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EFFECT OF MULTICHANNEL DISTRIBUTION SYSTEM ON COMPANY PERFORMANCE OF MOHA SOFT DRINKS INDUSTRY S.C

BY: SOLOMON GOSAYE

May, 2017

ADDIS ABABA

**Addis Ababa University School of Commerce Office of
Graduate Studies**

**EFFECT OF MULTICHANNEL DISTRIBUTION SYSTEM ON
COMPANY PERFORMANCE OF MOHA SOFT DRINKS
INDUSTRY S.C**

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**Thesis is submitted to Addis Ababa University College of Business
& Economics School of commerce in Partial Fulfillment of the Requirement
for the Award of Degree of Master of Arts in Marketing Management (MA)**

May, 2017

Addis Ababa

Addis Ababa University

School of Graduate Studies

This is to certify that the thesis entitled, “Effect of Multichannel Distribution System on Company performance of MOHA Soft Drinks Industry S.C.” was carried out by Solomon Gosaye Chaka under the supervision of Mesfin Workineh (Phd), submitted in partial fulfillment of the requirements for the degree of Master of Arts in Marketing Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Approved by:

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DECLARATION

I hereby declare that this research paper entitled **“Effect of multichannel distribution system on company performance of MOHA Soft Drinks Industry S.C”** submitted by me for the award of the degree of Master of Arts in Marketing Management, is an original work carried out by me and it has not been submitted previously in part or full to this or to any other University and all sources of information in the study has been appropriately acknowledged.

By: Solomon Gosaye

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Date: _____

CERTIFICATION

This is to certify that this thesis entitled “**Effect of multichannel distribution system on company performance of MOHA Soft Drinks Industry S.C**” submitted to Department of Marketing Management, School of Commerce, Addis Ababa University, for award of Degree of Master of Arts in Marketing (MA) is a piece of research work carried out by **Solomon Gosaye Chaka** under my guidance and supervision.

Research Advisor: Mesfin Workineh (PHD)

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Date: _____

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LIST OF ABREVAITIONS

HMS- Horizontal Marketing System

MDS – Multichannel Distribution System

SPSS - Statistical Package for Social Sciences

VMS- Vertical Marketing System

VIF - Variance Inflation Factor

ABSTRACT

The purpose of the study was to examine the effect of multichannel distribution system on company performance in the MOHA soft drinks industry. The study undertook an explanatory research design and quantitative approach with a population of 125 respondents from which a sample of 106 was drawn. Self-administered questionnaires were used to collect responses. Measurement of the relationships of the study (channel level, channel control, channel cooperation, channel conflict and company performance) was done and subjected to rigorous data processing and analysis using the relevant statistical computer software packages. Findings indicated that there were significant relationships between channel level, channel control, and company performance. And there is no significance relationship between channel cooperation channel conflict and company performance. Results from regression analysis showed channel level and channel control were significant predictors of company performance. The study recommends therefore, that since the model could only explain 20% in variance of the company performance of MOHA soft drinks industry, a study be carried out comprising of other factors which were not part of the model. The finding of the study showed that there is no a significance difference between category of respondents employee and depots with regard to all factors. After examining the results and reaching on conclusions, the researcher recommended that the company should focus their attention on channel control in selection, motivation, training and evaluation of channel members and on channel level to take great care about choosing the right distributors.

CHAPTER – 1

INTRODUCTION

This chapter introduces the background, Statement of the Problem, Objectives, Research questions, Significance, Scope, limitation, and Definition of terms of the Study.

1.1 Background of the Study

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

Companies must adopt and develop different channels of product distribution system to reach to customers. For many years companies have been giving the least attention to the issues related to distribution. Nowadays, they start realizing that the efficient distribution strategy formulation is vital to the success and survival of any organization (Cateora & Graham, 2007). The main objectives developing appropriate distribution channel structure should be product availability and visibility for the customers, mutual cooperation between the manufacturer and the intermediaries, provide desired level of service to end-users, minimizing distribution costs , information flow is achieved (e.g. number of sales, inventory, etc.) (Onkvisit & Shaw, 2004).

Marketing channel structures can be grouped into four types that include conventional marketing channel, vertical, horizontal and multichannel distribution systems. **Multichannel distribution systems (MDS)** a company employs two or more channels in order to serve one or more customer segments (Hollensen & Opresnik, 2014). The number of companies adopting this system is increasing. The main reasons of that phenomenon are the possibility to increase market coverage, lower channel costs, and organize more customized selling. The consequences of having multiple channels are complexity of channel management, control, and cooperation, as well as high chances of channel conflict. Thus, before implementing MDS or adding an extra

channel, companies should carefully plan their channel structures identifying which functions each channel should perform (Panda, 2009).

Further literature indicates that incumbent channels should not automatically be alarmed when additional channels are introduced with reasoned that channel members with better intelligence than their competitors should be more joint planning oriented and enjoy an advantage in both forming and implementing marketing strategies. And as this joint planning is effected between the upstream and downstream distribution channel members, the company stands more chances of profiting from multi-channel distribution patterns. This directly impacts performance of the multi-channel distribution entities. And the company's performance measured in objectives and subjective data on a multiple aspects of performance such as product line growth, sales growth, market share, profitability, improved satisfaction of customer target.

Ethiopia is Africa's second most populated country with more than 90m people and is one of East Africa's fastest growing economies. The beverages industry in Ethiopia is "growing insanely". Predominantly child population (54%) CSD consumption is estimated to reach year end 2015/16 an industry volume of 60 million raw cases. Economic indicators shows the demand for Soft drinks is yet untapped and consumption per head is estimated not exceeding 0.6 cases. (CSA, Report on Large and Medium Scale Manufacturing and Electricity Industries Survey and own calculation, 2007 EFY) From 2009-2013 all consumer goods categories expanded significantly. In this era of competition in beverages (Cold Drinks) there are two major companies who deal in beverages, these are PepsiCo of MOHA and Coke of East Africa bottling, and both the companies are trying to do their best to get a high market share in the cutting edge competition into the market.

MOHA Soft Drinks Industry S.C, a sole franchiser and bottler of Pepsi range products bottled in returned bottle (RB) and Poly ethylene terephthalate (PET) and manufacturer of Kool water products. The overall attainable production volume at the time of acquisition was not exceeding 5.5 million raw cases. From assets -in- place and capabilities over the years the company production capacity has attained above 30 million raw cases. The company has eight production sites & distribution centers (Branches) in different region and become more available company in Ethiopia. (Company's Annual Operating plan, 2016/17 and CSA report, 2007)

The company distribution channel structure that needs to achieve the objectives dominated by one-level of channel (Manufacturer-Retailer-End users) for a long period of time in Addis Ababa territory. Due to an increasing of Retailers and to reduce cost of distribution besides one-level channel the company urged to implement two-level marketing channel (Manufacturer-Depots-Retailer-End user). Thus, the company practiced multichannel distribution system in three bottling plants that sited in Addis Ababa. However the company has quite successful as evidenced by increase in product line and in-turn sales growth, profitability, and increased market coverage, the company faces challenges associated with multi-channel distribution. The challenges not only limited to product availability and delivery problem to the retail outlets but also there is a gap in managing the determinant factors of multichannel distribution system channel levels, channel control, channel cooperation, and channel conflict to sustain the company performance.

According to Coelho et al (2003) multi-channel distribution is associated with higher sales performance and profitability. Consequently, with the idea to strengthen the market position on the beverage industry, the objective of this paper is to give recommendations for the distribution strategy of the MOHA Soft Drinks Industry in changing market environment in Ethiopia. The aim is to examine the effect of determinant factors of Multichannel Distribution system on Company performance. Multi-channel distribution system shall for this research refer to two-level of channel that uses intermediaries (firms or individual) which help move a product from the company to the consumer or business user. The dimensions of multichannel structure that measured channel performance are channel levels, channel control, channel cooperation, and extent of customer contact afforded by channel mix. The purpose of this paper is thus to enhance our understanding of the determinants of multi-channel distribution system. In particular, this paper attempts to examine the major determinants of multichannel distribution system that have an impact on company performance measured in Sales growth, profitability, and market coverage in the case of MOHA. (Company's Annual Operating plan, 2016/17 and CSA report, 2007)

1.2. Problem statement

Place or Distribution of marketing function acts as a bridge connecting customers and products through wholesalers, retailers or other partners in the distribution systems (Ali M., 2008).

Modern marketers are constantly giving emphasis in developing and expanding their distribution network to be competitive in the market. Market leaders and challengers are battling for the sustainability of their brands and targeting the channel members to explore their marketing opportunities. It is obvious that the distributors and the retailers play an effective role in influencing the ultimate customers in their buying behavior.

A well-chosen channel is necessary because it constitutes a significant competitive advantage, and it is designed to save costs, improve and increase efficiency, provide regular transactions, provide a larger customer base, and allow businesses to focus on other aspects of the organization (Menkhaus et al., 2004). Designing a good distribution channel is fundamental to good marketing. Within the distribution channel is the ability to use intermediaries to strategically market a product or service (Clarke, 2000). Kotler and Keller (2009) view the alternative channel arrangement as being a zero-level, a one-level, a two-level, a three level channel and so on, depending on the number of intermediaries involved in delivering the product to final consumer. On the other hand, adapting multi-channels are complexity of channel management, control, and cooperation, as well as high chances of channel conflict. Thus, before implementing multiple channel companies should carefully plan their channel structures identifying which functions each channel should perform (Panda 2009, ; Doyle & Stern 2006) The problem is that safeguarding long-term channel control may conflict with short-term objectives to maximize revenues, especially given the powerful positions that the intermediaries have been able to build.

The center of this discussion is to delve out the beverage manufacturing companies that are in lead to the existing market players and their current performance to seize opportunities through effective distribution management. Effectively managing the entire distribution process is critical to financial success and corporate longevity (www.investopedia.com, 2012).

Effective channel management is a cooperative marketing strategy in which manufacturer augment their direct and indirect channels of distribution to reach different segments more efficiently and effectively (Brigham, F. G., & Gomes, R., 2001). Current channel management concepts focus of efficiency in cost optimization and effectiveness through better customer satisfaction. Channel Management involves the development of policies and procedures to gain and maintain the cooperation of institutions within the distribution channels. Depending on the

state of the demand in the market, channel management ensures efficiency or responsiveness strategy to maximize excellence in developing distribution network, pricing, financing and other relevant decisions.

