ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF COMMERCE

STUDY OF EFFECTIVENESS OF DISTRIBUTON NETWORK AND PRODUCT AVAILABILITY AT RETAIL OUTLETS THE CASE OF MOHA SOFT DRINKS INDUSTRY S.C

IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTERS OF ARTS DEGREE IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT

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JUNE, 2018 G.C

ADDIS ABABA, ETHIOPIA

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APPROVED BY: BOARD OF EXAMINERS

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EXTERNAL EXAMINER	SIGNITURE	DATE

DECLARATION

This study entitled as "Study of effectiveness of distribution channel and product availability at retail outlets. The case of MOHA soft drinks industry" is my original work and has not been presented for a degree in any other university.

_____	_____	_____
Student name	Signature	Date

This thesis has been submitted for examination with my approval as Addis Ababa university advisor TEKLEGIORGIS ASSEFA (Asst. Prof).

_____	_____	_____
Advisor's name	Signature	Date

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ACKNOWLEDGEMENT

First and for most, I would like to thanks almighty God who helped me throughout my life with his mother saint marry from the beginning of this study up to the completion of the Defense time and to all those who supported me in idea and finance, especially for TigstAlemu who is my sister and helped me like my mother.

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ACRONYMS

TCT …….…….Transaction cost theory.

MOHA…….….Mohammed Hussein al-amoudi.

JIT…….….Just in time.

S.C…….Shares company.

LTL……....Less than truck load.

TL……..Truck load.

SPSS……..Statistical package for social science.

N.S…….Nifas silk plant.

T…….Teklehaimanote plant.

Su……...…....Summit plant.

#A……...Number of agents.

#S……....Number of sample

ABSTRACT

Distribution network or channel is the key area for the success of business organizations today to bring products from producers or manufacturers via the different kind of intermediaries to the final customers.Some customer service components like response time, product availability, customer experience and order visibility, which are used to measure the effectiveness of a distribution channel are the main problem or challenge for the distribution channel of MOHA soft drink industry S.C. In addition to this, transportation cost of the distribution channel of MOHA company is very high which the company considers as bottle neck for the expansion of its business in different areas. The main objective of the study was how effectiveness of a distribution channel of MOHA company affects product availability at retail outlets.In this study descriptive research method was used to present and analyze the data obtained in the form of graphs, charts and tables and so on along with mixed research approach which used to gather data from different kind of stakeholders. Transportation, return ability, product variety, to some extent response time, and information exchange are some variables which seriously affects the distribution channel of MOHA soft drinks industry S.C.The researcher recommends some ideas on the variables which affect the distribution channel of MOHA soft drinks industry S.C. increasing responsiveness, continuous exchange of information with channel members, increasing number of trips that MOHA trucks perform per week, supplying product variety in quantity and timely to channel members and so on are some of the solutions the researcher recommends.

KEYWORDS: Distribution, Distribution channel, Network/channel and Product availability.

CHAPTER-I

INTRODUCTION

This chapter is organized with background of the study, statement of the problem, objective of the study, significance, scope, and definition of terms.

1.1 BACKGROUNG OF STUDY

Distribution network or channel is the key area for the success of business organizations today to bring products from producers or manufacturers via the different kind of intermediaries to the final customers. Distribution network refers to an interrelated arrangement of people, storage facilities and transportation systems that moves goods and services from producers to customers Phillip Kotler, (2003). Distribution refers to the steps taken to move and store a product from the supplier stage to a customer stage in the supply chain. Distribution occurs between every pair of stages in the supply chain. Raw materials are moved from supplier to manufacturer whereas finished products are moved from manufacturer to the end customer. Distribution is a key driver of the overall profitability of a firm because it affects both the supply chain cost and the customer value directly. In the apparel retail industry, for example distribution affects about 35% of the revenue (including its influence on markdown and lost sales). In India, the outbound distribution cost of cement is 30% of the cost of producing and selling it (Sunil Chopra, Peter Meindl, 2001).

Networking is the process that fosters the exchange of information and ideas among individuals or groups that share common interest. According to William J. Stanton “A channel of distribution for a product is the route taken by the title of the goods as they move from the producer to the ultimate consumer or industrial users.” Distribution is one of the four elements of the marketing mix(i.e place, product, pricing and promotion) or it is the process of making a product or service available for the customer or business user that need it. There are different ways of distribution network designed by an organization to bring their product into the market or to reach to final customers. Marketing channel decisions are among the most important decision that management faces today. Indeed, if one looks at the major strategy of the marketing mix (product, price, promotion and distribution), the greatest potential achieving a competitive advantage now lies in distribution (Obaji, 2011).

According to Sunil Chopra and Peter Mendil (2001), at the highest level the performance or effectiveness of a distribution channel should be evaluated along two dimensions; these are customer needs that are met and cost of meeting customer needs. The customer needs that are met influence the company's revenues, which along with cost decide the profitability of the delivery network. The effectiveness of a distribution channel can be evaluated by the components of customer service (response time, product variety, product availability, customer experience, order visibility and return ability).

Sunil Chopra and Peter Mendil (2001), had also proved that the change in a distribution channel influences some supply chain costs: these are inventory, transportation, facility and handling, and information costs.

In today's market producing a qualified product alone doesn't make the organization or manufacturer competitive enough, the organization should have a system of getting into the market so that it will be able to meet the demand of its customers. Distribution channel 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, customer marketing and industrial marketing firms, the distribution channel, or inter-organizational network of institutions, comprising of agents, wholesalers, distributors and retailers (Gorchels, 2004; Pelton et al.,2002; Lambert et al., 1998) play a significant role in the flow of goods from producer to consumers.

According to P. Serdaris, I. Antoniadis and N. Tomlekova, (2014) customer service involves all sub-processes of the distribution, which add value to the product from the customers perspective and reflect the speed and accuracy with which the order of a customer is delivered to him. The effectiveness of a particular distribution channel can be evaluated with economic criteria, control criteria, and adaptive criteria. From the economic point of view, three factors must be considered, first what would be the sale volume under each of the channel alternative, second is to estimate the selling and distribution cost of each alternative and thirdly the sales and the cost of different channel alternatives should be compared having a comparative view of cost-effect on the net profit of the firm. In control criteria, how would the marketer be in a position to have a control over a particular channel? The more would be the control; the better would be the channel of

distribution. In adaptive criteria, one has to see whether the channel would be suitable to adapt the changing conditions in the future. Each channel alterative involves some duration of commitment and loss flexibility.

Soft drinks are non-alcoholic beverages that are used by peoples as refreshment drink or something given to patients to calm down their internal temperature or as energy substituent, commonly in Ethiopia. These soft drink non-alcoholic beverages are almost taken daily by consumers in cafes, bars, restaurants, hospitals, university lounges, and so on. There are two main share companies involved in producing soft drinks with variety of products in Ethiopia. These are MOHA (Mohammed Hussein Al-Amoudi) soft drink industry S.C and East Africa Bottling S.C. The increasing demand of soft drinks by customers and the complicates of the trade route of the companies makes soft drink products sometimes unavailable at their outlets.

Since, soft drinks are daily used products the concept of effective distribution channel is very important for consistent supply of these products to the ultimate consumers as it is the case in this particular study.

1.2 **STATEMENT OF THE PROBLEM**

According to sales personnel of MOHA Company, it was the leading soft drink industry in Ethiopia which distributes variety of MOHA company products to its ultimate customers via different kind of distribution channels, most importantly through physical distribution in earlier time, as it is observed when the company uses its trucks to distribute its products to depots/agents and wholesalers. “Designing distribution channel influences some customer service components such as response rate, product variety, product availability, customer experience, order visibility and return ability” as it is explained by Sunil Chopra and Peter Meindl (2001). Even though Pepsi Company is well known on its product variety and its promotional marketing mix, but the way the company distributes its product within its distribution channel has problems.

According to Kotler, Armstrong, Saunders Wong (1999) producers must regularly monitor the channel performance against agreed target such as sales volume, average inventory level, customer service in terms of the right type and quantity of product on time, etc. Some customer service components like response time, product availability, customer experience and order visibility, which are used to measure the effectiveness of a distribution channel are the main

problem or challenge for the distribution channel of MOHA soft drink industry S.C. In addition to this, transportation cost of the distribution channel of MOHA company is very high for which the company consider as bottle neck for the expansion of its business in different areas because the company gave transportation service to depots and wholesalers to bring its product to their business area. Order processing time (response time) is the most important measure of customer service in any distribution channel and this attribute helps in building long term buyer-seller relationship in a distribution channel. This is currently the burning issue for MOHA company because of the delay in response time according to the distribution personnel reports. Delivery consistency (order visibility) and delivery frequency are other customer service components which sometimes create a problem in the distribution channel of MOHA company.

According to Sunil Chopra and Peter Mendil (2001), Supply chain costs(inventory cost, transportation cost, information costs and facility and handling costs) are the determinant factors in deciding which distribution channel to use and to take into consideration the trade-off of these costs determine the effectiveness of a distribution channel in which a particular firm uses. As the distribution personnel of MOHA company report tells, there is a problem in a better achievement of all these supply chain costs through the distribution channel of MOHA company.

In addition to the problems listed above, less control and management of distribution channels by distribution personnel of MOHA had resulted in less effective distribution network over the whole supply chain members and makes products unavailable at retail outlets at the right time. Therefore this study generally finds out all those factors influencing the effectiveness of distribution channel of MOHA soft drink industry S.C. Observing all these problems in the distribution channel of MOHA company the researcher simultaneously investigate the problem and discussed on the way how to bring effectiveness of a distribution channel of MOHA soft drinks industry S.C.

1.3 **BASIC RESEARCH QUESTIONS**

This study is designed to address some questions related to the effectiveness of distribution channel of MOHA soft drink industry and its product availability in whole sellers, retailers as well as in different kind of distributors. These are;

- How customer service components affect the distribution channel of MOHA soft drink industry S.C.?
- Which supply chain cost is the determinant factor in evaluating the effectiveness of distribution channels?
- What are the strengths and weaknesses of distribution channel of MOHA soft drink industry S.C.?
- How does MOHA transportation system affect its distribution channel and supply of products at retail outlets?

1.4 **OBJECTIVES OF THE STUDY**

1.4.1 **GENERAL OBJECTIVE**

To study the effectiveness of the distribution networks or channels and product availability at retail outlets of MOHA soft drink industry S.C.

1.4.2 **SPECIFIC OBJECTIVES**

- To explore how customer service components(such as response time, product availability, etc.) used to evaluate the effectiveness of distribution channel of MOHA company.
- To identify factors affecting effectiveness of distribution channel of MOHA company.
- To examine cost effectiveness and responsiveness of different distribution channels.
- To distinguish the strength and weakness of MOHA distribution channel.
- To compare how different supply chain costs affect the distribution channel of MOHA company.
- To investigate how the distribution channel of MOHA affect product availability at retail outlets.
- To show how transportation of the company affect the distribution channel and supply of products at their outlets.

1.5 **SIGNIFICANCE OF THE STUDY**

The main importance of this study is to investigate the characteristics of effective distribution network and to list out major obstacles in designing and practicing effective distribution networks. In addition to this, the study provides the right and effective distribution channel for companies which need a solution for their company's distribution network as well as for the particular company in which this study is carried out. In general this study is helpful for MOHA soft drink industry because it provide information regarding to: factors affecting the effectiveness of MOHA company's distribution channel, weakness and strength of MOHA distribution channel, customer service components as a means of evaluating effectiveness of different distribution channels, supply chain costs trade-off in MOHA's distribution channel, draw backs and strength of distribution channel of MOHA company, transportation system of MOHA and its impact on their distribution channel, MOHA's distribution channel controlling system and management, the characteristics of effective distribution channel, and the transportation system of MOHA company and its impact on products availability at retail outlets.

Finally this study contributes to the existing body of knowledge on effectiveness of distribution networks and how they can be applied in business world and the study explains how distribution network is the determinant factor for a company to increase its sells volume thereby increasing its revenue. This study is also beneficial in distinguishing the difference between customer service components and supply chain costs as a means to evaluate the effectiveness of distribution channel of MOHA company so that, it takes measures upon the result of the study if a problem exists in their distribution channel.

1.6 **SCOPE OF THE STUDY**

This study is under taken in Addis Ababa city MOHA soft drink industry of Nifas Silk plant, Teklehaimanot plant, and Summit beverage plant. Distributors, whole sellers, retailers, customers that are found in many parts of the city are within the scope of the study to carry out the survey and collect the required information from these stakeholders. The study also focus on effectiveness of distribution network, strength and weakness of MOHA company distribution network, design option for a distribution network as well as factors influencing distribution network design. The study takes one year from preparation of proposal up to the final defense of the thesis.

1.7 **DEFINITION OF TERMS**

- **Network**: Networking is the process that fosters the exchange of information and ideas among individuals or groups that share common interest.
- **Product availability**:" product availability is the probability of having a product in stock when a customer order arrives." Sunil Chopra and peter Mendil 2001.
- **Distribution channel or network**: According to Phillip Kotler, "a channel of distribution is a set of independent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user."
- **Distribution**: According to Phillip Kotler, "distribution includes various activities company undertakes to make the product accessible and available to target customer."

1.9 **ORGANIZATION OF THE STUDY**

Chapter one constituted the introduction part, which focuses mainly on the background of the study, statement of the problem, research questions, and objectives of the study, and significance of the study, scope of the study as well as definition of terms and organization of the study. Chapter two focuses on the different literature review and empirical researches or journals concerning the different type of distribution channel and the background of MOHA soft drinks industry S.C. and chapter three of this thesis is concerned with research methodology that is description of the study area, research design, research approach, population and sampling techniques, data collection method, method of data presentation and analysis, validity and reliability and finally ethical issues. Chapter four focuses on data analysis, interpretation, presentation and discussing results of the study. Finally chapter five contains summary of findings, conclusion and recommendations and areas of future research are indicated.

CHAPTER-II

REVIEW OF LITERATURE

2.1 **Theoretical Review about Distribution Channel**

Peterson et al. (1997) stated that all marketing functions are carried out through three distinctive types of marketing channels: communication channels, transaction channels, and distribution channels. By definition, communication channels enable the flow of various type of information between buyers and sellers. Transaction channels realize ordering and payment activities between buyers and sellers, and distribution channels facilitate the physical exchange of products and services between buyers and sellers. Stewart, Fraizer, and Martin incorporated marketing functions into two types of channels: communication channels and distribution channels. Distribution channel is "a mechanism through which a product or service can be selected, purchased/ordered, and received by a segment of the firm's customers." From the viewpoint of the manufacturer, a key aspect of marketing strategy is to determine how best to go to market (Bowersox and cooper, 1992). Sometimes distribution tasks are equal to marketing flows. Eight generic marketing flows exist, namely, physical possession, ownership, promotion, negotiation, financing, risking, ordering and payment. Physical possession refers to all storage activities, including transportation between two channel members (Coughlan et al., 2001).

Distribution channel 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 marketing 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, 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 services, product modification and maintenance are some of the functions that a channel performs. The member also called as an intermediary is a member of the distribution channel excluding the manufacturer and the consumer. Intermediaries come b/n these two and perform one or more of the above functions. The shifting of channel power from manufacturers to retailers, wholesalers, and distributors, has had a great impact on distribution. In many cases, the consumer perceives all of the top brands as

substitutes for each other leading to a power brand loyalty, which in turn decreases the manufacturer's power. This actually increases the distributor's power because sales are then determined by what is in stock and most often what is recommended by the distributor and not by what particular brand offers (Lambart et al., 1998). The marketing channel may be defined as: "the external contractual organization that management operates to achieve its distribution objectives" (Rosenbloom, 2004). Marketing channel decisions are among the most critical decisions facing management. Many firms viewed marketing channel as somewhat of a "leftover" after the more important product, price, and promotion strategies had been considered.

Marketing channel decisions are among the most critical decision facing management. The channels chosen intimately affect all the marketing decision (Kotler, 2003). As a strategic marketing tool marketing channels had, for many years, taken something of a "**a back seat**" to the other three strategic areas of the marketing mix: product, price, and promotion. This is the long neglected side of marketing and this attitude appears to be changing.

2.1.1 **Definition of Distribution and Distribution Channel**

2.1.2 **Distribution**

Distribution means to spread the product throughout the market place such that a large number of people can buy it or the movement of goods and services from the source through a distribution channel, right up to the final customer, consumer, or user, and the movement of payment in the opposite direction, right up to the original producer or supplier. According to Phillip Kotler, "distribution includes various activities the company undertakes to make the product accessible and available to target customer." Distribution is the function of getting goods into the hands of the consumer. Distribution involves a good transport system, a good tracking system, a good packaging, tracking the place, and take back goods from the trade. The role of distribution is to provide to a company the accomplishment of the task of delivering the product at right time, place, and quantity at a minimum cost (Bucklin, 1966).

2.1.3 **Distribution Channels**

According to Phillip Kotler, "a channel of distribution is a set of independent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user." William J. Stanton, "a channel of distribution for a product is the route

taken by the title of the goods as they move from the producer to the ultimate consumer or industrial users." A distribution channel represents three types of flows: goods flow from producer to consumers, cash flow from consumer to producer as payment for goods, and marketing information flow in both direction, from producer to consumer in the form of information on new products, new use of existing products, etc. the flow of information from consumer to producer is the feedback of the wants, suggestions, complaints, etc.

2.1.4**DesigningDistributionChannel**

Channel design facilitates the flow of goods from the manufacturer to the end user. Hutt and Speh (2007) defined that, the link, between the manufacturer and the customer is the distribution channel. The purpose of the distribution channel is to distribute the product from the manufacturer to the end user to the right time to the right place (Klien and Fraizer, 1990). The channel of distribution is the marketing manager's bridge to the market.

