



ADDIS ABABA UNIVERSITY  
FACULTY OF BUSINESS AND ECONOMICS  
DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT MANAGEMENT

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ASSESSMENT OF THE EFFECTIVENESS OF GOVERNMENT  
INTERVENTION IN THE MARKET  
THE CASE OF 'ALLE' BEJIMLA WHOLESALER ENTERPRISE IN ETHIOPIA

This research paper is prepared in partial fulfilment of the requirements for the degree of Master of Art in Public Administration and Development Management

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**ADDIS ABABA**

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This research paper is submitted to the department of public administration and development management prepared in partial fulfilment of the requirement for the degree of Master of Art in Public Administration and Development Management.

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This is to certify that the thesis prepared by Netsanet Raya entitled “Assessment of the effectiveness of government intervention in the market: In the case of ALLE BEJIMLA whole sale enterprise in Ethiopia” which is submitted impartial fulfilment of the requirement for the degree of Master of Art in Public Administration and Development Management, complies with the regulation of the university and to the accepted standard with respect to originality and quality.

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## **Abstract**

*The main purpose of this research is to examine the effectiveness of the Ethiopian government's direct intervention through ALLE Bejimla in the market as a supplier of consumable commodities so as to control price inflation through fostering competition. Both descriptive and case study as well as quantitative and qualitative dimensions were applied as methodology of this research. The objective of establishing ALLE Bejimla by the government is mainly to facilitate modern trade, supply quality food and near food products at competitive prices to increase the affordability of goods to consumers. The findings of the research particularly in relation to the effectiveness of government intervention, the contribution and impacts of ALLE Bejimla on the reduction of inflation, the contribution of more frequent inspection and visit of retail stores for better retail price, challenges of working capital of the enterprise, the impact of proximity of ALLE stores to the retail agents on the retail prices, and finally the impact of lack of awareness about the product and services of the enterprise on the bargaining capability of consumer and transparency of retail price. Eventually the research recommended the need for establishing better tools of monitoring retail agents, the importance of awareness, how to undertake and suggest alternatives and additional means of distribution at reach, propose means of resolving challenges of working capital, and noted the requirement of periodically conducting impact assessment.*

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## Acronyms

AMC	Agricultural Marketing Cooperation
B2B	Business To business
CEO	Chief Executive Officer
CPSC	Consumer Product Safety enterprise
CSA	Central Statistics Agency
ECX	Ethiopia Commodity Exchange
EGC	Ethiopian Grain Corporation
EGTE	Ethiopia Grain Trade Enterprise
EPRDF	Ethiopia People's Revolutionary Democratic Front
ETB	Ethiopian Birr
ERP	Enterprise Resource Planning
ETE	Ethiopian Trading Enterprise
FMCG	Fast Moving Commodities and Goods
GDP	Gross Domestic Products
MWITE	Merchandise Wholesale and Import Trade Enterprise
OECD	Organization for Economic Cooperation and Development
PDTEs	Participatory Demonstration and Trading Extension
PPP	Public Private Partnership
UN	United Nation
VAT	Value Added Tax
WPI	Wholesale Price Index
USD	United State Dollar

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

Government and markets are inseparable. Government sets the legal and institutional framework within which markets operate. It raises taxes based on the activities of businesses and consumers in markets. It has an interest in market outcomes and the way these are distributed between different groups and firms in society. Sometimes Government wants to encourage the market to deliver particular products and services for wider social benefit. At other times it wants to discourage market products because of their wider negative effects. These links and tensions are an intrinsic part of a modern market economy. Government can affect markets either through direct participation (as a market maker or as a buyer or supplier of goods and services), or through indirect participation in private markets (for example, through regulation, taxation, subsidy or other influence) (Office of Fair Trade, 2009)

Most governments intervene in commodities markets to achieve policy goals. These goals may be economic such as export promotion, commodity sector protection, and price stabilization, or addressing societal welfare such as hunger alleviation and equitable income distribution. States intervene in markets in ways that broadly affect the overall cash and future markets. These interventions may include embargoes, price controls, quotas, duties, direct purchases of buffer stocks, and other price-impacting policy measures (Hathaway, 2007)

The Ethiopian government as in realizing the importance of state intervention in the market, designed and implemented various intervention approach so as to correct market failure. The establishment of fast moving commodities and goods (FMCG) whole sale enterprise called ‘‘ALLE’’ is among the several measures taken by the government to control inflation of commodity prices through enhancing competition in the market. 'ALLE' wholesale stores established in Addis Ababa to supply products to consumers and retailers with low price is contributing to the government's efforts to stabilize the market. ALLE is the trade name of Ethiopian Trading Enterprise, a public enterprise, initiated by the Ethiopian government. ALLE (also known as Ethiopian Trading Enterprise) is a state-owned enterprise which aims to supply

food and other consumer goods at a competitive price from nationwide cash and carry stores (Fasika, 2015)

The primary mandate of the enterprise is to increase affordability of goods to consumers, support increased competition and investment in the private sector, and facilitate the development of a modern trade sector in Ethiopia. It is a wholesale enterprise providing food and other fast moving consumer goods throughout Ethiopia as well as establishing “cash and carry” stores strategically located across the country. Cash and carry (wholesale) is a form of trade in which goods are sold from a wholesale warehouse operated either on a self-service basis and customers (retailers, professional users, caterers, institutional buyers, etc.) settle the invoice on the spot in cash, and carry the goods away themselves. The stores are expected to operate according to international best practices and consistently offer quality products at affordable prices. It aims to develop a commercially viable business, while reducing consumer costs and inflation within the country. Their vision is based on the belief that Ethiopians deserve a higher quality of life and a brighter future. By developing an efficient distribution platform, providing quality goods at competitive prices, and building a profitable business, they can achieve their goal and create a lasting impact in their communities (Alemayehu, 2014)

The Enterprise has so far opened three stores in Addis Ababa to supply food and non-food items to retailers and consumers as government initiative to control price. It is supplying over 252 food and non-food items through its three stores in Addis Ababa. The Enterprise is striving to stabilize the market to curb price hike following the government's decision to raise salary of government employees. The wholesale market in Ethiopia has been dominated by few powerful suppliers and ALLE's introduction is expected to spur more competition into the market and ultimately bring prices down passed on to retailers. The government has decided to open these stores as a national initiative to control price by supplying items for wholesalers and keep the inflation at single digit. More than 3,000 retailers have made a deal with the Enterprise to buy items from the stores. Currently, the stores are trading items valued at 500,000 Birr a day. The Enterprise is working to increase trading amount to 1.3 million Birr a day, when it will open three additional stores in the city. The Enterprise has set target to open 36 stores in 27 towns around the country within the coming three years (Alemayehu, 2014).

## **1.2. Statement of problem**

The market system does not provide efficient allocation of resources and mechanisms both for producers and consumers due to monopoly, existence of externalities and informational asymmetric and other aspects of market imperfections. Hence all governments of every political persuasion in general and developmental state in particular intervene in the market though the degree of intervention varies to influence the allocation of scarce resources among competing uses so as to correct market failures and to achieve a more equitable distribution of income and wealth. However such interventions create their own problem, which has to be addressed by taking into consideration the economic, social and political facts of countries (Tamerat, 2006).

As stated above the major objective of intervention of the Ethiopian government by introducing ALLE whole sale enterprise principally is to control inflation of commodities price through enhancing competition in the market and promote modern trade sector in the country. In the FMCG segment the role of excellent distribution channel in terms of reach and proximity becomes even more crucial because the delivery of FMCG Product is confined to day to day basic (Sivakoti, 2013). One of the major strategies taken by the ALLE Bejimla whole sale enterprise so as to achieve the desired objective is through effective and efficient chain of supplies as well as distribution network development and management. Most importantly the question is how effective this strategy is in terms of stabilizing the price and distribution of the products at reach to the targeted public.

Generally in the case of Ethiopia the effectiveness of the state intervention through ALLE Bejimla wholesale enterprise as well as the impact of this government initiatives on the targeted public is not yet researched and documented. Hence, this thesis work attempts to fill this knowledge gap through analysing the effectiveness of the enterprise mainly from the perspective of the mission that the government aspires to attain.

### **1.3. Research Questions**

Based on the problem stated above the following questions are addressed by the study:

1. How effective is the Ethiopian government's intervention in the market through ALLE whole sale enterprise in terms of regulating inflation of commodity price so that it enhances capacity to afford for the targeted public as well as in facilitating modern trade in the sector?
2. Who are the market players in the commodity market and how do they affect the operation of ALLE?
3. How does the government trace and monitor distribution of the products through registered retailers of ALLE to the public?
4. How effective is the distribution network and operation towards achieving the reach of the service to the targeted public?
5. What is the level of public and retailer's awareness about the enterprise and the desired goal to be achieved? And how far has the enterprise accomplished in this perspective?
6. How strong is the enterprise in terms of finance so as to accomplish the desired goals?

### **1.4. Objectives of the study**

#### **1.4.1. General Objectives**

The main objective of this study is to examine and gain better understanding of the Ethiopian government's intervention in the market in relation to stabilizing price inflation of food items in and to scrutinize the effectiveness of ALLE whole sale enterprise.

#### **1.4.2. Specific Objectives**

- i. Assessing the effectiveness and contribution of ALLE wholesale enterprise in terms of regulating inflation of commodity price through creating better competition as well as from the perspectives of facilitating modern trade.
- ii. Assess and evaluate how the government traces and monitors distribution of the products by the registered retailers of ALLE wholesale enterprise to the public as well as how much the consumer benefits from the service.
- iii. Assess effectiveness of the distribution network and financial capacity.

- iv. Define and analyse market players how they affect the operation of ALLE wholesale enterprise towards attaining stabilized price in the market.
- v. Suggest what administrative and policy measures need to be taken by the pertinent body's for better accomplishment of the initiative.

### **1.5. Significance of the study**

The output of this research will help the stake holders who are involved in the operation as owner's and partner's to better understand the major success factors and challenges and consider as inputs for crafting a strategy on how to enhance the level of efficiency in the future.

It enables the practitioners and policy makers to obtain list of lessons to learn and factors to be considered before and after implementation of similar initiatives in the country.

Last but not least it gives substantial information for the academicians as to how effective government intervention is practically in the FMCG whole sale market and encourages them to conduct a research and experiment in the area more.

In line with the above facts, it is hoped that the results of this study in general will provide relevant information to decision makers (management of the enterprise, board of directors and government) about how well the enterprise are performing in achieving the desired goal, give the management of the institutions the strengths and weaknesses of the current operating systems, and identifies the challenges as well as suggest possible recommendations to improve or revise the existing performances of the enterprise.

### **1.6. Scope of the study**

The scope of this study covers examining of effectiveness of the impact of Ethiopian government intervention in the market through ALLE wholes sale enterprise to control commodity inflation so that the public in the bottom of the pyramid will be benefited. The evaluation is mainly in terms of the effectiveness to reach the targeted public, enhancing affordability and capacity of the targeted public and productivity of the government intervention in the sector generally. Eventually

it is to filter out the challenges and the success that enables to conclude and build on lessons learnt to be considered for future action.