As to the knowledge of the researcher, there are quite a number of studies in distribution channel system regarding the effect on firm performance. But the researcher believes there is a gap in knowledge and findings regarding multichannel distribution on basis of the dimensions channel level, channel control, channel cooperation and channel conflict on firm performance in the case of MOHA Soft Drinks Industry. Furthermore MOHA's implementing Multichannel distribution system (one and two level of Channel) the company performance increases on bases of the Sales, Profitability and Market coverage, but there is a gap in managing the channel system to maintain their performance. MDS were expected to grow by 10% but 2% was realized which may be attributed to numerous conflicts between channel members, lack of channel control and cooperation and over dependence of one member on another (Company Operational plan, 2016).

1.3. Research questions

This study attempts to answer what is the effect of multi-channel distribution system on company's performance.

- How does channel level affect company performance?
- What is the impact of channel control on company performance?
- What is the impact of channel cooperation on company performance?
- How does channel conflict affect company performance on basis of profitability?

1.4. Objectives of the study

1.4.1 General objective

The aim of the study is to examine the effect of multichannel distribution on performance of MOHA Soft Drinks Industry S.C. The general research focus question is: "Effect of the multichannel marketing system on company performance?" Consequently, a thorough study must be done in the below specific objectives.

1.4.2 Specific Objectives

- To assess the impact of channel level on company performance.
- To explore the impact of channel control on company performance.

- To examine the effect of channel cooperation on company performance.
- To examine the effect of channel conflict and performance

1.5 Scope of the Study

The scope of this research focuses on the determinant factors of multichannel distribution system that have an impact on company performance. In addition, since it is not possible to incorporate all determinants of MDS in one study only four specific factors, Channel levels, Channel Control, Channel cooperation and Channel conflict are included in this study. And also the paper tapered in distribution channel in evaluating the company performance knowing that other marketing programs that are not related to the purpose of this study may affect the company performance. And the research area focuses on the performance of the company that was measured in terms of Sales, profitability, and Market coverage.

The company have 8 - bottling units in different territory like Hawassa, Gondar, Bure, Dessie and Mekelle. But due to difficulty to maintain large number of population area and geographical location remoteness the scope of the research delimited only the plants in Addis Ababa.

For this the study the researcher use Explanatory research design together with the quantitative research approaches. Primary and secondary source of data were used and to collect the data probability sample survey with only questionnaire method of data collection were used. The analysis was carried on using descriptive and inferential statistics.

1.6 Significance of the Study

The findings of the research can be used by MOHA gain an insight into distribution strategy in the current market environment of the beverage industry and present multichannel distribution system organization and its effectiveness. The result of the research, recommendations for the multichannel distribution strategy, can be used by the company as a well-thought out suggestions of distribution organization of the others bottling unit that will lead to strengthening of its market position and company performance. More over the study findings are great significance to the other firms that might be faced with decisions relating to multichannel distribution operations. And I acquire more knowledge and experience on the study research. I can use this study as a format or an outline of the thesis to follow for any other research works.

There is little work/study has been carried out on channel of distribution on beverage industry in Ethiopia, so the study adds up and provide a rational elaboration and detail understanding of multichannel distribution system operation. Moreover, the study highlights potential areas for future research and fills the gap that identified on the literature review.

1.7 Definitions of Terms

An operational definition defines a concept solely in terms of the operations (or methods) used to produce and measure it. The operational definitions adopted from different references the researcher used under this study.

- *Multichannel marketing system*- is a distribution system in which a single firm sets up two or more marketing channels to reach one or more customer segments. In the study in the case of MOHA multichannel distribution system means a 2-level channel of distribution that the company distribute the products through Depots/Distributors/ and to Retail outlets in order to serve final end-users.
- *Depots*- An individuals or institutes serve as an intermediary for MOHA's products to distribute to an identified retail outlets in their territory and that have specified sales target.
- *Multichannel Distribution System determinants* are the dimensions or factors that determine the efficiency of the channel. The determinants that incorporated in this study are Channel level, Channel control, Channel cooperation, and Channel Conflict.
- *Channel level*- refers to the intermediary in distribution channel between the manufacturer and the end consumer. The company implement a one level channel and (one intermediary) and two level channel (two intermediaries) to achieve the distribution objectives.
- *Channel control*- a firm to exert an influence over intermediaries' distribution activities in order to obtain greater selling efforts or quality of after sale support. In this study the company wants to control Depots distribution activities.
- *Channel cooperation* is the willingness of channel members to work together to ensure important channel functions are performed.

- *Channel conflict*- is a situation in which actions of one of the channel members prevent another member(s) from achieving its goals. In the study MOHA's Depot channel members prevents another Depot member(s) from achieving its goals.
- *Company Performance*- achieving better results, accomplishing the major goals, and executing the company's strategies precisely. For this study the key performance indicators used to measuring performance are sales growth, Profitability, and Market coverage.
- *Profitability*- the amount of profit a company generates on its sales at the different stages of an income statement.
- *Sales growth*- the amount by which the average sales volume of a company's products has grown, typically from year to year.
- *Market coverage*- is the number of active retail outlets that sell the company's defined brands in a specific market.

1.8 Organization of the Study

The research paper was organized to include five chapters. The first chapter includes background of the study, statement of the problem, basic research questions, objectives of the study, scope of the study, significance of the study, limitations of the study and operational definitions. The second chapter presented review of related literature, theoretical and conceptual framework which discussed some concepts from literatures as references for this study. The third chapter covered the research design & methodology; which answered the question "how?" the research was done. Therefore, it contains research approach, research design, data types and sources of data, population, sample size and sampling procedures, method of data collection instrument, data presentation and analysis and ethical considerations.

In the fourth chapter the data analysis and interpretation presented, followed by the fifth chapter that comprises summary of the findings the conclusion and recommendation part of the research.

CHAPTER – 2

REVIEW OF RELATED LITERATURE

This Chapter presents a review of related literature that has been critically studied and selectively adopted for the purpose of this study. Relatively rich scholarly works including journal articles, book chapters, management reports, and periodicals as well professional complements were considered relevant sources of the reviewed literature. This chapter provides an insight to readers under the theoretical view in line with objective of the study covers topics of understanding of distribution channels and different model on usage of multichannel distribution System. Under Empirical review topics study cover examining each multichannel dimensions Channel levels, Channel control, Channel cooperation, Channel conflict with firm performance and a conceptual framework drawn from a theoretical and empirical ground taking determinants factors that are believed to affect the company performance. At the end the summary of the review included.

2.1 Theoretical Review

This sub-unit has two main purposes. The first is to review the theories associated with the research questions in order to provide readers with an understanding of the theoretical domain. The second purpose is to relate the theories to the research questions and develop a theoretical framework for analysis. The reason for discussing the theories is not to produce a comprehensive survey of their richness but rather to provide a framework within which to facilitate the collection of empirical evidence, conduct the analysis and, finally, achieve solutions to the research questions

2.1.1 Understanding of Distribution Channel

Coughlan et al. (2006) defined a distribution channel as a set of independent organizations involved in the process of making a product or service available for use or consumption.

Manufacturers, intermediaries and end users are perceived as the key actors of a distribution channel (Coughlan et al., 2006). Strategic management of distribution channels is growing in both popularity and significance in the business world (Levi & Weitz, 2008). There are several reasons for this. Firstly, as value has shifted towards customer, distribution has moved from

being the backwater of strategy to the main stream, since it is where much of the profit in many industries can be found nowadays (Wise & Baumgartner, 1999). In other words, distribution and its network have become an important source of success and competitive advantage. Anderson and Narus (1990) reported that it is mutually recognized and understood that the success of manufacturers and distributors depends on the other firm. Loomba (1996) also suggested that in order to compete effectively, today's firms must re-evaluate their existing distribution and make adjustments when necessary.

Secondly, distribution channel strategies affect many other aspects of marketing strategies. According to Kotler and Veronica (2008), distribution affects sales, since if the product is not available, it cannot be sold. Most customers will not wait until it can be reached. Delivery is seen as a part of the product that influences customer satisfaction.

Thirdly, the choice of distribution network has long-term consequences. The structure of the distribution network is one of the most difficult decisions to change. According to Chopra and Meindl (2007), the impacts of selecting a distribution network often lasts for decades. Changing on the channels and channel shifting is too costly. In the long run, distribution channel strategies involved in strategic alliances and partnerships that are founded on trust and mutual benefits create distinguishable interests (Chopra & Meindl, 2007).

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

2.1.2 Marketing Channel Theories and Constructs

Marketing channels have been studied using different theoretical frameworks, which we group parsimoniously into two major schools of thought (Gattorna 1978; Stern & Reve 1980). Economics-based, theoretical approaches tend to emphasize economic efficiency or functional optimization as means to reconcile situational constraints and costs through channel design, as

well as profits. Behavioral-based theoretical approaches incorporate theories from sociology, social psychology, and organizational behavior to explain inconsistencies that result from the rational actor assumptions made in economic-based approaches.

2.1.2.1 Economic-Based Approaches

Transaction cost economics. The roots of transaction cost economics (TCE) are traceable to Coase's (1937) examination of the reason for the existence of firms; they differ from neoclassical economics, in that TCE regards the firm as a governance structure rather than a production function (Rindfleisch & Heide 1997). In channels research, TCE explicates interactions among suppliers, distributors, and retailers by citing the influences on the channel structure of the "make-or-buy" decision. The key findings helps to explain channel ownership decisions and subsequently channel structure as partner attempt to safeguard TSAs from opportunism when free markets experience specific governance problems (Rindfleisch & Heide, 1997). However, recent TCE-based research has expanded the scope of related constructs to include not just opportunism (Jap et al. 2013; Wang, Gu, & Dong, 2013) but also contexts (Kim et al., 2011), culture (Steenkamp & Geyskens, 2012), and online business environments (Chintagunta, Chu, & Cebollada, 2012).

Agency theory focuses on situations in which one entity (the principal, such as a manufacturer) delegates responsibility for an action to another entity (the agent, such as a retailer) (Jensen & Meckling, 1976). It rests on three main assumptions: Both the principal and the agent operate according to their self-interest and risk preferences, as neither party has perfect information and both must deal with environmental uncertainty (Eisenhardt, 1989). Agency theory seeks to determine the most efficient contract to govern their arrangement, in light of both hidden information (pre-contractual, adverse selection) and hidden actions (post-contractual, moral hazard) (Eisenhardt 1989; Gu, Kim, & Tse, 2010). Hidden information problems arise due to information asymmetries between the principal and the agent, prior to entering into a contract. The hidden action problem instead describes post-contractual issues, such that principals must determine how to evaluate and compensate agents to ensure that the delegated tasks get completed in their best interest (Kashyap, Antia, & Frazier, 2012). Similar to TCE, agency theory often serves to explain channel selection decisions and channel structures when firms operate in environments with limited information. The key findings were describes relationships in which one entity

delegates work to another. Focus on selecting the most efficient contract to govern a channel relationship considering the characteristics of both channel members as well as environmental uncertainty and the costs of information that make monitoring of the agent, such as a distributor or retailer, difficult (Jensen & Meckling, 1976).