Unfortunately, too many reports of problems indicate the lack of sufficient attention to channel selection. (Hayes et al., 1996) the selection and resultant performance of a specific partner or partners are, of course, the ultimate determinants of the success or failure of a marketing channels (Stern & El- Ansary, 1992). Channel design refers to those decisions involving the development of new marketing channels where none had existed before, or the modification of existing channels. Selection decisions may or may not be the result of channel design decisions. The first use of operation research models in selection of intermediary was in 1986. Rangan et al., (1986) postulated a model for intermediary selection under the assumption that the firm's distribution channel structure remains unaltered. The optimal intermediary network selected by the model was compared to an intuitive network recommended by sales management, (Rangan et al., 1986). Nevels et al. (2001) proposed a model that has four phases-understanding, objective/goals, implementation, monitoring, and revision and 11 steps. In implementation phase, in the 9^{th} step – channel selection – once the objective is set, the company can select the channel structure and channel members, if it has the flexibility to do so, which depend the availability of agents in the channel, the kind of relationship that will be build and several other factors analyzed in the preceding steps (Neves et al., 2001). Rosenbloom (2004) developed a model for designing the channel that can be broken down in to seven phases or steps. Rix (2005) proposed a model consisted of four steps. Finally, Kotler developed a model including 4-steps, analyzing customer's

needs, setting channel objectives, identifying major alternative and evaluating them (Kotler and Armestrong, 2006). Stern & Weitz (1997), says the efficient distribution channel design and administration can offer opportunities to develop sustainable competitive advantage in the long term. The channel should achieve all tasks which are necessary to affect a sale and deliver products to the end user.

2.1.5 **Factors Influencing Distribution Channel Design**

According to Sunil Chopra and Peter Meindl (2003), at the highest level, performance of a distribution channel should be evaluated along two dimensions:

- Customer needs that are met and
- Cost of meeting customer needs

The customer needs that are met influence the company's revenue, which along with cost decide the profitability of the delivery channel.

2.1.6 **Customerservice**

Customer service is the provision of services to customers before, during and after a purchase. According to Jay Kandampully, (2012), "customer service is a series of activities designed to enhance the level of customer satisfaction-that is, the feeling that a product or service has met the customer expectation." The importance of customer service may vary by product or service, industry and customer. The perception of success of such interactions will be dependent on employees "who can adjust themselves to the personality of the guest." A customer service experience can change the entire perception a customer has on the organization. Some the important or key factors that can help shape the customer service function are;

1. Reliability: companies need to be able to meet or rather exceed customer expectations.
2. Availability: companies need to make their customer service available at all times and through multiple channels.
3. Return calls: companies need to make sure their customers have someone to talk to when needed.

4. Service failure recovery: this can determine how customers will spread information about the company.
5. Customer service as organization culture: every employee needs to be a customer service representative and should give their best when interacting with a customer.

According to Sunil Chopra and Peter Mendil, (2001), **customer service** consists of many components, but the main once that can be influenced by the structure of distribution channel are: **response time**, **product variety**, **product availability**, **customer experience**, **order visibility**, **and return ability**. Common measures of customer service are order cycle time, consistency of order cycle time, availability of product, order status information, flexibility to handle unusual variation, returns (damaged or surplus goods)response to emergencies, freedom from error McGraw-Hill, Ryerston, 1998. Elements of customer service are also classified into three categories. These are pre-transaction elements, transaction elements, and post-transaction elements. Ballou, E.H. (2003).

- **Response time** is the time between when a customer places an order and receives delivery.
- **Product variety** is the number of different products/configurations that a customer desires from the distribution channel.
- **Product availability** is the probability of having a product in stock when a customer order arrives.
- **Customer experience** includes the ease with which the customer can place and receive their order.
- **Order visibility** is the ability of the customer to track their order from placement to delivery.
- **Return ability** is the ease with which a customer can return unsatisfactory merchandise and the ability of the channel to handle such returns.

2.1.7 **Supply chain costs**

According to Daniel Stanton, 2016, most supply chain managers spend a lot of their time looking for ways to reduce costs. But, one of the big challenges with supply chains is that things are often interconnected, so making a change in one area to lower costs can cause a change somewhere else

that actually increases the cost. There are four decision areas that drive most of the costs in any supply chain.

i) **Procurementcost**: one of the most obvious costs for any supply chain is the amount that you pay for the product you buy. Some common ways to reduce procurement cost are to negotiate better price from your supplier, agree to buy large quantities over a long period or switch to a supplier that agree to accept lower prices. Reducing the number of supplier and streaming your procurement process can often reduce procurement costs.

ii) **Transportation cost**: moving a product from one place to another costs money, and different modes of transportation have different costs. These modes have different speeds, which can be as important as transportation cost. Changing from one mode to another using multi-modal transportation can optimize transportation costs. Another ways to reduce transportation costs is to pack more products into each load, thereby improving capacity utilization. The important thing to remember is that choosing a transportation mode that is slower and less reliable may reduce transportation costs, but it will increase your inventory and consume working capital.

iii) **Inventory costs**: keeping products in inventory costs money. Of course, the product that you are storing in inventory cost money. Other costs include paying for a building to keep the inventory safe and paying people to move the inventory around inside the building. You also run the risks that products could be lost, damaged, or stolen.

iv) **Quality cost**: in some cases, you may need to have formal inspection and quality assurance processes in place to make sure that the products you receive from supplier, and the product that you send to your customers, meet these requirements. Any product that doesn't meet these standards cost you money, and the more closely you have to look for quality problem, the money you spend.

According to Sunil Chopra and Peter Mendil, 2001, changing the distribution channel design affects the following supply chain costs:

- **Inventories**: as the number of facilities increases, the inventory and resulting inventory costs also increase.
- **Transportation**: if the number of facilities is increased to a point where there is a significant loss of economies of scale in inbound transportation, increasing the number of facilities increases total transportation cost.

- **Facilities and handling**: facility costs decrease as the number of facilities is reduced because a consolidation of facilities allows a firm to exploit economies of scale.
- **Information**: significant investment in information infrastructure to integrate manufacturer to retailers.

2.1.8 **Distribution channel management**

Channel management research and practice have now recognized the importance of managing relationship between the channel managers and firms performing distribution functions. They are anyone in the firm or organization who is involved in distribution channel decision making. Through in practice few firms or organizations actually have a single designated executive position called the channel manager (Jackson and walker, 1998), (Walker et al., 1995) depending on the type of firm or organization, a variety of different executives are involved in making channel decisions. Often, they are sales manager who are in constant touch with the channel partners. Channel managers play a crucial role in improving relationship with channel partners for effective functioning. Channel members also evaluate goal alignment and reseller performance so that corrective action can be taken if necessary (Gorchels et al., 2004). Distribution manager would appear to favor a climate of communication ease, whereas subordinates in the distribution function would prefer a climate of cooperation. Communication and cooperation will promote sales and distribution effectiveness (Kahn et al., 2004). Sales managers are entrenched in managing their firm's distribution channels. In examining the impact of firm size, sales manager in large firms report a higher level of involvement in coordinating channel strategy and evaluating channel member performance than their counterpart in small firms (Mehta et al., 2000). Managers at all levels in the channel have a wealth of information. This diffusion of information technology into channels is having a profound effect on how managers look at the problem of managing the channels and the resultant channel relations (Mentzer, 1993).

2.1.9 **Design options for a distribution network or channel**

According to Sunil Chopra (2001); there are two key decisions when designing a distribution channel:

1. Will product be delivered to the customer location or picked up from a preordained site?

2. Will product flow through an intermediary (or intermediate location)?

Based on the choices for the two decisions, there are **six** distinct distribution networks or channels design that are classified as follows:

1. Manufacturer with direct shipping
2. Manufacturer storage with direct shipping and in-transit merge.
3. Distributor storage with package carrier delivery
4. Distributor storage with last mile delivery
5. Manufacturer /distributor storage with customer pick up
6. Retail storage with customer pick up

1. **Manufacturer storage with direct shipping**

According to Sunil Chopra and Peter Mendil (2001), In this option, product is shipped directly from the manufacturer to the end customer, bypassing the retailer (who takes the order and initiates the delivery request). This option is also referred to as drop shipping. All inventories are stored at the manufacturer. Information flows from the customer, via the retailer, to the manufacturer, while product is shipped directly from the manufacturer to the customer. The biggest advantage of drop shipping is the ability to centralize inventories at the manufacturer. A manufacturer can aggregate demand and provide a high level of product availability with lower levels of inventory than individual retailers. The benefits from centralization are highest for high value, low volume items with unpredictable demand. The inventory benefits of aggregation are small for items with predictable demand and low value. Transportation costs are high with drop shipping because the average outbound distance to the end customer is large and package carriers must be used to ship the product. Package carriers have high shipping costs per unit compared to truckload (TL) or less than truckload (LTL) carriers.

2. **Manufacturer storage with direct shipping and In-Transit merge**

According to Sunil Chopra and Peter Mendil(2001), In-Transit merge combines pieces of the order coming from different location so that the customer gets a single delivery. Information and product flow from the In-Transit merge network. As with drop shipping, the ability to aggregate inventories and postpone product customization is a significant advantage of in-transit merge. This approach will have the greatest benefit for products with high value whose demand is hard to forecast, in particular product customization can be postponed. In most cases, transportation costs are lower than drop shipping because of the merge that takes place at the carrier hub prior to delivery to the customer. An order with products from three manufacturers thus requires only one delivery to the customer compared to three that would be required with drop shipping. Fewer deliveries save transportation costs and simplify receiving. Facilities and processing costs for the manufacturers and the retailer are as in drop shipping. Overall supply chain facility and handling costs are somewhat higher than drop shipping. The investment in information infrastructure will be higher than for drop shipping.

3. **Distributor storage with carrier delivery**

According to Sunil Chopra and Peter Mendil (2001), In this option, inventory is not held by manufacturer at the factories but is held by distributors/retailers intermediate warehouses and package carriers are used to transport products from the intermediate location to the final customer. Relative to manufacturer storage, distributor storage will require a higher level of inventory because the distributor /retailer warehouse aggregates demand uncertainty to a lower level than the manufacturer. From an inventory perspective, distributor storage makes sense for product with somewhat higher demand. Transportation costs are somewhat lower for distributor storage compared to manufacturer storage because an economic mode of transportation (TL) can be employed for inbound shipments to the warehouse, which is closer to the customer.

4. **Distributor storage with last mile delivery**

According to Sunil Chopra and Peter Mendil (2001), Last mile delivery refers to the distributor/retailer delivering the product to the customer’s home instead of using a package carrier. Unlike package carrier delivery, last mile delivery requires the distributor warehouse to be much closer to the customer, increasing the number of warehouses required. Distributor storage

with last mile delivery requires higher level of inventory than all option other than retail store, because it has a lower level of aggregation. From an inventory perspective, warehouse storage with last mile delivery is suitable for relatively fast moving items where disaggregation does not lead to a significant increase of inventory. Transportation costs are highest using last mile delivery. This is because package carriers aggregate delivery across many retailers and able to obtain better economies of scale than available to a distributor /retailer attempting last mile delivery.

5. **Manufacturer or distributor storage with consumer pickup**

According to Sunil Chopra and Peter Mendil (2001), In this approach, inventory is stored at the manufacturer or distributor warehouse but customer place their order online or on the phone and then come to designate pickup points to collect their orders. Orders are shipped from the storage site as needed. Inventory costs using this approach can be kept low with either manufacturer or distributor storage to exploit aggregation. Transportation cost is lower than any solution using package carrier because significant aggregation is possible then delivering orders to a pickup site. A significant information infrastructure is needed to provide visibility of the order until the customer picks it up. Very good coordination is needed between the retailer, the storage location and the pickup location. The main advantage of a network with consumer pickup sites is that it can lower delivery cost, thus expanding the set of products sold as well as customers served online. The major hurdle is the increased handling cost at the pickup site.

6. **Retail storage with customer pickup**

According to Sunil Chopra and Peter Mendil (2001), In this option, inventory is stored locally at retail stores. Customers either walk into the retail store or place an order online or on the phone, and pick it up at the retail store. Local storage increases inventory costs because of lack of aggregation. For very fast moving items, however, there is a marginal increase in inventory even with local storage. Transportation cost is much lower than other options because inexpensive modes of transport can be used to replenish product at the retail store.

2.1.10 **Keyperformanceindicatorofdistributionchannels**

According to Burnard Marr, a leading business and data expert, KPIs can be defined as “the most important performance information that enables organizations or their stakeholders to understand whether the organization is on track or not.” KPIs are based on the principle of “what gets

measured gets managed." Source and frequency are two important components of KPIs. CDM(channel data management) play an important role and draws point-of-sale(POS), APOS, inventory and SISO data directly from channel sources at multiple tiers(distributors, resellers, etc) and they do so in real time, making the data instantly available for business analysis.

2.1.10.1 **KPIforchannelsales and inventory**

For companies driving a majority of their business from the channel, gaining a handle on channel sales is critical. Yet manufacturers and vendors often struggle to know where their products are ultimately sold, to whom and at what price. It is also important to set a threshold or benchmark for each channel KPI. Some of KPIs of distribution channel are:

- **Salesgrowth**: sales growth tells you whether revenue is increasing or decreasing and at what rate.
- **Salesperpartner**: use this metric to gauge the ability of individual partner to generate revenue for the company. Trending data can help you separate the good performance from the poor once so you can take appropriate action.
- **Salesbooking**: booking represent a commitment to buy, or a sale not yet made. This metric can help with sales forecasting. An increase or decrease in booking by partner, region, end-customer, or end-market in given time period can provide insight into potential problem or opportunities.
- **Averagesalesorderprice**: this metric measures the average value of each purchase order processed by channel partner. Purchase orders include product names, number of units, and sales price. Combining this KPI with others such as unit per transaction can offer insight into future inventory requirements.
- **Top active opportunities**: an active opportunity is a qualified lead, measuring the number of top active opportunities by partner helps with sales forecasting. A growth or decline in this metric also helps identify top performing partners, or points to problem that should be addressed.
- **Lead to shipped order**: this metrics speaks to the efficiency of of the sales process and the ability of the partner's sales force to close deals.
- **Fulfillment by unit and dollars sold**: this KPI measures how quickly, accurately, and completely orders are processed.

- **Cancelled orders**: this metrics may point to a fall-off in demand or a problem with a product quality, among other possibilities.
- **Order tracking**: this indicator tracks the current status of all orders and classifies them based on criteria such as shipped, back-ordered or on hold. It provides a snapshot view of inventory in the channel or at any given time.
- **Inventory turnover**: this KPI measures how many times a year your channel partners are able to sell their entire inventory. It's an indicator of channel efficiency, and also provides insight into partner performance, product quality and product mix.
- **Back order rate**: this KPI measures order that can't be filled at the time of purchase. A high back order rate points to a problem with inventory management.

2.2 **Empirical literature review**

2.2.1 **Designing channels of distribution**

According to Jean-Claude Larreche and Resamoinpour (1983), "managerial judgments in marketing: the concept of expertise, "journal of marketing research (May), 110-21. Eight generic channel functions are;

1. Product information; customers seek more information on certain kinds of products, particularly products that are new and/or technically complex, and those that have a rapidly changing technological component.

2. Product customization; some products inherently need technical modification; they require customization to fit the customer's production requirements. Many times, however, even a standard product may need to fulfill specific customer requirement or factors such as size or grade.

3. Product quality assurance; a customer emphasizes product integrity and reliability because of product consequence for the customer's own operations.

4. Lot size; this function reflects the customers dollar outlay for the product. If it has a high unit value or is used extensively, it is likely to represent a significant financial for the customer and is likely to lead to a concentrated purchasing effort.

5. Assortment; a customer may need a broad range of products and may require one-step shopping. At other times, assortment needs may simply be related to the breadth of the product line and availability of complementary products.

6. Availability; some customer environment require the channel to support a high degree of product availability. These are usually customers whose product range rate is difficult to predict, or customers who will switch to competition rather than wait when the product is unavailable. Notion of demand uncertainty and requirements of buffer inventory are related to this function.

7. After sales service; customers need services such as installation, repair, maintenance, and warranty. Often, the quality and availability of such post-sales services will influence the initial sale. The nature of this service will obviously differ by industry.

8. Logistics; transportation, storing, and supplying products to the end user involve levels of complexity.

2.2.2 **Channel function priorities and operational detail**

1. Product information; customers would like complete technical knowledge of product construction. They would prefer the availability of an expert to supervise installation as well as initial use. After the initialization, customers would be satisfied to exchange performance characteristics via computer, seeking assistance only when necessary.

2. Product warranty; customers would prefer a 3-year warranty and are not willing to pay more than a 5% price premium to receive the same. In case of a product breakdown, they would like it repaired within 4 hour, and in any case not beyond 24 hours. Customers are willing to pay for the labor charges if repaired within 4 hours.

3. Application engineering; customers would like application engineers to visit installation every month to assist in optimizing the system in operation.

4. Availability of complementary products; customers would like to source complementary products simultaneously from the same channel source, if possible.

5. Credit terms; customers would like a 90-day credit terms, if possible, but they can live with 30-day credit terms.

The primary theoretical statement links distribution structure with class of products (Frazier and Lassar, 1996; Rangan et al., 1992). The classes of products are related with the classification of consumer goods (convenience, shopping, and specialty) first proposed by Copeland (1923). His

intent was to create a guide for the development of marketing strategies by manufacturers. His purpose was to show how consumer buying habits affected the type of channel of distribution and promotional strategy (Bucklin, 1962). According to these characteristics convenience goods are associated with intensive distribution, shopping goods require selective distribution and specialty goods are related with exclusive distribution. Convenience goods are consumer goods and services that the consumer buys frequently, immediately and with a minimum of comparison effort. Shopping products are less frequently purchased and consumers spend considerable time and effort gathering information and comparing alternative brands. Specialty products are consumer goods with characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort (Kotler 1997).

2.2.3 **Factors determining distribution structure or channel**

Another work that links the distribution structure with the product characteristics is presented by Aspinwall (1962) that predicts that channel outcomes are based on five product characteristics classified in colors scale.

characteristics	Red product	Orange product	Yellow product
Replacement rate	High	Medium	Low
Gross margin	Low	Medium	High
Adjustment	Low	Medium	High
Time of consumption	Low	Medium	High
Searching time	Low	Medium	High
channel	**Long**	**Medium**	**Short**

Table 2.1 product characteristics along channel

The replacement rate of a product is the frequency which a product is purchased. According to Aspinwalle's framework a high ratio of replacement rate will require intensive distribution because of the shipment costs. The gross margin is also a factor because a high gross margin allows the company incur in the costs of direct distribution. The adjustment factor refers to the amount of charge that is required at the point of purchase by the consumer. Time of consumption is the time it takes for the consumer to consume the product. Search time refers to shopping time.