### **1.7. Limitation**

This study has encountered different shortcomings and limitations. Some of the questionnaires were not returned on time by retailer's respondents mainly because they were busy throughout the day. Getting the right person who is capable of responding to the questionnaire was also another challenge. Moreover the respondents also showed a tendency of hiding or underestimating figures; this is because they fear it is associated with some sort of government inspection. So as to mitigate such encountered challenges various techniques were applied. Calling the respondents repeatedly and remind them to complete the questionnaire so as to get the response on time as well as frequent visit of their shop to get the right respondents are the actions taken to mitigate the challenges. Communicating clearly the objectives of data collection and the research was the major tool used so as to make them not hide information.

### **1.8. Organization of the study**

This research paper consists of five chapters. Chapter one introduced the problem statement and described the specific problem addressed in the study as well as design components. Chapter two presents a review of literature and relevant research associated with the problem addressed in this study. Chapter three discussed about the methodology and procedures used for data collection and analysis. Chapter four contains an analysis of the data and presentation of the results. Finally chapter five offers conclusion and recommendations.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. Theoretical Literature review**

#### **2.1.1. The role of government**

States are categorised into three types based on their role in economic development which are minimalist state, the developmental state, predatory state and regulatory state. Based on minimalist approach the role of government is restricted only to prevent monopoly and externalities, providing public goods, and enforcing law. According to them government's help to business should be indirect and non-selective. The regulatory state goes one step further than the minimalist and discuss that the government also responsible for the welfare of society as a whole, help business people by ensuring a better environment as well as should be more active in giving help and sometimes be selective. According to developmental state government role should include manipulation industrial policies (protections, subsidies, and lower tax), offering of cheap loans and giving administrative guidance. "Predatory state is the developmental state without bureaucratic competency' '. As developmental state, the predatory state also directs the trend of business and picks "the minors". However, the criteria for this intervention are not technical competence based on assessment of expertise (Denny, 2010)

A newer approach to the public sector is the modernist position (sometimes referred to as "neoclassical"). It is essentially a pragmatic view, associated with public finance economist Richard A. Musgrave, which accepts that government exists and therefore there must be a role for it, and then proceeds to categorize and analyse the functions as an empirical exercise, using the economist's theoretical tool kit to study government economic activity. The three major tasks of government are allocation, distribution, and stabilization (Livio, 2013)

- The allocative function concerns the resource allocation activities of government in the economy, with market failure, the failure of a functioning price mechanism, as the main reason for government intervention. Government intervention in resource allocation include monopoly and merit

goods. The existence of monopoly means that there are barriers to entry into a market resulting in a single provider and, consequently, price is often not equal to marginal cost as in a competitive environment. Government intervenes in an attempt to produce more output at lower cost.

- The distributive function involves government transferring economic resources between individuals, as well as levels of government. As a result, a tax system with increasing tax rates or exemptions and welfare programs can all be seen as income redistribution programs.
- The government's role in income and wealth distribution brings to the fore the relationship between equity and efficiency. Equity concerns perceptions of fair treatment while efficiency is a matter of obtaining maximum output at minimum cost.
- Finally, the stabilization function of government concerns actions taken to affect employment and prices.

### **2.1.2. Objectives of Government Intervention**

There are many different objectives that governments might pursue by way of intervention in private markets. All governments of every political persuasion intervene in the economy to influence the allocation of scarce resources among competing uses. A government may choose to intervene in a market for economic, social and political reasons. One of the main reasons for state intervention are to correct market failure and to achieve a more equitable distribution of income and wealth. The most common set of objectives for government regulatory policy is maximization of social welfare through the remediation of various types of market failure, which can be monopolies and externalities. Another objectives of government intervention are macro and socio economic which include the efforts to control inflation, income distribution, and basic standards of services and so on. Moreover, governments may intervene for reasons broadly related to national interests such as national defence (Posner and Richard, 2010)

### **2.1.3. Instruments of government intervention in the market**

Governments have different instruments of intervention at their disposal in order to pursue different economic, social and political objectives. The major instruments are legislation and regulations, government ownership, fiscal policy and intervention to close the information gap. The governments may enforce regulation in order to set standards of firm behaviour such as fines and soon .They could also simply choose to directly provide goods or service through a public agency or state-owned enterprise (sometimes referred to as a crown corporation) to set more efficient prices particularly in case of market failure (Marek and Jarocinski, 2010)

Fiscal policy is another way of government intervention to alter the level of demand for different products and also the pattern of demand within the economy. These mainly include indirect tax, subsidy to consumers, tax relief, higher taxation and welfare payments. Moreover states have a role in improving information to help consumer and producers value the ‘true’ cost and benefit of a good or services as often market failure results from consumers suffering from lack of information about the costs and benefits of the products (Geoff, 2012)

### **2.1.4. Views and arguments on the interventions of government**

In the liberal political economy since Adam Smith’s *Wealth of Nations* (Smith, 1776), the government monitors and enforces the regulatory environment in which firms compete for survival and profits, but should not directly be involved in a firm’s decisions and transactions. Multiple explanations have been advanced to account for why state control over economic activity will lead to economic failure. The concept of perfect market allocation of resources was in W. Baumol's view largely theoretical. Baumol believed that economic models relied upon the concept of the invisible hand first discussed by Adam Smith. In these models, the perfectly competitive economy was able to allocate resources efficiently, without the need for market intervention by outside agents, including governments. However, there were significant weaknesses in these models particularly in the area of ensuring equity of access, social objectives and in the provision of public goods. Ensuring equity of access, meeting social objectives and providing public goods were considered the main reasons why the public sector provided goods. Why governments intervened in the market was due mainly to characteristics of the market place. If the market place was to

function efficiently, several conditions needed to exist including freedom of choice, certainty of demand, minimal externalities and excludability. In addition to these prerequisites, the perfect market required perfect consumer and supplier information, no rent seeking behaviour and no moral hazard existed. If these conditions were not met, market mechanisms would fail to produce the efficient allocation of resources (Nee, etal 2007)

Another reason why governments intervened in the market place was to ensure the provision of public goods. Public goods are generally commodities that are socially desirable but cannot be financed through the private sector. The reason for this is that a public good is a commodity or service whose benefits are not depleted by an additional user and for which it is generally difficult or impossible to exclude people from its benefits, even if they are unwilling to pay for them. He argues that one of the primary reasons for government intervention was the absence of the perfect market for many socially important groups (Baumol, 1988)

If there is a potential for the market to fail governments will attempt to intervene. The type and the extent of intervention will depend upon a number of factors. The reason for this in Groenewegen's view was that while the provision of goods with a high degree of public good characteristics was a government function, the function of government was not confined solely to the provision of these goods, other factors including, institutional, political, and economic choices were also important (Nee, etal, 2007)

Monopolistic competition is a further reason for the intervention of governments in the market place. Monopoly (or oligopoly) production has the potential for the misallocation of resources or the distortion of market mechanisms through the fixing of wrong prices (OECD, 2013)

### **Government failure**

The following are the potential failure and adverse consequences of government intervention: (Alain, 2006)

- **Inadequate information:** government like an economic agent, rarely possess complete information which to base the decision. In some case, the information available is positively misleading.

- **Conflicting objectives:** government often face conflicting objectives. Every decision made by the government has an opportunity cost. Sometimes, a decision is made where the welfare gain from the alternative foregone would have been higher.
- **Administrative cost:** sometimes the administrative cost of correcting market failure is so large that it outweighs the welfare benefit from the correction of market failure.
- **Market distortion:** in some cases government intervention to correct one market failure leads to the creation of far more serious market failure.

Eventually all agree that there is no real model of a society run in the absence of government intervention. Even the most extreme libertarian economists would accept there needs to be some state protection of property rights and spending on national defence. The debate comes on the extent of government intervention. This needs to take place on each aspect of government intervention. The arguments for and against government intervention in macroeconomic stabilization are very different to the arguments for and against providing universal health care (Kenneth, 1988).

### **2.1.5. The role of competition in the market**

Competition is the rivalry between companies selling similar products and services with the goal of achieving revenue, profit, and market-share growth. Competition is sometimes assumed to focus only on price, but suppliers can also compete in other ways, for example by developing the quality of existing products, by using their entrepreneurial skills, or investing in research to develop new goods and services. For the most part, open competitive markets are the best way of maximising consumer welfare and raising economic growth (Joseph, 2011)

- **Drives firms to improve their internal efficiency and reduce costs.** Cost minimisation allows firms to deliver the same goods and services to consumers, but at lower prices. This will attract a greater number of consumers and the firm will gain a larger market share.

- **Provides incentives to firms to adopt new technology.** Early adoption of technology and/or new techniques and processes helps firms minimise their costs.
- **Provides incentives to firms to invest in innovation.** Investment in innovation allows firms to improve the quality of their existing products and/or develop new products and services to better suit the changing needs and preferences of consumers.
- **Reduces managerial inefficiency.** Competitive pressures from other firms and new entrants lead firms to look for better, more efficient ways to organise their business. Lack of effective competition could lead firms and managers to operate with inefficient business models and technology as firms are unlikely to lose profits.

The absence of competition in the market causes price inflation which has double impact on the consumer. Because of price inflation consumers are affected in two ways, by increase in the price of the goods and by the decrease in the quantity they buy. Both these changes make them worse off, as they are now receiving less of good and paying more for it (Alfred, 2013)

Governments have also declared various laws to create conducive environments for competition in addition to market lead results. For instance Ethiopia has developed and implemented a law called trade and consumers' protection proclamation No. 685/2010 which is desirable to protect the business community from anti-competitive and unfair market practices, and also consumers from misleading market conducts, and to establish a system that is conducive for the promotion of competitive market (EFDR Consumer protection proclamation No. 685/2010)

### **2.1.6. Distribution system and distribution channel optimization**

As the space of global competition and demand for flawlessly executed customer's service accelerate at the 21 century, the requirement for effective and efficient distribution function can be expected to grow accordingly. The essence of what constitutes a distributor is perhaps best detailed by characteristics of distribution. Essentially the fundamental characteristics are how products are acquired, how products are moved through the supply channel to the customer, and

finally how products are transacted. Majorly distribution system contains merchant, wholesalers, brokers and agents, manufacturers and retailer's branches, importing and exporting distributors and public institutions (e.g. city and local governments, public food marketing boards, ministry of Agriculture, ministry of transport, ministry of trade) and private associations (e.g. traders, transporters, shopkeepers and consumers). In addition whole new class of internet enabled "cybermediary" has begun to engage over the last half decades capable of utilizing the web to generate new form of business and radically new approaches to manage the supply chain (David, 2014)

The following are three recommend phases of distribution channel optimization: (Foster and Sullivan, 2010)

1. **Current channel and partner evaluation:** unbiased evaluation of current distribution channel and partners, their effectiveness in reaching customer, and ability to differentiate your organization from competitors.
2. **New partner evaluation:** systematic identification of high growth opportunities within a market or geographic region, selection of appropriate partners to take advantages of those growth opportunity
3. **Partner management and monitoring:** assessment of partner's performance, development of sales support and communication materials, planning for partner's conflict resolution.