Game theory- In channels research, decentralized channels tend to result in inefficiencies, and channel partners are responsible for structuring contracts and incentives to repair these inefficiencies (Coughlan, 1985). Similar to TCE and agency theory, game theory in channels research provides a means to understand interactions among potentially adversarial channel entities, but unlike these theories, it explicitly models *potential* strategic actions to predict channel structure, given a set of constraints. The key findings were given constraints, game theorists mathematically deduce channel member strategies that result in one outcome or a set of outcomes with identified probabilities (i.e., equilibria) (Watson, 2013). Within marketing channels research, a key focus is that decentralized channels result in inefficiencies (i.e., sub-optimal profit/utility maximization), and channel partners are responsible for structuring contracts and incentives to repair these inefficiencies.

Resource-based theory- Prior to the emergence of the resource-based theory (RBT), firm performance was often viewed as a function of industry-level factors. The RBT argues instead that firms develop, augment, and leverage resources that are valuable, rare, and imperfectly imitable (referred to as VRIO), because they have the organizational capacity to exploit these resources for sustainable competitive advantages (Wernerfelt, 1984). The RBT lends itself to examining marketing channels, because firms do not always own the VRIO resources they need to implement a competitive strategy. Access to, acquisition of, and maintenance of these resources depend on the firm's boundaries and its strategies for interacting with other channel members. Consequently, the RBT can inform various channel actions, including the adoption of a valuable new sales channel (Lee & Grewal, 2004), distributor acquisitions of rare information (Guo & Iyer, 2010), inimitable supply chain service technologies (Richey, Tokman, & Dalela, 2010), and the augmentation of organizational capabilities by using retail category captains (Nijs, Misra, & Hansen, 2013). The findings explain and predict the basis of a channel member's competitive advantage and performance based on how they are able to gain access to and utilize VRIO resources (Kozlenkova, Samaha, & Palmatier, 2014; Slotegraaf et al., 2003).

2.1.2.2 Behavioral-Based Approaches

Power-dependence and conflict - Power is unevenly distributed in any inter organizational system. The way organizations gain and use their power, and balance asymmetrical dependence, determines channel structures and performance (Antia, Zheng, & Frazier, 2013; El-Ansary & Stern, 1972). Power refers to the ability to influence channel partners to take actions they otherwise would not take (Draganska, Klapper, & Villas-Boas, 2010; Gaski, 1984). *Interdependent* channel members typically work harmoniously to maintain mutually beneficial relationships and the performance benefits from those relationships, whereas *asymmetrically dependent* channel members are at greater risk of being subjected to uses of coercive power (Kumar, Scheer, & Steenkamp, 1998). Although power does not necessarily induce conflict (Geyskens, Steenkamp, & Kumar, 1999), the nature and sources of power can aggravate the negative effects of conflict on channel performance by increasing perceived unfairness (Samaha, Palmatier and Dant, 2011). Low levels of conflict potentially increase performance (Gundlach & Cadotte, 1994), but increasing conflict within an exchange can hasten the demise of the relationship and damage channel performance. In particular, it undermines cooperative actions and prompts the damaged party to seek other trade partners.

Relational norms theory- relational norms refer to expectations about transaction behavior that exchange partners share (Kaufmann & Rangan, 1990). Unlike contracting or legal theory, relational norm theory assumes that transactions exist in the context of the relationship, rather than in terms of discrete or independent events (Heide & John, 1992). Different types of norms exist, including mutuality, solidarity, and flexibility, and each has a slightly different influence on the relationship (Palmatier, Dant, & Grewal, 2007). In general though, norms promote cooperation and reduce conflict, help exchange partners respond to environmental uncertainty, and foster channel performance by reducing opportunism and other relationship-damaging behaviors (Kaufmann & Rangan, 1990; Kumar, Heide, & Wathne, 2011).

Commitment–trust theory- commitment–trust theory holds that the two main determinants of exchange performance are commitment to and trust in an exchange partner (Morgan & Hunt, 1994). Rather than focus on the exchange’s power or dependence structure, commitment–trust theory describes positive relationships between channel members. Instead of positioning channel members as potential competitors in a micro-economic sense, it holds that successful channel

members cooperate and leverage their commitment and trust to enhance their performance. Commitment is defined as one channel member's desire to continue a valued relationship (Moorman, Zaltman, & Deshpandé, 1992), and trust is one channel member's confidence in the other partner's reliability and integrity (Doney & Cannon, 1997; Ganesan, 1994). Recent research moves the commitment–trust framework beyond descriptions of channel relationships by focusing on a dynamic perspective. The key findings were Commitment and trust, not power or dependence, are the keys to inter - organizational relational performance. Both constructs help to foster mutual goals and mitigate each channel member from acting entirely in their own self-interest (Morgan & Hunt, 1994).

Network theory- Network theory goes beyond a dyadic interaction to describe channel situations that reflect actual business practices (Palmatier, 2008). Rather than hinging on pure self-interest as the primary determinant of behavior, network theory emphasizes the normative and social structures in which exchanges are embedded (Baron & Hannan, 1994). At its core, a channel network contains a focal organization that integrates upstream and downstream firms, such as a major technological firm (e.g., Hewlett-Packard) or marketing specialist (e.g., Nike). In this sense, network theory provides an excellent framework within which to understand how changes in one part of the channel ecosystem affect other parts. Managed networks of channel partners can offer superior information processing, knowledge creation, and adaptive properties to conventional, vertically integrated organizations. Rather than hinging on pure self-interest as the primary determinant of behavior, network theory emphasizes the normative and social structure in which exchanges are embedded (Baron & Hannan, 1994) and provides an excellent framework for understanding how changes in one part of channel eco-systems affect other parts.

2.1.3 Distribution Channel Models

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

costs are minimized, the desired information flow is achieved (e.g. number of sales, inventory, etc.) (Onkvisit & Shaw, 2004).

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

2.1.3.1 Direct-marketing channel model

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

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

2.1.3.2 Indirect-marketing channel model

The model contains one or more intermediaries. An indirect marketing channel can be both short and long. Only one trading company is included in the short channel. In the long channel, there are two or more intermediaries. The company may sell to intermediaries who further distributes to retail outlets. This may raise product costs since each intermediary will get their percentage of the profits. This channel may become necessary for large producers who sell through hundreds of small retailers. The limitations were the company has a greater number of levels means less control and greater channel complexity. If products stop being profitable or a competitive product offers a better profit potential, the channel intermediaries can stop the contract.

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

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

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

2.1.3.3 The traditional marketing channel model

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

In conventional marketing system each channel member works independently and seeks to maximize own profits. Therefore there is no certain control system in this channel to solve common conflicts.(Kotler et al., 2008) According to Dunne, Lusch & Carver (2011), conventional marketing system is highly ineffective and unproductive method. Conventional channel gives one intermediary a privilege to control others by use of power and resources. Channels are controlled by authoritative control mechanism, meaning that the most powerful members have the right to control and make decisions. (Weitz & Jap, 1995)

Evolution of this marketing channel led to development of three marketing systems: vertical, horizontal, and multichannel marketing systems (Kotler et al., 2012; Hollensen & Opresnik, 2014).

2.1.3.4 Horizontal marketing systems (HMS) model

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

2.1.3.5 Vertical marketing system (VMS) model

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

But the VMS approach is limited when a company starts to use more than one marketing channel to target their customers. The VMS approach focuses mainly on one channel. Interrelationships, conflicts and coordination issues between different channels are not considered. Additionally this approach is critically because it is based on the assumption that a channel captain exists, who has an important influence over the whole chain. But the current situation and projections of future trends show a decreasing influence of the manufacturer on the wholesale and retail level (Fritz & Graf, 2007). There are more and more independent intermediaries that have not joined a VMS. The new competition is now between whole systems of networks rather than individual business units (Kotler & Keller, 2006). Out of this critics in the next section a multi- channel approach is outlined which takes these limitations into account.

2.1.3.6 Multichannel Distribution Systems (MDS) model

This model occurs when a company employs two or more channels in order to serve one or more customer segments. This is also called a *hybrid marketing channel*. The consequences of having multiple channels are complexity of channel management, control, and cooperation, as well as high chances of channel conflict. Thus, before implementing MDS or adding an extra channel, companies should carefully plan their channel structures Panda (2009) and Doyle & Stern (2006). The presented and explained multichannel marketing system is illustrated in the figure 1.

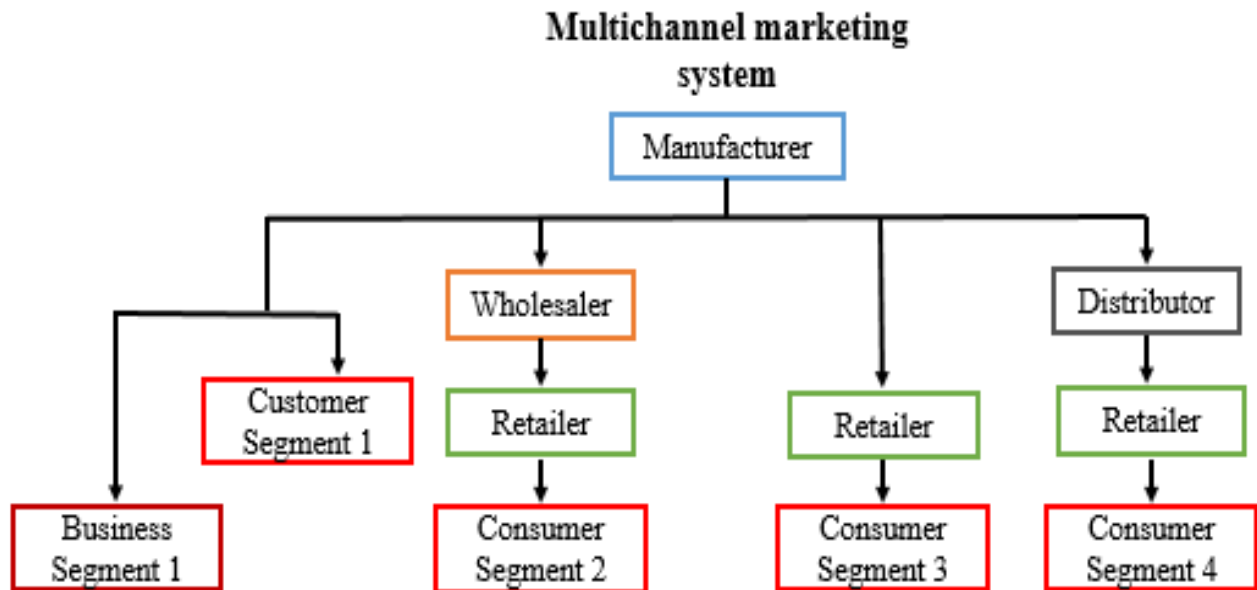


FIGURE 1. Multichannel distribution systems (Kazmi 2007; Panda 2009)

2.2 Empirical Review

2.2.1 Channel levels and performance

Kotler & Keller (2006) presented three levels in consumer channels strategy. According to him a one – level channel contains one selling intermediary such as a retailer. He found that the growth in retailer size has meant that it becomes economic for producers to supply retailers directly;

hence consumers now have the convenience of viewing and testing the product at the retail outlet. A two – level channel contains two intermediaries, a wholesaler and a retailer. According to him channels like this tend to occur where there are influxes of small retailers with limited order quantities; wholesalers can buy in bulk from producers and sell smaller quantities to numerous retailers. He maintained that a three– level channel contains three- intermediary that is sometimes used by companies entering into foreign markets.