Miracle (1965) adds some distribution policies according to some characteristics of products. Webster (1976) made a field study with 31 manufacturers in eight state of USA, and realized some factors that influence intensity of industrial distributor:

1. Total market potential and its geographic concentration;
2. The manufacturers current market share and the intensity of competition;
3. Frequency of purchase and whether the product is an MRO (maintenance, repair, and operating supplies) or an OEM (original equipment material) item;
4. Whether lack of availability could interrupt the customer's production process;
5. Amount of technical knowledge required to sell or service the product;
6. Extent of product differentiation, determining how important immediate availability is a competitive variable;

The work of Bucklin (1966) contributed to the issue stating that at distribution, four service output levels are important: market decentralization (fragmentation), lot size, assortment and waiting time. According to the author firms chose channels that minimized the distribution costs associated with delivery time of these outputs. Delivery time is the main factor that predicts the structure of the channel. According to the author with a very short delivery time, the intermediate inventory is necessary because only in this way can goods be rushed quickly to the consumers. As more the customer wants the good quickly, the more the inventory and safety stock is needed. These factors create high costs and an indirect channel is required. But, there are a point that the delivery time allowed to the consumer receives the good is larger, that it becomes possible and cheaper to the manufacturer ship goods directly. As the greater the delivery time the greater are the economies of direct shipment because it eliminates the cost of handling and maintaining the inventory.

Lilien (1979) ran a discriminant analysis with data from a sample of 125 industrial products to study the impact of product and market factor on the selection of direct or indirect distribution. The study showed that the channel varies from direct to indirect based on the following points:

1. Size of the firm; the bigger is the company the better they are able to support a company owned distribution channel.

2. Size of average order; with the increase of the average order, direct distribution become more economical.
3. Technical-purchase complexity; the greater the importance of technical service to the products success, the more likely is direct distribution.
4. Stage in the product life cycle; new products are better available in direct channels.
5. Degree of standardization; the complexity of a product is positively related to direct distribution.
6. Purchase frequency; frequency purchased products require less selling effort and are therefore less frequently sold directly.

Another approach involving channel structure is Transaction Cost Theory (TCT), which has as principal author Williamson (1975). This theory analyzes issue of vertical integration and governance. Rangan et al. (1992) presented some constructs of TCT used in marketing channel studies based on the works of (Anderson and Schmittlien 1984; John and Weitz 1988; Klien, Fraizer and Roth 1990).

	Sales force if;	Distributor if;
Product customization requirements	High	Low
Need for special equipment or service	High	Low
Complexity of customer buying and decision making process	High	Low
Complexity of product information to be exchanged	High	Low
Transaction size	Large	Small
Rate of technological change	High	Low
Volatility of demand	High	Low

Table 2.2 Source; Rangan et al (1992)

The exclusive empirical work on distribution intensity was conducted by Frazier and Lasser (1996). The author investigated different distribution intensity in the same category of products. The data was collected from manufacturers in the consumer electronics industry that accepted the following hypothesis;

1. The higher a brand positioned on quality, the lower is its level of distribution intensity.
2. The higher a manufacturers target focus for a brand, the lower is its level of distribution intensity.
3. The higher a manufacturers coordination efforts, the lower is a brands level of distribution intensity.

4. The inverse relationship between manufacturer coordination effort and distribution intensity is weaker when retailer investments are higher.
5. The higher the number of manufacturer support programs, the higher is a brand's level of distribution intensity.

Another author that contributes to the issue is Mallen (1996) that adds possible influencing factors of a channel structure. According to the author the factors that influence a channel structure in a given situation may be the market, the marketing mix, the source and the environment. According to Mallen the consumer is a pivotal point in the market context. Some important indicators are the density of the market, its size, and it's buying habits. Marketing mix also affect the channel choice based on product distribution. The use of a product, its frequency of purchase, rapidity of fashion change, perisheability, and the service required its value, and its bulk. The life cycle of a product can also affect the channel selection. A new product has to be sold through more direct and selective channels than would be required after it matures. The number products produced by one company is also a factor determining the channel choice. A company with a wide range of similar products can afford to take advantage of the economies selling more directly spreading the fixed expenses of outlet. The pricing factor that influences the channel choice is manipulation of margins, if a firm desire price control the directness of distribution is available. The promotion strategy is also affected by the channel choice. The more directness of a channel the less is the use of advertising and sales promotion because the use of personal selling. The use of direct channel requires less promotional budget. Also, the use indirect distribution requires the use of the mass media, since the market to be reached is often enormous and dispersed.

Another important empirical research was done by Hassam Ali Hashmi (2013) at hyperstar which is the most vibrant and stirring market in all over the Pakistan. This research shows the value of distribution at Hyperstar and sale depends upon distribution networks. In concerning competitive distribution management an empirical study by Kazi Nazmul Huda, Md, Rezaul Karim and Rehnuma Sultan Khan (2012), there are number of ways in which a properly designed system can help to generate additional volume. Considering all the data found in the questionnaire survey and analyzing the market position and distributor effectiveness, the following recommendations can be drawn;

1. The competing brand may adopt more credit facility for the retailers.

2. A few changes are required in the sales system for the distributors; the sales team should change their timing according to the convenience of the retailer. They should supply the product right in time and give emphasis on the retailers' requirements. i.e pro-retailer policy needed to be adjusted.
3. The competing brand may incorporate innovative marketing policies so that they can drive the total consumer towards their tea products. Some promotional marketing activities can be adopted, such as, offering gifts to the retailers against targeted quota achievement with in a stipulated time frame. Same tempting offers can be delivered to the customers against a certain volume of products or brands for a limited period of time, or targeting social rituals or making any seasonal festivals.
4. Proper inventory and control management required to be implemented at the retail store level. So, the stock storage/sales waste could be minimized. This has the double edge leverages i.e increasing of both actual sales volume and the level of customer satisfaction.
5. Reduce customer inventory requirements- a responsive distribution system can mean shortened customer order cycles, and consequently reduced customer inventories. Focus to be given on the competitor's activities in this field too. Meaning the customers will get the economic leverage by doing business with.
6. Solidify supplier-customer relationship-a soundly designed distribution system can help to solidify and perpetuate a supplier's relationship with its customers. This can be accomplished through integration of the supplier delivery facilities with customers receiving facilities, consignment of stocks to customer, and other device of a similar nature.
7. Increase delivery discounts-sufficient cost could be saved by developing more efficient physical distribution procedures to enable the sharing of pert of these savings with customers in the form of increased delivery discounts.
8. Enable expanded market coverage – more efficient distribution operations frequently permit a company to compete more profitably and more effectively in distant markets, or in markets that previously were marginal. In this way the company is enabled to expand its distribution, which leads in turn to increase sales volume.
9. Allow greater concentration on demand creation-the development of well organized physical distribution activity in which a separate administrative group is established to plan and operate the distribution system can free up marketing and sales personnel-to allow

them to concentrate more attention on their basic responsibility, demand creation. In many companies this has led to an expansion in the number of sales offices and a decrease in the number of warehouses, with a consequent reduction in total distribution costs.

2.3 **ConceptualFrameworks of Distribution channels**

2.3.1 **Types of distribution channels**

Normally goods and services pass through several hands before they come to the hand 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. There are two types of channels. These are direct and indirect channel.

1. **Direct distribution channel**

In this channel, producers sell their goods and services directly to the consumers. There is no middleman present between the producers and consumers. The producers may sell directly to consumers through door-to-door salesmen and through their own retail stores.

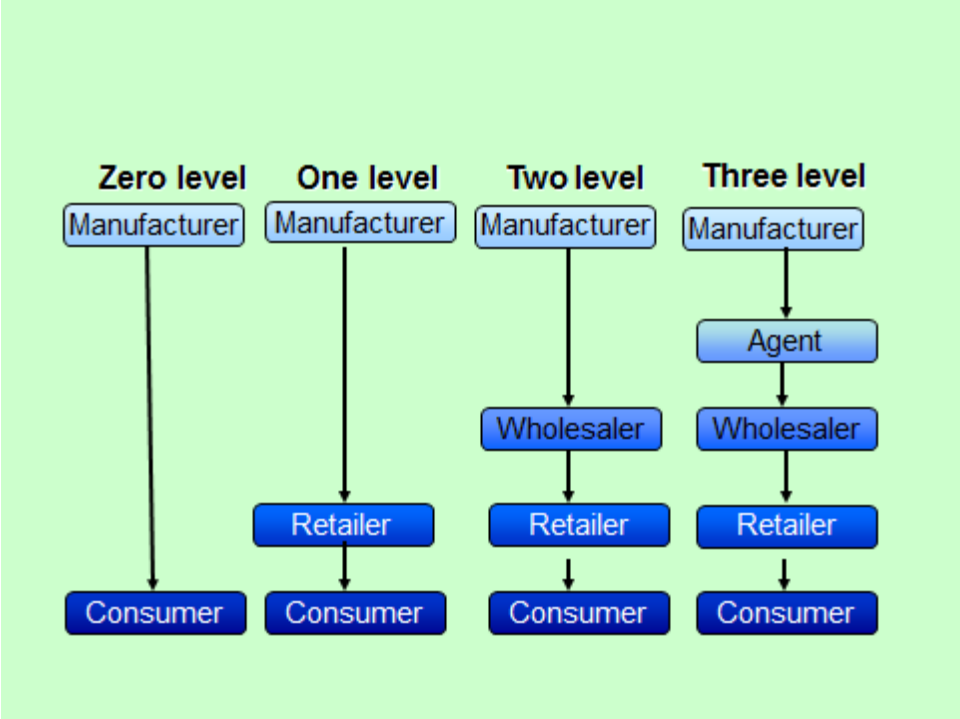
Producers→→→→→→→→consumers

2. **Indirect distribution channels**

If the producer is producing goods on a large scale, it may not be possible for him to sell goods directly to consumers as such, producers sell goods through middlemen. These middlemen may be wholesalers or retailers. A wholesaler is a person who buys goods in large quantities from producers; where as a retailer is one who buys goods from wholesalers and producers and sells to ultimate customers as per their requirement. The involvement of various middlemen in the process of distribution constitutes the indirect channel of distribution. Some of the important indirect channels of distribution are;

i) producer→agent→wholesaler→retailer→consumer
ii) producer→wholesaler→retailer→consumer
iii) producer→agent→consumer
iv) producer→wholesaler→consumer and
v) producer→retailer→consumer

Fig. 2.1 distribution channel structure.



Source: Kotler,P. and Keller,K.(2006),Marketing Management

But, the most important and widely used indirect channels of distribution are the following;

- **Producer →→→→wholesaler→→→→retailer→→→→consumer**

This is the common channel for the distribution of goods to ultimate consumers. Selling goods through wholesaler may be suitable in case of food grains, spices, utensils, etc and most of items, which are smaller in size.

- **Producer →→→→retailer→→→→consumer**

Under this channel, the producers sell to one or more retailers who in turn sell the ultimate consumers. This channel is used under the following conditions;

i) When the goods cater to a local market. e.g bread, biscuit, patties, etc..

ii) When the retailers are big and buy in bulk but sell in smaller units, directly to the consumers. e.g department stores, and super bazaar.

2.3.2 **Factors affecting the choice of distribution channel**

1. **Product consideration**: nature of the product, perish ability, unit value, weight and technicality, standardized product, product line, seasonality, and newness and market acceptance.
2. **Market consideration**: consumer or industrial market, number of customers, geographical distribution, buying habit of consumers, size of order and need of product.
3. **Company consideration**: financial strength, size of the company, past channel experience, reputation of the company, product mix, marketing policies, marketing experience and managerial ability.
4. **Middlemen consideration**: availability of middlemen, attitude of middle men, service provided by middlemen, cost of channel, sales volume potential and financial ability.

2.3.3 **Physical Distributionand Logistics**

According to Perrealt, W,D and Russ, F,A. (1976), physical distribution and logistics are part of the "place" element of the marketing mix and these have had a major impact on channel strategy and design. Effective management of physical distribution and logistics has a substance impact on a company and its customer's cost, efficiency and effectiveness. If these are well planned and implemented, they are competitive tools that can build sustainable competitive advantage. A total system approach to physical distribution i.e the system of moving items from production to consumption in a timely, economical manner, is referred to as logistics. The emergence of a total system (logistics) view of distribution is based on analogies and ideas drawn from the military. It becomes recognized effective distribution depends on logistics or an interrelated approach to elements which help move products and services to the right place, in the right quantity, and at the right time. The main reason for the growth in importance and interest in physical distribution and logistics system is the fact that the logistics system offer substantial potential for achieving a competitive edge and winning and keeping customers. With modern and continuous flow and large batch manufacturing system a stock-out situation of a minor and inexpensive component may incur substantial costs in down time. This problem is heightened where a firm's customers have moved towards the implementation of '**lean manufacturing'** purchasing and production. '**JIT**' is an inventory control system which delivers input to its

production or distribution site only at the rate and time it is needed. Thus it reduces inventories where it is used within the firm or as a mechanism regulating the flow of products between adjacent firms in the distribution system channel. Physical distribution relates primarily to those elements that facilitate the flow of materials from the company to its distributors, retailers, final customers or all three. **Material handling** is primarily concerned with elements that facilitate the flow of goods and raw materials into and through the organization. Business logistics encompasses all of these in a total system view of the 'place' (i.e distribution) element of marketing.

2.3.4 **Roleof Transport Systemon Supplyof Productat Retail Outlets**

Transport is part of the economic activities, which is associated with an increase in the degree of satisfaction of people and business by changing the geographical location of goods and people. Transportation is one of the key logistics function associated with moving goods vehicle on a particular technology in the supply chain, consisting of logistics operation and functions, including forwarding, cargo handling, packing, and transfer of ownership of the goods, risk insurance, customs procedure, and so on. From an economic point of view, transport is one of the defining elements of the production process. The production and use of goods, there are two limiting factors-the time factor and spatial factor. (Sarkisov, 2001). The time factor is that the product produced today may only be required after a certain period. Solve this problem by storing. The spatial factor is that the producers and consumers of goods are rarely found in one place, and some distance from each other. Linking production and consumer, transport allows expanding the boundaries of production. Transport itself becomes gradually because the spatial factor-the development of transport and transport technology allows you to build further away from the production sites of consumption goods. Under market condition transport is always profitable. (Sarkisov, 2001). This process should be economically justified, since the movement of goods spent money, time, and environmental resources. Transportation requires financial resources-in the form of internal costs for transportation of goods own rolling stock, and external costs for this purpose commercial or public transport. Thus, function defines the main transport its goal-delivery of goods to their destination as quickly as possible, cheaper, and with the least damage to the environment. It is also necessary to minimize the loss and damage of goods transported while fulfilling customer requirement for timely delivery and to provide information about the goods in transit. (Sarkisov, 2001).

2.4 **LiteratureGapIdentification**

Most researchers investigated on many different issues regarding to the effectiveness of different distribution channels, characteristics of different distribution channels, supply chain costs of different distribution channels and on some of customer service components of different distribution channels. As it was tried to explain in empirical review of this chapter different literatures or studies by different scholars has been discussed the issue of effective distribution channel in different organization. Example the greatest potential for achieving a competitive advantage now lies in distribution (R. N. Obaji, 2011). This institutional oriented perspective draws attention to those members (e.g wholesalers, distributors, retailers, etc) comprising the distribution system and engaged in the delivery of goods and services from the point of conception to the point of consumption(Anderson and Coughlan, 2002). A successful marketing channel ensures that a desired product is distributed in a desired amount to a desired channel to satisfy the desired consumer. In this particular study, ideas related with components of customer service and supply chain costs of distribution channel as well as characteristics of effective distribution channel had been explored.

2.5 **BACKGROUND OF MOHA SOFT-DRINK INDUSTRIES S.C IN ETHIOPIA**

2.5.1 **Ethiopian soft drink industries**

According to Aregawi Gebreyesus, (2006), there were three but now, there are two soft-drink industry share company in Ethiopia. These are MOHA soft drink industry S.C and East African Bottling S.C.

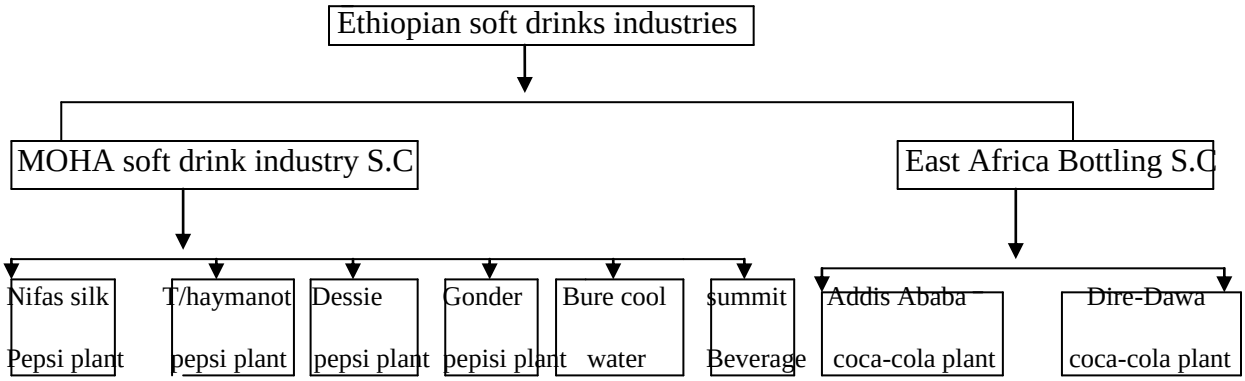


Fig 2.2 Source Aregawi Gebreslasie; Ethiopian soft drink plants

2.5.2 **MOHA soft drinks industry S.C.**

MOHA soft drinks industry S.C is a private enterprise owning five (5) Pepsi-cola plants and one franchise summit plant, totally run six (6) bottling plants and one under construction in the country. These are already listed in the diagram above. Since, the scope of the research is Addis Ababa Pepsi-cola plants the researcher shall focus on Nifas silk, Teklehaymanot pepsi-cola plants and summit beverage plant.