### **2.1.7. Impact of distribution activities on price of products**

Typically around half of the price for a product by a customer is absorbed by the activities involved in getting products to the customer (and customer to the products). And this is a proportion that has increased significantly over the past 15 years as production cost have fallen while market have segmented and media and distribution channel multiplied. Very few companies can describe what it cost to sell through a particular route to market whether that be direct, one-tier (Example, supplier to dealer to customer) or two tier (Example, supplier to distributor to retailer to customer ) distribution. It has found that wide variation in the costs and profitability of channels and specific intermediaries in every industry and distribution system. Companies that have invested in in

analysing and understanding the business model of distribution system have been able to take significant costs out of their own business, increasing profitability or reducing prices to gain an edge over the competitors (Julian,2011)

### **2.1.8. Retail markets and wholesale distribution**

Urban food retail markets in developing countries are receiving increasing attention in the international literature, policy makers and public administrators. This interest seems to be driven by a number of factors (Thomas, Girum, Indra & Bart,2013)

- First urban food retail is quickly growing in importance in these countries. This is caused by rapid urbanization all over the world. It is estimated that more than half of the world population was living in cities in 2010, up from 30 percent in the 1950's and an increasing number of people are relying on these retail markets to obtain their food. The efficient organization of these markets plays therefore a crucial role in assuring food security to a growing number of poor people living in urban areas. The growth of these markets is also an increasing source of urban employment in a large number of countries.
- Second, given that food price changes are often a source of unrest and instability, especially in cities as recently seen during the global food price crisis, governments are concerned by the functioning of these urban food markets and often try to intervene in them. As policies might be put in place to assure low food prices to urban constituencies, governments are keen to know how these urban markets function and how interventions should best be implemented, so as to keep food affordable for urban consumers. Moreover, policy interventions in these markets are also driven by a lack of trust by governments in food traders who are often seen as hoarders who cause price volatility and deliver few services to the food system.
- Third, modern retail, be it private (supermarkets) or public (fair price shops, cooperatives), is rapidly emerging in developing countries. The emergence of modern retail has often important impacts on prices and quality offered in urban retail markets.

## Wholesale distribution strategy and offerings

According to Philip Kotler the following are the most acceptable components any wholesale distributor to reflect in the distribution strategy (Kotler, 2006).

- i. Low cost of value received: is reducing of price or cost of products through different mechanisms such as direct purchase from the manufacturer and other channel format targeted at cost reduction.
- ii. Improve channel investment: it is attained through reducing channel investment during the process of delivery of goods to the end user.
- iii. Improved quality: is the reduction of cost of error such as implementation of total quality management program.
- iv. Channel simplification: it is the process of reduction of redundant channel functions.
- v. Improved information: increased channel connectivity and collaboration through implementing technology enabled system connectivity, integration of internal business function, co-op advertising and marketing program.

**Table 2.1. Modern cash and carry wholesale offerings**

<b>Typical core offering</b>	<b>Typical optional services</b>
<ul style="list-style-type: none"> <li>▪ One stop shop –range and availability</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sourcing of products, back to back ordering and simplified supply logistics</li> </ul>
<ul style="list-style-type: none"> <li>▪ Bulk breaking</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consignment stocking and repacking</li> </ul>
<ul style="list-style-type: none"> <li>▪ Credit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Extended credit, project finance</li> </ul>
<ul style="list-style-type: none"> <li>▪ First level technical support (pre-sale)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Second level technical support (post sale)-effective acting as an outsourced provider of support ,technical training</li> </ul>
<ul style="list-style-type: none"> <li>▪ Logistic delivery</li> </ul>	<ul style="list-style-type: none"> <li>▪ Logistics-drop shipment to ultimate customer</li> </ul>
<ul style="list-style-type: none"> <li>▪ Other consolidation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project management –coordinating the supply of several supplies and shipping to multiple locations</li> </ul>
Product information collateral	<ul style="list-style-type: none"> <li>▪ Making services-effective acting as outsourced production</li> </ul>

## **2.1.9. Retail prices**

### **i. Factors affecting retail prices**

Prices are visible and highly sensitive part of retail marketing mix and have a direct relationship with retailer's profitability. Retail price is the price paid to retailers to acquire goods and services. It is important to achieve profit target and competitive positioning, decide about retail format and affects perceptions of customers about value. There are two types of factors affecting the retail pricing macro environment and supplier-retailer specific factors. The demand and supply, prices of key products or commodities, market structure, government policies, increase customer awareness, seller concentration ratio belong to macro environmental factors. The retailer supplier factors are business strategy, type of merchandise offered, retail formats, buyers pacifications, quality and quantity to be purchased. There are different approach adopted for deciding about retail price. The cost based approach takes in to account purchase price and target price. Competition based approach suggest making price adjustment according to the level of competition. It can be further below competition, above competition or at per with competition (Madan, 2009)

### **ii. Retail Price transparency**

An increase in food retail price transparency is crucial to reduce search for costs for consumers and stimulate competition in the distribution sector. It helps consumers to obtain price information easily, which allows them to make useful comparisons of costs of alternative choices. Price transparency may also mean that consumers understand how prices are set and are aware of any price discrimination (different prices charged to different customers). Moreover transparent prices play a key role in the efficient allocation of goods and services (Harveys, 2013)

Financial economics researchers typically define markets as efficient when prices reflect all available information and when prices adjust swiftly as new information arrives. If buyers and sellers do not know what prices are, then some mutually agreeable trades will fail to occur, thus creating inefficiencies. The buyers' ability to choose an offer that suits them best puts tremendous pressure on all sellers to lower prices, improve quality, or both. Without such

competitive pressure firms that are less efficient or that are earning excess profits can remain in the market, and prices will be higher than they would otherwise be (Harveys, 2013)

Lack of transparent prices may also contribute to price discrimination, which can cause different customers to pay higher prices, an outcome that may be acceptable in some markets but may lead to undesirable consequences in others. For example, if the customers with the least bargaining power also tend to be those with the least ability to pay, such discrimination may be deemed particularly undesirable. Barriers to price transparency include both explicit restrictions on information (such as government restrictions on price advertising or concealment by firms of prices or price-setting approaches, including negotiated prices) and costs of search (CRS) by consumers. The simplest theories suggest that more information about prices should decrease prices and also bring prices closer together, but certain theories predict that more price information could raise average prices, and advertising might raise prices by increasing demand or brand identification (D.Andrew and Jane G Gravelle, 2007)

In Ethiopia according to price protection **proclamation No. 685/2010** any business entity or person is expected to display prices of goods and services by posting such the price list in a conspicuous place in his business premise or by affixing price tags on the goods. The price of goods and services shall be inclusive of customs duties, taxes and other lawful fees.

### **2.1.10. Food commodity price inflation in Ethiopia**

Banks in OECD countries typically use interest rates as a mechanism for managing inflation, price stability being their primary mandate. Capital markets in Ethiopia are still under development. This makes it difficult to use interest rates as a tool for managing inflation, which has reached double-digits in six years out of the last ten. Although the depreciation of the Birr has contributed to price spikes, the main driver has been food prices. Poor harvests lead to domestic food shortages, which in turn cause local prices to rise. At the same time, an increased need for food imports exposes consumers to volatile international food prices (Deloitte, 2014)

Headline inflation rates in Ethiopia are largely driven by developments in food price inflation. Since 2005, there are two major spikes observable in 2008 and 2011, respectively. In 2008, headline inflation peaked at 61.6 percent in August, driven by 79.2 percent in food price inflation; likewise, inflation in 2011 peaked at 40.7 and 40.2 percent in August and September, respectively, at a time when food inflation reached almost 50 percent. Food inflation kept rising to more than 50 percent in November 2011; but then headline inflation started to ease slowly already, driven by a tightening stance of monetary conditions. Overall, the impact of rising consumer prices on expenditures in both rural and urban areas is non-negligible and leads to an estimated increase in the number of poor people of around 1.8 million.<sup>15</sup> Much more, it is to be expected that the consumer price inflation between July 2010 and October 2011 led to a greater increase in both the depth (the average difference between the income of the poor and the poverty line) and the severity of poverty (i.e. the extent to which some of the poor are very far from the poverty line) in urban than in rural areas (Michael and Chorching 2012)

### **2.1.11. Recent Ethiopia government intervention in the commodity market and establishment of ALLE Bejimila**

Ethiopian government implemented economic policy of price restriction on January 17, 2011 before exercising direct intervention measure through ALLE Bejimila. It was a restrictions on the prices that can be charged for goods and services in a market. The intent behind implementing such controls was stem from the desire to maintain affordability of staple foods and goods, to prevent price gouging during shortages, and to slow inflation, or, alternatively, to insure a minimum income for providers of certain goods or a minimum wage. Accordingly ministry of Trade and Industry announced a revised price cap that was effected on the same day. The ministry has categorized 20 domestic items that will be covered in the controlling mechanism. The commodities include edible oil, bread, pasta and macaroni, meat, sugar, tea leaf, bananas, oranges, soft drinks, wheat flour, soap, construction steel, steel sheets, paintings, clothes, textiles, shoes, bottled water, and beer (Teshome, 2009)

From the imported items edible oil, pasta and macaroni, powder milk, rice and sugar have been included in the imported items that would be controlled. In addition, soap (of any kind), pens and textbooks, textiles, shoes, steel sheets, medicine and medical supplies, and tires are slated for price fixing. In addition, the price of sixteen items has been given a price ceiling, thus, restricting the trade actors, forcing them to charge at or below the specified price (Teshome, 2009)

After evaluating and parking the option of inviting foreign companies such as Wal-Mart Stores Inc. to shake up an uncompetitive industry, the government in 2013 established the Ethiopian Trading Enterprise, known as ALLe Bejimla, to sell mostly imported items directly to licensed retailers .The government targeted to cover as much as 30 percent of the country's household-goods market by 2018 in an effort to stem rising consumer prices in Africa's fastest-growing economy. Government inspectors clamped down on illicit traders and also check that ALLe's customers aren't selling above a set maximum retail price. ALLe will be sold to private investors at an unspecified time if it succeeds in tackling inflation, while if it's ineffective, the government (Fasika 2015)

## **2.2. Empirical literature review**

### **2.2.1. Do the Cash and Carry stores can break the affinity of traditional Retailers and Wholesalers? A study in Coastal Andhra Pradesh, India**