Obaji (2011) on his study effects of channels of distribution in a selected Nigerian manufacturing company as it affects sales of its product. The findings revealed that the involvement of channels of distribution affects sales of product and that consumers prefer to buy from intermediaries than from producer channels. Based on the underlying assumption, the following were recommended for the study; that the channel members should influence several key decisions such as customer service, delivery, and maintain inventory control and the company should give adequate promotional support to the intermediaries, improve on delivery terms and also evaluate channel members regularly.

A reliance on a lower number of channels facilitates the coordination and close control over the way distribution functions are performed (Bucklin et al., 1996; Majumdar & Ramaswamy, 1994, 1995). It has been stated that “...when close coordination is needed, manufacturers are likely to limit distribution to reduce potential difficulties in channel operations and foster a supportive atmosphere in their exchange relationships” (Frazier & Lassar, 1996). In fact, the usage of multiple channels is likely to be seen by channel members as a lack of commitment by the supplier, decreasing trust and the performance of the channel system (Brandenburger & Nalebuff, 1996; Hibbard et al., 2001). Based on this argument, the researcher proposes a positive relationship between channel level and company performance on aspect market coverage.

2.2.2 Channel Control and performance

Anderson, Lodish, & Weitz (1987) attributed control measures to be problematic due to perceptual biases and attribution processes especially from the market domineering channels. It is thus recommended that a control system amongst distribution channels in the form of a set of agreements, programs, and interactions used by a firm in an attempt to shape strategies and actions of associated members in the value chain. Literature says that by market exchanges, the

price mechanism may be the only component of firms' control systems (Stern & Reve, 1980). In other forms of exchange, a complex array of different tools-levers may be used. Firms can rely on a mix of contracts, pricing and credit programs, promotional programs, merchandising aids, training programs, and inventory buyback programs, among other components.

Earlier studies indicate that firms in multi-channel distribution send employees unannounced to different intermediary locations to monitor their performance. Williamson (1985), attributed the costs associated with monitoring to being part of the costs of governing ongoing channel relationships, that is, transaction costs. However, in a study by Bello & Gilliland (1997), regarding efforts by U.S. manufacturers show that there is a positively relationship between monitoring and distributor performance. Knowing that a manufacturer is keeping track of certain performance outcomes, a distributor may be prone to focus more attention and resources on achieving them. Furthermore, feedback may be given as a result of monitoring efforts that aids firm performance. Kotler et al (2008), observe that historically distribution channels have been loose collection of independent companies, each showing little concern for overall channel performance. A conventional distribution channel consists of one or more independent producers, wholesalers, retailers. Each is a separate business seeking to maximize its own profits, even at the expense of profits for the system as a whole. No channel has much control over the other members and no formal means exist for assigning roles and resolving channel conflicts.

2.2.3 Channel Cooperation and Performance

Channel cooperation is the willingness of channel members to work together to ensure important channel functions are performed. No channel member can perform all of the functions necessary to move the product through the channel which places all the channel members into a state of mutual dependence. Because each firm depends on the other to carry out its functions efficiently and economically, cooperation among members is essential and vital behavior (Lynn and Robert., 1996). Since the major goal of channel members is that of profit maximization, members need to perform their functions in order to contribute to this goal which in turn will improve on their performance. Philips & lynn (1982) studied how the ability to lower clients' costs varies with performance. Philips et al. (1982) tested two explanatory theories (transaction costs and entrepreneurship) of intermediary performance and tried to link relationships performance but the practical value of their study to intermediaries is limited because they

considered performance from the manufacturer's perspective alone unlike this research which will look at performance from channel member's performance. Co-operation between partners can help improve the competitiveness of the chain (Marthac. cooper, Ellram & Lisa M, 1997) and the interaction between firms can be described as a social exchange process in which each channel member interactively increase its commitments to the relationship. The mutual commitment of these members allows them to acquire and develop mutual trust and dependence in the co-ordination of interdependent activities with the result that channel members individually and collectively enjoy greater productivity. Cooperation among channel members is vital and a necessary behavior. Sustained cooperation is required so that the channel will operate efficiently and all channel members will achieve their goals (Lynn & Robert, 1996). Channels cannot function without sustained cooperation in which each party knows what to expect of its opposite member.

Morgan and Hunt (1994) argue that partners that deliver superior benefits will be highly valued, and firms will commit themselves to establishing, developing, and maintaining relationships with such partners. Hence, cooperation is the only outcome posited to be influenced directly by both relationship commitment and trust. A partner committed to the relationship will cooperate with another member because of a desire to make the relationship work. Both theory and empirical evidence indicate that trust also leads to cooperation.

Effective channel power improves levels of satisfaction and cooperation among members and ultimately improves channel efficiency and effectiveness (Dwyer, 1980; Kasulis & Spekman, 1980; Frazier & Summers, 1986). One of the effective alliances is power imbalance or dependence (Smith & Barclay, 1997; Bucklin & Sengupta, 1993). Symmetric relative dependence exists when both partners are equally dependent on each other. Channel relationships that are asymmetric in relative dependence are more dysfunctional, less stable, and less trusting than symmetric relationships (Anderson & Weitz, 1989; Stern & Reve, 1980). Thus, the greater the interdependence, the stronger is the motivation to form a long-term, strategic partnership. The authors conclude that the cooperation effect is positive and significant.

2.2.4 Relationship between Channel Conflict and Performance

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

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

Channel conflict between channel members tends to be a very negative force which may lower profits for all parties (Yan, Guo et al., 2011). This is because conflict is a process in which one party perceives that its interests are being opposed or negatively affected by another party (Wall & Callister, 1995). Adding new channel channels to a distribution system usually implies changes in the channel to a distribution system usually implies changes in the roles and, consequently, in the compensation of existing channels, which is also likely to raise conflicts (Coelho & Easingwood, 2004) . Many studies have shown that conflict is virtually inevitable in marketing channels (Gaski, 1984). The adoption of a multiple channel strategy yields both benefits and drawbacks for firms. Coelho et al. (2003) evaluated 62 U.K. financial service firms and found that multi-distribution channels were associated with higher sales performance but

lower channel profitability. Singh (2006) also found that a channel's efficiency and its conflict were negatively correlated.

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

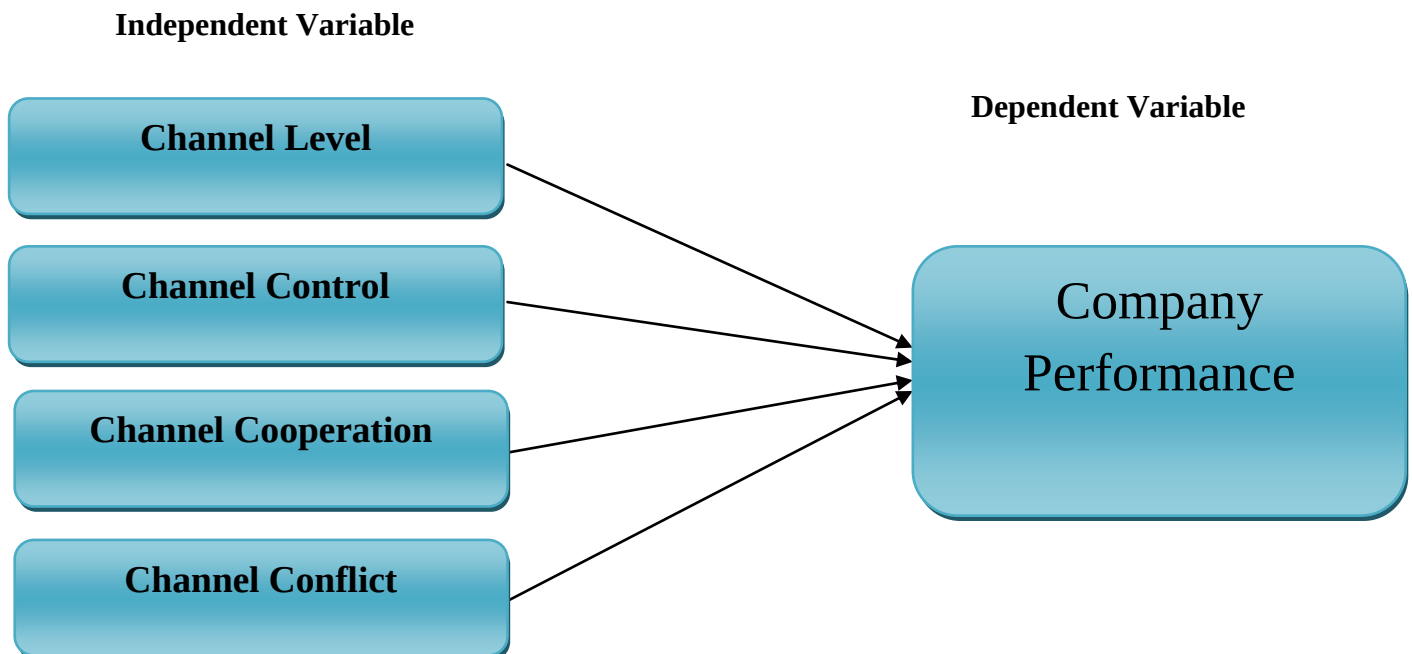
Many channel conflict studies (Webb, Hogan, (2002) & Seung, 2010) agree that there are two types of channel conflict. The first type is intra channel conflict, which is also termed vertical conflict and refers to the friction between a firm and the members of its distribution channels. The second type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

To summarize the previous studies that were reviewed in this research, the causes of Multiple channel conflict can be Inter-channel Conflict (poorly Designed Channel Structure, Resource Scarcity, Communication Difficulties, and Poor Channel Management) and intra-channel conflict (Using Coercive Powers, Incompatibility of Goals, Relationship with Lower Interdependence, and Differences in Perception of Reality Used in Joint Decision Making).