1. **Nifas silk Pepsi plant**

According to Aregwi Gebreyesus (2006) this plant as private company was established at a capital of 1 million birr in 1965; and after ten (10) years it was nationalized by the socialist government. Again in 1996 the company was transferred to private investor. Nifas silk Pepsi plant is one of the biggest among other Pepsi plants in the country with the capacity of producing 400 cases worth of 12 million birr products a month. This plant has a 40% segment of the total Pepsi market share in the country. In order to achieve this capacity and win leadership in brand and in marketing following are the endeavors that are attempted by the plant in the last few years.

- Delivering the best tasting, the highest quality, and the most consistent products in the place and build on brand platforms by creating new channels, which develop the business.
- Standardizing business operating system to;

- ✓ Enhance their ability to provide the highest level of customer service.
- ✓ Develop ability to measure and manage key indicators (parameters) of the business in a consistent fashion and establish a set of practices and disciplines for the organization.

In order to execute marketing operation, Nifas Silk plant uses the following distribution channels:

- ❖ Sales agents and depots and Own operation or track routs (door-to-door) distribution
- ❖ Branch warehouses and
- ❖ Company constructed kiosks

In Addis Ababa currently they have eighteen (18) trade routes to be covered daily by company owned vehicles. The plant has a plan to create five (5) new trade routes and make the number of trade routes 23 in the near future.

2. **Teklehaimanote Pepsi plant**

Teklehaimanot Pepsi plant was established in 1961 as "Saba Tej" Share Company, but nationalized in 1975 replacing the old line and starting producing Pepsi-cola, Mirinda, and team brands in January 1978. In Addis Ababa currently they have eighteen (18) trade routes to be covered daily by the company owned vehicles. The plant has a plan to create two (2) new trade routes and the number of trade routes twenty (20) in the near future. In order to build on their brand platform, like the sister plants Nifas Silk plant and others, they use various promotional schemes, advertizing campaigns, and to win market versus competition, at times, they employ a seasonal discount scheme.

3. **Summit beverage plant**

The summit beverage plant is providing Ethiopia with the first new choices in soft drinks in years. Summit has a new and a wide range of internationally renowned brands of soft drink including: Orange Crush, Sport Cola, Schweppes Tonic, Pineapple, Club Soda, Mineral water and Canada dry Ginger Ale, with more to come. All are non-alcoholic. The plant has been producing seven flavors of soft drink and mineral waters. It operates under a franchise obtained from Schweppes, a developer of soft drinks for 200 years, who sell their products in 185 countries around the world. Now, the plant has been producing five flavors of soft drinks (Pepsi, Mirinda Orange, Mirinda Apple, Mirinda Tonic, and 7 UP) and Mineral waters. Now, summit beverage is co-packer of MOHA. Due franchise agreement between MOHA and summit beverage factory, MOHA produced its different mix of products.

CHAPTER-III

RESEARCH DESIGN AND METHODOLOGY

3.1 DESCRIPTION OF THE STUDY AREA

This research is designed to study the distribution channel of MOHA soft drink industry S.C, on its three plants which are found in Addis Ababa city namely Nifas silk, Teklehaimanot and Summit plants. In this study, different stakeholders (i.e agents, wholesalers, retailers) of MOHA company were included.

3.2 RESEARCH APPROACH

Elaborating both qualitative and quantitative research approaches (**Mixedapproach**) help to assess the different type of distribution channels that MOHA soft drink industry uses and to assess problems facing the distributor, whole seller, and retailers in order to distribute products of MOHA soft drink industry. In addition to this it helps to provide statistical data about the value chain of MOHA soft drink industry products throughout the channel members.

Qualitative research approach helps to undertake study through exploring attitude, behavior, and experience by using data collection methods such as interview, open and close ended questionnaire and non-participatory personal observation. Quantitative research approach also helps to generate statistical data and produce numerical data. Example data regarding to sells volume and the price of MOHA soft drink industry products (questionnaire survey) along a given distribution channel is provided through quantitative approach from different distributors, whole sellers and retailers.

Eventually methodological triangulation; obtaining data from different sources, such as observation, documentation, structured interview, questionnaire survey from different stakeholders of the channel members of MOHA soft drink industry help to collect divers ideas about the same issue and assist in cross-checking the result and consequently helps to increase the validity, reliability of the findings and eases data analysis. Finally using both qualitative and quantitative research technique helps to overcome limitations with each research approach and to reach the intended goal of the study.

3.3 **RESEARCH DESIGN**

Research designs are plans and the procedure for research that span the decisions from broad assumptions to detailed methods of data collection and analysis (Cresswell, 2009). This thesis work is helpful in evaluating the distribution channel of MOHA soft drink industry and the characteristics of effective distribution network and it is descriptive type of research(i.e it tries to answer the question how effective is the distribution channel of MOHA company).

3.4 **POPULATION AND SAMPLING TECHNIQUES**

Under the three plants of MOHA soft drink industry S.C, which are located in Addis Ababa there are about 130 agents who distribute MOHA products by taking permission from the company and there are a lot of depots/kiosks which distribute MOHA products only. In addition to this, wholesaler, retailers, bars, restaurants, hotels, recreational centers, shops and so on are a lot in number, who take MOHA products from agents and provide it to ultimate customers. Proportionate stratified sampling technique will be applied to select sample population.

1. Nifas Silk plant: Total no of agents are 45.
2. Teklehaimanote plant: Total no of agents are 43.
3. Summit plant: total no of agents are 42.

The rest stakeholders like wholesalers, kiosks, retailers (i.e. shops, hotels, bars, restaurants and so on.) are selected based on their proportion. Because, outlets of MOHA products are a lot in number the researcher had taken sample population based on their proportion.

According to the data obtained from sales personnel of the three branches of MOHA soft drink industry S.C. the total MOHA product outlets or target population in Addis Ababa city are **18,850**. Out of this number of outlets the sample size was decided to be **377** outlets according to the sample size determination formula by Kenny, David A. (1987), Statistics for social and behavioral sciences.

$$\text{I.e. } \textbf{Sample size (ss)} = \frac{z^2 \times (p) \times (1-p)}{C^2}$$

Where: z = z value (e.g 1.96 for 95% confidence level): is how sure you can be.

P = percentage picking a choice, expressed as decimal (0.5 for sample size needed)

C = confidence interval (margin of error), expressed as decimal (e.g. 0.05 = ±5)

Correction for finite population the sample size will be:

New sample size (ss) = $\frac{sample\ size(ss)}{1+(ss-1)/pop}$ **where pop = population**

The new sample size was**376.33**; by rounding of this number, the researcher decides the sample size to be **377** outlets of MOHA soft drink industry S.C.

Total number of outlet in each plant

1. Nifas Silk plant = 7230 outlets including 45 agents.
2. Teklehaimanot plant = 6850 outlets including 43 agents.
3. Summit plant = 4770 outlets including 42 agents.

Since the researcher uses proportional stratified sampling technique, the sample size of each stratum will be determined as:

Population in the strata of Nifas Silk plant $\mathbf{N_1}$ **=7230,** therefore the proportionate sample size ($\mathbf{n_1}$) = $\frac{N1}{N} \times 377$ **,** where N= total target population and 377 is total sample size of the study.

1. Nifas Silk plant N_1=7230,…….....n1= N1/N × 377 = 144.6=**145** outlet of Nifas silk plant.
2. Teklehaianot plant N_2= 6850,……n2= N2/N ×377 = **137** outlets of Teklehaimanot plant.
3. Summit plant N_3= 4770,…….....n3= N3/N × 377 = 95.4= **95** outlets of Summit plant.

3.5 DATA COLLECTION PROCEDURES

Data was collected from both primary and secondary sources. Primary data had been collected from distribution personnel of three plants, whole sellers, retailers, and some stakeholders of MOHA Company. Secondary data was collected from different published and unpublished documents like journals, books, magazines, websites, thesis done by senior students and other relevant materials.

To obtain enough information or data, first survey questionnaire which was designed by Yeneneh Andarge (2014): an evaluation of distribution strategy on fast moving customer goods, Addis Ababa university with some modification as needed, is carried out in whole sellers, distributors, retailers, and relevant dealers of MOHA Company, followed by face-to-face interview with the distribution personnel and some concerned people in MOHA Company. Along with conducting survey questionnaire and interview, personal observation was carried out to collect raw

data from the concerned people and situation. Finally the researcher had collected data in documents, journals, brochures and others.

The researcher uses two different types of survey questionnaires, based on the type of data obtained from different stakeholders of MOHA soft drink industry S.C. The questionnaires were translated into Amharic version by Ato Yakob Bochere who got his masters degree in English language from Mekele University and teaching English language at Addis Ketema preparatory school in Addis Ababa city and he had been serving for more than twenty years in teaching English language.

1. The first questionnaire is to agents and wholesalers of MOHA soft drinks industry S.C.
2. The second questionnaire is to retailers/kiosks, bars, café and restaurant, shops and different outlets of MOHA soft drinks industry S.C.

3.6 **METHOD OF DATA ANALYSIS AND PRESENTATION**

The data collected from primary and secondary sources was analyzed through qualitative and quantitative descriptive analysis method. Tables, numerical figures, pie charts, scatter plots and percentages are techniques used for analyzing and presenting the collected quantitative data. In addition to this, SPSS (statistical package for social science) software version-21 was used to entry data and analysis and to create table and graphs. Furthermore, statistical correlation was used to analyze the relationship between variables under study and the relationship between variables in correlation will be presented by a scatter plot and rating scale (i.e. Five-Point Likert scale) was used to compare and express strength of each variables.

3.7 **VALIDITY AND RELIABILITY**

Golafshani.N(2003) state that "the use of validity and reliability is common in quantitative research but now it is also considered in qualitative research paradigm." The quality of the research is judged by considering the consistency measurement of the concept referred as reliability (Brymna and Bell, 2003). The use of multiple source evidence on the concepts in literature review and the reference study performed would be key informants for validating the concepts.

The researcher generally determines validity by asking a series of questions, and using triangulation method (combining multiple methods to gather data thereby achieve validity of research) for the data to be collected. To ensure validity and reliability in qualitative research, examination of trustworthiness(credibility, transferability, persistent observation, confirm ability) and respondent validation, including inviting participants to comment on the interview transcript and whether the final themes and concepts created adequately reflect the phenomena being investigated, data triangulation, engaging with other researchers to reduce research bias and ensuring interpretation of data are consistent and transparent is crucial. Guba(1981), raised four trustworthiness concerns that any researcher needs to address irrespective of his/her research paradigm. These are truth value concern, applicability concern, consistency concern, neutrality concern. Wallendorf and Belk (1989) expand Guba's fourth idea to integrity concern.

3.8 ETHICAL ISSUES

This research was carried out in accordance with rules that govern MOHA soft drink industry S.C. Research participants were not subjected or coerced to give response and their response must be kept secret or confidential and should not be transmitted to their market competitors. Essentially, research participants must be fully informed about the procedure and risks involved in research and must be based on their consent. The researcher has not used false information for the situation where data from the organization is unobtainable.

CHAPTER-IV

DATA ANALYSIS AND INTERPRETATION

4.1 RELIABILITY TEST

Cronbach's alpha is a measure of internal consistency that is how closely related a set of items are as a group. It is considered to be a measure of scale reliability. A "high" value for alpha doesn't imply that the measure is unidimentional. According to the rule of George and Mallery(2003): cronbach's alpha coefficient value >0.90(excellent), >0.80(good), >0.70(acceptable), >0.60(questionable), >0.50(poor), <0.50(unacceptable). Accordingly the researcher took a sample of twenty five people in the pre-taste for each questionnaire and found the cronbach's alpha >0.727 for a questionnaire given to agents and wholesalers and >0.723 for retailer questionnaire, which is in both case more than acceptable level of consistency and reliability of the questionnaire.

4.2 DATA COLLECTION

The researcher prepared two kind of survey questionnaire and distributed to the different kind of MOHA company outlets; such as agents and wholesalers as well as shops, bars, café, restaurant, hotels and so on.

S/n	Nifas silk plant		Teklehaimanot plant		Summit plant		N.S #A	#S	T #A	#S	Su #A	#S
	#outlet	#sample	#outlet	#sample	#outlet	#sample						
R-1	306	6	360	7	226	5	2	1	2	1	3	1
R-2	450	9	465	9	306	6	3	1	3	1	2	1
R-3	350	7	365	8	360	7	2	1	2	1	3	1
R-4	406	8	406	8	306	7	3	1	2	1	2	1
R-5	356	7	356	7	350	7	2	1	2	1	3	1
R-6	400	8	355	7	300	6	2	1	2	1	2	1
R-7	450	9	406	8	210	4	3	1	2	-	2	1
R-8	350	7	456	9	250	5	2	1	3	1	2	1
R-9	356	7	450	9	266	5	2	1	3	1	2	1
R10	345	7	300	6	306	6	2	1	2	1	2	1
R11	306	6	356	7	200	4	2	1	2	1	3	1
R12	450	9	380	8	266	5	3	1	2	1	2	1
R13	406	8	450	9	300	6	3	1	3	1	2	1
R14	350	7	360	7	261	5	2	1	2	1	2	1

S/n	Nifas silk plant		Teklehaimanot plant		Summit plant		N.S #A	#S	T #A	#S	Su #A	#S
	#outlet	#sample	#outlet	#sample	#outlet	#sample						
R15	450	9	350	7	200	4	3	1	3	1	3	1
R16	306	6	300	6	250	5	2	1	2	-	2	-
R17	306	6	329	7	200	4	2	1	3	1	2	-
R18	405	8	406	8	205	4	2	1	3	1	3	-
R19	202	5	-	-	-		1	1	-	-	-	-
R20	280	6	-	-	-		2	-	-	-	-	-
total	7230	145	6850	137	4770	95	45	19	43	16	42	15

Table 4.1source survey 2018; sales route and no of sample of agents, wholesaler and retailers of MOHA soft drinks industry S.C.

Where, N.S(nifas silk), T(teklehaimanot), Su(summit), #A(no of agents), and #S(no of sample). In the sample designed wholesalers, shops, cafes and restaurants, bars and so on are included depending on their proportion and the survey was carried out with a maximum response rate that is about **91.77%** of the sample population has filled the questionnaire properly(i.e **346** sample population has filled the questionnaire out of **377** sample population designed.) But the remaining 31 sample population has not filled the questionnaire properly mainly because of inability to read the questionnaire and luck of attention.

After conducting the pre-taste of the questionnaire, the researcher correct some problems related with wording, meaning and priority of questions in the questionnaire. Before conducting the survey the researcher showed the corrected questionnaire to the advisor and with the suggestion of the advisor finally the researcher carried out the survey. Outlets are many in kind and from these about 35% are shops, 15% hotels, 25% are cafes and restaurant, 15% are agents/depots, kiosks and wholesalers and about 10% are peddlers, coffee houses', and different outlets.

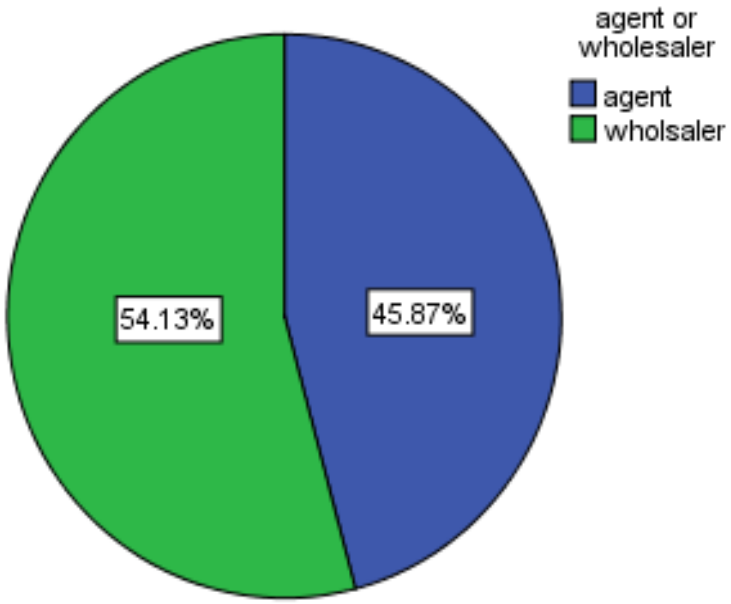
4.3 **Analysis and interpretation of data obtained from agents, wholesalers and retailers**

Data analysis and interpretation helps the researcher to solve the problem of the study and to make sound conclusion and recommendation on the study as well as to look back on how an organization is leading itself successfully in a business world. Analysis and interpretation of data provides information and insights to solve a particular problem or to show the performance of an organization.

Number of agents/depots and wholesalers

In this survey the researcher took one distributor per sales route (i.e about 45.87%) are agents and about (54.13%) are wholesalers from the vast number of distributor and wholesalers. Therefore, this large number of agents and wholesalers helps to show the exact image and information of the distribution channel of MOHA soft drinks industry S.C and to get reliable information maximizing the sample is the option.

Fig.4.1 Sample of depots/agents and wholesalers

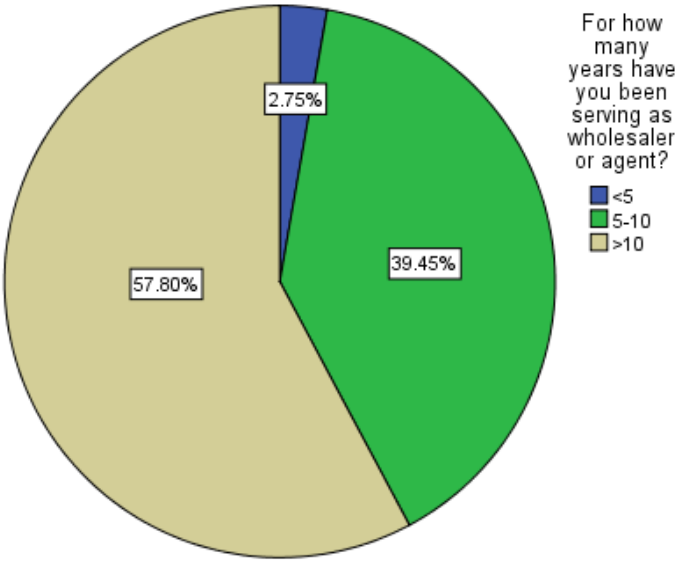


Source: Field survey 2018

Experience of agents and wholesalers

Regarding to the experience of agents and wholesalers to serve as agent and wholesaler in MOHA soft drinks industries distribution system, almost more than half of the distributor and wholesaler have more than ten years of experience in Pepsi products distribution business and this is a base to surely tell any information about the distribution channel of MOHA soft drinks industries S.C.

