	1.091	1.19	0.326	0.365
reasons for not implementing distribution agreements practically	41	1.54	0.809	0.655	1.066	0.369
Controlling territory confined distribution of ET's products is possible and feasible.	42	2.64	1.078	1.162	0.408	0.365
why impossible & not feasible to control territory confined dist.of ET's products?	24	3.29	0.908	0.824	-1.026	0.472
Cause of CAF collection problem	32	2.41	0.798	0.636	-0.894	0.414
ET employed the right channel length	39	3.38	1.115	1.243	-0.835	0.378
ET employed the right channel breadth/intensity	40	3.18	0.931	0.866	-0.166	0.374
ET employed the right channel depth	37	3.35	0.919	0.845	-0.555	0.388
current dist.channel of ET is best of all other alternatives	40	2.72	1.062	1.128	0.453	0.374
Number of channel levels better for ET	40	2.85	0.622	0.387	-0.568	0.374
Valid N (listwise)	18					

### 1.3. Retailers

#### Descriptive Statistics

	N	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Retailer's address	101	1.54	0.5	0.25	-0.182	0.24
Name of the distributor(s) in a territory vsdist.supplying products	80	2.05	0.673	0.453	-0.059	0.269
Why the retailer shifts distributor to buy ET products	69	2.09	1.269	1.61	0.544	0.289
Service provided by the distributor assigned in the specific site is very satisfactory	101	2.81	0.935	0.874	0.312	0.24
Strength of business r/ship b/n retailers & distributors	101	1.91	0.826	0.682	0.169	0.24
Indirect Distr. channel of ET is effective in terms of meeting ET's pillar objectives.	96	3.32	1.21	1.463	-0.175	0.246
ET indirect distribution channel is efficient in terms of cost	101	2.69	1.111	1.235	0.146	0.24
reasons for not implementing distribution agreements practically	94	1.72	0.662	0.439	0.372	0.249
Controlling territory confined distribution of ET's products is possible and feasible.	100	2.65	1.266	1.604	0.416	0.241
why impossible & not feasible to control territory confined dist.of ET's products?	60	2.83	0.924	0.853	-0.724	0.309
Cause of CAF collection problem	68	2.32	0.837	0.7	-0.678	0.291
current indirect dist.channel of ET is best of all other alternatives	97	2.88	1.26	1.589	0.11	0.245
Number of channel levels better for ET	99	2.45	1.1	1.21	0.141	0.243
Number of channel members better for ET to recruit at upstream level	99	2.39	1.49	2.221	0.673	0.243
Valid N (listwise)	44					