Therefore, at high levels of channel conflict, a negative relationship will prevail because firms will want to avoid its likely destructive effects. At low levels of conflict, a positive relationship will emerge, to take advantage of the benefits associated with moderate channel conflict.

2.3 Conceptual framework and Hypotheses

The conceptual framework was developed after review of related literature on the study variables and summarized as research propositions. A channel level of distribution affects sales of its product Obaji (2011). The channel control and monitor had an impact on company performance in aspects of sales growth, profitability and effectiveness Bello & Gilliland (1997). Cooperation and coordination among channel members is vital and required so that the channel will operate efficiently and all channel members will achieve their goals in-terms of sales growth and profitability (Lynn & Robert, 1996). Coelho & Easingwood (2007) propose that at high levels of channel conflict, a negative relationship will prevail because firms will want to avoid its likely destructive effects. The researcher chose these variables due to the fact that previous researchers identified that these variables are the ones that affecting company performance more and since the researcher believes that these variables are the ones that suits the study. The researcher also proposes hypotheses about how factors of multichannel distribution system affect company performance summarized as follows and represented as a model in Fig. 2 below.



Source: Figure 2: Conceptual framework (Developed by the researcher)

Proposed Model and Research hypotheses

The aim of this research is to investigate the relationship between channel level (CL), channel control (CC), channel cooperation (CCo) and channel conflict (CCf) with company performance (CP). The variables are taken from different papers discussed in the literatures taking into consideration the availability of data. The regression model of this study is estimated in the following form:

$$CP = \beta_0 + \beta_1 CL + \beta_2 CC + \beta_3 CCo + \beta_4 CCf + \varepsilon$$

Source: Developed for the research

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

H0: *Channel level has significance effect on company performance.*

H0: *Channel control has positive significant effect on company performance.*

H0: *Channel cooperation has positive significant effect on company performance.*

H0: *Channel conflict has negative significant effect on company performance.*

2.4 Summary

The use of multi-channel distribution is now becoming the rule rather than the exception, given the fragmentation of markets, advancements in technology, and heightened inter-brand competition, among other things. Multi-channel distribution has been identified as promoters of sales growth, improved satisfaction of consumers target and cost reduction by substituting high for low cost channels, increased number means linking company with market sections, reduced business risks and diversified sources of company business. While multi-channels distribution potentially increase the firm's penetration level and raise entry barriers, intra-brand competition and intra-channel conflict may become major problems, leading to lowered levels of support in the firm's direct and indirect channels. Manufactures indeed need to do their homework before going multi-channel due to the unique nature and complexities involved.

CHAPTER-3

RESEARCH METHODOLOGY

This chapter briefly discusses the methodology used in this research. It cover explanations of the research approach and design, Data Sources and types, Population and sampling techniques, Data collection instruments Method, and Data presentation and analysis. At the end an ethical consideration briefed.

3.1 Research Approach

According to Creswell (2003), there are three basic types of research approaches including quantitative, qualitative, and mixed approach.

Qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant's setting, data analysis inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data (Creswell, 2003).

Quantitative research is an approach for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures (Creswell, 2003).

Mixed methods research is an approach to inquiry involving collecting both quantitative and qualitative data, integrating the two forms of data, and using distinct designs that may involve philosophical assumptions and theoretical frameworks. The core assumption of this form of inquiry is that the combination of qualitative and quantitative approaches provides a more complete understanding of a research problem than either approach alone (Creswell, 2003).

Thus, in order to achieve the objective of this study and answer the research questions quantitative research approach were used.

3.2 Research design

A research design is a set of advance decisions that makes up the master plan specifying the methods and procedures for collecting and analyzing the needed information (Burns & Bush, 2003). Saunders, Lewis and Thornhill (2007) indicate that research design is the general planning about how the researcher will go about answering his or her research questions.

According to Burns & Bush (2003) research designs are classified into three categories: exploratory, descriptive, and causal. The choice of the most appropriate design depends largely on the objectives of the research. Exploratory research is most commonly unstructured, informal research that is undertaken to gain background information about the general nature of the research problem. Accordingly, exploratory research does not have a formalized set of objectives, sample plan, or questionnaire. In contrast to exploratory designs, descriptive research is undertaken to describe answers to questions of who, what, where, when, and how. The third one is explanatory, studying a problem with the purpose to explain the relationships or dependencies between variables. However, sometimes a research can be both descriptive and explanatory (Saunders et al., 2009).

A multichannel distribution system is a distribution system in which a firm sets up two or more marketing channels to reach one or more customer segments. The researcher was used explanatory research design in order to determine the relationship between the dependent and the independent variables and to establish any association between these variables. Under the similar study on multichannel distribution Matthew et al. (2012) for their research were used cross-sectional and adopted of both the qualitative and quantitative study designs.

3.3 Data Source and Types

Both primary and secondary data types were used in the study. Primary data are information that has not been published. In other words, it is the first-hand-data this data were obtained from Company Sales and Marketing staff and Depots. Secondary data is information that has been collected earlier by somebody else and for some other purposes. This type of data includes both raw data (with a little or no processing) and complied data (processed and/or summarized information). Secondary data can be gathered in magazine articles and newspapers, management reports, and on websites with statistical information, etc., then this data can be described and

interpreted from the researcher's own perspective and of his/her own research interest. Though the researcher was used secondary data by manipulating from Company internal Sources and previous research works.

3.4 Population and Sampling Technique

The researcher uses two universes of population for the study, Employee of MoHA in Addis Ababa plants and Intermediaries of MoHA. Sales and Marketing employees of the three plants and Depots/Distributors were the target population respondents. These respondents were chosen because they are well positioned to provide the needed data for the research. They were selected by virtue of their qualification, experience and their expertise in the area of distribution.

The population of the study was 125 respondents, consisting of 45 sales and marketing employees of the plants and also comprises of 80 Depots/distributors.

The sample size were 106 respondents selected based on a table for determining sample size by Krejcie and Morgan, (1970) which states that for a population of 45 employee respondents a sample of 40 respondents and for a population of 80 depots respondents a sample of 66 are appropriate.

The researcher was used Probability sampling methods due to the exact size of the population were known for the moment in time that sampling take place. The researcher was assured by the sample method that the chances of any one population member being selected into the sample could be computed. This is an important theoretical notion underlying probability sampling (Burns & Bush, 2003). The researcher was used stratified random sampling and the strata's are employee and depots. Stratified random sampling is a probability sampling procedure in which sub-samples are drawn from within different strata. The number of sampling units drawn from each stratum is proportionate to the population size of the stratum. For employee status, position, and year of experience working in sales and marketing department and for depots years of working with MOHA as distributor respondents were selected that guarantees each member of the population in the sample frame has an identical chance of being selected into the sample.

The researcher has seen some relatively similar researches conducted in the area of multiple distribution arena and much of the studies used similar sampling techniques that the researcher used (Syeda et al., 2011; Hancar & Yucelt, 2012).

3.5 Data Collection Instrument

Data collection plays an important role in research as it is the most essential information for a study. Besides, the accuracy of a result is based on the precision of the data and this study were used the data collected for analyzing purpose. Similar to other researchers (Rosli *et al.*, 2012; Mukhamad & Kiminami, 2011; Eitan *et al.*, 2006; Roper & Love, 2001), in order to collect data from the primary sources, this research were adopting structured questionnaire as data collection instrument, which help the researcher to draw the appropriate information. The researcher was used secondary data by manipulating from Company Internal Sources, previous research works, and websites. In a business research it is highly recommended to use both qualitative and quantitative techniques and procedures and also primary and secondary data (Saunders et al., 2009).

Questionnaires are particularly suitable tool for gaining quantitative data but can also be used for qualitative data (Walliman, 2011). The development of the questionnaires were done through these stages: a review of literature where various statements pertaining to tasks and criteria for multichannel determinants and constructs have been identified and refined; these statements were given to marketing experts and senior marketing staff for further refinement and ranking; and these statements were further refined and the less important tasks and criteria were omitted for inclusion in the survey. All the constructs were measured using multi-item rating scales used in the study had received psychometric attention in the domain of marketing channel research.

The measurement scales came from Pieterse (2009), to measure the four factors (Channel level, Channel control, Channel cooperation , and Channel conflict) on a five-point Likert rating scale anchored between strongly disagree and strongly agree that administered by selected respondents' staff and researcher administered for Depots. Before administering the questionnaire, preliminary test were conducted with my advisor and with professionals related to the subject under study to validate whether the questions used in the questionnaire are adequate to capture the phenomenon of interest or not. The instruments were adequately test for reliability and validity.

3.6 Data Analysis Techniques

If a study has been conducted in a scientifically rigorous manner, the data were held the clues necessary to answers the researchers' questions. To unlock these clues, researchers typically rely on a variety of statistical procedures (Geoffrey et al, 2003).

First, the researcher were collected the needed data by administrating a questionnaire. After that, collected data were rearranged, edited and calculated in order to become complete data that is needed for this study. Next, the data analysis was made by using both descriptive and inferential statistics. Descriptive statistics such as frequencies, means and standard deviations were used to summarize and present the data. This study employs the correlation analysis, which investigates the strength of relationships between the studied variables. Pearson correlation analysis was used to provide evidence of convergent validity.

With regard to inferential statistics, regression analysis was used to test the significance contribution of each independent variable to the dependent variable company performance. Multiple regression were used because four independent variables to predict a single dependent variable. The regression model was determining the relative impact of each independent variable on dependent variable company performance.

3.7 Reliability and Validity

A reliability test is used to assess consistency in measurement items (Cerri, 2012). Cronbach's alpha is used to measure the internal consistency of the measurement items. Higher Alpha coefficients indicate higher scale reliability. Specifically, Nunnally as cited in Eze et al., (2008) suggests that scales with 0.60 Alpha coefficients and above are considered acceptable

As shown in the table below, Scale Reliability Cronbach Alphas coefficients for determinants of multichannel distribution items range from 0.634 to 0.745. The scale of channel control and channel cooperation developed in this study also demonstrates high internal consistency, with a Cronbach coefficient of 0.766 and 0.710 respectively. And the overall Cronbach alpha coefficient for expected-scale items is 0.858. Therefore, the expected scales used in this study demonstrate high reliability.