Fig.4.2 Experience of agents and wholesalers

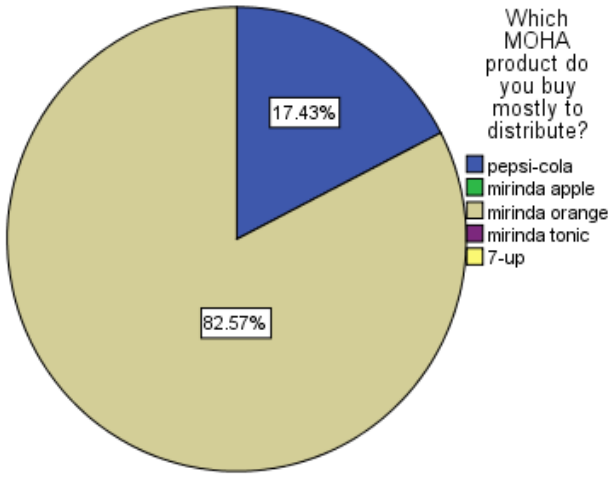


Source: Field survey 2018

Product variety as customer service component

Mirinda orange and Pepsi-cola are kinds of MOHA products which are mostly distributed by agents and wholesalers because of high customer demand from retailers and different kind of MOHA product outlets. Therefore, product variety as customer service component was not practiced in the distribution channel of MOHA soft drinks industry S.C. Because, only two brands of MOHA company products are supplied and distributed through MOHA company distribution channel. There is less product variety distribution and supply as of the data collected from agents and wholesalers and retailers in general.

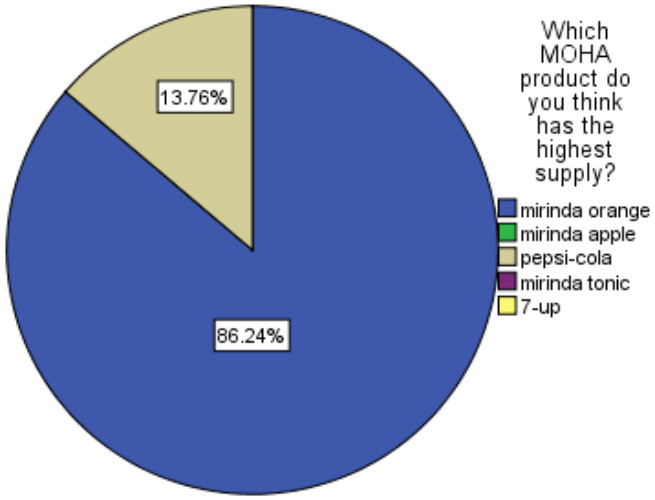
Fig.4.3 MOHA product distribution by brand



Source: Field survey 2018

In relation with the supply of MOHA products Mirinda orange takes the highest priority and Pepsi-cola takes the second rank in terms of supply, but the rest MOHA products are produced and supplied by MOHA with seasonal need of the products from customers. This is mainly due to lack of ingredients to manufacture the variety of products of MOHA products and additionally MOHA didn't made enough marketing promotion on these variety of products and due to this the inventory cost of these products is very high and they are not easily sold to customers. Therefore, agents and wholesalers supply the variety of products of MOHA company in small quantity except Mirinda orange and Pepsi products.

Fig.4.4 MOHA products supply to agents and wholesalers

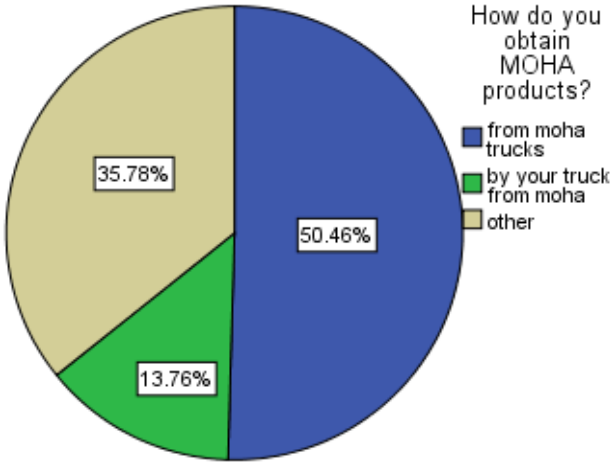


Source: Field survey 2018

Order visibility as customer service component

Regarding to order visibility of MOHA company, most agents and wholesalers obtain MOHA products from MOHA trucks(50.46%) and other (35.78%) by their truck or other lorries from nearby MOHA facility center, kiosks or depots and finally by agents and wholesalers trucks from MOHA (13.76%). This tells us MOHA is very good at order visibility as customer service components in that it supplies its product to agents/depots as well as wholesalers by its trucks by the time they put order to MOHA company. This service of MOHA is absent for retailers and different kind of outlets. Therefore, MOHA has strength in giving order visibility service for agents and wholesalers but has weakness in providing such a service for retailers and outlets.

Fig.4.5 Order visibility of MOHA company

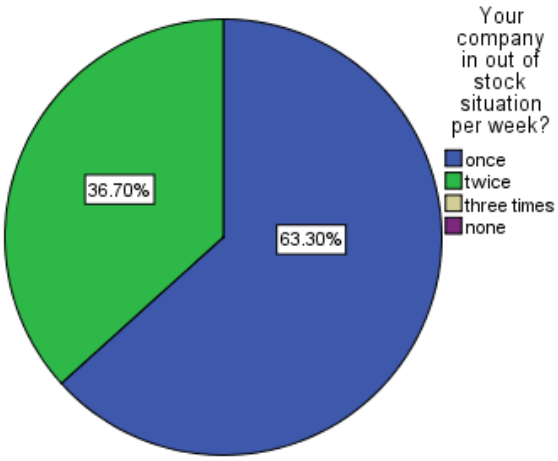


Source: Field survey 2018

Inventory cost as supply chain cost

Buying highly demanded product by customers determine out of stock situation of agents and wholesalers in a week. Most agents and wholesalers supply Mirinda orange and Pepsi-cola and these products are highly needed by customers. Therefore, agents and wholesalers in out of stock situation per week are most probably **once** per week (63.30%) and (36.70%) twice per week. But, inventory cost is very high for those products which are not mostly needed by customers like Mirinda Apple (Fine apple), 7-UP, and the like. MOHA company products has low inventory cost and this makes the supply chain cost to be low and finally resulted in effective distribution channel.

Fig.4.6 Out of stock situation per week

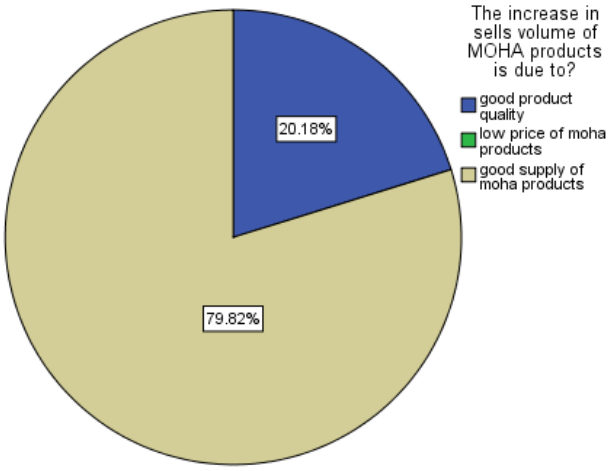


Source: Field survey 2018

Sells volume of MOHA products at the outlets

According to the data obtained from agents, wholesalers and retailers, the increase in sells volume of MOHA products at agents/depots and wholesalers as well as at retailers and different outlets is mainly depend on good supply of products (i.e about 79.82%) and good product quality (20.18%). The increase or decrease in sells volume influence the effectiveness of a given distribution channel and makes the company profitable. Ensuring good supply of products at every corner of the outlet increases sells volume of MOHA company products and this is one of the factor that makes the distribution channel of MOHA company to be more effective and get competitive advantage.

Fig.4.7 Sells volume of MOHA products

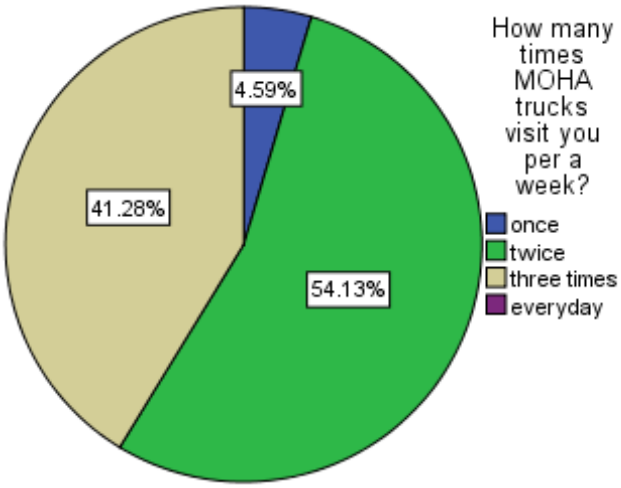


Source: Field survey 2018

Transportation as supply chain cost

MOHA soft drinks industry S.C distributes its product to agents and wholesalers as well as for its depot, kiosks by using its trucks. But, door-to-door selling of products up to the retailers or any kind of outlet is strictly forbidden by the government. Therefore, transportation of products is to agents and wholesalers and accordingly MOHA trucks visit agents and wholesalers in each route at least twice (54.13%) and when the sales route is vast MOHA trucks cover with three days (41.28%) per a week. MOHA company provides transportation service to agents and wholesalers in order to reduce the supply chain cost of MOHA company products for agents and wholesalers and in this way MOHA company makes the distribution channel of its products more effective. One of the weakness of MOHA company is it doesn't provide transportation service to retailers.

Fig.4.8 Transportation of MOHA products per week



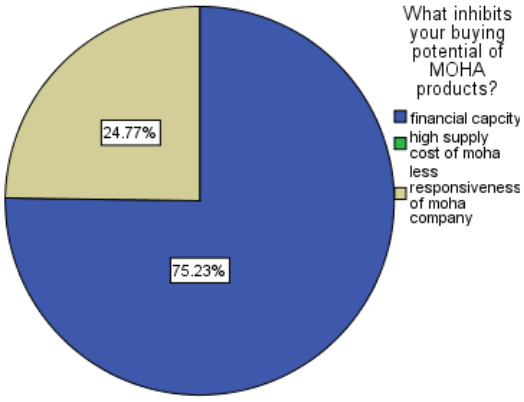
Source: Field survey 2018

Responsiveness of the distribution channel of MOHA company

MOHA customers specially agents, wholesalers and retailers are not supplying different brands of MOHA products in large quantity due to high inventory cost and other related costs and in addition to this there are other factors which inhibits the buying potential of agents, wholesalers and retailers for example low financial capacity of agents and wholesalers (75.23%) and less responsiveness of MOHA company (24.77%). Therefore, financial capacity of supply chain members of MOHA company is found to be low and MOHA must make a solution for this problem and need to help supply chain members to buy high volume of MOHA company products. But, responsiveness of the channel is no more a problem to buy high volume of MOHA products

and therefore MOHA company distribution channel responsiveness is very high(high response time).

Fig.4.9 Factors inhibiting buying potential of agents, wholesalers and retailers



Source: Field survey 2018

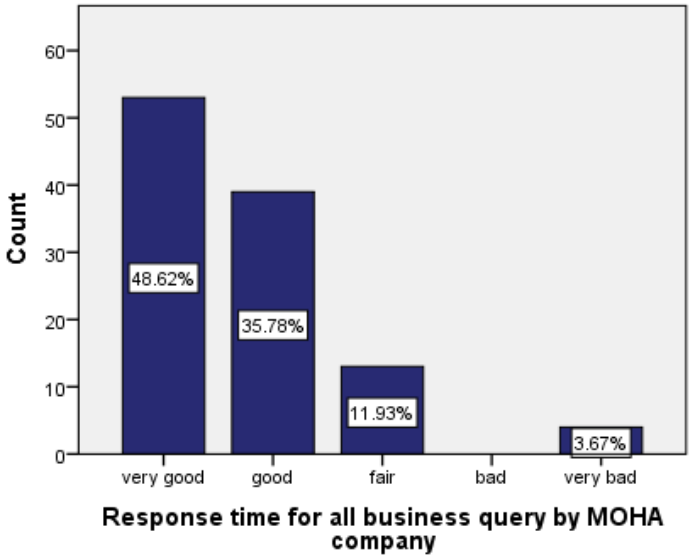
Customer service components ratings by agents, wholesalers and retailers.

According to Sunil Chopra and Peter Mendil (2001), at the highest level performance of a distribution channel should be evaluated along two dimensions: customer needs that are met and cost of meeting customer needs. The customer needs that are met influence the company's revenue, which along with cost decides the profitability of the delivery channel. While customer service consists of many components, but the main once that can be influenced by the structure of distribution channel are response time, product variety, product availability, customer experience, order visibility, and return ability and these customer service components can measure the performance of a given distribution channel. Performance measurements of the distribution channel of MOHA company is analyzed by rating scale by agents/depots, wholesalers, and retailers.

RESPONSE TIME

Response time for all business queries is one of the factors which can measure the effectiveness of distribution channel. MOHA soft drinks industry S.C is **very good** in its response time for any business query from its customers specially from agents/depots and wholesalers. But for retailers the response time from agents and wholesalers is rated as **good**.

Fig.4.10 Response time of MOHA company for depots and wholesalers

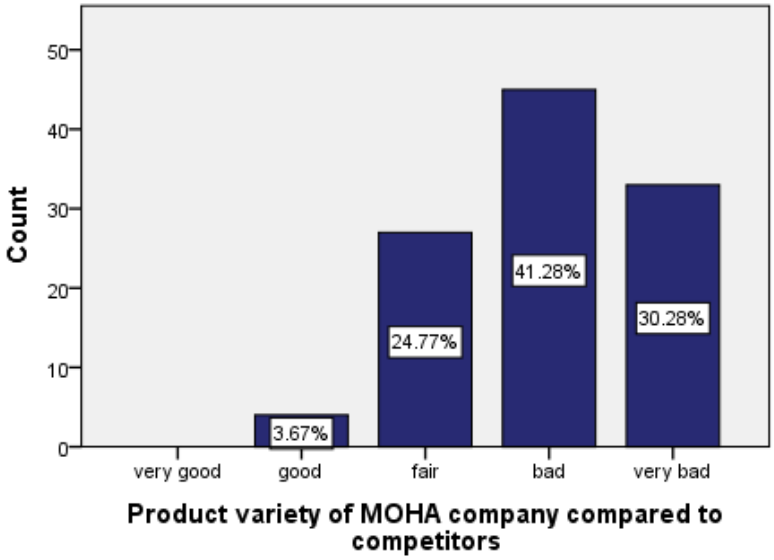


Source: Field survey 2018

PRODUCT VARIETY

Product variety is among customer service components and these products give customer preference on the products of MOHA. Product variety used to handle the different customer preference and this enables a given distribution channel to handle its customers interest and becomes more effective. In the case of MOHA company, the company produces different branded products in a different season. According to the data obtained from agents, wholesalers and retailers MOHA produced mainly Pepsi-cola and Mirinda orange because these products are highly needed by customers and MOHA don't have product variety (i.e it is rated as **BAD**) except seasonal production of some brands (e.g Mirinda apple, Mirinda tonic, 7-up and so on). Supply of variable products to retailers and outlets is the same as agents and wholesalers (rated as **BAD**). This has a negative impact on the effectiveness of the distribution channel of MOHA company.

Fig.4.11 Product variety of MOHA company

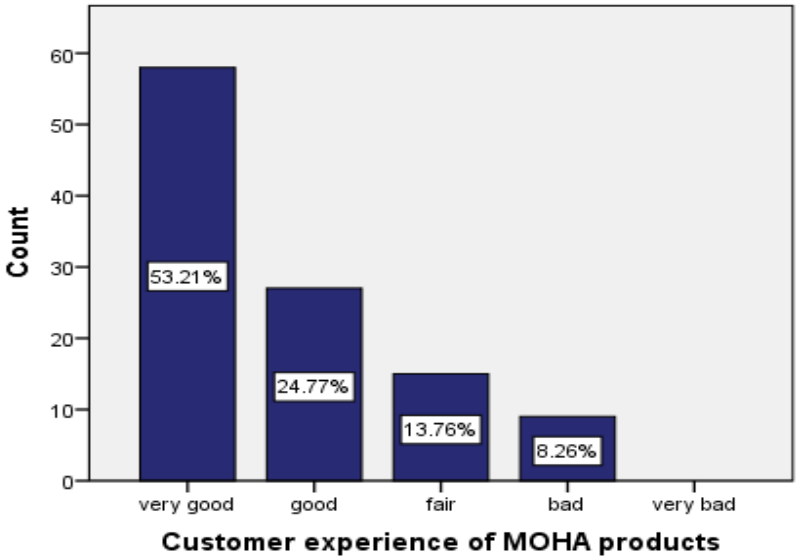


Source: Field survey 2018

Customer experience

Customer experience is the ease with which the customer can place and receive their order. MOHA soft drinks industry is well known and **very good** in their customer experience. More than 53.21% of agents and wholesalers responded that MOHA soft drinks industry S.C is very good in customer experience. At MOHA company customers such as agents and wholesalers can easily place their order and receive or take their order on time. The rest 24.77% of agents and wholesalers rated MOHA as having good customer experience habit and 13.76% and 8.26% rate MOHA as having fair and bad customer experience habit respectively. Customer experience for retailers and outlets was also rated as **good**.