Reddy, et al (2012), in Andhra Pradesh, India studied on the title "Do the Cash and Carry stores can break the affinity of traditional Retailers and Wholesalers? The problem statement dealt with whether cash and carry stores can break the affinity of traditional retailers and wholesalers in India. The main objectives are to examine the impact of the Cash and Carry stores on the unorganized retail business formats, effectiveness of the Cash and Carry players on traditional domestic wholesalers as well as to reveal the benefits and detriment to the small retail vendors with the Cash and Carry stores. The main findings finding and conclusion of the research specified that the high market potentiality of the Indian retail industry, it has been attracting the various international players like Wal – Mart, Carrefour, Metro etc. as a result, there will be shift in buying pattern of the retailer's i.e. from traditional wholesalers to the Cash and Carry stores. But at the same time, retailers are not going to choose completely the Cash and Carry stores, the qualities like emotional

bonding with the customers, credit facilities and the flexible systems of the traditional wholesalers are really useful for them to retain. Being India is a country of contradictions and there is enough space for any business to survive and grow the traditional wholesalers is not an exception

### **2.2.2. Urban Food Retail in Africa: The Case of Addis Ababa, Ethiopia**

Thomas, etal (2013), the research entitled urban food retail in Africa in the case of Addis Ababa, Ethiopia has prepared. The objective of the research was to study the causes of variation of quality and prices in food retail market of Addis Ababa and to suggest what kind of policy intervention required so as to protect the consumers. The finding of the research are the existence of large amalgam of retail outlets selling food, ranging from private modern retail and public cooperatives to informal micro sellers , the VAT system is unevenly applied across food retail outlets, leading to seemingly important differential effects on price formation ,consumers are willing to pay higher prices in modern retail outlets as these outlets offer a larger assortment of products, higher quality, clean shopping area, and greater convenience and finally Ethiopia's urban poor are especially hard hit by food price inflation and volatility .

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Research design**

Descriptive and case study as well as quantitative and qualitative dimensions are applied as methodology of this research. It is descriptive as the research has to thoroughly understand and examine the accomplishments, impacts and mechanisms which help to describe the situations in depth and enable to infer about designed target versus the existing situation.

In order to achieve the objective of the study already stated, both primary and secondary data obtained from different sources are employed. The primary data is collected through different data collection instruments like questionnaire, key informant interview and observation. The detail of each primary data collection instrument are described as follows.

Structured questionnaire are provided to the sample individuals or respondents ALLE licensed retailers and consumers. Most questions in the questionnaire are close-ended questions and contain different parts. However, opportunities is given to the respondents to say more through open-ended questions. Key informant interview is also conducted to collect primary data. With regard to this primary data collection instrument, structured interview is also undertaken with the two management members and experts of the enterprise.

Secondary data such as documents, periodical reports, publications, and others relevant to the study are collected from different government institutions like Central Statistical Agency (CSA), Ministry of Trade and Industry and last but not least formally Bejimla wholesale enterprise.

## **3.2. Study area and target population**

### **▪ Study area**

The study area is Addis Ababa. Addis Ababa is the capital and the largest city of Ethiopia. Based on the 2007 G.C census conducted by the Ethiopian national statistics authorities the population of Addis Ababa is 2,739,552 million with annual growth rate of 3.8%. All of the population are urban inhabitants. For the capital city 662,728 households were counted living in 628,984 housing units, which results in an average of 5.3 persons to a household. (Central Statistics Agency, 2007)

The economic activities in Addis Ababa are diverse. According to official statistics from the federal government, some 119,197 people in the city are engaged in trade and commerce; 113,977 in manufacturing and industry; 80,391 homemakers of different variety; 71,186 in civil administration; 50,538 in transport and communication; 42,514 in education, health and social services; 32,685 in hotel and catering services; and 16,602 in agriculture. In addition to the residents of rural parts of Addis Ababa, the city dwellers also participate in animal husbandry and cultivation of gardens. 677 hectares (1,670 acres) of land is irrigated annually, on which 129,880 quintals of vegetables are cultivated. (Thomas, etal, 2013)

Three main food retail policies determine the food retail landscape in Addis Ababa: (1) The government does not allow foreign direct interventions in food retail; (2) The government intervenes in different ways in food markets; (3) There has been an increasing emphasis on tax collection from food retail, in particular the Value Added Tax (VAT). (Ibid41)

### **▪ Target population**

The target population of this study are the members of the study population from whom the data are collected. These include ALLE Bejimla enterprise, the retail agents of ALLE Bejimla, some selected other retailers for the purpose of price comparison and last but not lest the consumers/public/.

- ALLE Bejimla: it is the wholesale enterprise which distributes products to the consumers through selected retailers.

- ALLE Bejimla retail agents: are licensed distributor of the enterprise's products to the consumers and who are engaged in the commodity retail business.
- Other retailers: business entities who are engaged in commodity retail business but not the customer of ALLE Bejimla.
- Consumers/public/: are the end users of products and commodities of ALLE Bejimila

### **3.3. Sampling technique**

This research uses simple random and stratified sampling techniques for selecting representatives from ALLE retail agents. The total population of the data are arranged per sub city (strata) and then after from each sub city (strata) equal number of retail agents are selected randomly based on simple random sampling techniques. Moreover to select representatives of consumers, who buy goods from the retail agents, the research applied simple random sampling and contacted them randomly while buying goods at ALLE retail agent's shops. Additional non ALLE retail agents are also selected based on purposive sampling technique. The details of the sample taking activities are described as follows:

In the study area, Addis Ababa, totally there are 3000 ALLE retail agent. For this research a total number of 100 retail agents are selected. First the retail agents are grouped based on their address (sub city) and 10 representative retail agents are randomly selected from each sub city. Furthermore 100 voluntary respondent consumers who are customer of ALLE retail agents are selected randomly using simple random sampling. The consumer respondents are contacted and requested to complete the questionnaire while there are at shopping in the ALLE retail agent's shops. The reason to employ random sampling selection method to select the representative consumers is because of the homogenous nature of the sample.

Moreover for the purpose of price comparison between ALLE retail agents and other wholesale enterprise's retail agents, 10 additional retail agents from each category also selected using purposive sampling technique. The selection criteria of these retail agents mainly based on their location of the shops and specifically those having similar level of customers crowd as well as capital status.

Finally 2 people from the management member of the enterprise and 1 person from the expert group are also selected in considering their experience and level of knowledge about the company commencing from the establishment phase.

### **3.4. Method of data analysis**

The raw data collected from different sources are analysed in terms of the study objective already stated or designed previously. The analysis of the data is employed both through quantitative and qualitative methods. To analyse the quantitative data different descriptive and statistical techniques like tables, graphs and charts were used. The qualitative data (the data which is collected through interview) is analysed using narration method.

### **3.5. Ethical considerations**

Before conducting any of interview the interviewee's consent and willingness is asked and got a confirmation and willingness of the interviewee. Any information that needed to be kept confidential and gathered in the process of conducting the research has been kept accordingly.

## **CHAPTER FOUR: DATA PRESENTATION AND DISCUSSION OF FINDINGS**

The purpose of this chapter is mainly to discuss and examine the effectiveness of the enterprise based on the data collected from primary and secondary sources. Presentations and discussions of the findings derived from the analysis of data are elucidated in detail. Furthermore it also deals with the challenges of the enterprise faced in the process of operation as well as discusses the major risks that will potentially impacted the accomplishment of the enterprise.

### **4.1. Characteristics of the respondents**

The respondents of the questionnaire mainly encompasses final consumers of the products of ALLE Bejimla, registered and licenced retailers who resale the products to the final consumers. Furthermore key staffs from management group, senior experts and lead consultant are interviewed.

#### **4.1.1. Consumers**

The consumers are individual or households who purchase the commodities of ALLE Bejimla for own consumption. The research uses four elements so as to define the characteristic of the consumers taking into consideration the relevance of the data for this research. The four components are sex, marital status, age and educational level. This helps to define and understand better the target group.

##### **i. Sex**

As indicated in table 4.1 among the total 100 respondents 80% of them are female and the rest 20% are male.

**Table 4.1 Sex composition of consumer respondents**

Total Number of respondents	Respondents in terms of Sex		In percentage	
	Female	Male	Female	Male
100	80	20	80%	20%

From the above table it can be derived that the involvement of female in the procurement of daily consumable commodities is very high and are in a better position to sense the price condition and fluctuation in the market. Hence, having the response of dominantly female respondents is very crucial for this research from the perspective of getting better information.

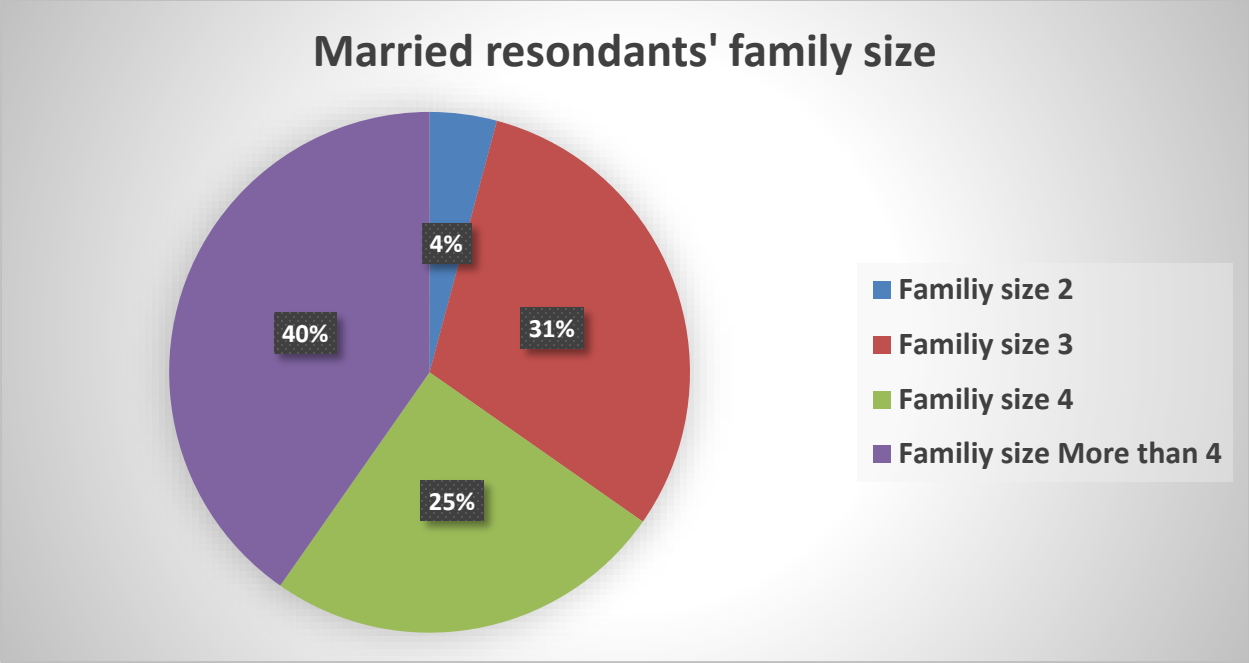
**ii. Marital status**

Out of the total respondents 72% of them are married. From the female respondents 70% of them are married and from the male respondents only 2% of them are married. (Table 4.2)

**Table 4.2. Marital status of consumer respondents**

Total Number of respondents	Marital status								In percentage			
	Married		Not married		Divorced		Separated		Married		Not married	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
100	2	70	18	10	0	0	0	0	2%	70%	18%	10%

Furthermore as indicated in the figure below among the married respondents 40% of them have family size of more than 4, 25% of them have 4, 31% are with family size of 3 and the rest 4% have family size of 2. Hence from this fact and from the above table it is able to point out that most dominantly married females are in charge of the shopping for the daily consumption for their family than the male and most importantly the collected data from such group enables the research to see and examine how the commodity market impacts the household.