Table 1: Reliability analysis of Variables

Variables	Cronbach's alpha coefficient	Number of Items
Channel Level	0.634	4
Channel Control	0.766	5
Channel Cooperation	0.710	5
Channel Conflict	0.685	6
Company performance	0.862	4
Reliability of Total Scale	0.874	24

Source: Own Computation of Data Survey (2017)

Validity refers to the extent of which a test measures what we actually wish to measure (Blumberg et al., 2005).

The questionnaire was adapted from other research paper by Boontharika Banjongjit (2010). Pilot testing allows assessing the question's validity and the likely reliability of the data (Ranjit, 2011). It also enables the researcher to know whether the design of data collection instruments is successful in meeting the research objectives and in obtaining meaningful responses.

Therefore, pilot test was conducted and this validation was made to get some evidence on whether the content of the items was relevant in helping to answer the research questions as well as to check the clarity of the questions.

3.8 Ethical Considerations

In this research study, issues relating to the ethical conduct of research such as informed consent, confidentiality and privacy were upheld. According Blumberg, et al, (2005) ethics is the norms

or standards of behavior that guide moral choices about our behavior and our relationships with others. In addition, the goal of ethics in research is to insure that no one is harmed or suffers adverse consequence from research activity. Participants and respondents were given full information on the purpose and objectives of the study in order for them to make informed decisions. They were promised that all data to be collected were used solely for the academic study purpose and were kept confidential. Finding and results obtained from the study were presented without any biases. The works of scholar cited in the study are properly acknowledged.

CHAPTER-4

DATA PRESENTATION, ANALYSIS AND FINDINGS

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

In order to make the collected data suitable for the analysis, all questionnaires were screened for completeness. All returned incomplete questionnaires were considered as errors and removed from the survey data and the return rate was 90.5 %. The collected data were 35 from employee and 61 from depot. Therefore 96 questionnaires were found to be valid and used for the final analysis.

4.1 Descriptive Analysis

The summary of descriptive statistics that was intended to give general descriptions about the data (both dependent and independent variables) is presented below. The total number of observation for each variable was 96. Accordingly, frequency, mean and standard deviation values of each variable were used so as to show the overall trend of the data.

The summary table 2 shows the opinion of respondents on impact of determinants factors on company performance. The data of channel level, channel control, and channel cooperation shows that the majority of the respondents have “agreed” and “strongly agreed” with 86%, 88%, and 92% respectively. These imply that most of the respondents have an opinion to agree these factors have influence on company performance.

However, Channel conflict shows a high opinion with 74 % of the respondents who are “strongly agree” and “agree”, these responds comes from a negative statement of channel conflict items and an agreement reflects an unfavorable response. Accordingly a “strongly agree” response to a

favorable statement and a “strongly disagree” response to unfavorable statement would both receive score of five.

One statistical approach for determining equivalence between groups is to use simple analyses of means and standard deviations for the variables of interest for each group in the study (Marczyk, Dematteo & Festinger, 2005). The mean indicates to what extent the sample group on average agrees or does not agree with the different statement. The lower the mean, the more the respondents disagree with the statement. The higher the mean, the more the respondents agree with the statement. Regarding this aspect of the study respondents were required to rate the items in the instrument on the basis of a five point scale and for the purposes of interpreting the findings, Means that are close to 1 or 2 reflect disagreement, while Means close 4 or 5 reflect agreement. Means close to 3 reflect uncertainty with the statement and therefore a need to address the issue represented. For a negative statement an agreement reflects an unfavorable response. Accordingly a “strongly agree” response to a favorable statement and a “strongly disagree” response to unfavorable statement would both receive score of five.

Based on the descriptive analysis in Table 2, the mean score for channel cooperation is relatively high (4.30) this describe that most of the respondents agree Channel cooperation have an effect on company performance on basis of increasing market coverage and sales improvement. The same is relatively true for channel control and channel level that has a mean score of 4.22 and 4.12 respectively. Since for a negative statement an agreement reflects an unfavorable response, so the mean score of channel conflict ($M=3.92$) reflects that most of the respondents agree on that channel conflict adverse effect company performance.

The results indicate that in general, efficiency in multichannel distribution promotes company performance (Mean=3.83) and that there is better market coverage, sales growth and profitability. The results also indicate that poor management in multi-channel distribution conflicts hinders company performance. The standard deviation on the above table shows all the independent variables are more close to its mean.

Table 2: Descriptive Analysis summary

Variables	Respondent	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard deviation
Channel Level	Employee	0%	6%	20%	40%	34%	4.01	0.941
	Depots	0%	0%	7%	59%	34%	4.18	0.477
	Total	0%	2%	11%	52%	34%	4.12	0.683
Channel Control	Employee	3%	9%	3%	46%	40%	4.19	0.874
	Depots	0%	2%	8%	57%	33%	4.24	0.568
	Total	1%	4%	6%	53%	35%	4.22	0.691
Channel Cooperation	Employee	9%	9%	0%	37%	46%	4.26	0.878
	Depots	0%	0%	3%	59%	38%	4.33	0.415
	Total	3%	3%	2%	51%	41%	4.30	0.621
Channel Conflict	Employee	0%	3%	14%	51%	31%	4.07	0.704
	Depots	0%	0%	31%	59%	10%	3.74	0.583
	Total	0%	1%	25%	56%	18%	3.86	0.645
Channel Performance	Employee	0%	9%	20%	40%	31%	3.80	1.020
	Depots	0%	8%	13%	56%	23%	3.85	0.852
	Total	0%	8%	16%	50%	26%	3.83	0.912

Source: Own Computation of Data Survey (2017)

4.2 Correlation Analysis

This study employs the correlation analysis, which investigates the strength of relationships between the studied variables. Pearson correlation analysis was used to provide evidence of convergent validity. Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk, Dematteo & Festinger, 2005). General guidelines correlations of .10 to .30 are small/weak, correlations of .30 to .70 are moderate, correlations of .70 to .90 are large/strong, and correlations of .90 to 1.00 are very large. In order to determine the most influencing factor for predicting company performance relationship between all variables was determined through correlation analysis before proceeding to regression analysis.

As per Table 3, the coefficients show that determinant factors of multichannel distribution affecting company performance were three of them (channel level, channel control and channel cooperation) positively related with company performance within the range of 0.321to 0.408,

they are significant at $p < 0.01$ level. While the other one (Channel conflict) seems to have no significant influence on company performance. For a negative statement an agreement reflects an unfavorable response. A further look into each factor indicates that the two independent variables i.e. channel level ($r=0.408$), channel control($r=0.408$), and channel cooperation ($r=0.321$), are important determinants of multichannel distribution for increasing market coverage, sales volume and profitability of company performance.

Regarding the relationship between the independent variables, the table below clearly shows that channel level were significantly correlated with channel control and channel cooperation and the channel control were also correlated with channel cooperation and channel conflict at a significance level of $p < 0.01$. The correlation between channel control and channel cooperation is the highest ($r=0.715$) followed by the correlation between channel level with channel cooperation and channel conflict ($r=0.481$).

Table 3: Correlation between independent and dependent variables

Variable	Channel level	Channel Control	Channel Cooperation	Channel Conflict	Channel performance
Channel Level	1	.481	.481	.225	.408
Channel Control		1	.715	.305	.408
Channel Cooperation			1	.343	.321
Channel conflict				1	.178
Channel performance					1

Source: Own Computation of Data Survey (2017)

4.3 Inferential Analysis

The aim of this research is to examine effect of multichannel distribution system on company performance. And investigating the relationship between the determinants factors of multichannel distribution Channel level (CL), Channel control (CC), Channel cooperation (CCo), and Channel conflict (CCf) with company performance (CP). The variables are taken from different papers discussed in the literatures taking into consideration the availability of data. A multiple linear regression model was used to determine the relative impact of each independent variable in explaining the influence on company performance. The model of multiple regression of the variables include β_0 , β_1 , β_2 , β_3 = regression coefficients was developed and conducted in the following form:

$$CP = \beta_0 + \beta_1 CL + \beta_2 CC + \beta_3 CCo + \beta_4 CCf$$

Source: Developed for the research

4.3.1. Diagnostic Analysis

Before run a multiple regression analysis diagnostic checking of there is no multi-collinearity occurs and normality test were done.

Multicollinearity

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

According Burns and Bush (2003), the VIF is a single number, and **a rule of thumb** is that as long as the VIF is less than 10, multicollinearity is not a concern. With a VIF of greater than 10 associated with any independent variable in the multiple regression equation, it is prudent to

remove that variable from consideration or to otherwise reconstitute the set of independent variables. The multi collinearity Table-4 below indicates that the value of VIF of all independent variables is less than 10, so multicollinearity is not a concern and therefore multiple regression findings holds true.

Table 4 Multi collinearity table

Variable	t	Sig	Collineraity Statistics	
			Tolerance	VIF
Channel level	2.549	.012	.718	1.392
Channel Control	2.154	.034	.470	2.126
Channel cooperation	.118	.907	.437	2.289
Channel conflict	-.539	.591	.786	1.272

Source: Own Computation of Data Survey (2017)

Normality

Normality tests are used to determine if a data set is well-modeled by a normal distribution. Here two tests for normality are run. For dataset small than 2000 elements, we use the Shapiro-Wilk tests; otherwise, the Kolmogorov-Smirnov test is used. Since this research has only 96 elements, the Shapiro-Wilk test was used. The normality table 5 indicates that distribution of the sample observation is symmetric about its mean. The Shapiro-Wilk statistic has a p-value of 0.000 implies that the p-value for the Shapiro-Wilk test is less than 0.05 which indicates that the data is normally distributed.

Table 5: Normality table

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Company performance	.219	96	.000	.906	96	.000

4.3.2 Regression Results

The regression model (Appendix-III) presents how much of the variance in the measure of company performance is explained by the underlying factors of multichannel distribution (the model). The R-squared of this model is 0.230, which means that 23% of the total variation of company performance at MOHA Soft Drinks Industry S.C. is explained by the total variation of multichannel determinants channel level, channel control, channel cooperation and channel conflict. Whereas, the adjusted R-squared is 0.196, which means that 20% of the total variation of company performance is explained by the total variation of channel level, channel control, channel cooperation and channel conflict, by taking into account the number of independent variables and sample size. Although, the remaining 77% and 80% of the change is explained by other factors which are not included in this study model, both the R-squared and the Adjusted R-squared values in this study are found to be sufficient enough to infer that the fitted regression line is very close to all of the data points taken together (has more explanatory power). R-Squared greater than 20% is still large enough for reliable conclusions for such data (Cameron Trivedi, 2009; Hsiao, 2007, and Nyamsogoro, 2010).