Fig.4.12 Customer experience of MOHA company to depots and wholesalers

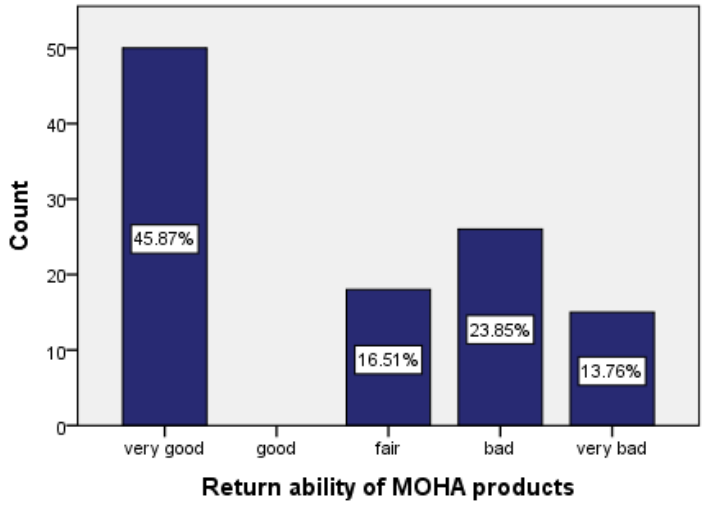


Source: field survey 2018

Return ability of MOHA products

Return ability of products is one of the customer service component used to measure the effectiveness of distribution channel and it is simply when defect in the product either from packing or quality of the product is not as expected the ability of the distribution channel to turn it back to the factory and replace it with another new un defected product. MOHA company gives bonus to those customers who unfortunately got defected product not only replacing and turning the product to the factory. Return ability of MOHA products at depots and wholesalers is rated very **good** but return ability of MOHA products at retailer and outlets stage is rated **verybad** and **bad**. Therefore, one visible weakness of MOHA company is return ability of its product at retailers and outlets stage is very bad and this has negative impact on the effectiveness of the distribution channel of MOHA company.

Fig. 4.13 Return ability of MOHA products at depots and wholesalers

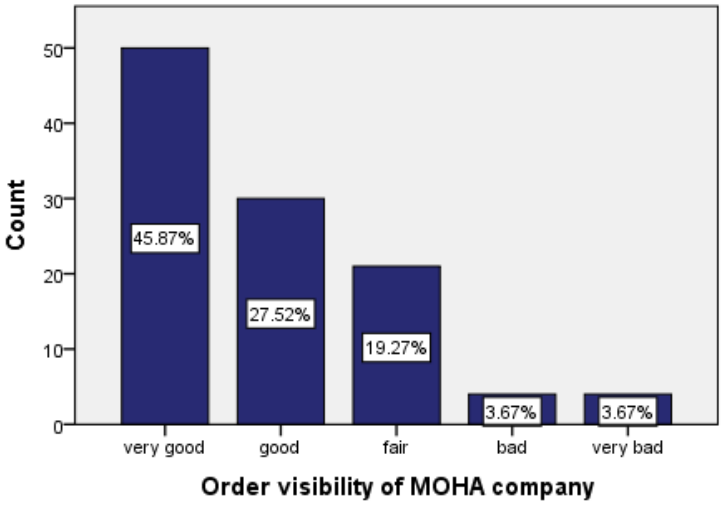


Source: field survey 2018

Order visibility

Order visibility in the case of MOHA company is simply customers explicitly track their order from placement to delivering to business area. If an order from customers is given to MOHA company, then MOHA company will take their order to their suitable place at the right time and right condition and MOHA company is **very good** in accomplishing customers order visibility for both agent/depot and wholesalers as well as for retailers and outlets.

Fig.4.14 Order visibility of MOHA company for agents and wholesalers

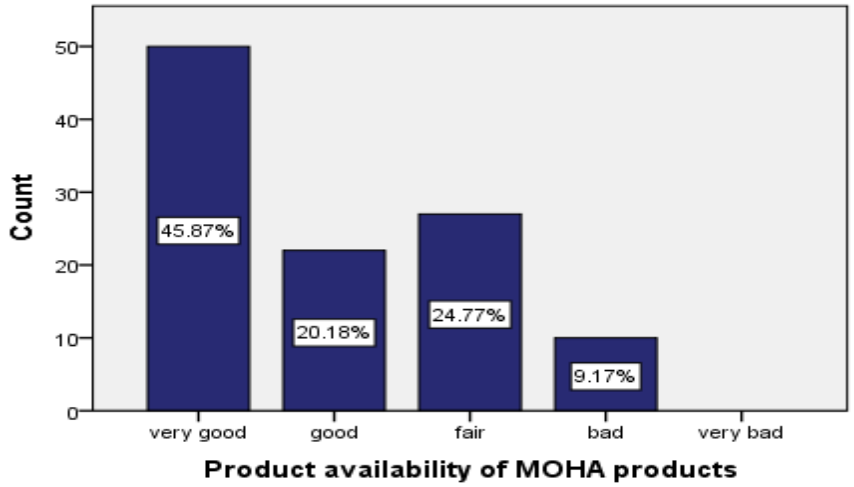


Source: field survey 2018

Product availability at MOHA outlets

Product availability is the probability of having the product in stock. In the case of MOHA soft drinks industry S.C the probability of getting products at agents and wholesalers and according to the data collected from agents and wholesalers product availability is no more a problem for agents and wholesalers because they frequently get products from MOHA company and it is **verygood** when it is measured by Likert scale. Product availability at retailers and outlets stage is also **verygood** because retailers and outlets frequently obtain MOHA products from peddlers.

Fig.4.15 Product availability of MOHA products at agents and wholesalers



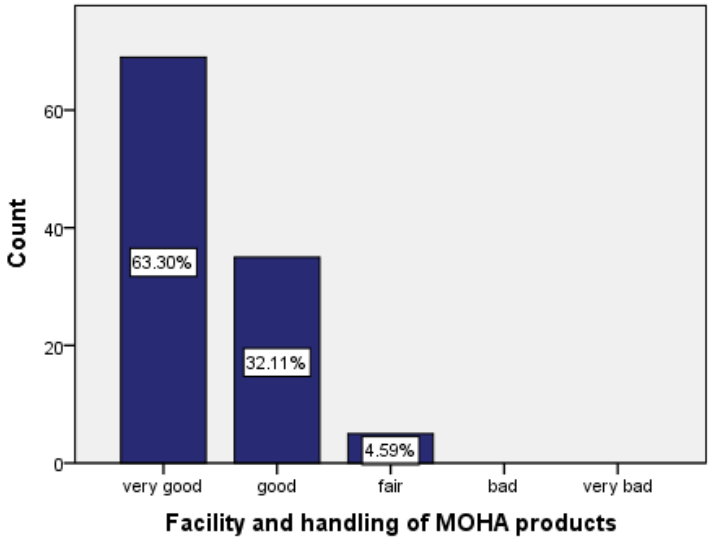
Source: field survey 2018

Supply chain costs rating by agents, wholesalers and retailers

Facility and handling of MOHA products

As the number of facility in the supply chain increases, inventory cost increases and transportation cost decreases, Sunil Chopra and Peter Mendil (2001). MOHA company builds kiosks and agents as its facility place for its products. MOHA soft drink industry S.C is **very good** at building a lot of facilities for its products temporary storage areas and MOHA company products are suitable for handling and usage. This situation is evaluated by agents/depot, wholesalers and retailers as well as different outlets and rated **very good** and as there is more number of facilities of MOHA company in the city the supply of MOHA products to the ultimate customer at every corner of the outlet is very high and it increases the effectiveness of the distribution channel of MOHA company.

Fig. 4.16 Facility and handling of MOHA products

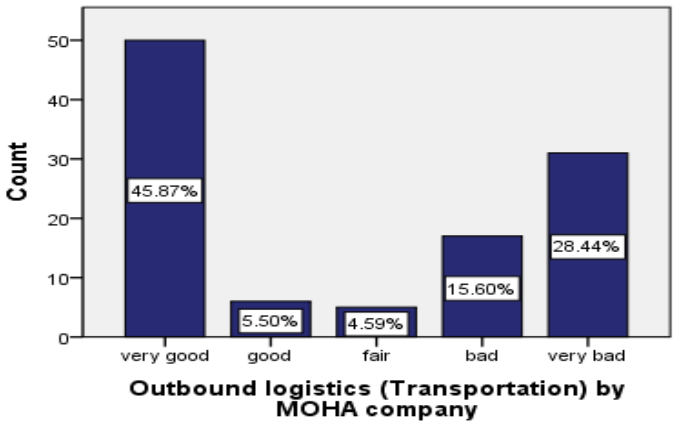


Source: field survey 2018

Transportation of MOHA products

Transportation of products to customers is of the determinant factor in deciding the effectiveness of a given distribution channel. As door-to-door selling of products is prohibited by the government MOHA company only transports its products to its agents or depots and kiosks as well as wholesalers but not for retailers and outlets. The company is found **very good** enough in transporting its product to agents and wholesalers but has big problem with the transportation of its products to retailers and outlets and rated **bad** and **verybad**. Therefore, the cost to bring MOHA products to retailers and outlets is up to the retailers and this has negative impact on the effectiveness of MOHA company.

Fig. 4.17 Transportation by MOHA company to agents and wholesalers

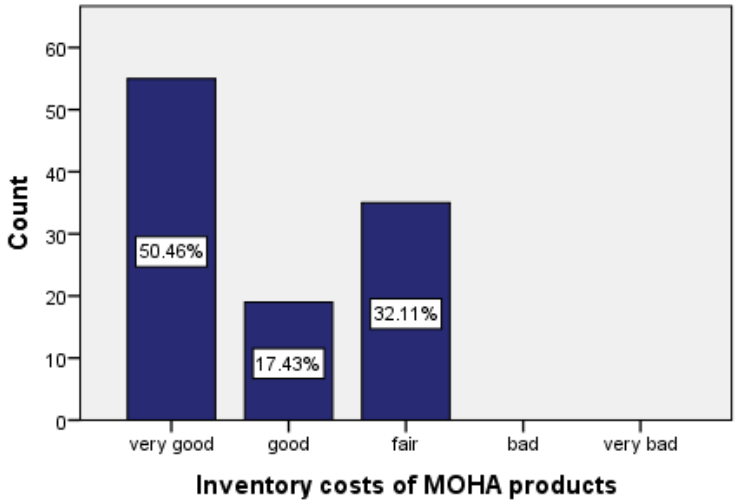


Source: Field survey 2018

Inventory cost of MOHA products at the outlets

Inventory cost of MOHA products at agents and wholesalers is low because agents and wholesalers don't keep large stock in their warehouse as a result of financial in capability and frequent visit of MOHA trucks to agents and wholesalers. Therefore, there is no need to have large stock in their warehouse. Most agents/depots and wholesalers rated inventory cost of MOHA products **verygood** and **good** (low inventory cost). Retailers and wholesalers also rate inventory cost of MOHA products **verygood** and **good** (low inventory cost). But, for those products which are not familiar by end customers like Mirinda apple, Mirinda tonic, 7-up and so on the inventory cost is **verybad** and **bad**(high inventory cost) at both agents/depots and wholesalers as well as retailers and outlets. This is considered as a problem for the effectiveness of distribution channel of MOHA company.

Fig.4.18 Inventory cost of MOHA products at agents and wholesalers



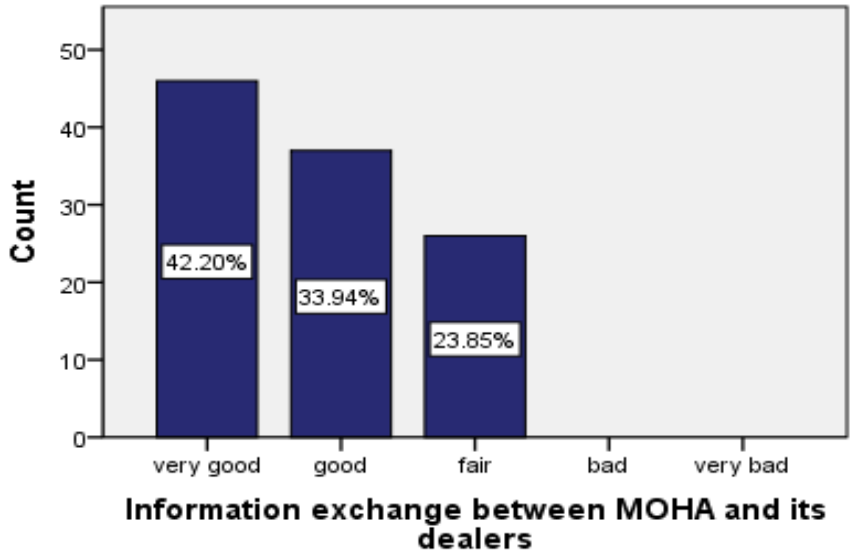
Source: Field survey 2018

Information exchange with channel members

Information is the basic issue in business and it is one of the factors that contribute for the effectiveness of a particular distribution channel. Information infrastructure need to be build between the manufacturer and supply chain members including the ultimate customer. MOHA company through territory coordinator and market development personnel exchange information with any of the channel members specially with agents and wholesalers and it is **verygood** at exchanging information with agents and wholesalers. But information exchange with retailers and

outlets was rated **bad** and **verybad** which is one of the weakness of MOHA company and has negative impact on the effectiveness of distribution channel of MOHA company.

Fig.4.19 Information exchange between MOHA with agents/depots and wholesalers



Source: Field survey 2018

4.4 **Pearson's product moment correlation analysis of variables of Likert type data obtained from agents and wholesalers.**

The Pearson's product-moment correlation coefficient (Pearson's correlation(r)) is a measure of the strength and directions of association that exist between two variables measured on at least an interval scale or rating scale. Pearson's correlation coefficient(r) for continuous (interval level) data ranges from -1 to +1 and if r=+1, it indicates there is positive relationship (i.e if one variable increase the other also increases) and if r=-1, then there is a negative relationship (i.e if one variable increase the other variable decreases and vice-versa) and if r=0, then there is no relationship between two variables. The correlation coefficient should not be calculated if the relationship is not linear(i.e if r=0) Finally, the variables in the Likert scale are investigated by correlation analysis and the kind of bivariate correlation that each variable with another variable is analyzed in this study.

I) Correlation analysis among response time, transportation and product availability bivariate relationships.

Table 4.2 correlation among response time, transportation and product availability

Correlations

		Response time for all business query by MOHA company	Outbound logistics (Transportation) by MOHA company	Product availability of MOHA products
Response time for all business query by MOHA company	Pearson Correlation	1	.251**	.240*
	Sig. (2-tailed)		.009	.012
	N	109	109	109
Outbound logistics (Transportation) by MOHA company	Pearson Correlation	.251**	1	.798**
	Sig. (2-tailed)	.009		.000
	N	109	109	109
Product availability of MOHA products	Pearson Correlation	.240*	.798**	1
	Sig. (2-tailed)	.012	.000	
	N	109	109	109

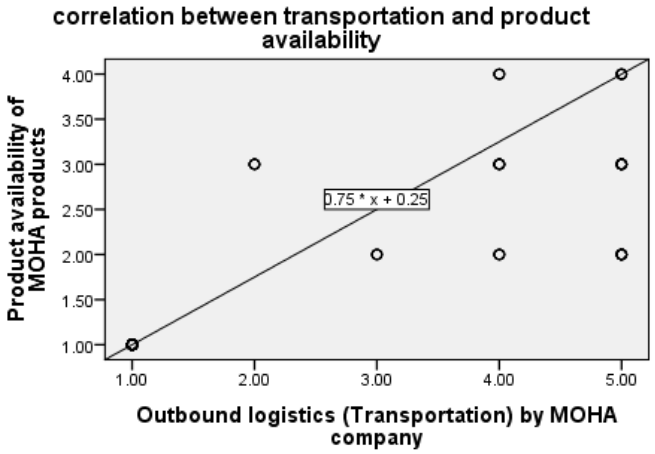
**. Correlation is significant at the 0.01 level (2-tailed).

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

Source: field survey 2018

As you can see, from the above table the three variables namely response time, transportation and product availability have correlation coefficient value of greater than zero (r>0), and therefore there is a positive relationship between these variables. This means that if transportation increase, response time and that of product availability also increases. Specially, outbound logistics (transportation) of MOHA product has strong positive relationship(r=0.798) with product availability at agents and wholesalers and its graph is almost linear. But, when we see the relationships that exist between response time with product availability and transportation it is positive but not strong and the scatter plot is not normal linear graph.

Fig.4.20 Scatter plot of the correlation between transportation and product availability



Source: field survey 2018

II) Correlation analysis among information exchange, product availability and transportation.

Correlations

		Information exchange between MOHA and its dealers	Product availability of MOHA products	Outbound logistics (Transportation) by MOHA company
Information exchange between MOHA and its dealers	Pearson Correlation	1	.755**	.610**
	Sig. (2-tailed)		.000	.000
	N	109	109	109
Product availability of MOHA products	Pearson Correlation	.755**	1	.798**
	Sig. (2-tailed)	.000		.000
	N	109	109	109
Outbound logistics (Transportation) by MOHA company	Pearson Correlation	.610**	.798**	1
	Sig. (2-tailed)	.000	.000	
	N	109	109	109

As it is seen, from the above table information exchange between agents and wholesalers with MOHA company has an impact on the product availability because according to the survey of the study the correlation coefficient is (r=0.755) and information exchange also has positive correlation with transportation of MOHA products to agents and wholesalers (i.e r=0.610). But, these values of "r" can't give linear scatter plot graph.

III) Lastly correlation analysis among transportation, order visibility and return ability.
Table 4.4 correlation among transportation, order visibility and return ability.