**Figure 4.1 Married consumer respondents' family size**

**iii. Education**

All consumers who responded to the questionnaire can read and write as well as are able to express themselves well. In referring to table 4.3. below among the total of the 100 respondents 22%of are at college level,41% of them are between grade 8 to 12 and the rest 7% can properly read and write. Because of their education level they are able to compare prices of commodities or products taken into consideration brand differences and which is helpful for our research to get better accurate information about the price comparison in the market in the eyes of the consumer.

**Table 4.3. Education level of consumer respondents**

Total respondents	Education level					Percentage				
	Unable to write and read	Only Reading and Writing	Grade 1 to 8	Grade 8-12	College level	Unable to write and read	Only Reading and Writing	Grade 1 to 8	Grade 8-12	College level
100	0	7	30	41	22	0%	7%	30%	41%	22%

#### 4.1.2. Retailers or shops representatives

Retailers or shops are registered and licenced agents of ALLE Bejimla who are engaged in reselling the products of the enterprise to the end user or consumers. For the purpose of this research their characteristics is explained from the perspective of their experience and stay in the business, responsibility and educational level.

##### i. Experience and stay in the business

Table 4.4 below indicates that among the total of 100 ALLE retail agent respondents 43% of them have more than 4 years of experience, 30% have between 3 to 4 year experiences, 27% have between 2 to 3 year experience and none of retailers have zero year experience. This shows that more than 70% of the retailers have stayed in the business for more than three years and enables them to observe the price condition and trend of the commodities in particular and over all whole sale retail supply chain in the market. Hence they can provide sufficient and better information for this research.

**Table 4.4. Experience of ALLE retail agent respondents**

Total respondents	Experience or stay in the same business					Service year of the shop				
	less than 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	More than 4 years	less than 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	More than 4 years
100	0	0	27	30	43	0%	0%	27%	30%	43%

## ii. Responsibility and status at retail shop

Table 4.5 indicated that 70% of the respondents are accountable for both purchasing and selling of goods in their shops, 24% of them are responsible for selling, 4% of them only accountable for purchasing of good and the rest 2% are responsible only both seldom. Being the majority of respondents responsible for both purchasing and selling of good is helpful for this research as they have the information about both buying and selling prices as well as can observe any change at both side.

**Table 4.5. Responsibility status of retail shops respondents**

Total respondents	Major responsibility in the shop				In percentage (%)			
	Only Purchasing goods from suppliers	Only selling of goods	Sometimes purchasing and sometimes selling	Both purchasing from supplies and selling goods	Only Purchasing goods from suppliers	Only selling of goods	Sometimes purchasing and sometimes selling	Both purchasing from supplies and selling goods
100	4	24	2	70	4%	24%	2%	70%

## iii. Educational level

All retailers who responded to the questionnaire can read and write as well as are able to express themselves well. In referring table 4.6 among the total of the 100 respondents 15% of are at college level, 55% of them are between grades 1 to 8, 20% of them are Grade 8 to 12 and the rest 10% can properly read and write. Because of their education level they are able to compare prices of commodities or products taking into consideration brand differences and which is helpful for our research to get better accurate information about the price comparison in the market in the eyes of the consumer.

**Table 4.6. Education level of retail shop respondents**

Total respondents	Education level					Percentage				
	Unable to write and read	Only Reading and Writing	Grade 1 to 8	Grade 8-12	College level	Unable to write and read	Only Reading and Writing	Grade 1 to 8	Grade 8-12	College level
100	0	10	55	20	15	0%	10%	55%	20%	15%

### 4.1.3. Interviewed management members and experts

A total of 4 staffs of ALLE Bejimla have been interviewed. Among the four staffs two of them are member of top management who were involved starting from the initial stages of the establishment of the enterprise as well as part of all the journey of the enterprise. The two other staffs are senior expert and senior adviser for the company who are very familiar with the operational side of the enterprise. Therefore, these helps to get reliable information and understand the rationale for the establishment and background of the enterprise, operational process and challenges as well as effectiveness of the enterprise.

### 4.2. Most demandable consumable commodities

As per the table 4.7 out of the total 200 respondents which are 100 from each one of the consumers and retailers who answered the question about the most demandable consumable commodities, all of them replied that the three commodities, sugar, edible oil and wheat flour, are the most demandable. This does mean that both consumers and retailers can easily sense and be affected by any change on the supplies and price of these commodities. Hence examining ALLE's role in relation to the effort of stabilizing the price of these particular products would enable to better understand the impact of direct intervention of the government.

**Table 4.7. Most demandable consumer commodities**

Respondents type	Number of Respondents	Sugar	Edible Oil	Wheat Flour	All three (Sugar, edible oil and flour)
Retailers	100	0	0	0	100
consumers	100	0	0	0	100

Furthermore as per the interview conducted with the senior management as well as per the annual revenue report of the enterprise below (Table 4.8) these products are also among the top four in terms of sale. Though beverage is among the top four it is not considered in this particular explanation and analysis as it is not under the category of commodity.

**Table 4.8 ALLE annual sales and revenue report**

<b>ALLE Sales volume in million ETB</b>	
<b>Annual Sales and revenue report as of April 2015</b>	
<b>List of items</b>	<b>Sales volume in million Birr</b>
Sugar	69.30
Edible oil and margarine	51.7
Beverage	27.8
Wheat flour	8.1
Pasta spaghetti	7.2
Rice	6.9
Milk powder	6.5
Cereals	5.6
Macaroni	4.1
Total	187.20

Source: Annual management report of ALLE Bejimila.

### 4.3. Distributor-retailer engagements

#### 4.3.1. Suppliers of goods to the retailers

As it is explained in the table 4.9 most of the suppliers of good to the retailers are wholesalers. 95% of respondents from 100 retailers answered that they bought goods from wholesaler and only 5% buy goods from the manufacturers. This statistics shows wholesalers have significant role in determining retail prices of the market as 95% of the retailers gets the products from them. By the same logic ALLE as a wholesalers can play important role in affecting the retail prices.

**Table 4.9. Suppliers of goods to the retailers**

Total number of respondents	About supplier of goods to the retailers		Number retailers who answered	Percentage
100	Suppliers of goods	Wholesalers	95	95%
		Manufacturers	5	5%
		Others	0	0%

#### 4.3.2. Retailers' criteria to choose suppliers and status of ALLE in this perspective

Retailers have several criteria to choose their suppliers of goods. According to table 4.10 price of the product is the most important factor to choose suppliers. Out of 100 retailers 77% of them consider price as a major factor for choosing goods suppliers and 55% of them replied transportation service are most important. Furthermore credit facilities and location proximity accounts 51% and 45% of the respondents respectively. The quality of the products and availability of the good in one store are another criteria to select the suppliers. 21% of the respondents said quality of the products affect their decision and 18% replied availability of variety products at a store. This shows that majority of the criteria are designed by the retailers so as to minimize the direct cost or overhead cost associated with supplies of the goods. Hence playing around these factors of selecting suppliers would enable to bring significant impact the retail price.

**Table 4.10. Criteria to choose suppliers**

Total number of respondents	Criteria to choose suppliers	Rate of respondents	Percentage
100	Price	77	77%
	Location proximity	45	45%
	Quality of goods	21	21%
	Credit facilities	51	51%
	Availabilities of variety goods at one stores	18	18%
	Transpiration services	55	55%
	Other reasons	0	0%

Retailers prefer ALLE as their supplier majorly and primarily because of its prices. As indicated in the table 4.11 among the 100 retail agents respondents 73% of them answered the primary reason for selecting ALLE is because of its price advantage. To the contrary it is only 5% of the respondents who replied location proximity is a primary reason for selecting ALLE as suppliers. This indicates that ALLE's advantages from location perspective is very minimal. The stores are not near to majority of the retailers. Moreover as ALLE does not give transport services to its customers, none of the respondents replied that transport is a reason for selecting it as suppliers. Thus the problems of location proximity and unavailability of transport services potentially affects the overhead cost of the retailers which may have its own repercussion on the retail price as well as the retention of the agents.

**Table 4.11. Retailers reason for choosing ALLE as supplier**

Total respondents	Primary reason to choose ALLE as supplier?							In percentages						
	Price	Location proximity	Quality of goods	Credit facility	Variety of goods at one store	Transportation services	Other reasons	Price	Location proximity	Quality of goods	Credit facility	Variety of goods at one store	Transportation services	Other reasons
100	73	5	6	0	16	0	0	73%	5%	6%	0%	16%	0%	0%

#### **4.3.3. Impacts of ALLE in the supply chain of commodities**

In the table 4.12 out of 100 respondents retailers 21% of them have another suppliers other than ALLE and 79% have no other suppliers for the major consumable commodities. Furthermore among the 21 retailers, who have other suppliers in addition to ALLE, the types of goods 28% of them purchase from other suppliers is similar to ALLE's and the rest 72% of them purchases products different from ALLE's products. These figures showed that the majority of the retailers are belong to ALLE exclusively. The reason for such exclusivity engagement between ALLE and its agent is not emanated from contract but due to commercial benefit the agents gained from price advantages of commodities aforementioned (Table 4.12 ). By implication the more commodities the retailers purchase from ALLE the more the consumers benefited from getting commodities with lesser price assuming retail price is as per the agreement between the enterprise and the retailers. However to the contrary of all the benefits, such exclusivity engagement in the long run may lead to another form monopoly which will have its own adverse impact on the country economy.

**Table 4.12. Suppliers other than ALLE**

Total number of respondents	About supplier of goods to the retailers		Rate of respondents	Percentage
100	Do you have other suppliers other than ALLE	Yes	21	21%
		No	79	79%

Further to understand the reason and rationales behind the 21 retailers who buy goods similar to ALLE's from other suppliers, it is obtained that 76% out of the total respondents of 21 said not to be out of a stock and the rest 24% replied that so as to satisfy their customers. Hence one thing need to be underlined here is fear of out of stock is one of the reason of the retailers to buy goods from other supplier and which indicates there is a gap from ALLE side in fulfilling the demand of retailers and shortage of distribution.