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

The ANOVA table (Appendix-IV) shows the overall significance/acceptability of the model from a statistical perspective. As the significance value of F statistics shows a value of 6.804 and p- value (.000), which is less than $p < 0.05$, the model is significant. This indicates that the variation explained by the model is not due to chance. As it is stated earlier in this chapter, this study aims to identify the most influencing independent variables in the prediction of the dependent variable. Thus, the strength of each predictor (independent) variable influence on the

criterion (dependent) variable can be investigated via standardized Beta coefficient. The regression coefficient explains the average amount of change in dependent variable that is caused by a unit of change in the independent variable. The larger value of beta coefficient that an independent variable has more influence and more important in predicting the dependent variable.

According to Table 6, the regression standardized coefficients for the four independent variables, i.e. channel level, channel control, channel cooperation and channel conflict are 0.277, 0.289, 0.016 and -0.056 respectively. Their significance levels are 0.012, 0.034, 0.907 and 0.591 respectively. The significant values of channel level and channel control are less than 0.05; it indicates that there is significant relationship between them and the company performance. And these determinant factors which are perceived to be important in predicting company performance. Since the significance values of the other two channel cooperation and channel conflict variables are greater than 0.05 there is no significant influence in predicting company performance.

Table 6: Regression table

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.905	.692		1.308	.194		
Channel level	.369	.145	.277	2.549	.012	.718	1.392
Channel Control	.381	.177	.289	2.154	.034	.470	2.126
Channel cooperation	.024	.204	.016	.118	.907	.437	2.289
Channel conflict	-.079	.146	-.056	-.539	.591	.786	1.272

Source: Own Computation of Data Survey (2017)

The developed regression model:

$$CP = 0.905 + 0.277 CL + 0.289CC + 0.016CCo - 0.056 C Cf$$

The following section demonstrates the impact of each explanatory variable on company performance.

Hypothesis testing of the relationship between channel level (CL) and company performance:

HO: Channel level has significance effect on company performance.

Conclusion: According to the regression table result beta is 0.277 and is significant (0.012) at 95%. There is a significant effect channel level on company performance. This means that an increase by 1% of channel control will result in 0.28% increase on company performance, holding other variables constant.

Hypothesis testing of the relationship between channel control (CC) and company performance:

HO: Channel control has positive significant effect on company performance.

Conclusion: According to the regression table result beta is 0.289 and is significant (0.034) at 95%. There is a positive significant effect channel control on company performance. This means that an increase by 1% of channel control will result in 0.29% increase on company performance, holding other variables constant.

Hypothesis testing of the relationship between channel cooperation (CCo) and company performance:

HO: Channel cooperation has positive significant effect on company performance.

Conclusion: According to the regression table result value 0.971 in excess of at 95%. There is a no significant effect between channel cooperation on company performance.

Hypothesis testing of the relationship between channel conflict (CCf) and company performance:

HO: Channel conflict has negative significant effect on company performance.

Conclusion: According to the regression table result value 0.591 in excess of at 95%. There is a no significant effect channel level on company performance.

Table 7: Summary of the Research Hypotheses

Hypothesis	Result	Reason
H0: Channel level has significance effect on company performance.	Ho: Accept H1:Rejected	$\beta = -0.277, p < 0.05$
H0: Channel control has positive significant effect on company performance.	Ho: Accepted H1: Rejected	$\beta = 0.289, p < 0.05$
H0: Channel cooperation has positive significant effect on company performance.	Ho: Rejected H1:Fail to Reject	$\beta = 0.016, p > 0.05$
H0: Channel conflict has negative significant effect on company performance.	Ho: Rejected H1:Fail to Reject	$\beta = -0.056, p > 0.05$

4.4 Independent Factors Affecting company performance based On Respondents' category

In order to examine if there is a difference between the respondents category (employee and depots) and the factors they consider as being important in influencing the company performance, two inferential statistics techniques were employed. These are independent t-test and one-way ANOVA which help to compare respondent type and investigate how they are

related with the independent variables or factors. This research t-test was used to test mean differences between two respondent categories.

According Table-8, the result of independent sample t-test shows that the mean difference between employee and depot subjects with the channel level, channel control and channel cooperation re .166, .051, and .074 respectively is not significant as their p values are more than 0.05 and the mean difference between category with channel conflict is also not significant as the p value greater than 0.01.

Table 8: Independent Sample t-test

t-test for Equality of Mean							
Variable	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						Lower	Upper
Channel level	-1.148	94	.254	-.166	.145	-.453	.121
Channel Control	-.345	94	.731	-.051	.147	-.343	.242
Channel cooperation	-.560	94	.577	-.074	.132	-.336	.188
Channel conflict	2.445	94	.016	.326	.133	.061	.591
Company performance	-.249	94	.804	-.048	.194	-.434	.337

4.5 Discussions on Findings

The study was designed and carried out to examine the influence of the determinant factors of multichannel distribution system on company performance. As discussed on the introduction part of this study, the MOHA employed multichannel system to distribute the products to different outlets in Addis.

This paper has particularly tried to see four factors that have effects on firm performance as proposed by and adopted from the works of Pieterse, 2009.

The regression model was significant and thus reliable for making conclusions and recommendations ($F=6.804$; $Sig. = 0.000$). The most significant predictor of company performance was channel control ($Beta= 0.289$, $t= 2.154$, $Sig. = 0.034$) followed by channel level ($Beta= 0.277$, $t= 2.549$, $Sig. = 0.012$). Channel cooperation and channel conflict were found to be an insignificant predictor of company performance. The findings revealed that channel control and channel level were strong predictors of company performance whereas channel cooperation and channel conflict were found to be an insignificant predictor of company performance.

The research's finding has similarity with that of another research Brandenburger & Nalebuff, (1996) Frazier & Lassar (1996) in that channel level has significant effect on company performance. The same result was also achieved by Obaji (2011) revealing that customer prefer to purchase the products more from intermediary rather from manufacturer.

The Channel control result was consistent with Anderson, Lodish, & Weitz (1987) and Bello & Gilliland (1997) in that of channel control improve sales of the company.

Coelho & Easingwood (2003) positive significant association between channel cooperation and company performance is that Co-operation between partners can help improve the competitiveness of the chain and the interaction between firms. However, this research result is consistent Morgan and Hunt (1994), Smith & Barclay (1997) and Bucklin & Sengupta (1993). The results indicate that even though channel cooperation has a positive impact on company performance, it is not very crucial.

The expected negative coefficient estimates of channel conflict is inconsistent with Yan, Guo et al., (2011) and Coelho & Easingwood (2007) propose that at high levels of channel conflict, a negative relationship will prevail because firms will want to avoid its likely destructive effects. However, this research result is consistent Bengtsson & Kock, 2000; Brandenburger & Nalebuff, 1996; Gassenheimer et al., 2006. The proper management of co-operation and the presence of moderate levels of competition in the channel system may originate positive outcomes. At low levels of conflict, a positive relationship will emerge, to take advantage of the benefits associated with moderate channel conflict Gundlach & Cadotte(1994).

The regression analysis of the current study also showed that there are other factors other than the ones found to be significant by this study. This is because the adjusted R-square comes out To be 19.6% implying that the rest 80.6% of company performance is to be determined by other factors (i.e. other than the ones that come significant in the current study).This is true in that other researches on the area have come up with many other factors that influence have effect on company performance. The results of Matthew, Samuel, and Patrick (2012) revealed that factors like transportation optimization, delivery service improvement, channel pricing, trading partner collaboration and regulatory compliance as other means of improving multi-channel distribution.

The hypotheses raised at the beginning of the study were also addressed in the analysis. Two of the hypotheses were Rejected (i.e. ones related with channel cooperation and channel conflict) and two of them accepted (i.e. the ones related with channel level and channel control).

The findings of the t-test results also showed that the independent factors affecting company performance have no differences among the category of respondents.

CHAPTER- 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter aims to review the findings of the research and conclude the findings with regard to the objectives of the study to examine the impact of the determinant factors of multichannel distribution system on company performance. Recommendation that focuses on how the problem identified could be addressed was and further research work for future recommended was included in this chapter. Limitations during study were also included at the end of this chapter.

5.1. Summary of Major Findings

The main objective of this study is to examine the effect of multichannel distribution on company performance by investigating the relationship between the determinants factors of multichannel distribution Channel level, Channel control, Channel cooperation, and Channel conflict with company performance.

From the correlation analysis, the factors (independent variables); channel level, channel control, and channel cooperation were found out to be correlated with company performance (i.e. dependent variable). The other one variable channel conflict was found to have no significant correlation with the dependent variable. From the regression analysis, it's observed that only two factors (i.e. channel level and channel control) out of the four studied independent variables come out to significantly affect company performance. When put in the order of significance from high to low, channel control and channel level affect company performance. From t-test it's observed that respondents category of employee and depot have no significant difference on influence of the underlying factors.

5.2 Conclusion

In general, the study looked at the relationships between the determinant factors of multi distribution system channel level, Channel control, Channel Cooperation, Channel Conflict and Company performance in MOHA Soft drinks industry. From the findings, the relationships between channel level and channel control with company performance were found to be positive

and significant whereas, channel cooperation and channel conflict relationships were insignificant. It also examined the variance in company performance that is explained by the independent variables of channel control and channel level. Channel control and channel level were found to be significant predictors of company performance. Channel control was the most significant predictor. The independent variables combined together accounted for only 20% variance in company performance in the MOHA soft drinks industry. Other factors affecting company performance of the MOHA recoded 20%.

5.3. Recommendations

Basing on the results of this study, recommendations are made that can help to improve performance of MOHA distribution strategy. These recommendations do not solely apply to the company but to all organizations that are committed to improving performance and competitiveness through multichannel distribution factors of Channel level, channel control, Cooperation and Channel Conflict. In light of the research findings, the following possible recommendations are forwarded:

- ❖ From the findings, the regression analysis revealed that the model could only explain 20% in variance of the company performance of MOHA. The researcher recommends that a study be carried out comprising of other variables which were not part of the model to try and predict the company performance.
- ❖ According to the findings, channel control was found to be the major predictor of company performance of MOHA. In a channel relationship, control has positive effect on performance. Once distributors have more communication, commitment, and cooperation with the company, their satisfaction will be increase and also will prefer to continuously work with the manufactures. In addition a number of channel management issues must be addressed. These are the selection, motivation, training and evaluation of channel members and managing conflict between company and channel members.