Correlations

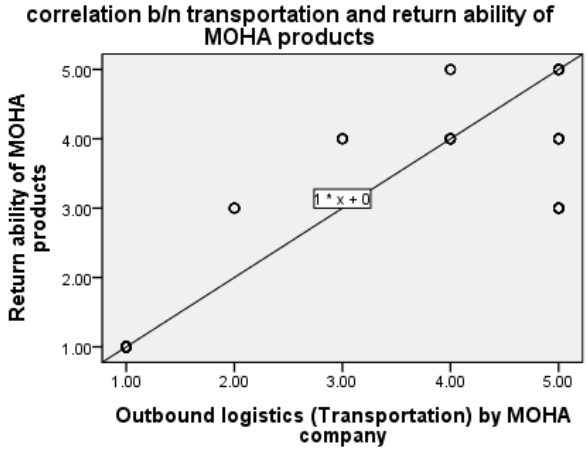
		Outbound logistics (Transportation) by MOHA company	Return ability of MOHA products	Order visibility of MOHA company
Outbound logistics (Transportation) by MOHA company	Pearson Correlation	1	.894**	.837**
	Sig. (2-tailed)		.000	.000
	N	109	109	109
Return ability of MOHA products	Pearson Correlation	.894**	1	.670**
	Sig. (2-tailed)	.000		.000
	N	109	109	109
Order visibility of MOHA company	Pearson Correlation	.837**	.670**	1
	Sig. (2-tailed)	.000	.000	
	N	109	109	109

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

Source :field survey 2018

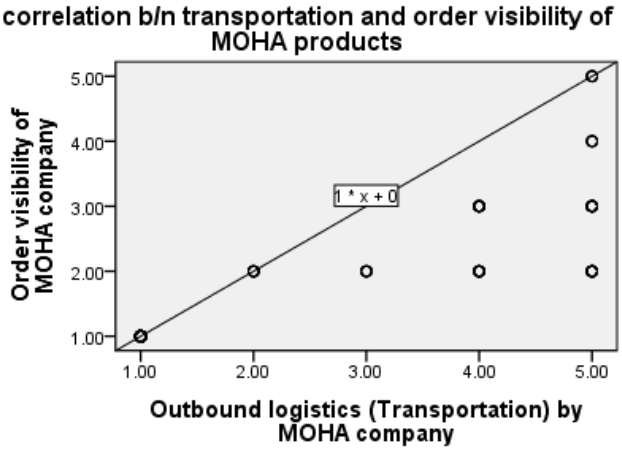
Transportation by MOHA and return ability of MOHA products (i.e whether empty bottle or spoiled products) have strong positive correlation (i.e r=0.894). Therefore, the number of trips that MOHA trucks undertake determines the degree of return ability of MOHA products. Transportation also has strong positive correlation with order visibility (i.e r=0.837). Therefore, as we can see from all the above correlations the number of transportation made by MOHA trucks in each sales route has an impact in many variables and one of these variables is order visibility which is one of the determinants of the goodness of distribution channel.

Fig.4.21 scatter plot of correlation between transportation and return ability of MOHA products.



Source: field survey 2018

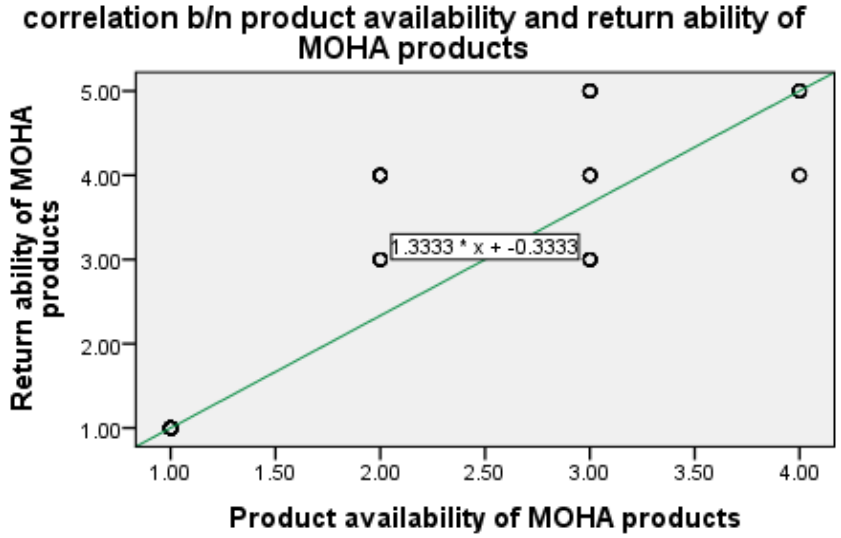
Fig.4.22 Scatter plot of transportation versus order visibility and it indicates strong positive correlation.



Source: Field survey 2018

IV) Return ability also has strong positive correlation with information exchange (i.e r=0.709) and this means as there is more information exchange between agents and wholesalers, the return ability of spoiled products and empty bottles becomes high because information exchange plays the role to return products. In addition to this, return ability has positive strong correlation with product availability (i.e r= 0.885). this also has meaning as product is more available at agents and wholesalers there is more returnable products or when at each and every situation product is available at agents and wholesalers there is a high probability of returning these products in to MOHA company.

Fig.4.23 Scatter plot of correlation between product availability and return ability of MOHA product.



Source: Field survey 2018

4.5 **Pearson's product moment correlation analysis of variables of Likert type data obtained From retailers and outlets**.

Pearson's product moment correlation analysis is the measure of the strength of a linear association between two variables and is denoted by **'r'** as it is defined above. According to the data obtained from retailers and different outlets tangible positive relationship between the following variables has been observed.

- Response time with inventory cost of MOHA products……..**r=0.711**
- Response time with facility and handling……....**r=0.558**
- Accessibility to variable MOHA products with inventory cost……..**r=0.696**
- Accessibility to variable products with facility and handling……**r=0.746**
- Accessibility to variable products with information exchange……...**r=0.508**
- Facility and handling with inventory costs……..**r=0.552**
- Product availability of MOHA products with transportation……..……....**r=0.605**
- Product availability of MOHA products with order visibility……**r=0.586**

The rest correlations among the variables which used to evaluate the effectiveness of a distribution channel are simply negligible. If the value of **'r'** is **positive**, then the bivariate association or relationship between two variables **increase** or **decrease together**. E.g. response time by agents and wholesalers or by MOHA company to retailers or outlets increase with

increasing inventory costs of MOHA products at retailers and outlets business area (i.e **r=0.711**). if**'r'** value is **negative**, then one variable **decreases** as the other variable **increase**. If **'r'** value is **zero** then, there is **no observable relationship** between two variables.

4.6 **FEEDBACK FROM SALES PERSONNEL OF MOHA COMPANY**

Sales personnel of MOHA soft drinks industry at the two branches namely Nifas silk plant (main branch) and Teklehaimanot plant are well experienced that is more than five years serving as sales/distribution personnel in the company. But, in Summit plant sales personnel has only three years of experience serving as sales/distribution personnel in MOHA soft drinks industry which is co-packer of MOHA company. This is helpful to explicitly show the distribution channel of MOHA company. MOHA soft drinks industry S.C. is a well known soft drinks industry which produces a variety of soft-drink products e.g Mirinda orange, Pepsi, Mirinda apple, 7-up, Mirinda tonic, Mirinda ananas (fine apple), Kool water, Mineral waters. Generally, MOHA soft drinks industry S.C has more than 18,850 outlets which supplies Pepsi products to ultimate customers and these outlets or retailers obtain variety of Pepsi products from different channel members (e.g agents/depots, wholesalers and peddlers). There are about 45 agents under Nifas silk plant, 43 agents under Teklehaimanot plant and 42 agents under summit plant which may be with in sales route or out of sales route and aimed at supplying variety of MOHA products to retailers.

MOHA company do not directly sell its products to retailers or outlets b/c door-to-door selling is already prohibited by the government and it simply distribute to its agents, wholesalers and kiosks and MOHA company transports its variety product first to its depots/agents and then to wholesalers and kiosks and the number of trips in each sales route depend on the length and coverage of the sales route. But, according to sales/distribution personnel information MOHA company transports its products to each sales route depots/agents, wholesalers and kiosks at least three times per a week and if the route is lengthy and huge to cover in three times trip, MOHA company may make four or five trips per week to sufficiently supply products to the above supply chain members. MOHA company positively treats its depots/agents and wholesalers by giving bonus products for increased sales volume and taking into account some defected products it gives bonus products an o on. Short response time is the main factor which makes MOHA company competitive enough in the market and they have strict and consistent delivery for any order from customers.

According to sales/distribution personnel information of MOHA company, the product distribution channel effectiveness is evaluated by **territory development manager** (**TDM**) after checking **Pepsi products price** at the outlet market to ultimate customers, **availability of Pepsi products** at each and every retailers/outlets stock at any random time visited by territory coordinator as well as by considering **Pepsi product delivery cost**.

Information is one of the factors that facilitates communication among supply chain members and determines the effectiveness of a distribution channel. Sales/distribution personnel of MOHA soft drinks industry S.C assess the effectiveness of its distribution channel and any problem in any of the sales route (e.g scarcity of Pepsi product by taking sample of outlets, replacement to defected Pepsi products and any other problem which hurts the market) through its **Territory Coordinator** (**TC**) personnel and up lift the information to **Market Development** (**MD**) personnel and after identifying the type of problem the market development personnel passes the information to **Account Development Representative** (**ADR**) and **Territory Development Manager** (**TDM**) and finally they together solve the problem as soon as possible. For example, recently there were false information regarding to the quality of Pepsi product (i.e Mirinda orange) disseminated in some type of social media (e.g face book) and by some competitors which strongly hurts the market of MOHA company and the company corrects the information after a little time of dissemination.

The variety of MOHA products are prepared in the way that they are suitable for handling and easily carry up to the market. MOHA company builds depots/agents (facilities) everyday to increase sells volume of the company because as the number of facilities increase the probability of reaching to the outlets and customers also increase so that finally it increases sells volume of Pepsi products even though it increases inventory costs. Therefore, MOHA builds depots in proportion to the number of retailers/outlets in a particular area.

MOHA company has not any explicit way to control the price of Pepsi products specially at the retailer/outlet stage because different outlets sell Pepsi products with a different price. But, in depots MOHA company personnel control the price of Pepsi products because depots/agents and wholesalers are not allowed to earn more than expected profit margin and almost all depots sell Pepsi products with the same price sometimes a little bit difference in price exist due to in ability to control all sales route properly.

CHAPTER-V

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARYOFFINDINGS

Finally the researcher has identified the main problems for the effectiveness of the distribution channel of MOHA soft drinks industry S.C and to list out the strength of MOHA soft drinks industry S.C. According to kotler, Armstrong, Saunders Wong (1999) producers must regularly monitor the channel performance against agreed target such as sells volume, average inventory level, customer service in terms of the right type and quantity of product on time, etc.

1. One of the determinant variables in distribution of products is **transportation** of products from place of manufacture to the right place and at right time. MOHA gives excellent transportation of its products to depots/agents and wholesalers but not to retailers and outlets and this may affect **sales volume** because most retailers and outlets buy Pepsi products from peddlers who earns further profit margins and peddlers may not bring Pepsi products at the right time and right quantity (customer experience and order visibility are negligible in peddlers).
2. The other factor is avoiding the possible middle men in the supply chain (e.g peddlers) in order to **maximize responsiveness of the distribution channel** and **minimize inventory cost** to distribution channel members and these may be the obstacles for the effectiveness of a distribution channel.
3. Basically MOHA has very good flow of information from its depots and wholesalers but not with retailers and wholesalers and this seriously affects the effectiveness of distribution channel of MOHA soft drinks industry S.C. As of the data collected and result of this study information about the launch of new products by MOHA company, about quality of the product, satisfaction of ultimate customers, product with defect and its return ability and some other related information may not be asked to retailers and outlets by MOHA. MOHA's information exchange with retailers and outlets is very weak.
4. Delivery consistency and delivery frequency of products are two most important variables which keeps the stock of distribution channel members balanced and minimum inventory cost. MOHA company has almost good delivery consistency and delivery frequency with its depots and wholesalers but not with its retailers and outlets. This in turn hurts the effectiveness of distribution channel of MOHA company.

5. One of the basic and major variables to evaluate the effectiveness of distribution channel is product availability at the retailer and outlet stage. This is no more a problem in the retailer and outlet of MOHA company but sometimes there is scarcity of Pepsi products by brand which are produced by MOHA in a different proportion with a different season.
6. Return ability of defected products is also unthinkable and the cost for that defected product is up to the retailers or outlets but return ability of defected product is high at depots/agents and wholesalers and MOHA replaces defected products with additional bonus product this is simply to encourage depots and wholesalers to find out defected products before they are reaching to the end customers.

5.2 **CONCLUSION**

From the data already analyzed in chapter four and from the findings the researcher comes up with the conclusion of major strength and weakness of the distribution channel of MOHA company.

- Generally, MOHA soft drinks industry S.C gives excellent product transportation service to agents and wholesalers but not to retailers and the different kind of outlets.
- Inventory cost for Mirinda orange and Pepsi brands of MOHA products is **low** while inventory cost for un familiar MOHA products like Mirinda tonic, Mirinda apple, 7-up, Kool water and so on is **veryhigh**.
- Response time for any business query is very high at both level agents/depots and wholesalers as well as retailers and outlets stage.
- Return ability of some defected product at agents/depots and wholesalers' stage is high but at retailers and outlets stage it is unthinkable.
- Information exchange with agents/depots and wholesalers is very high but with retailers information infrastructure need to be build properly because MOHA company don't have enough information at retailer stage.
- Good supply of MOHA products to agents/depots, wholesalers, retailers and outlets is the key to increase sells volume of MOHA products at every outlet.
- Manufacturing and supplying variable MOHA products to agents/depots, wholesalers, retailers and outlets is very low and this seriously affects the effectiveness of the distribution channel of MOHA soft drinks industry S.C.
- Supply chain costs such as inventory cost for variable products, transportation cost and information cost at retailer stage seriously and negatively affects the effectiveness of distribution channel of MOHA company.
- Customer service components like product variety and return ability of MOHA products at retailers stage affect negatively the effectiveness of the distribution channel of MOHA company.

5.3 **RECOMMENDATIONS**

Finally the researcher comes up with some solution to alleviate problems that exist in the distribution channel of MOHA soft drinks industry S.C. Unless MOHA company step by step reduces its problem in its distribution channel, it may not take competitive advantage of the current market and its total product sales volume may not increase and dominated by competitors like coca-cola company. MOHA company needs to observe seriously at the following main points in order to increase the effectiveness of its distribution channel.

- Among all the variables which can seriously influence the effectiveness of the distribution channel of MOHA company is **transportation** of Pepsi products to customers in the supply chain and this factor is also directly influence product availability at retailers and different outlets stage. Therefore, increasing the efficiency of transportation or increasing the number of trips per week to agents and wholesalers as well as to retailers and outlets increases product availability at all stages of the supply chain.
- Product variety was found as one of the problem in the distribution channel of MOHA company and this has an impact in the customers preference and order and finally customers are lost. After making good promotion of the variety of products manufactured by MOHA company the variety of products must be available at the market and in this case MOHA can hold the preference and order of ultimate customers which is one of customer service component.
- Most depots and wholesaler supply mostly Mirinda orange and Pepsi-cola products in large quantity but not other brands. This is because other brand products of MOHA has high inventory cost and MOHA company needs to take into account the inventory costs of these variety of products and help depots and wholesalers by markdown allowance, giving bonuses and the like.
- Increasing responsiveness of the channel at retailer and outlet stage for any of the business query from these supply chain partners.
- Continuous exchange of information with channel members, especially at retailers and outlets stage allows MOHA company to become more effective and solve problems if any problem with in the distribution channel happens. Information exchange with supply chain members helps MOHA company to

control return ability of some defected products and save the reputability of branded MOHA products.

- Increasing the efficiency sales/distribution personnel of MOHA company to give good service of order visibility and customer experience at retailer and outlet stage.

5.4 **RESEARCH LIMITATIONS**

There were some limitations while the researcher was conducting the survey questionnaire and making interview with sales/distribution channel of MOHA soft drinks industry S.C.

- Some depots/agents refrain from giving the right information in the survey questionnaire because they were thought as the researcher takes the information to MOHA company and fear not to collapse with MOHA company.
- Sales/distribution personnel of MOHA company are not that much willing to give an interview and they were too busy to answer each question properly.
- Unorganized data of sales/distribution personnel of MOHA company.

5.5 **AREASOFFUTURERESEARCH**

This study is helpful in improving the distribution channel of business organizations specifically for MOHA soft drinks industry S.C. and this study also serve as a reference for those researchers who want to investigate in such field of study. If other researcher investigate in the comparative study of the distribution channel of different manufacturing industries it could be helpful for those industries involved in the soft drinks sector.

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Appendix-I

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Survey-Questionnaire

The main objective of this survey is to assess the effectiveness of distribution channels of MOHA soft drink industry S.C. and to give feedback to the organization under study. In addition to this, the survey is helpful for the research conducted for the partial fulfillment of the requirement for the award of Masters of Arts degree in logistics and supply chain management. Your response to the questions in the survey has great value in showing the exact distribution channels of the organization under study. Therefore, I would kindly request you to fill the questions in the survey properly and precisely. In case, where questions in the survey are not clear or not understandable please ask the researcher. For being participating in this survey the researcher is confidential about your responses. Finally, I would like to say thank you for your valuable time and effort to fill the questionnaire.

For more information about this survey, please call at **0910780069**or leave your opinion about the survey at researchers**e-mailamaremekonenm@gmail.com**.

I) **Questionnaire to the agents and wholesalers of MOHA soft drink industry S.C.**

Part-1 General information: agent …… wholesaler……

1. For how many years have you been serving as wholesaler or agent?
   a) <5 b) 5-10 c) >10
2. Who are your customers?
   a) Wholesalers b) retailers c) bars, shops and restaurants d)all are my customers

Part-2 Basic information:

3 How long have you been distributing MOHA's soft drink products?
   a) <5 b) 5-10 c) >10
4 Which product do you distribute currently?
   a) Pepsi products only b) Pepsi and coca-cola products together c) Pepsi and other
5 Which MOHA product do you buy mostly to distribute?
   a) Pepsi-cola b) Mirinda Apple c)Mirinda orange d)Mirinda Tonic e)7-up
6 Which MOHA product do you think has the highest supply?
   a) Mirinda Orange b) Mirinda Apple c) Pepsi-cola d) Mirinda Tonic e)7-up

7 What do you loss if there is supply problem of MOHA products?
   a) Lost sales b) lost customer c) lost profit
8 How do you obtain MOHA products?
   a) From MOHA trucks b) by your truck from MOHA c) other, specify
9 Your company in out of stock situation per week is?
   a) Once b) twice c) three times d) none
10 The increase in sells volume of MOHA products is due to?
   a) Good product quality b) low price of product c) good supply of product
11 How many times MOHA trucks visit you per a week?
   a) Once b) twice c) three times d) everyday
12 What inhibits your buying potential of MOHA products?
   a) Financial capacity b)high supply cost of MOHA c) less responsiveness of MOHA

Part-II For the following questions please evaluate MOHA's performance and way of doing business by making "√" from the degree of strongly agree to strongly disagree. You have five alternatives to evaluate performance of MOHA company on distribution of its products based on the given criteria.

1. Very good 2. Good 3. Fair 4. Bad 5. Very bad

s/no	Performance measurements of the distribution channel of MOHA	1	2	3	4	5
1.	Response time for all business query by MOHA company					
2.	Product variety of MOHA company compared to competitors					
3.	Facility and handling of MOHA products					
4.	Outbound logistics (Transportation) by MOHA company					
5.	Return ability of MOHA products					
6.	Inventory costs of MOHA products					
7.	Customer experience of MOHA products					
8.	Information exchange between MOHA and its dealers					
9.	Order visibility of MOHA company					
10.	Product availability of MOHA products					

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Survey-Questionnaire

The main objective of this survey is to assess the effectiveness of distribution channels of MOHA soft drink industry S.C. and to give feedback to the organization under study. In addition to this, the survey is helpful for the research conducted for the partial fulfillment of the requirement for the award of Masters of Arts degree in logistics and supply chain management. Your response to the questions in the survey has great value in showing the exact distribution channels of the organization under study. Therefore, I would kindly request you to fill the questions in the survey properly and precisely. In case, where questions in the survey are not clear or not understandable please ask the researcher. For being participating in this survey the researcher is confidential about your responses. Finally, I would like to say thank you for your valuable time and effort to fill the questionnaire.

For more information about this survey, please call at **0910780069** or leave your opinion about the survey at researcher's **e-mailamaremekonenm@gmail.com**.

II) **Questionnaires to outlets or retailers**

1. The kind of outlet that you have?
   a) Shops b) bars c)café & restaurant d) hotels e) other, specify
2. Years in business?
   a) <5 b) 5-10 c)>10
3. Where do you get Pepsi products?
   a) From agents b) from wholesalers c) from trucks of MOHA company d)other
4. Availability of Pepsi products in agents and wholesalers is?
   a) Very high b) medium c) low
5. Which MOHA's soft drink product, do you think that has maximum customer demand?
   a) Mirinda Orange b) Mirinda Apple c) Pepsi-cola d) 7-up e) Mirinda Tonic
6. The reason for your answer in question no-6 is?
   a) Product availability b) low price c) high response time d) other, specify
7. How can you bring Pepsi products to your business area?
   a) By your own truck b) by MOHA trucks c) by wholesaler's or agent's trucks d)other
8. What do you loss if there is supply problem of MOHA products?
   a) Lost sales b) lost customer c) lost profit d)other
9. Which factor is the most influential in the supply of MOHA products?
   a) Price of products b) transportation c) increasing no of facilities d) product availability at agents and wholesalers e)other

10. For the following questions please evaluate MOHA's agents and wholesalers performance and way of doing business by making "√" from the degree of strongly agree to strongly disagree.

    You have five alternatives to evaluate performance of MOHA company.

    1. Very good 2. Good 3. Fair4. Bad 5. Very bad

S/No	Performance measurement of distribution channel of MOHA soft drink industry S.C.	1	2	3	4	5
1.	Response time for all business query by MOHA agents					
2.	Accessibility to variable Pepsi products from agents					
3.	Facility and handling of MOHA products					
4.	Outbound logistics(transportation) by MOHA company					
5.	Return ability of MOHA products					
6.	Inventory costs of MOHA products					
7.	Customer experience of MOHA products					
8.	Information exchange with MOHA company					
9.	Order visibility of MOHA company					
10.	Product availability of MOHA products					

III) **Interview questions with sales personnel of MOHA company.**

1. Name and position in the company of the official?
2. Experience of the official to serve as distribution personnel.
3. How many different products do MOHA produce and years in business of MOHA?
4. How many outlets and agents do you have in Addis Ababa city?
5. How can you distribute variable Pepsi products to your dealers and what looks like MOHA's transportation system?
6. How would you support and treat your dealers in general?
7. What looks like MOHA's response time, delivery consistency (order visibility) and delivery frequency?
8. How can you measure the effectiveness of your distribution channels? Is there any framework to measure your distribution channel?
9. Do you continuously exchange information with all parts of the supply chain members including the ultimate customers regarding to your product or any other issues?
10. How can you handle a problem in your distribution channel?
11. How is facility and handling of your products when you carry up to market?
12. Do you have any mechanism to control the price of your products throughout the supply chain members until it reaches the end customer and do you take measurement if a problem happens?

Appendix-II

አዲስአበባ ዩኒቨርሲቲ የንግድ ስራ ትምህርት ቤት

የሎጂስቲክስ እና ሰፕላይ ቼይን ማኔጅመንት የትምህርት ክፍል

የምርምር መጠይቅ

የዚህ መጠይቅ ዋና ዓላማ የሞሀ ፔፕሲኮላ ለስላሳ መጠጦች የስርጭት መንገድ ወይም ስርዓት ውጤታማነት ለመገምገም እና ማሻሻል ያለበትን ድክመቶች ለይቶ ለድርጅቱ ማሳወቅ እና ለማስተርስ ዲግሪ የመመረቂያ ፅሁፍ እንዲሆን የተዘጋጀ መጠይቅ ነው፡፡ በመጀመሪያ ፈቅደው እና ጊዜዎን ሰውተው ይህን መጠይቅ ስለሞሉ ልባዊ ምስጋናዬን አቀርባለሁ፡፡ በመቀጠል ለሚሰጡን ማንኛውም ምላሽ ሚስጥራዊነቱ አስተማማኝ መሆኑን ማሳወቅ እወዳለሁ፡፡ በመጠይቁ ዙሪያ ጥያቄ ካለዎት እባክዎ በ0910780069 ደውለው ያሳውቁን ወይም በe-mail amaremekonenm@gmail.comመልዕክትዎን ይተዉ፡፡

ስለ ትብብርዎ በድጋሚ አመሰግናለሁ!!!

I) **ለወኪል እና ለጅምላ አከፋፋዮች የተዘጋጀ መጠይቅ ወኪል** ☐ **ምላ** **አከፋፋይ** ☐

1. በወኪልነት ወይም አከፋፋይነት ለምን ያህል ጊዜ ሰርተዋል?
   ሀ) 5 ዓመት ለ) 5-10ዓመት ሐ/ 10ዓመት እና ከዚያ በላይ
2. የእናንተ ደንበኞች እነማን ናቸው

   ሀ. ጅምላአከፋፋዮች ሐ. ባር፣ ሱቅ፣ ሪስቶራንት

   ለ. ቸርቻሪዎች መ. ሁሉም ደንበኞች ናቸው
3. የሞሀ ለስላሳ ፋብሪካ ምርቶችን ለምን ያህል ጊዜ አከፋፍለዋል

   ሀ. 5 ዓመት ለ.5-10ዓመት ሐ. 10ዓመት እና ከዚያ በላይ
4. በአሁኑ ሰዓት የትኛውን የለስላሳ ምርት ነው የሚያከፋፍሉት

   ሀ. ፔፕሲ ምርት ብቻ ለ. ፔፕሲ እና ኮካ-ኮላ ሐ. ፔፕሲ እና ሌላ
5. የትኛውን የፔፕሲ ምርት ነው ብዙ ጊዜ ገዝተው የሚያከፋፍሉት

   ሀ. ፔፕሲ-ኮላ ሐ. ሚሪንዳ ኦሬንጅ

   ለ. ሚሪንዳ አፕል መ. ሚሪንዳ ቶኒክ
6. የትኛውን የፔፕሲ ምርት ነው ከፍተኛ አቅርቦት ያለው

   ሀ. ሚሪንዳኦሬንጅ ሐ. ፔፕሲ -ኮላ

   ለ. ሚሪንዳአፕል መ. ሚሪንዳቶኒክ

7. በሞሀ ምርቶችን አቅርቦት ችግር ምክንያት የሚያጡት ነገር ምንድን ነው
   ሀ. የቀን ገቢ ማጣት ለ. ደንበኛን ማጣት ሐ. የትርፍ መቀነስ
8. የሞሀ ምርቶችን እንዴት ነው ወደ ራስዎ ድርጅት የሚያመጡት
   ሀ. በሞሀ መኪኖች ለ. በራስዎ መኪና ከፋብሪካው ሐ.መኪና ተከራይተው
9. ድርጅትዎ በሳምንት ውስጥ ለምን ያህል ጊዜ የሞሀ ምርት ይጨርሳሉ
   ሀ. አንድ ጊዜ ለ. ሁለት ጊዜ ሐ. ሶስት ጊዜ መ. ምንም የለም
10. የሞሀ ምርቶች ሽያጭ መጨመር ዋነኛ ምክንያት
    ሀ. ምርቱ ጥራት ስላለው ለ. የምርቱ መሸጫ ዋጋ ዝቅተኛነት ሐ. የምርቱ አቅርቦት
11. የሞሀ ምርቶችን የሚያከፋፍሉ መኪኖች በሳምንት ምን ያህል ጊዜ ይጎበኛችሀል
    ሀ. አንድ ጊዜ ለ. ሁለት ጊዜ ሐ. ሶስት ጊዜ መ. ሁል ጊዜ
12. የሞሀ ምርቶችን በብዛት ገዝቶ ለማከፋፈል የሚገድብዎት ነገር ምንድን ነው
    ሀ.የገንዘብ እጥረት ለ.አቅርቦት ወጪ ከፍተኛ መሆን ሐ.የሞሀ በቶላ ምላሽ አለመስጠት

ክፍል-2 ለሚከተሉት ጥያቄዎች የሞሀ ለስላሳ ፋብሪካ ምርቱን የማከፋፈል ብቃት በተሰጡት ደረጃ ገምግሙ፡፡ 1.በጣምጥሩ 2.ጥሩ 3.መካከለኛ 4.መጥፎ 5.በጣም መጥፎ

ተ.ቁ	የሞሃየስርጭትስርዓትብቃትመመዘኛመለኪያዎች	1	2	3	4	5
1.	ፈጣን ምላሽ በአይነት እና በብዛት					
2.	የተለያዩ ምርቶችን ማምረት መቻል					
3.	የሞሀ ምርቶች ማቀነባበሪያ መብዛት እና የምርቶች ላያያዝ አመቺነት					
4.	የሞሀ ምርቶችን በሞሀ መኪኖች ማጓጓዝ					
5.	የተበላሹ ምርቶችን የመመለስ እና የመተካት ሁኔታ					
6.	በመጋዘን ውስጥ የመቆየት ሁኔታ					
7.	ትእዛዝ የመስጠት እና የመቀበል ሁኔታ					
8.	መረጃ የመለዋወጥ ሁኔታ					
9.	ደንበኞች የሞሀ ምርቶች ትእዛዛቸዉን በትክክል የመቀበል እና የመዉሰድ ሁኔታ					
10.	የሞሀ ምርቶች በብዛት የመገኘት ሁኔታ					

አዲስአበባዩኒቨርሲቲየንግድስራትምህርትቤት

የሎጂስቲክስእናሰፕላይቼይንማኔጅመንትየትምህርትክፍል

የምርምርመጠይቅ

የዚህ መጠይቅ ዋና ዓላማ የሞሀ ፔፕሲኮላ ለስላሳ መጠጦች የስርጭት መንገድ ወይም ስርዓት ውጤታማነት ለመገምገም እና ማሻሻል ያለበትን ድክመቶች ለይቶ ለድርጅቱ ማሳወቅ እና ለማስተርስ ዲግሪ የመመረቂያ ፅሁፍ እንዲሆን የተዘጋጀ መጠይቅ ነው፡፡ በመጀመሪያ ፈቅደው እና ጊዜዎን ሰውተው ይህን መጠይቅ ስለሞሉ ልባዊ ምስጋናዬን አቀርባለሁ፡፡ በመቀጠል ለሚሰጡን ማንኛውም ምላሽ ሚስጥራዊነቱ አስተማማኝ መሆኑን ማሳወቅ እወዳለሁ፡፡ በመጠይቁ ዙሪያ ጥያቄ ካለዎት እባክዎ በ0910780069 ደውለው ያሳውቁን ወይም በe-mail amaremekonenm@gmail.comመልዕክትዎን ይተዉ፡፡

ስለ ትብብርዎ በድጋሚ እናመሰግናለን!!!

II) **የሞሀ ምርቶች መሸጫ መደብር ወይም ቸርቻሪ የሚሞላው መጠይቅ**

1. የመሸጫ መደብሩ ዓይነት?
   ሀ. ሱቅ ለ. ባር ሐ. ካፌ እና ሬስቶራንት መ.ሌላ
2. በንግዱ አለም የቆዩበት ጊዜ?
   ሀ. <5 ዓመት ለ.5-10ዓመት ሐ.>10 ዓመት
3. የፔፕሲ ምርቶችን የት ነው የሚያመጡት?
   ሀ. ከወኪል ለ. ከጅምላ አከፋፋይ ሐ.ከፔፕሲ ምርቶች ተንቀሳቃሽ መኪና መ.ሌላ
4. የፔፕሲ ምርቶች ወኪሎች ላይ እና ጅምላ አከፋፋዮች ላይ የመገኘት ሁኔታ?
   ሀ. በጣምከፍተኛ ለ. መካከለኛ ሐ. ዝቅተኛ
5. ከፍተኛ የደንበኛ ፍላጎትያለው የፔፕሲ ምርት የትኛው ነው?
   ሀ. ሚሪንዳ ኦሬንጅ ለ. ሚሪንዳ አፕል ሐ. ፔፕሲ-ኮላ መ.7-up ሠ.ሚሪንዳ ቶኒክ
6. ለጥያቄ ቁጥር 6 ምክንያቱምንድንነው
   ሀ. የምርቱ በብዛት መገኘት ለ. የምርቱ ዝቅተኛ ዋጋ ሐ.ከፍትኛ አቅርቦት መ. ሌላ
7. የሞሀ ምርቶችን ወደ መደብርዎ እንዴት ነው የሚያመጡት
   ሀ. በራስዎ መኪና ለ.በወኪልዎ ወይም አከፋፋይዎ መኪና ሐ.በሞሀ መኪና መ.ሌላ
8. በሞሀ ምርቶችን አቅርቦት ችግር ምክንያት የሚያጡት ነገር ምንድን ነው
   ሀ. የቀን ገቢ ማጣት ለ. ደንበኛን ማጣት ሐ. የትርፍ መቀነስ

9. የሞሀ ምርቶችን ኣቅርቦት ኣስተማማኝ ለማድረግ ወሳኙ ምክንያት የትኛዉ ነዉ
   ሀ. የምርቱ ዋጋ ለ.የትራንስፖርት እገዛ ሐ.የዲፖዎች እና የኣከፋፋዮች መብዛት መ.ባለትወኪሎች ላይ እና ኣከፋፋዮች ላይ የምርቱ በብዛት መገኘት ሰ.ሌላ

10. ለሚከተሉት ጥያቄ የሞሀን ለስላሳ ፋብሪካ ምርት የማከፋፈል ብቃት በተሰጡት ደረጃ ገምግሙ፡፡

    1.በጣም ጥሩ 2.ጥሩ 3.መካከለኛ 4.መጥፎ 5.በጣም መጥፎ

ተ.ቁ	የሞሃየስርጭትስርዓትብቃትመመዘኛመለኪያዎች	1	2	3	4	5
1.	ፈጣን ምላሽ በአይነት እና በብዛት					
2.	የተለያዩ ምርቶችን ማምረት መቻል					
3.	የሞሀ ምርቶች ማቀነባበሪያ መብዛት እና የምርቶች ላያያዝ አመቺነት					
4.	የሞሀ ምርቶችን በሞሀ መኪኖች ማጓጓዝ					
5.	ለተበላሹ ምርቶችን የመመለስ እና የመተካት ሁኔታ					
6.	በመጋዘን ውስጥ የመቆየት ሁኔታ					
7.	ትእዛዝ የመስጠት እና የመቀበል ሁኔታ					
8.	መረጃ የመለዋወጥ ሁኔታ					
9.	ደንበኞች የሞሀ ምርቶች ትእዛዛቸዉን በትክክል የመቀበል እና የመዉሰድ ሁኔታ					
10.	የሞሀ ምርቶች በብዛት የመገኘት ሁኔታ					

III)ቃለመጠይቅ

1. ስም እና በድርጅቱ ያለዎት የስራሀላፊነት?
2. በስርጭት ስርዓት ሀላፊነት ቦታ የሰሩበት ዓመት/ልምድ?
3. የሞሀ የምርት ዓይነት ብዛት እና ሞሀ በንግዱ አለም ያለው ልምድ?
4. ስንት የሞሀ ምርቶች መሸጫ መደብር አላችሁ?
5. የተለያዩየ ሞሀ ምርቶችን እንዴት ነው የምታከፋፍሉትእና የሞሀ ምርቶችን ወደ ተለያዩ ነጋዴዎች እንዴት ነው የምታጓጉዙት?
6. አከፋፋዮቻችሁን እንዴት ነው የምታግዟቸው እና የምታበረታታቸዉ?
7. የደንበኞቻችሁን ትእዛዝ በፍጥነት፣በጥራት እና በትክክለኛ ጊዜ እና መጠን ከማድረስ አኩያ ድርጂታችሁን እንዴት ታዩታላቹህ
8. የስርጭት ስርዓታችሁን ጥራት ወይም ስኬታማነት እንዴት ነው የምትመዝኑት ወይም የምትቆጣጠሩት?
9. የሞሐ ምርቶችን በተመለከተ ከአቅርቦት ድርጂቶች እና ከደንበኞ ጋር እንዴት ነዉ መረጃ የምተለዋወጡት
10. በስርጭት ስርዓታችሁ ውስጥ ችግር ቢፈጠር ለምሳሌ ከአቅርቦት ጋር በተያያዘ እንዴት ነው የምትፈቱት?
11. የምርታችሁን ዋጋ የመጨረሻ ደንበኞች ጋር እስኪ ደርስ ድረስ እንዴት ነው የምትቆጣጠሩት?
12. ምርቶቻችሁን ወደ ገበያ እንዴት ነዉ የምትወስዱት፣ ላያያዝ አመቺ ነዉ ወይ፣ ጊዜያዊ ምርት ማሰቀመጫ አላቹሁ ወይ