**Table 4.13 Reasons to buy from other suppliers**

Total number of respondents who buy similar goods from other supplier other than ALLE	Reasons to buy from other suppliers		Rate of respondents per questionnaire	Percentages
21	Reason to buy products similar to ALLE's from other suppliers	Not to run out of stock	16	76%
		To fulfil customer demand	5	24%

## 4.4 Contribution and effectiveness of ALLE stabilizing price of consumable commodities

### 4.4.1. Distribution of commodities at lesser price

Based on the assessment result of the average prices of major 6 consumable commodities (Palm oil, Wheat flour, Sugar, rice, pasta and macaroni) in the market by taking 10 ALLE retail agents and another 10 observed retailers who are not ALLE retail agents but having similar standards in terms of capital. The average sales price of the consumable commodities of ALLE registered retailers is 16.83 ETB whereas the price of non ALLE retailers is 20.32 ETB. As among the major determinant factor of retail price indicated in the literature review is that of the cost associated with the activities involved in getting products to the customer thus it is can be an indicative that ALLE price is better in the market though the level of significance is under question and to be investigated further by incorporating more variables. According to one key informant the retail price of some ALLE products are equal to the wholesale price of some competitors of the enterprise.

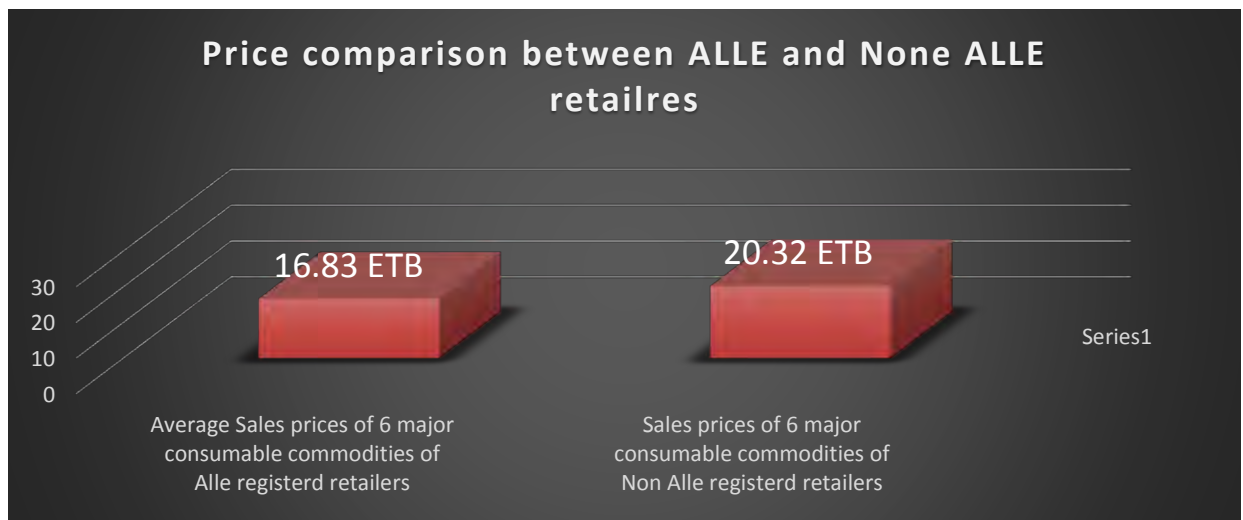


Figure 4.2. Price comparison of ALLE and non ALLE retailers

Based on the two-tail test (indicated below in the table 4.14) if  $t \text{ Stat} < -t \text{ Critical two-tail}$  or  $t \text{ Stat} > t \text{ Critical two-tail}$ , the null hypothesis is rejected. Nevertheless this is not the case in the price comparison of sample ALLE and Non ALLE retailers that,  $-2.228 < 0.341 < 2.228$ . Therefore, the research do not reject the null hypothesis. Hence the observed difference between the sample

means (20.32 – 16.83) is not convincing enough to conclude that the average price between ALLE and None ALLE retailers differ significantly.

**Table 4.14. Two tail test**

	ALLE Retail agents	NON ALLE retail agents
Mean	16.83	20.32
Variance	290.56	335.09
Observations	6	6
Hypothesized Mean Difference	0	
Df	10	
t Stat	-0.341441426	
P(T<=t) one-tail	0.369918665	
t Critical one-tail	1.812461123	
P(T<=t) two-tail	0.73983733	
t Critical two-tail	2.228138852	

#### **4.3.4. Fostering competition**

Out of 100 retailers who have asked about what change they observed on other suppliers after they became an agents of ALLE (Table 4.14) 78% of them replied that they observed the other showed a tendency of discounting prices, 4% of them see them commenced door to door services and 1% of them observed that they started giving transportation services. This findings shows that ALLE could contribute some sort of competition in the market even though there are other driving factors in the market. The principal two reasons and factors that enhance the worthiness of these findings are the situation of the unbalanced supplies and demand of commodities as well as the experience of ALLE retail agents. In the study area the demand of such commodities is greater than supply hence the natural economic impact of demand-supply factor doesn't significantly affect the competition. However other factors such as government intervention play important role in the creation of competition. Moreover the respondents retailers have many years of experience in the

business thus they are able to understand and anticipate the factors that derives the competition in the market.

**Table 4.15. Competition status**

Total number of respondents	About supplier of goods to the retailers		Rate of respondents	Percentage
100	What do you observe from other suppliers (competitors of ALLE) after you become ALLE's agents	Price discount	71	71%
		Providing credit facilities	0	0%
		Door to door delivery	4	4%
		Transport services	1	1%
		None	24	24%

#### **4.4.3. Reducing supply chain**

As per the interview conducted with the management member of ALLE concerning the strategy how the enterprise reduce the price of its products, the company have applied cost effective supply chain by cutting intermediaries both at time of importing and at time of distribution to the targeted market. The enterprise either engaged directly with the manufacturers of commodities for importing the commodities or from supper agents of manufacturers. This direct partnership with the manufacturer or supper agents enables the enterprise to import commodities at lower cost and redistribute to retailers at lesser price compared to the major competitors in market. ALLE by avoiding intermediaries directly distributes the products to the retailers who will resale to the end users and to institutions /restaurants which uses the products for their own consumption.

According to the enterprise operation manual and procedure ALLE provides sales services only and directly to the retailers who will resale the products to the consumers, to the institutes who uses the products for self-consumption, and lastly for consumer cooperatives who also resale the products to the final consumers.

#### **4.5 Efficiency level of ALLE from the perspectives of monitoring the retail prices of its retail agents**

As per the interview conducted with the senior management members as part of the retail agent recruitment process, qualified retailers are expected to sign an agreement which contains several matters of which the retailing price is one of the major article. The purpose of the article, which discusses about retail price, in the agreement is to engage the retailer to resale the products to the public based on the agreed price called maximum retail price (MRP) even though the market price is inflated. Based on that the enterprise has assigned special Salesforce and market intelligence group who visit the registered retails shops periodically so as to insure the retail price is as per the agreement. Practically the purpose of the visit in most cases is related to examining inactive retailers but in the meantime the inspection team would also oversee the level of stock and insure the retail price is based on the agreement. Furthermore for particular consumer products such as sugar and palm oil the concerned sub cities are in charge of following up the retailers based on the list forwarded from ALLE Bejimila.

However, as per the data collected and analysed indicated in table 4.16 out of 100 ALLE Bejimila registered retailers respondents only 45% of are periodically visited by the pertinent company or government representatives and the rest 55% have not yet been visited at all by the staffs. Furthermore among the 55 periodically visited retailers 82% of them are visited once in a month and 18% of them once in a year. This show that there is weak follow up and monitoring of the retailers and retail prices which will have an adverse impact on the effort of price stabilization of the enterprise.

**Table 4.16 Follow up and monitoring status**

Range of visit per year		Frequency (f)	Mid point (Mi)	f X (Mi)	Deviation (Mi-X)	f X (Mi X X)	Deviation 2	Deviation 2 *	Frequency
Lower Limit	Upper Limit								
0	3	63	1.5	94.5	-3.33	-209.79	11.0889	698.6007	
3	6	0	4.5	0	-0.33	0	0.1089	0	
6	9	0	7.5	0	2.67	0	7.1289	0	
9	12	37	10.5	388.5	5.67	209.79	32.1489	1189.5093	
12	15	0	13.5	0	8.67	0	75.1689	0	
		100		483	13.35	0		1888.11	

Mean (X)            4.83

Variance            19.07

SD                    1.1888

The mean and standard deviation of frequency of visit of retail agents by the enterprise market intelligence team are 4.83 and 1.18 respectively. This result showed that there is no much significant variation among the retail agents in terms of being visited by the inspection team as the standard deviation is not too far from zero hence the enterprise need to exert additional effort to get better result.

## 4.6 Factors impacted the effectiveness of ALLE

### 4.6.1. Location proximity of ALLE stores to the retailers and its adverse impact on the retail price

As indicated in the table 4.17 below the proximity and reach of ALLE whole sale stores to the retailers have its own impact on the frequency of visiting of ALLE stores by the retailers and associated cost of transport. Out of 100 respondent retailers 50% have visited ALLE stores once per month, 28% of them visited twice a month, 15% of them three times per month and the rest more than 3 times. As per the data analysed the principal determinant factors of the frequency of visit of ALLE stores by the retailers are transportation cost and capital tied up. Out of the 50 respondents who visited ALLE stores only once in a month, 68% of them have done this because they need to reduce costs of transport and 94% of them do not reflect in the transport cost of the retail prices.

**Table 4.17. Retailers’ frequency of visiting of ALLE stores and impact on retail pricing**

Total respondents	Frequency of visiting ALLE stores by retailers per month			What is the primary reason for one time or multi times ALLE store visit			Do you reflect the cost of transport on the retail price		
	Frequency	Number of respondents	Percentage	To reduce cost of transport	To avoid capital tied up	Other reasons	Yes some times	Yes always	Not at all
100	1	50	50%	68%	21%	11%	5%	1%	94%
	2	28	28%	55%	39%	6%	29%	14%	57%
	3	15	15%	17%	61%	22%	42%	19%	30%
	More than three	7	7%	4%	77%	19%	49%	26%	25%

Furthermore the above table indicates that the more the frequency of ALLE store visit by the retailers the more transport of cost they incur hence the retailer reflect this cost in the retail prices so as to coup up the cost burden and as a recovery method . For instance, out of 15 retailers who visited ALLE three times in a month 19% of them reflect always the associate transport cost in the retail price and 42% of them reflect the cost sometimes. Hence the proximity of ALLE stores to

the retailers considerably impacted the retail prices and which also challenge the initiatives of price stability program by the government. In addition to that it affects the price competitiveness of the enterprise.

#### 4.3.5. Distribution at reach

Based on the interview with both the senior management and the expert ALLE Bejimla has a total of 3,000 registered retailers in Addis Ababa. In terms of distribution network coverage one ALLE registered retailer could be available for 200 households and on average 1.67 retailers' existed per kebele in the city. The total number of wholesale store of ALLE currently in Addis Ababa is 3 which means one ALLE store serves or allocate for 1000 retailers.