- ❖ According to the findings, relationships between the study variables MOHA soft drinks industry need to put a lot of attention on the significant relationships between the study variables on company performance as a means of improving the performance of the company.
- ❖ According to the findings, channel level was found to be the second major predictor of company performance of MOHA. In today's business world an increased channel of distribution and its network have become an important source of success and competitive advantage. Manufacturer's success cannot be reached from own effort alone; having a good partner in distribution is very important. Though the company takes great care about choosing the right distributors. This will involve the following selecting criteria:

5.4 Limitations and Direction of the Study

The study was conducted and limited on the bottling units of MOHA Soft drinks Industry that sited in Addis and selected company representatives and depots in Addis Ababa by taking sample. Even if the sampling techniques have its own limitations the researcher made use of scientific method of sample size determination to become more accurate on the conclusion. The research design that researcher uses explanatory has it is own limitations of inferred casualty and proved with a high level of certainty. Besides to overcome the limited number of studies on the sector of Soft drinks beverage in Ethiopia, I use different research work on previous literature.

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

- ❖ Respondents withholding information due to fear of being victimized however the researcher convinced the respondents that the information would be kept confidential.
- ❖ Unwillingness of respondents to fill questionnaires. The researcher remained in constant contact with the respondents and made sure reminders are sent to them to fill the questionnaires.
- ❖ Respondents having a view of not obtaining any direct benefit from the research results. However the researcher convinced the respondents to spare some little time

to answer the questions and further explained that the recommendations of the research would be presented to management for the benefit of employees.

Despite the increasing importance of the multi-channel distribution strategies in supporting and boosting firm performance in manufacturing and distribution sectors, further empirical research works could be carried out to determine:

- ❖ Channel level, Channel control, Cooperation and Channel Conflict predicted 20% of the variance in company performance. Further studies should establish what other factors explain the variance in company performance of MOHA.
- ❖ The impact of multi-channel product distribution on financial performance of distributors.
- ❖ Further case studies aimed at other industries may be useful. Extensions for managing multichannel distribution also warrant firm performance.

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APPENDIX-I
SURVEY QUESTIONNAIRE
ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE
DEPARTMENT OF MARKETING MANAGEMENT

Greetings,

Dear Respondents my name is Solomon Gosaye and I am a graduate student at Addis Ababa University college of Business and economics, School of Commerce. Currently, I'm undertaking my thesis under the title **“Effect of Determinant factors of Multichannel distribution System on company performance”**, by taking a survey on MoHA Soft Drinks Industry S.C. for partial fulfillment of Master of Art Degree in Marketing Management. The study is intended to find out how the factors of multichannel distribution system are affecting MoHA Soft drinks industry performance on bases of sales, profitability and market coverage.

The purpose of this questionnaire is to assess your thoughts and feelings about the newly employed multichannel distribution system and their factors impact on company performance. The result of this study is believed to benefit the company to improve distribution channel strategy which is in favor of the needs and wants of its customers. It also helps the company management to focus their attention on the management of multichannel distribution system so as to take corrective actions where necessary, benefitting it's customer to enjoy a better and efficient distribution system. The completion of the research substantially depends on your cooperation and of the information you give in this questionnaire. Furthermore, the information you provide will be solely used for academic purpose. Therefore you are requested to give a genuine response to the questions. There is no need of writing your name and be assured that any information you provide will be kept in a strict confidential manner.

Thank you for taking your treasured time to fill out the questionnaire. I appreciate your collaboration in advance. For any inquiry please feel free to contact me through;

My email: leule.solo@gmail.com or Mob. +251 913-78 77 11

How do you rate the impact of multichannel distribution on company performance with respect to determinants factors (Channel level, Channel Control, Channel Cooperation, and Channel Conflict) on bases of Sales growth, profitability, and market coverage?

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

	Determinant factors	SD (1)	D (2)	N(3)	A(4)	SA (5)
<i>Channel level(CL)</i>						
CL1	The additional channel level increase the company customer base and market coverage	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
CL2	The additional channel level increase the customer preference, convenience & availability for the company product	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
CL3	An improved customer service, delivery, and maintain inventory by Depots' for the channel will increase the company market	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

CL4	Retail outlets prefer to buy from Depots than from producer channels this in turn increase the company sales	☐	☐	☐	☐	☐
Channel Control(CC)						
CC1	The Company's demarcation the market territory and close control of Depots in their area of assignment increase the company sales.	☐	☐	☐	☐	☐
CC2	An attainment of Sales quota and good inventory holding by Depots leads to an improved sales growth of the company	☐	☐	☐	☐	☐
CC3	Depots loyalty and brand image building increase the company sales	☐	☐	☐	☐	☐
CC4	The company contractual agreement and price policy are useful tools to control channel members and sales improvement	☐	☐	☐	☐	☐
CC5	The distributors co-operate with company in promotional and training programs that enhance sales of the company	☐	☐	☐	☐	☐
Channel Cooperation(CCo)						

CCo1	The company keeps the channels under a mutual dependence relationship to increase their market coverage	☐	☐	☐	☐	☐
CCo2	The depots' less trust and poor communication with the company leads to collapse the market	☐	☐	☐	☐	☐
CCo3	An improved communication, commitment, and cooperation of depots with the company leads to broaden the company market coverage	☐	☐	☐	☐	☐
CCo4	Using of channel power by the company for achieving better cooperation leads to expand the market	☐	☐	☐	☐	☐
CCo5	A better information, products and services flow between the company & Depots and have an increased market share	☐	☐	☐	☐	☐
Channel Conflict (CCf)						
CCf1	Even if Conflict is viewed as being inevitable , it affects company profitability	☐	☐	☐	☐	☐
CCf2	There is a conflict between company and Depots in opening of new Depots for same area and reduction of area and thus affect company profitability	☐	☐	☐	☐	☐
	There is a conflict between company and Depots in Product delivery and availability of POP					

CCf3	materials that leads to affect profitability	☐	☐	☐	☐	☐
CCf4	Lack of sales efforts by depots and improper communication create conflict among channel members and leads to hinder company performance	☐	☐	☐	☐	☐
CCf5	There is conflict among channel members due to have difference in goals and desired product lines and in turn affect the company profitability	☐	☐	☐	☐	☐
CCf6	There is resources scarcity and communication difficulties in the company that causes for multichannel conflict and hence profitability affected	☐	☐	☐	☐	☐
Company Performance (CP)						
CP1	The market coverage by the company's product have increased with multi-channel distribution system	☐	☐	☐	☐	☐
CP2	Multi-channel distribution of the company minimizes costs and ensures that there is profit	☐	☐	☐	☐	☐
CP3	Multichannel distribution system of the company creates competitive advantage for the company	☐	☐	☐	☐	☐
CP4	Multi-channel distribution of the company minimizes costs and ensures that there is growth sales	☐	☐	☐	☐	☐

APPENDIX-II: DESCRIPTIVE ANALYSIS

Descriptive Analysis of Dependent and independent Variables

Item	Channel Level (CL)- Independent variable	Mean	Std. Deviation	Level of Impact
CL1	The additional channel level company customer data base and increase market coverage	4.26	0.861	Very high
CL2	The additional channel level increase the customer preference, convenience & availability for the company product	4.15	0.951	High
CL3	An improved customer service, delivery, and maintain inventory by Depots' for the channel will increase the company market	4.4	0.774	Very high
CL4	Retail outlets prefer to buy from Depots than from producer channels this in turn increase the company sales	3.68	1.294	High
Average Effect of Channel level		4.12	0.97	High
	Channel Control (CC)- Independent variable			
CC1	The Company's demarcation the market territory and close control of depots in their area of assignment increase the company sales	4.08	1.012	High
CC2	An attainment of Sales quota and good inventory holding by depots leads to an improved sales growth of the company	4.19	0.987	High
CC3	Depots loyalty and brand image building increase the company sales	4.31	0.977	Very high
CC4	The company contractual agreement and price policy are useful tools to control channel members and sales improvement	4.11	1.025	High
CC5	The distributors co-operate with company in promotional and training programs that enhance sales of the company	4.41	0.789	Very high
Average Effect of Channel Control		4.22	0.958	Very high

	Channel Cooperation (Cco)- Independent variable			
CCo1	The company keeps the channels under a mutual dependence relationship to increase their market coverage	4.34	0.779	Very high
CCo2	The depots' less trust and poor communication with the company leads to collapse the market	4.26	0.987	Very high
CCo3	An improved communication, commitment, and cooperation of depots with the company leads to broaden the company market coverage	4.56	0.723	Very high
CCo4	Using of channel power by the company for achieving better cooperation leads to expand the market	4.03	1.119	High
CCo5	A better information, products and services flow between the company & Depots and have an increased market share	4.32	0.9	Very high
Average effect of Channel cooperation		4.30	0.902	Very high
	Channel conflict (CCf)- Independent variable			
CCf1	Even if Conflict is viewed as being inevitable , it affects company profitability	3.96	0.928	High
CCf2	There is a conflict between company and Depots in opening of new depots for same area and reduction of area and thus affect company profitability	3.69	1.173	High
CCf3	There is a conflict between company and Depots in Product delivery and availability of POP materials that leads to affect profitability	3.92	1.083	High
CCf4	Lack of sales efforts by depots and improper communication create conflict among channel members and leads to hinder company performance	3.92	1.012	High
CCf5	There is conflict among channel members due to have difference in goals and desired product lines and in turn affect the company profitability	3.86	0.969	High
CCf6	There is resources scarcity and communication difficulties in the company that causes for multichannel conflict and hence profitability affected	3.81	1.029	High

Average effect of Channel Conflict		3.86	1.032	High
	Company performance (CP) - Dependent Variable			
CP1	The market coverage by the company's product have increased with multi-channel distribution system	3.82	1.161	High
CP2	Multi-channel distribution of the company minimizes costs and ensures that there is profit	4.05	0.863	High
CP3	Multichannel distribution system of the company creates competitive advantage for the company	3.61	1.226	High
CP4	Multi-channel distribution of the company minimizes costs and ensures that there is growth sales	3.83	1.053	High
Average of company performance		3.83	1.076	High

APPENDIX III: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.480 ^a	.230	.196	.817

a. Predictors: (Constant), Channel conflict, Channel level, Channel Control, Channel cooperation

APPENDIX IV: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.173	4	4.543	6.804	.000 ^b
	Residual	60.764	91	.668		
	Total	78.937	95			