Figure 4.3 below also further indicates that the availability of the major consumable commodities in the retailer's stores is not sufficient. Out of 100 consumers who responded the question about the availability of requested commodities at the stores of retailers 60 of them said they get the requested commodities from the shop always, 38% of them get the commodities sometimes and forced to travel from one shop to another and the rest 2% replied they get the commodities rarely. Generally this shows that the availability of the commodities at reach is not satisfactory. Moreover from the interview it is cleared out that the current market share of the enterprise is less than 15%.



Figure 4.3. Availability of goods at the retailer's shops requested by customers

#### 4.3.6. Awareness level of consumer about ALLE products

As indicated in the table 4.18 below out of 100 respondents who completed the questionnaire at time of visiting ALLE register shops 88% of them have no clue about ALLE and its products. Furthermore none of the respondents are able to identify ALLE registered retailers and recognise ALLE products. Only 2% of the respondents know about and 10% heard about the enterprise. This indicates that the consumers don't have the capability of identifying ALLE registered retailers and bargaining about the prices whenever it is beyond the reasonable price. Hence it creates lack of transparency in terms of price between retailers and consumers which would potentially complicate the initiatives of government towards price stabilization.

**Table 4.18 awareness level of consumers about ALLE**

Number of respondents	Do you know ALLE Bejimila			Can you identify ALLE registered retailers		Can you identify ALLE products		Do you know retail price of ALLE	
	Heard about it	Know very well	Don't hear and don't know	yes	No	yes	No	yes	No
100	10%	2%	88%	0%	100%	0%	100%	0%	100%

#### 4.3.7. Financial capabilities of the enterprise

Based on the interview conducted with both the management and the expert the major sources of finance of the enterprise are owner contribution, loan and sales revenue. As per the initial plan the government was expected to pay a capital of 250 million ETB birr but only 50 million ETB is accounted to the bank of the enterprise. Furthermore the enterprise got credit facilities worth 600 million from commercial banks of Ethiopia. The average sales volume per month reach 30 million birr. Though the enterprise got 600 million birr loan from commercial banks partially but due to heavy capital investment on construction of standardized store it couldn't substantially resolve the working capital problem. Such challenges adversely impacted the distribution of the products at reach and contribution of the enterprise to the stabilization of price of commodities to the desired

and targeted level. Currently the market share of the enterprise is less than 15% which is half of the target that is 30%.

#### **4. 6.5. Threats of the company**

Based on the interview conducted with the senior management of the ALLE the major risks of the enterprise include the unlawful act of few licensed retailers and other middle men in the market which severely affects the operation of price stabilization of the enterprise. Based on the report about the inspection activities undertaken by the enterprise business intelligence and direct sales staffs to date 100 retailers' licence are cancelled and contracts are terminated. The two common unlawful acts of the retailers are: selling of commodities to another wholesalers instead of distributing to the retailers and distributing commodities in higher price than they are expected to sale as per the agreement. Moreover price fluctuation and foreign exchange are another major risks of the enterprise. These risks critically challenged the operation and the effort of price stabilization.

## **CHAPTER FIVE: CONCLUSION AND RECOMMENDATION**

### **5.1 Conclusion**

The main focus of this study is to examine the effectiveness of the Ethiopian government's intervention through ALLE Bejimla so as to regulate price inflation of consumable commodities through creating competition. The contribution of ALLE Bejimila in stabilizing the price in the market is very crucial. Throughout this study, efforts have been made to explore the effectiveness of the enterprise from capability of monitoring of the retail prices, establishing transparency between the retailers and consumers through creating awareness at all levels, the level of distribution at reach, the distribution network management, and expansion of modern trade and strength of the company in terms of financial capabilities. More over this study tries to see the journey of establishment of the enterprise as well as the economic and social rational behind.

Regarding monitoring and inspection of the retail price other than periodic visiting of the retailers there are no other additional established systems and tools, neither examined nor observed during the assessment that enables the enterprise to monitor whether or not the licensed retailers distribute the commodities to the targeted public based on the agreed price with the enterprise. Due to this problem it is exhibited and observed that some retailers are not challenged when selling the commodities at a maximum price that exists in the market which definitely will have an adverse impact on the effort of price stabilization.

In relation to awareness about the products and services of the enterprise the targeted public group are not only aware of objectives and products of ALLE Bejimla but also they have no clue and mechanism to identify which retailer belong to ALLE whole sale enterprise. This poor level of awareness complicates the transparency between the retailers and the wholesale enterprise as well as hinder the effort of the public in claiming the actual price of commodities and effort of stabilizing commodities price. Unless consumers are able to identify registered retailers of ALLE Bejimla and ALLE commodities it would be difficult to protect consumers from retailers with inflated price of commodities. Out of 100 consumers who responded to the questioners about their knowledge of ALLE Bejimla and its services only 22% replied that they are aware of the enterprise but the rest 78% do not know anything about the enterprise at all.

Concerning the distribution network at reach even though ALLE Bejimla has a total of 3000 registered retailers in Addis Ababa, the ratio of ALLE wholesale store to the retailers is 1000 which critically challenges the retail agents not to access the stores without incurring substantial transportation cost. Due to the transportation cost incurred as a result of the distance of ALLE shops the retailers add the cost on the retail price as a recovery mechanism. Moreover the reason behind the increase in transportation cost is in association with frequent visit of ALLE store to purchase small amount and pieces of goods mostly instead of buying in bulk which is a mechanism to avoid capital tied up. Out of 100 respondent retailers 85% indicated that transport cost is a burden for them to carry goods from ALLE stores to their shop. Furthermore respondents specified that so as to reduce the transport cost they are forced to buy in bulk and as a result of that they are challenged by capital tied up.

The challenge of working capital is one of the severe challenges that hinders the enterprise to attain its goal based on the planned schedule. Even though the enterprise got paid up capital and credit facilities worth 600 million from commercial bank of Ethiopia, it is insignificant compared to the target and the required extensive capital investment in relation to high standard wholesale stores. In fact this is where the debate arose that in one hand the government could not fund the enterprise substantially on the other hand why the government decides to have direct intervention recognizing that there is budget challenge. Such challenge adversely impacted the distribution of the products at reach and contribution of the enterprise towards stabilization of price of commodities to the desired and targeted level. Currently the market share of the enterprise is less than 15% which is half of the target that is 30%.

In general the government could achieve and exhibit major results through ALLE Bejimila especially as compared to the age of the enterprise. However, the government can also evaluate other alternatives and approaches that enhance the efficiency, productivity and effectiveness of the initiative.

## **5.2 Recommendation**

Based on the major findings, which are discussed in the previous sections, the following recommendations have been drawn, with the view to solve major problems of the initiatives and to improve effectiveness and productivity of the enterprise.

### **I. Enhancing the monitoring mechanism of the retail agents**

- Better monitoring tools and mechanism are needed so as to create transparency between the ALLE retail agents and final consumers in terms of retail price. This transparency can be attained through different mechanisms such as branding of the products and tagging retail prices that enables the consumers to define the products and associated price of ALLE easily.
- Need to have a free toll free number that can serve the consumers to call at any time free of charge to inform in case any price inconsistency happens in the market hence the enterprise can proactively take the necessary corrective action.

- Moreover deployment of advanced technology that enables the enterprise to follow up its retailers better in terms of stock status and retail prices. Linkage with ERCA using technology; also equip the enterprise with more information about the retail prices so that corrective action would be proactive instead of reactive.

## II. Awareness creation

- Awareness creation about ALLE products and services can be accomplished through branding and promoting of the products, branding retail agents and by providing major price information to the market through media or short message texting through mobile phone and last but not through price list tagging. Therefore, this measure will create transparency between retailers and consumers from retail price perspective.

## III. Distribution network and reach

- The enterprise is required to have retail outlets recruitment team that can go out to the market or do field assessment so as identify potential and better retail agents instead of only recruiting retailers based on their application submitted to the office.
- Exercising the practices of identifying the right distribution agents based on scientific approach and train the retailers are better approach both in terms of attaining price stabilization, expansion of modern cash and carry trade and avoid problem of concentration.
- Revise the selection criteria so as to recruit the right retailers that enable the enterprise to attain the desired goal.
- Until awareness is created fully throughout the public it is advisable for the enterprise to have its own shops of distributing products directly to the consumer in places where it is required based on criteria's to be developed.
- Increase the number of stores taking into consideration the enhancement of the level of proximity to the retailers in terms of location which potentially reduce cost of transport of the retailers.

## IV. Resolving of financial problem of the company

- One of the potential alternative can be formation of public private partnership (PPP) which will bring operation excellence in addition to capital inflow to the enterprise.
- Furthermore the franchise concept needs also to be evaluated. Franchising is the practice of the right to use a firm's business model and brand for a prescribed period of time. And it is an alternative to building "chain stores" to distribute goods that avoids the investments and liability of a chain.

#### V. Conducting periodic impact assessment

- It is to gauge whether the desired target is met or not. This enables the pertinent government unit to define improvement areas, to evaluate the soundness of the strategy and policy, to undertake the necessary policy and strategy revision and generally the reactions and measures to be proactive and instead of reactive.

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## **ANNEXES**

### **Annex I: Questionnaire for registered ALLE Bejimla products retailers**

ADDIS ABABA UNIVERSITY  
FACULTY OF BUSINESS AND ECONOMICS  
SCHOOL OF GRADUATE STUDIES  
DEPARTMENT OF PUBLIC ADMINISTRATION AND MANAGEMENT

#### Questionnaire for registered ALLE Bejimla products retailers

The purpose of this questionnaire is to collect data for the consumption of academic research paper entitled “.....” as partial fulfilment of the requirement for MA Degree. The information you are going to provide will be used for only academic purpose. So, you are kindly requested to give genuine answer.

Instruction:

- For closed- ended questions, you are kindly requested to encircle the number (choice) in each question that holds your opinion.
- For multiple answers in a given question, it is possible to rank more than one choice.
- For open-ended questions, you write your opinion in the space provided.

Thank you in advance!

1. Sex
  - a. Male
  - b. Female
2. What is your education level
  - a. Only reading and writing
  - b. Grade 1 to 8
  - c. Grade 8 to 12
  - d. College level
3. What is your status in the shop?
  - a. Owner
  - b. Employee
  - c. Family
  - d. Other

Please specify if your answer is 'd' .....
4. What is your responsibilities in the shop?
  - a. Only purchasing goods from suppliers
  - b. Only selling of goods
  - c. Sometimes purchasing and sometimes selling
  - d. Both purchasing and selling of goods
5. How long did you stay in this business or you experience this business?
  - a. 1 year
  - b. 1 to 2 years
  - c. 2 to 3 years
  - d. 3to 4 years

- e. More than 4 years
6. Which one of consumable commodities are the most demandable by consumers/public?
- a. Sugar
  - b. Oil
  - c. Flour
  - d. All of the above
  - e. Additional others
- If you select "d" please list at least the top three in the space provided here under:
- i. ....
  - ii. ....
  - iii. ....
7. How many customers do you serve per day on average?
- a. Less than 50
  - b. 50 to 100
  - c. 100 to 150
  - d. Greater than 150
8. Which group of the society are most of your customers?
- a. Mothers/women
  - b. Fathers
  - c. Youths
  - d. Kids
9. Which one of the following is/are your suppliers of goods?
- a. Wholesalers
  - b. Manufacturers
  - c. Others
- If you select "others" please specify .....
10. Which one of the following are your criteria to choose your suppliers?
- a. Price
  - b. Location proximity
  - c. Quality of goods
  - d. Credit facilities
  - e. Availability of varieties of goods at one store
  - f. Transportation services
  - g. Other reasons
- If you select "other reasons" please specify.....
11. What is the price condition of the items aforementioned in question 3?
- a. Decreasing from time to time
  - b. Remaining constant
  - c. Increasing from time to time

12. If your answer for question 9 is choice ‘‘d’’ how do you express the magnitude of increasing?
- a. Increasing at a decreasing rate
  - b. Increasing at an increasing rate
  - c. Dramatically increased

13. What is your comment by comparing the prices of goods aforementioned above in 2006 E.C and 2007 E.C from price perspective?
- a. 2006 is cheaper
  - b. 2007 is cheaper
  - c. Both are the same

14. What do you think about the causes for the answer provided for question 10?

-----  
-----  
-----  
-----

15. Are you aware of objectives of ALLE Bejimla?
- a. Yes
  - b. No

If yes please explain the types of services the company provided-----  
-----  
-----  
-----

16. Do your customers aware of ALLE Bejimla?
- a. Yes
  - b. No
  - c. I don't know

17. Why do you became a registered retailer of ALLE Bejimla?
- a. Because the price is cheaper compared to other wholesalers
  - b. Because you get all item in one shop
  - c. Because of geographical proximity
  - d. Other

If your answer also include ‘‘other’’ please specify -----  
-----  
-----  
-----

18. How long did you stay as registered ALLE agents?

1. 1 to 3 months
  2. 3 to 6 months
  3. 6 to 9 months
  4. 9 to 12 months
19. What is the sales volume of your shop after you became registered retailers of ALLE Bejimla?
- a. Increased
  - b. Decreased
  - c. Remain the same
20. Do you think ALLE's Bejimla has an impact on the prices of major consumable goods (mentioned above)
- a. Yes
  - b. No
  - c. I don't know
21. If the answer for question 17 is "yes" how do you evaluate the impact?
- a. Increasing the prices of the products
  - b. Decreasing the prices of the products
22. Do ALLE Bejimla employees visit your shop and ask you about the price?
- a. Yes
  - b. No
23. If your answer for question number 19 is "yes" how frequent is that
- a. Once in a week
  - b. Once in a month
  - c. Once in a year
  - d. Other
24. Do you have other suppliers other than ALLE Bejimla ?
- a. Yes
  - b. No
25. If your answer is " yes" for question what kind of products are you buying from the suppliers?
- a. Similar to ALLE's products
  - b. Different from ALLE's products
  - c. Both types
26. If your answer for question 25 is choice "a" why do you buy same products from different suppliers?
- a. Not to run out of stock
  - b. To fulfil customer demand
  - c. Because price is the same

- d. Stop buying from other suppliers after we became ALLE agent
  - e. Other please specify
27. Do you observe any or combination of the following actions from other suppliers once you became the agent of ALLE?
- a. Price discount
  - b. Providing credit facility
  - c. Door to door delivery
  - d. Transport services
  - e. None
  - f. Other
- If your answer is other please specify what you observed.....
28. Do all the major consumable goods available in your shop most of the time?
- a. Yes
  - b. No
29. If your answer is ‘no’ for question 28 how frequent scarce is it?
- a. Sometimes
  - b. Most of the time
  - c. Very rarely
30. Are all major consumable commodities available at ALLE Bejimla’s store?
- a. Yes all of them
  - b. No one of them
  - c. Most of them
  - d. Only few of them
31. Do ALLE Bejimla staffs visit your shop?
- a. Yes
  - b. No
32. If your answer for question 31 is ‘yes’ how frequent they visit?
- a. Once in a month
  - b. Twice in a month
  - c. Three times in a month
  - d. Four times in a month
  - e. More than 4 times in a month
33. How many times on average are you visiting ALLE store per month
- a. 1 times
  - b. 2 times
  - c. 3 times
  - d. More than 3
34. What is your primary reason for visiting multi times ALLE stores?
- a. To reduce cost of transport
  - b. To avoid capital tied up
  - c. Because of high turnover

- d. Other: Please specify.....
- 35. Are you spending money for transport and labour when you purchase goods from the suppliers
  - a. Yes
  - b. No
- 36. If yes how do you recover the cost?
  - a. By prorating the cost in to retail price
  - b. Not recovered
  - c. Other: please specify.....

**THANK YOU FOR YOUR COOPERATION!**

**Annex II : Questionnaire for Consumers**

ADDIS ABABA UNIVERSITY  
FACULTY OF BUSINESS AND ECONOMICS  
SCHOOL OF GRADUATE STUDIES  
DEPARTMENT OF PUBLIC ADMINISTRATION AND MANAGEMENT

Questionnaire for consumers

The purpose of this questionnaire is prepared to collect data for the consumption of academic research paper entitle “’.....” as partial fulfilment of the requirement for MA Degree. The information you are going to provide will be used for only academic purpose. So, you are kindly requested to give genuine answer.

Instruction:

- For closed- ended questions, you are kindly requested to encircle the number (choice) in each question that holds your opinion.
- For multiple answers in a given question, it is possible to rank more than one choice.
- For open-ended questions, you write your opinion in the space provided.

Thank you in advance!

1. Sex

- c. Male
- d. Female

2. Marital status

- a. Married
- b. Single
- c. Divorced
- d. Separated

3. What is your education level

- e. Only reading and writing
- f. Grade 1 to 8
- g. Grade 8 to 12
- h. College level

4. What is size of your family

- a. 1
- b. 2
- c. 3
- d. 4
- e. More than 4

5. How long did you stay as a customer of retail shops?

- a. One year
- b. Two years
- c. Three years

- d. More than three years
- 6. Which one of consumable commodities are the mostly purchase from the retail shops?
  - a. Sugar
  - b. Oil
  - c. Flour
  - d. All of the above
  - e. Additional others

If you select "d" please list at least the top three in the space provided here under:

- .....
- .....
- .....

- 7. Which one of the following are your criteria to choose retailers shop?
  - a. Price
  - b. Location proximity
  - c. Quality of goods
  - d. Credit facilities
  - e. Availability of varieties of goods at one store
  - f. Other reasons

If you select "other reasons " please specify.....

- 8. What is the price condition of the items aforementioned in question 3
  - d. Decreasing from time to time
  - e. Remaining constant
  - f. Increasing from time to time
- 9. If your answer for question 9 is increasing how do you express the magnitude
  - d. Increasing at a decreasing rate
  - e. Increasing at an increasing rate
  - f. Dramatically increased

- 10. What is your comment by comparing the prices of goods aforementioned above in 2006 E.C and 2007 E.C from price perspective?
  - d. 2006 is cheaper
  - e. 2007 is cheaper
  - f. Both are the same

- 11. What do you think about the causes for the answer provided for question 10?

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- 12. Do your aware of ALLE Bejimila?

- d. Yes
  - e. No
  - f. I don't know
13. Can you identify ALLE's retail agents?
- a. Yes
  - b. No
14. Can you identify ALLE products?
- a. Yes
  - b. No
15. Do you know ALLE products retail price?
- a. Yes
  - b. No
16. Do all the major consumable goods available in the retail shop?
- c. Yes
  - d. No
17. If your answer is no for question 166 how frequent scarce is it?
- d. Sometimes
  - e. Most of the time
  - f. Very rare

**THANK YOU FOR YOUR COOPERATION**

**Annex III : Interview guide Questionnaire**

ADDIS ABABA UNIVERSITY  
FACULTY OF BUSINESS AND ECONOMICS  
SCHOOL OF GRADUATE STUDIES  
DEPARTMENT OF PUBLIC ADMINISTRATION AND MANAGEMENT

**Interview guide Questionnaire**

The purpose of this questionnaire is to collect data for the consumption of academic research paper entitled " Assessment of the Effectiveness of Government Intervention in the Market - The Case of 'Alle' Bejimla Wholesale Enterprise in Ethiopia" as partial fulfilment of the requirement for MA Degree. The information you are going to provide will be used for only academic purpose. So, you are kindly requested to give genuine response.

1. What is the rationale for the establishment of the company by the government?
2. What was the Process of establishment?
3. Which countries best practices is taken as a bench mark and what are the best practices?
4. What makes it different from previous initiatives of the government such as Merchandise Wholesale and Import Trade Enterprise (MEWIT)?
5. Who is the owner of the enterprise?
6. How much is the capital contribution and what was the source of fund?
7. What does the governing structure and organization set up look like?
8. What are the relevant proclamation and commercial laws applied for the establishment of the enterprise?
9. How is it related with government economic Policy?
10. If you conducted base study before launching of the enterprise would you explain the objective and findings?
11. What is the overall objective, mission and vision of the enterprise?
12. How do you evaluate the effectiveness of the enterprise from the following point of view?
  - 12.1. Stabilizing prices , regulating inflation and monopoly
  - 12.2. Fostering modern trade
  - 12.3. Distribution consumable commodities at reach
13. What does the eco-system look like such as who are the market players and their interactions?
14. What are the major activities and operations that are undertaken in the enterprise?
15. What are the expected macro and micro impact ALLE is going to bring?
16. At a high level what does the SWOT of the enterprise look like?
17. How does the competition look like?
18. What is the overall performance of the enterprise in terms of :
  - 18.1. Finance and sale
  - 18.2. Distribution coverage
  - 18.3. Number of retailers
  - 18.4. Estimated number of households to be impacted
19. If impact assessment has been done by your enterprise would you explain what were the major impacts exhibited in the study?

20. How do you monitor and trace the retailing price of your agents?
21. What is the awareness level of your product consumers /public/retailers and the retailers about your products and services?
22. What are the major operational and strategic challenges?
23. What are the major operational and strategic successes?
24. What are the major potential risks of the company?

**THANK YOU FOR YOUR COOPERATION!**

**Declaration**

I hereby declare that the thesis is my original work and it has not been presented in any other university and all sources of materials used for this thesis are duly acknowledged.

Declared by: Name: Netsanet Raya

Signature \_\_\_\_\_

Date:

Advisor: Name: Ato Teferi Regassa

Signature \_\_\_\_\_

Date: