



COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF GRADUATE STUDIES

**THE EFFECT OF MULTICHANNEL DISTRIBUTION SYSTEM ON
COMPANY PERFORMANCE: THE CASE OF FAFFA FOOD SHARE
COMPANY**

**A RESEARCH SUBMITTED TO THE PARTIAL FULFILLMENT FOR
THE AWARD OF DEGREE OF MASTERS OF ARTS IN MARKETING
MANAGEMENT**

**BY
SHIKURIA NASIR**

**JULY, 2020
ADDIS ABABA, ETHIOPIA**

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF GRADUATE STUDIES
THE EFFECT OF MULTICHANNEL DISTRIBUTION SYSTEM ON COMPANY
PERFORMANCE: THE CASE OF FAFFA FOOD SHARE COMPANY

BY: SHIKURIA NASIR

Approved by Board of Examiners

Belaynesh Tefera (PhD)

Thesis Advisor

Signature

Date

Mulugeta Gebremedhin (PhD)

Internal Examiner

Signature

Date

Workineh Kasaye (PhD)

External Examiner

Signature

Date

DECLARATION

I hereby declare that the thesis entitled “**The effect of multichannel distribution system on company performance in the case of FAFFA food Share Company**” is my original work and has not been submitted by anyone for any degree in any university. All the materials used for the study have been duly acknowledged.

Shikuria Nasir

Name

Signature

Date

LETTER OF CERTIFICATION

This is to certify that Shikuria Nasir has carried out her thesis on the topic entitled “**The Effect of Multichannel Distribution System on Company Performance: The Case of Faffa Food Share Company**” This work is original in nature and is suitable for submission for the award of Masters of Marketing Management.

Dr. BelayneshTefera
(Thesis Advisor)

ACKNOWLEDGEMENT

First and foremost, I would like to thank my Almighty Allah, who helped me in every facets of my life. Next, I am strongly thankful to my Advisor, Dr. Belaynesh Tefera, for her valuable comment and guidance throughout the study. I would also like to express my appreciation for all of the employees who have responded for the questionnaire and for their support in providing the relevant data acquired. Finally, special thanks to my friends and all my families who were around and supported me in any way during my study.

Shikuria Nasir

LIST OF ABBREVIATIONS AND ACRONYMS

MDS – Multichannel Distribution System

HMS- Horizontal Marketing System

SPSS - Statistical Package for Social Sciences

VMS- Vertical Marketing System

LIST OF TABLES

Table 3. 1 Reliability Test Results	26
Table 4. 1 Demographic Profiles of Respondents	29
Table 4. 2 Reliability Test Results	30
Table 4. 3 Respondents' level of agreement on channel level.....	31
Table 4. 4 Respondents' level of agreement on channel cooperation.....	31
Table 4. 5 Respondents' level of agreement on channel control	32
Table 4. 6 Respondents' level of agreement on channel conflict	34
Table 4. 7 Correlation matrix between dependent (overall company performance) and independent variables (channel level, channel control, channel conflict and channel cooperation)	36
Table 4. 8 Multicollinearity Test	38
Table 4. 9 Durbin Watson Test	38
Table 4. 10 Regression coefficients results from determinants of multichannel distribution system and company performance.....	39
Table 4. 11 Summary of Hypothesis.....	41

List of Figures

Figure 2. 1Multichannel distribution system	18
Figure 2. 2Conceptual framework of the study	23

Table of Contents

Content	Page
DECLARATION	iii
LETTER OF CERTIFICATION	iv
ACKNOWLEDGEMENT	i
LIST OF ABBREVIATIONS AND ACRONYMS.....	ii
LIST OF TABLES.....	iii
List of Figures	iv
Table of Contents.....	v
<i>ABSTRACT</i>	vii
CHAPTER – 1	1
INTRODUCTION	1
1.2. Problem statement	3
1.3. Research questions	4
1.4. Objectives of the study	5
1.4.1 General objective	5
1.4.2 Specific Objectives	5
1.5. Scope of the Study	5
1.6. Significance of the Study.....	5
1.7. Definitions of Terms.....	6
1.8. Organization of the paper.....	7
CHAPTER – 2	8
REVIEW OF RELATED LITERATURE	8
Introduction.....	8
2.1 Theoretical Review.....	8
2.1.1 Distribution Channel	8
2.1.2 Marketing Channel Theories and Constructs.....	9
2.1.3 Distribution Channel Models	12
2.2 Empirical Review	19
2.3. Hypotheses of the study	22
2.4 Conceptual framework.....	23
CHAPTER-3	24
RESEARCH METHODOLOGY	24

Introduction	24
3.1 Research Approach	24
3.2 Research design	24
3.3 Data Source and Types.....	24
3.4 Population and Sampling Technique	25
3.5 Data Collection Instrument.....	25
3.6 Data Analysis Techniques.....	25
3.7 Reliability and Validity	26
3.8. Ethical Considerations.....	27
CHAPTER FOUR.....	28
DATA ANALYSIS, PRESENTATION, AND INTERPRETATIONS	28
Introduction.....	28
4.2. Reliability test	30
4.3 Correlation Analysis	35
4.3.1. Diagnostic Analysis.....	36
4.4 Regression Results	39
4.5. Validating the proposed Hypotheses.....	40
4.6 Discussions on Findings	41
CHAPTER- 5	43
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	43
5.1. Summary of Major Findings	43
5.2 Conclusion.....	43
5.3. Recommendations	43
5.4 Limitations and Direction of the Study	44
References	45
APPENDIX II Descriptive Analysis.....	52

ABSTRACT

The purpose of the study is to examine the effect of multichannel distribution system on company performance in the case of FAFFA Food Company. The study undertakes an explanatory research design and quantitative approach with a sample of 60 respondents. For the primary and secondary Self-administered questionnaires would use to collect responses. Measurement of the relationships of the study (channel level, channel control, channel cooperation, channel conflict and company performance) is done and subjected to accurate data processing and analysis using the relevant statistical computer software packages. Findings indicated that there were significant relationships among those three variables (channel level, channel cooperation, channel control) with company performance. And there is no significance relationship between channel conflict and company performance. Results from regression analysis showed channel level and channel cooperation were significant predictors of company performance. After examining the results and reaching on conclusions, the researcher recommended that the company should focus their concentration on channel control in selection, motivation, training and evaluation of channel members and on channel level to take great care about choosing the right distributors.

Keywords: *multichannel distribution, channel performance, channel conflict, channel level, channel cooperation and channel control*

CHAPTER – 1

INTRODUCTION

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

1.1 Background of the Study

Marketing is a key element of any business activity that intended at making profit or maximizing market share, there are four marketing mix element from which the researcher select place or distribution. It acts as a link connecting customers and products through wholesalers, retailers or other partners in the distribution systems; it is important part of marketing mix elements. Distribution channel is the path through which goods and services travel from the vendor to the consumer and payments for those products travel from the consumer to the vendor. A distribution channel can be as short as a direct transaction from the vendor to the consumer, or may include several interrelated intermediaries along the way such as wholesalers, distributors, agents and retailers. Each intermediary receives the item at one pricing point and moves it to the next higher pricing point until it reaches the final buyer. (Doole& Lowe, 2012).

For many years companies have been giving the slightest attention to the issues related to distribution because they thought it has no contribution to a company performance. Nowadays, they start realizing that the well-organized distribution strategy formulation is fundamental to the success and survival of any organization (Cateora& Graham, 2007). The main objectives developing appropriate distribution channel structure should be product availability and visibility for the customers, mutual cooperation between the manufacturer and the intermediaries, provide desired level of service to end-users, minimizing distribution costs , information flow is achieved (e.g. number of sales, inventory, etc.) (Onkvisit& Shaw, 2004).

According to Hollensen&Opresnik, (2014) marketing channel structures can be assemble into four types that include conventional marketing channel, vertical, horizontal and multichannel distribution systems. Multichannel distribution systems (MDS) a company employs two or more channels in order to serve up one or more customer segments (Hollensen&Opresnik,

2014). The number of companies adopting this system is increasing. The main reasons of that phenomenon are the option to increase market coverage, lower channel costs, and organize more customized selling. The consequences of having multiple channels are complexity of channel management, control, and cooperation, as well as high chances of channel conflict. Thus, before implementing MDS or adding an extra channel, companies should carefully plan their channel structures identifying which functions each channel should perform (Panda, 2009).

Further literature indicates that mandatory channels should not automatically be alarmed when additional channels are introduced with reasoned that channel members with improved intelligence than their competitors should be more combined planning oriented and enjoy an advantage in both forming and implementing marketing strategies. And as this joint planning is effected between the upstream and downstream distribution channel members, the company stands more chances of profiting from multi-channel distribution patterns. This directly impacts performance of the multi-channel distribution entities. And the company's performance measured in objectives and subjective data on a multiple aspects of performance such as product line growth, sales growth, market share, profitability, improved satisfaction of customer target. (Levi &Weitz, 2008).

Multi-channel distribution is connected with higher sales performance and profitability. As a result, with the idea to reinforce the market position on the food industry, the objective of this paper is to give recommendations for the distribution strategy of the FAFFA Food S.C. The plan is to analyze the effect of determinant factors of Multichannel Distribution system on Company performance. Multi-channel distribution system shall for this research refer to two level of channel that uses intermediaries (firms or individual) which help as a way along which goods and services travel from producer/manufacturer through marketing intermediaries (such as wholesalers, distributors, and retailers) to the final user.(Ostrow, 2009, 59)

The magnitude of multichannel structure that measured channel performance are channel levels, channel control, channel cooperation, and extent of customer contact afforded by channel mix. The intention of this paper is thus to improve our understanding of the determinants of multi-channel distribution system. In particular, this paper attempts to examine the major determinants of multichannel distribution system that have an impact on

company performance measured in Sales growth, profitability, and market coverage in the case of FAFFA.Coelho et al (2003)

1.2. Problem statement

Place or Distribution of marketing function acts as a link connecting customers and products through wholesalers, retailers or other partners in the distribution systems. Modern marketers are continuously giving emphasis in developing and increasing their distribution network to be competitive in the market. Market leaders and challengers are battling for the sustainability of their brands and targeting the channel members to investigate their marketing opportunities. It is observable that the distributors and the retailers play an effective role in influencing the ultimate customers in their buying behavior. (Ali M., 2008).

A well-chosen channel is essential because it constitutes a significant competitive advantage, and it is planned to save costs, improve and increase efficiency, provide regular transactions, provide a larger customer base, and allow businesses to focus on other aspects of the organization (Menkhaus et al., 2004).

It has been argued that adopting a well-chosen multichannel distribution system is important for the company because it constitutes a significant competitive advantage and it is designed to save costs, improve and increase efficiency, provide regular transactions, diversify risk, provide a larger customer base, and allow businesses to expand product line and to focus on other aspects of the organization(Menkhaus et al., 2004).

From the company perspective then, it is important to understand different determinant factor which is vital for the development of effective multichannel distribution system. Yet despite adding extra distribution channel expose to channel conflict, conflict arise in direct sales competing with an independent distributor, two similar distributors competing for purchase, as a result, problem is popping up: redundant process in warehouse, inability to meet seasonal demand and slow fulfillment of orders. This seemingly minor issue is start adding up, leading to unhappy customers which harm the company performance. So, adapting multi-channels are complexity of channel management, control, and cooperation, as well as high chances of channel conflict. Thus, before implementing multiple channel companies should carefully plan their channel structures identifying which functions each channel should perform. (Doyle & Stern 2006)

Effective channel management is a cooperative marketing strategy in which manufacturer put in to their direct and indirect channels of distribution to reach different segments more efficiently and effectively and channel management concepts focus of efficiency in cost optimization and effectiveness through better customer satisfaction. (Brigham, F. G., & Gomes, R., 2001). But the problem is that safeguarding long-term channel control may conflict with short-term objectives to maximize revenues, especially given the powerful positions that the intermediaries have been able to build.

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

This study presents a framework that the company measures the channel performance as a result of adopting multichannel distribution system on the basis on four independent variables: channel level, channel control, channel cooperation and channel conflict. As to the knowledge of the researcher, there are quite a number of studies in distribution channel system regarding the effect on firm performance. But the researcher believes there is a gap in knowledge and findings regarding multichannel distribution on basis of the dimensions channel level, channel control, channel cooperation and channel conflict on firm performance in the case of FAFFA food Industry.

1.3. Research questions

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

- ❖ How does channel level affect company performance?
- ❖ Why does the impact of channel control affect company performance?

- ❖ What is the impact of channel cooperation on company performance?
- ❖ Why does channel conflict affect company performance on basis of profitability?

1.4. Objectives of the study

1.4.1 General objective

The general objective of the study is to examine the effect of multichannel distribution system on performance of FAFFA Food S.C. Consequently, a detailed study must be done in the below specific objectives.

1.4.2 Specific Objectives

- ❖ To assess the impact of channel level on company performance.
- ❖ To examine the impact of channel control on company performance.
- ❖ To explore the effect of channel cooperation on company performance.
- ❖ To examine the effect of channel conflict on company performance.

1.5. Scope of the Study

The scope of this research focuses on the basis factors of multichannel distribution system that have an impact on company performance. In addition, since it is not possible to incorporate all determinants of multichannel distribution system in one study only four specific factors, Channel levels, Channel Control, Channel cooperation and Channel conflict would include in this study. And also the paper contraction in distribution channel in evaluating the company performance knowing that other marketing programs that are not related to the purpose of this study may affect the company performance. And the research area focuses on the performance of the company that is measured in terms of Sales, profitability, and Market coverage. The study is specifically delimited in Addis Ababa, Ethiopia. The researcher would be used Explanatory research design together with the quantitative research approaches. The analysis is carrying on using descriptive and inferential statistics.

1.6. Significance of the Study

The findings of the research help the company itself (FAFFA) gain an insight into distribution strategy in the current market environment of the food industry and present multichannel distribution system organization and its effectiveness. The result of the research, recommendations for the multichannel distribution strategy assist others related company that would lead to strengthening of its market position and company performance. And the researcher would acquire more knowledge and experience on the study. The subject

of the study widens knowledge of multichannel distribution and help as a reference for further research work by anyone who might be interested.

1.7. Definitions of Terms

Conceptual definition defines a concept/ term from the theoretical perspective.

- **Multichannel marketing system-** is a distribution system in which a single firm sets up two or more marketing channels to reach one or more customer segments. Doyle & Stern (2006).
- **Distributor** - An individuals or institutes provide as an intermediary for products to distribute to recognized retail outlets in their area and that have precise sales target. (Coughlan et al., 2006)
- **Multichannel Distribution System determinants-** are the dimensions or factors that determine the efficiency of the channel. The determinants that incorporated in this study are Channel level, Channel control, Channel cooperation, and Channel Conflict. Panda (2009) and Doyle & Stern (2006).
- **Channel level-** refers to the intermediary in distribution channel between the manufacturer and the end consumer. (Kotler& Keller (2006)
- **Channel control-** a firm to exert an influence over intermediaries' distribution activities in order to obtain greater selling efforts or quality of after sale support. (Lynn and Robert, 1996).
- **Channel cooperation-** is the woulingness of channel members to work together to ensure important channel functions are performed.(Lynn and Robert, 1996).
- **Channel conflict-** is a situation in which actions of one of the channel members prevent another member(s) from achieving its goals.(Coughlan et al., 2006)
- **Company Performance-** achieving better results, accomplishing the major goals, and executing the company's strategies precisely. For this study the key performance indicators used to measuring performance are sales growth, Profitability, and Market coverage. (Coughlan et al., 2006)
- **Profitability-** the amount of profit a company generates on its sales at the different stages of an income statement. . (Kotler& Keller (2006)
- **Sales growth-** the amount by which the average sales volume of a company's products has grown, typically from year to year. (Kotler& Keller (2006)
- **Market coverage-** is the number of active retail outlets that sell the company's defined brands in a specific market.(Kotler& Keller (2006)

1.8. Organization of the paper

The research paper was organized to five chapters. The first chapter deals with background information, statement of the problem, objective of the study, significance of the study, scope and limitation of the study. The second chapter deals with review of related literature. The third chapter discusses the methodology. In the fourth chapter, presentation, analysis, and interpretation. And finally the last chapter consists of the summary, conclusion and recommendation

CHAPTER – 2

REVIEW OF RELATED LITERATURE

Introduction

This Chapter presents a review of related literature that has been importantly studied and selectively adopted for the purpose of this study. Relatively rich scholarly works including journal articles, book chapters, and periodicals as well professional complements were considered relevant sources of the reviewed literature. This chapter provides an impending to readers under the theoretical view in line with objective of the study covers topics of understanding of distribution channels and different model on usage of multichannel distribution System. Conceptual framework drawn from a theoretical and empirical opinion taking determinants factors that are believed to affect the company performance.

2.1 Theoretical Review

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

2.1.1 Distribution Channel

Distribution channel is set of independent organizations involved in the process of making a product or service available for use or consumption. Manufacturers, intermediaries and end users are perceived as the key actors of a distribution channel (Coughlan et al., 2006). Strategic management of distribution channels is growing in both identification and significance in the business world (Levi & Weitz, 2008). There are numerous reasons for this. Firstly, as value has shifted towards customer, distribution has moved from being the back of beyond of strategy to the main stream, since it is where much of the profit in many industries can be found nowadays (Wise & Baumgartner, 1999). In other words, distribution and its network have become an important source of success and competitive advantage. Anderson and Narus (1990) reported that it is jointly known and implicit that the success of manufacturers and distributors depends on the other firm. Loomba (1996) also suggested that

in order to compete effectively, today's firms must re-examine their existing distribution and make adjustments when necessary. Secondly, distribution channel strategies affect many other aspects of marketing strategies. According to Kotler and Veronica (2008), distribution affects sales, since if the product is not accessible, it cannot be sold. Most customers would not wait until it can be reached. Delivery is seen as a part of the product that influences customer satisfaction.

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

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

2.1.2 Marketing Channel Theories and Constructs

Marketing channels have been studied using different theoretical frameworks, which we group efficiently into two major schools of thought (Gattorna 1978; Stern & Reve 1980). Economics-based, theoretical approaches tend to call attention to economic efficiency or functional optimization as means to resolve situational constraints and costs through channel design, as well as profits. Behavioral-based theoretical approaches integrate theories from sociology, social psychology, and organizational behavior to explain inconsistencies that result from the based on reason actor assumptions made in economic-based approaches.

2.1.2.1 Behavioral-Based Approaches

Power-dependence and conflict - Power is randomly distributed in any lay to rest organizational system. The system organizations increase and use their power, and balance lop-sided dependence, determines channel structures and performance (Antia, Zheng, & Frazier, 2013; El-Ansary & Stern, 1972). Power refers to the skill to pressure channel partners

to take trial they otherwise would not take (Draganska, Klapper, & Villas-Boas, 2010; Gaski, 1984). Mutually dependent channel members usually work pleasantly to keep up jointly useful relationships and the routine benefits from those relationships, whereas lopsidedly dependent channel members are at better hazard of being subjected to uses of coercive power (Kumar, Scheer, & Steenkamp, 1998). Although power does not essentially encourage disagreement (Geyskens, Steenkamp, & Kumar, 1999), the environment and sources of power can exaggerate the unenthusiastic effects of disagreement on channel performance by increasing apparent injustice (Samaha, Palmatier and Dant, 2011). Low levels of conflict potentially increase performance (Gundlach & Cadotte, 1994), but rising conflict within an exchange can accelerate the failure of the relationship and harm channel performance. In particular, it undermines helpful actions and prompts the injured party to seek other trade partners.

Relational norms theory- relational norms refer to outlook about contract deeds that replace partners share (Kaufmann & Rangan, 1990). not like astringent or legal theory, relational norm theory assumes that dealings exist in the background of the correlation, rather than in terms of disconnected or independent events (Heide & John, 1992). special types of norms exist, including mutuality, harmony, and elasticity, and each has a somewhat different pressure on the relationship (Palmatier, Dant, & Grewal, 2007). In general nevertheless, norms help assistance and shrink argument, help substitute associates take action to environmental anxiety, and encourage channel performance by sinking opportunism and other relationship-damaging behaviors (Kaufmann & Rangan, 1990; Kumar, Heide, & Wathne, 2011).

Commitment–trust theory- holds that the two main determinants of trade performance are promise to and trust in a replace partner (Morgan & Hunt, 1994). rather than focus on the substitute's power or confidence structure, commitment–trust theory describes upbeat relationships between channel members. as an alternative of positioning channel members as possible competitors in a micro-economic sense, it holds that booming channel members lend a hand and control their obligation and trust to increase their performance. dedication is defined as one channel element's desire to maintain a respected relationship (Moorman, Zaltman, & Deshpandé, 1992), and trust is one channel member's assurance in the other partner's consistency and reliability (Doney & Cannon, 1997; Ganesan, 1994). Recent research moves the commitment–trust construction beyond imagery of channel relationships by focusing on a forceful perspective. The key result were Commitment and trust, not

authority or reliance, are the keys to put in the ground - organizational relational performance. Both constructs assist to encourage reciprocal goals and moderate each channel member from completely in their own self-interest (Morgan & Hunt, 1994).

Network theory- Network theory goes ahead of a dyadic contact to explain channel situations that imitate real business practices (Palmatier, 2008). Rather than hinging on clean self-interest as the main determinant of actions, network theory focus the normative and social structures in which relations are fixed (Baron & Hannan, 1994). At its hub, a channel network contains a crucial organization that integrates upstream and downstream firms, such as a major technological firm (e.g., Hewlett-Packard) or marketing expert (e.g., Nike). In this logic, network theory provides an outstanding framework within which to know how changes in one part of the channel system affect other parts. Managed networks of channel partners can offer better information doling out, knowledge formation, and adaptive properties to predictable, vertically incorporated organizations. Rather than hinging on pure self-interest as the primary determinant of actions, network theory emphasizes the normative and social configuration in which exchanges are surrounded (Baron & Hannan, 1994) and provides an outstanding framework for accepting how changes in one part of channel eco-systems affect other parts.

2.1.2.2 Economic-Based Approaches

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

Agency theory focuses on situations in which one unit (the principal, such as a manufacturer) delegates' responsibility for an action to another unit (the agent, such as a retailer) (Jensen

&Meckling, 1976). It rests on three main assumptions: Both the principal and the agent operate according to their self-interest and risk preferences, as neither party has perfect information and both must deal with environmental ambiguity (Eisenhardt, 1989). Unknown information problems happen due to information asymmetries between the principal and the agent, previous to incoming into a contract. The hidden action problem as a replacement for describes post-contractual issues, such that principals must resolve how to calculate and recompense agents to ensure that the delegated responsibilities get completed in their best interest (Kashyap, Antia, & Frazier, 2012). The key result were describes relationships in which one body delegates work to another. Focus on selecting the well-organized contract to govern a channel relationship in view of the characteristics of both channel members as well as environmental insecurity and the costs of information that make monitoring of the agent, such as a distributor or retailer, difficult (Jensen &Meckling, 1976).

Game theory- In channels study, decentralized channels is likely to result in inefficiencies, and channel partners are accountable for structuring contracts and incentives to fix these inefficiencies (Coughlan, 1985). Similar to TCE and agency theory, game theory in channels research provides a way to understand communications among potentially adversarial channel entities, but unlike these theories, it clearly models possible strategic actions to forecast channel structure, given a set of constraints. The key result were given constraints, game theorists exactly assume channel member strategies that effect in one result or a set of outcomes with recognized probabilities (i.e., equilibria) (Watson, 2013). Within marketing channels explore, a key focal point is that decentralized channels result in inefficiencies and channel partners are accountable for structuring contracts and incentives to fix these inefficiencies.

2.1.3 Distribution Channel Models

Marketing professors Onkvisit& Shaw (2004) sketch a similar between blood diamond and other goods, and quarrel that —any products, no stuff how good they are, are improbable to add to market approval without being made offered at a time and place that are suitable for final user|. Based on channel objectives, _construction’s channel between producer and the end customers, the most suitable distribution channel structure can be developed. The main goals may be the following: product accessibility and visibility for the customers, joint collaboration between the producer and the intermediaries, the end-users take delivery of desired level of service, distribution costs are minimized, the desired information flow is achieved (e.g. number of sales, inventory, etc.) (Onkvisit& Shaw, 2004).

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

2.1.3.1 Indirect-marketing channel model

The model contains one or more intermediaries. An indirect marketing channel can be both short and long. Only one trading company is incorporated in the short channel. In the long channel, there are two or more intermediaries. The corporation may sell to an intermediary who additionally distributes to retails outlets. This may increase manufactured goods costs since each intermediary would get their percentage of the profits. This channel may become essential for large producers who trade through hundreds of small retailers. The restrictions were the party has a greater number of levels way less control and greater channel difficulty. If products stop being profitable or a competitive product offers a enhanced profit potential, the channel intermediaries can stop the contract.

Distribution channels are intended as either a direct structure (through direct sales force), Indirect (through agents and dealers) or a mixture of both. The composition depends on the return from possession of asset, locality of market, and operations (Dunning, 1980)

The significance of channel intermediaries has grown in recent years, mostly due to increased size, better level of product awareness, technical skill, specialization and different other factors (Kalafatis, 2000)

2.1.3.2 Direct-marketing channel model

The model has no intermediary levels. The producer directly provides the manufactured goods to the consumer The reimbursement of this method is that the company has better control over the merchandise and elements of marketing mix, channel enables active marketing utilization, enhanced advice about the performance of the product, its representation at all stages and the user experience. The negative aspect is a luxurious and time-consuming channel and which cannot be reasonable without large sale volumes.

In general, the company cannot save money by —eliminating the middleman‖ because intermediaries concentrate in performing certain responsibilities that they can perform more reasonably than the producer. Most grocery products are resourcefully sold to the consumer all the way through retail stores that take a humble mark-up it would not make logic for manufacturers to distribute their grocery products in small quantities directly to consumers.

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

2.1.3.3 Horizontal marketing systems (HMS) model

This model was two or more different independent organizations link their services and merge their resources to utilize a new market chance. These organizations can work either on permanent or temporary basis. Generally, companies acquire concerned in HMS for lack of capital, knowledge, marketing resources or production capabilities, or in case they are troubled of taking a risk on their own. This is an opportunistic arrangement. Each company has recognized the strength of the other that it can exploit to its own advantage; as a result, both of them can attain enhanced results and strike the competition (Panda, 2009; Kotler et al., 2012; Havaladar&Cavale, 2006).

2.1.3.4The traditional marketing channel model

The traditional marketing channel model consists of independent manufacturer(s), distributor(s), wholesaler(s), and retailer(s). These conventional distribution channels have lacked well-built guidance and power, often ensuing in damaging conflict and poor performance. Task of each member are restricted to its task, for example, producer doubts about making products, and retailer – selling the products. None of them has important control over each other. Their goals are to exploit own profits and minimize own costs even if some of their deed are destructive for the system as a whole.

In traditional marketing system each channel member works separately and seeks to maximize own profits. Therefore there is no definite control system in this channel to solve common conflicts.(Kotler et al., 2008) According to Dunne, Lusch& Carver (2011), The traditional marketing system is extremely unproductive method. Traditional marketing channel gives one agent advantage to control others by use of power and resources. Channels are restricted by reliable control mechanism, meaning that the most dominant members have the right to control and make decisions. (Weitz& Jap, 1995)

2.1.3.5 Vertical marketing system (VMS) model

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

But the VMS approach is restricted when a company starts to use more than one marketing channel to target their customers. The VMS approach focuses mostly on one channel. Interrelationships, conflicts and organization issues between different channels are not measured. Additionally this approach is vitally because it is based on the theory that a channel head exists, who has an important power over the whole chain. But the current condition and projections of future trends show a diminishing influence of the producer on the wholesale and retail level (Fritz & Graf, 2007). There are more and more independent intermediaries that have not attached a VMS. The new rivalry is now between whole systems of networks rather than individual business units (Kotler & Keller, 2006). Out of this critics in the subsequently section a multi- channel approach is outlined which takes these restrictions into account.

Channel level: Kotler & Keller (2006) presented three levels in consumer channels strategy. They set up that the growth in retailer size has meant that it becomes economic for producers to supply retailers directly; hence consumers now have the expediency of viewing and trying the product at the retail outlet. A two – level channel contains two intermediaries, a wholesaler and a retailer. According to them channels like this be inclined to occur where there are influxes of small retailers with incomplete order quantities; wholesalers can buy in immensity from producers and sell smaller quantities to various retailers. He maintained that a three– level channel consist three- intermediary that is sometimes used by companies inflowing into overseas markets.

Channel cooperation: is the readiness of channel members to work jointly to ensure important channel functions are performed. No channel member can execute all of the functions essential to move the product during the channel which places all the channel members into a state of mutual dependence. Because each firm depends on the other to carry out its functions capably and cost-effectively, collaboration among members is necessary and fundamental behavior (Lynn and Robert., 1996). Since the main goal of channel members is

that of profit maximization, members need to perform their functions in order to throw in to this goal which in turn would get better on their performance. Philips & Lynn (1982) considered how the skill to lower clients' costs varies with performance. Philips et al. (1982) practiced two explanatory theories (operation costs and entrepreneurship) of intermediary performance and tried to link relationships performance but the realistic value of their study to intermediaries is incomplete because they measured performance from the producer's perspective only unlike this research which would seem at performance from channel member's performance. Co-operation between partners can help get better the competitiveness of the series (Marthac. cooper, Ellram & Lisa M, 1997) and the contact between firms can be described as a social exchange process in which each channel member interactively increase its commitments to the relationship. The mutual assurance of these members allows them to obtain and develop mutual trust and reliance in the harmonization of co-dependent actions with the result that channel members independently and collectively enjoy better productivity. Cooperation surrounded by channel members is fundamental and essential behavior. Continued cooperation is necessary so that the channel would function efficiently and all channel members would attain their goals (Lynn & Robert, 1996). Channels cannot utilize without constant assistance in which each party knows what to expect of its contrary member.

Channel control: It is thus optional that a control system amongst distribution channels in the shape of a set of agreements, programs, and connections used by a firm in an effort to form strategies and procedures of connected members in the value chain. Literature says that by market exchanges, the price mechanism may be the only element of firms 'control systems (Stern & Reve, 1980). In other form of exchange, a multifaceted range of dissimilar tools-levers may be used. Firms can rely on a combine of contracts, pricing and credit programs, promotional programs, merchandising aids, training programs, and inventory exchange programs, among other mechanism.

Channel conflict: occurs when one member's actions stop another channel from achieving its goal. Channel conflict is defined by (Coughlan et al., 2006) as the performance by a channel member that opposes its corresponding item. (Brown & Day, 1981) assert that conflict is an intrinsic feature of interdependence relationships in distribution channels. (Kotler & Keller, 2012) and (Jobber, 2001) sketch the major sources of channel conflict as differences in goals, differences in preferred product lines, various distribution channels, and inadequacies in performance. Moreover, channel conflict may also stems from goal

inappropriateness, clashes over area, and differing perceptions which guide to poor channel performance as well (Seung, 2010). Even if a multiple channel strategy provides much return for firms, it also presents certain disadvantages. Many former studies have argued that the performance of marketing distribution is affected by channel conflicts. The acceptance of a various channel may make conflict in the demand for internal company resources and conflicting objectives for different channels, and such conflicts raise the potential for customer misunderstanding and discontent. Badly included multiple-channels may produce in customer dissatisfaction with the firm's multichannel strategy follow-on in loss of customers to competitors (Rosenbloom, 2007). Moreover, the most important barrier to building winning hybrid-channel strategies is the appearance of conflict between the different channels used for getting customers (Rosenbloom, 2007).

Many channel conflict studies consent in that there are two types of channel conflict. The first type is intra channel conflict, which is also termed vertical conflict and refers to the resistance between a firm and the members of its distribution channels. The second type is inter - channel conflict, which is also termed horizontal conflict and refers to the resistance between two or more channels at the same level. An inter-channel conflict stems mainly from rivalry between channel participants and alarm of channel cannibalism. Inter channel conflict is separate from intra-channel conflict, which has been the center of attention of most studies.(Webb, Hogan, (2002) &Seung, 2010) Conflict can occur due to a channel competing in opposition to other channel members for the limited resources, namely in terms of promotional aid or product development efforts (Coelho &Easingwood, 2004). Many other studies have experiential that inadequately designed channel structures, poor alliance with customer segments, communication difficulties, and the use of coercive powers constitute additional causes of inter channel conflict.

2.1.3.6 Multichannel Distribution Systems (MDS) model

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

Multi-channel distribution system

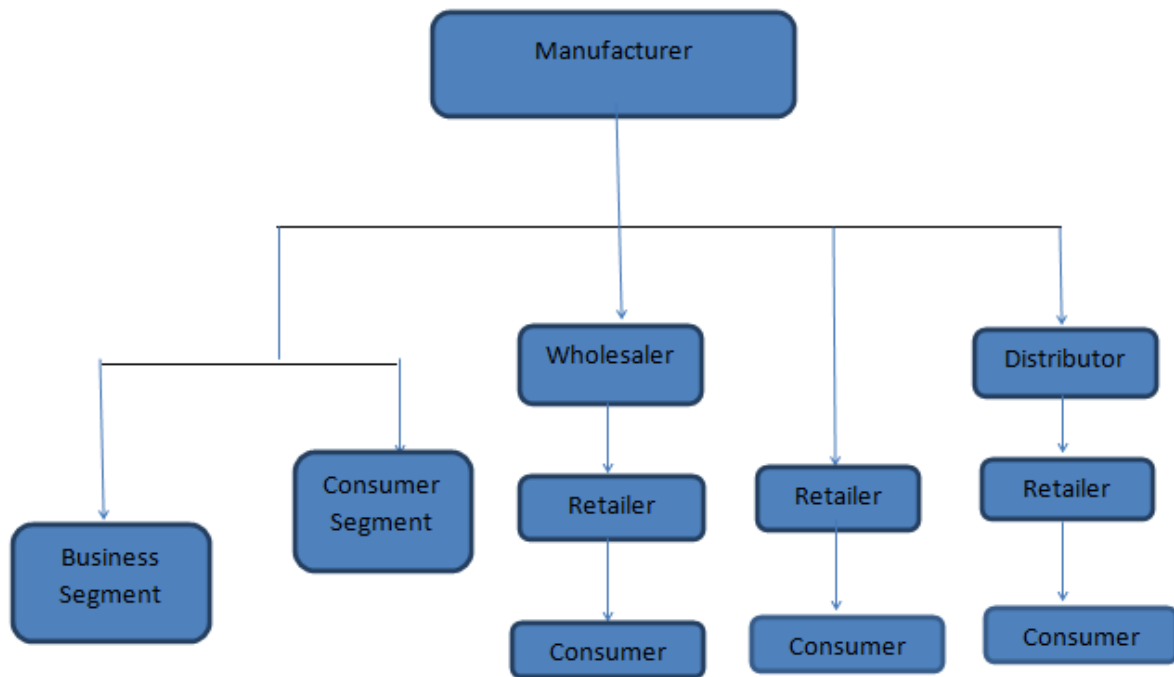


Figure 2. 1 Multichannel distribution systems (Kazmi 2007; Panda 2009)

Figure 2. 1 Multichannel distribution system

2.2 Empirical Review

Kalubanga Matthew, et al. (2008) conducted the study on the effect of multi-channel product distribution on firms' performance: A cross-sectional study approach was used together with the quantitative and qualitative research designs. A sample was unwavering systematically from a study population of senior and junior staff engaged in sales and distribution, and distribution agents, wholesale and retail using the Krejcie and Morgan scientific table for formative sample size. Data was collected with a self administered questionnaire and analyzed using statistical measures obtained using SPSS (Statistical package for social scientists). The study result show that competence in distribution nodes support largely firm's performance, multi-channel distribution management practices have an effect on the performance of a firm and that multi-channel distribution operations face a number of challenges including difficulties in multi-channel activities bringing together resulting into inter-channel conflicts, and intra-channel competition frightening the firm's pricing power.

Jiezhang, et al. (2010) presented the study on crafting integrated multichannel retailing strategies, they discussed the key issue concerning multichannel retailing including the motivations and constraints of going multichannel, the challenge of crafting multichannel retailing strategies and opportunities for creating synergies across channels, key retail combine decisions facing multichannel retailers and the dynamics of multichannel retailing.

Dr. Dennis Ayaga and Dr. Alabar, T. Timothy (2015) conducted the study on Managing Channel Conflict for Enhanced Organizational Performance; the central point of this study is running channel conflict for improved organizational performance. It is a review research and the key tool of data assortment was the questionnaire. Out of three hundred and forty five questionnaires administered, 86% or three hundred were retrieved and used in the analysis. Statistical package for social sciences (SPSS) was rigorously used in the analysis. The Pearson product moment correlation analysis was used to test the various hypotheses earlier formulated. The study established that conflict affects the performance of the channel members negatively. There is opposite relationship between conflict and profitability. As a result of these conclusions, it was recommended, between others, that conflict in all its ramifications be minimized so as not to divert channel members from performing optimally.

Andy A. Tsay and NarendraAgrawal (2002) presented the study on channel conflict and coordination in the E-Commerce Age: they expand a model that captures key attributes of assorted sources of inadequacy. They check up these in feature and recognize a number of

counterintuitive structural properties. For example, the addition of a direct channel together with a reseller channel is not essentially damaging to the reseller, given the connected alteration in the manufacturer's pricing. They also observe ways to adjust the manufacturer–reseller relationship that have been experimental in industry. These include changes in wholesale pricing, paying the reseller a commission for diverting customers toward the direct channel, or yielding the demand fulfillment function completely to the reseller.

BahtışenKavak et al. (2016) conducted the study on the moderating effect of knowledge transfer on satisfaction performance relationship: they observe the effect of satisfaction with its basic background of trust and conflict on firm performance and to test the moderating effect of dyadic awareness transfer on the pleasure and performance relationship. A survey was practical to 193 participants functioning in medium and small-sized firms, working in an Organized Industrial Region in Ankara- Turkey. As predictable, both disagreement and trust are two indicators of satisfaction. That is, conflict has important and negative effect on satisfaction, while trust has a positive and considerable effect on satisfaction. Also the results show that satisfaction has a positive, significant effect on firm performance. Unfinished support was provided for the moderating effect of knowledge shift on firm performance through satisfaction. Accordingly, knowledge relocate makes diversity on the effect of satisfaction on performance. Particularly, the effect of satisfaction on firm performance is considerable only when the knowledge transfer between firms is little. Yet, when the level of knowledge transfer is far above the ground, the effect of satisfaction on performance is inconsequential. Additionally, the effect of conflict and trust on satisfaction leftovers almost the same for low and high levels of knowledge transfer.

DrVasanthKiran et al. (2012) presented the study on distribution channels conflict and management: Relationships in distribution channels be likely to be long-term leaning and members of the channel rely on each other to mutually understand their goals by helping buyers. Despite the channel's focus on serving buyers, conflicts often happen between channel members because of each member's egotism. When conflicts come up, the perceptions of a channel member based on normative, coherent/influential, or expressive logic would control relational norms like trust and assurance that differentiate the relationship between members. The relational norms in turn control how conflicts are determined and relationship quality. Understanding how relationships are injured is a serious part in building and preserving physically powerful distribution channels. A theoretical framework to study conflict promise in distribution channels and its force on channel relationships is residential

by identifying the variables to signify channel member perceptions, relational norms, conflict resolution strategies, and relationship quality. Propositions connecting these variables are developed and point out how these variables pressure one another when conflict occurs. The study aims to increase the field of distribution channel conflict management as a standard action by exploring the possible sources of conflict happening in the company's distribution channel.

Kaijun Liu and Zigang Zhang (2008) conducted the study on channel competition and selection in a capacitated multi-channel distribution system: they consider a two-stage supply chain involving a producer of incomplete ability and an independent retailer. The producer can distribute her product to the end customers through the self-determining retailer as well as her wholly-owned direct channel. They think that the manufacturer has the power to select her distribution channel before the selling season. Using a three-stage dynamic game model, they expand the best decision of channel selection for the manufacturer. they find that when the ability is very tight, the direct channel does take main concern and the retailer would be excluded; when the capacity is moderately tight, the manufacturer would sell to the retailer if the retailer's optimal order quantity is small enough; when the capacity is very plenty, the channel selection decision depends upon the prices and the retailer's order. They also show that there can be situations in which the producer would reject the retailer's order even when the faculty is not totally utilized.

Herhausen, Dennis et al. (2009) conducted the study on the role of the sales force in multichannel distribution: Organizational determinants and consequences: Companies have to choose not only an suitable organization of sales force behavior but also an optimal level of incorporation in order to side with the sales force with other channels. Based on an exploratory qualitative study, they found a positive force of using the sales force in a target-oriented way, and strong maintain that a relational selling strategy enhances the performance of the sales force as well as the total distribution success. Furthermore, they were able to identify channel intervention as an important incident factor for sales force combination.

2.3. Hypotheses of the study

H_1 : Channel level has significance effect on company performance.

H_2 : Channel control has positive significant effect on company performance.

H_3 : Channel cooperation has positive significant effect on company performance.

H_4 : Channel conflict has negative effect on company performance.

2.4 Conceptual framework

The conceptual framework was developed after review of related literature on the study variables and summarized as research propositions. A channel level of distribution affects sales of its product Obaji (2011). The channel control and observation had force on company performance in aspects of sales growth, profitability and effectiveness. Cooperation and harmonization among channel members is fundamental and necessary so that the channel would work resourcefully and all channel members would attain their goals in-terms of sales growth and profitability (Lynn & Robert, 1996). Coelho & Easingwood (2007) suggest that at high levels of channel conflict, a negative relationship would exist because firms would fancy avoiding its likely critical effects. The researcher chose these variables due to the fact that prior researchers recognized that these variables are the ones that disturbing company performance more and since the researcher believes that these variables are the ones that suits the study. The researcher also proposes hypotheses about how factors of multichannel distribution system affect company performance summarized as follows and represented as a model in Fig. 2 below.

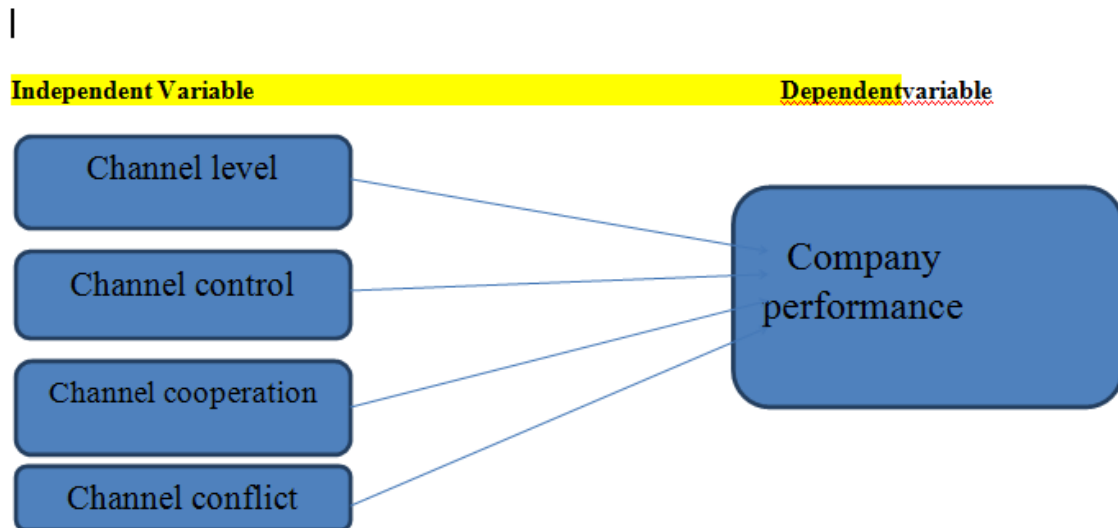


Figure 2. 2 Conceptual framework (Developed by the researcher)

Figure 2. 2 Conceptual framework of the study

CHAPTER-3

RESEARCH METHODOLOGY

Introduction

This chapter briefly discusses the methodology. It cover explanations of the research approach and design, Data Sources and types, Population and sampling techniques, Data collection instruments Method, and Data presentation and analysis.

3.1 Research Approach

In order to achieve the objective of this study and to gain a better understanding about the research problem and to answer the research questions the researcher used quantitative research approach because, quantitative research is used to quantify the problem by the way of generating numerical data or data that can be transformed into usable statistics. And also it is used to quantify attitudes, opinions, behaviors and other defined variables and generalize results from a larger sample population (Susan, 2011).

3.2 Research design

Research design implies the fact that it gives path and systematizes the research as it involves the process, which the researcher would follow from the beginning to the conclusion of the study. Allowing for the purpose of this particular study, explanatory research designs were used.

The researcher hence, selected explanatory research design to studying a problem with the purpose to explain the relationships or dependencies between variables. Hence, explanatory research design is appropriate because it involves collecting data in order determine the relationship between the dependent and independent variables and to establish any association between these variables.

3.3 Data Source and Types

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

newspapers, management reports, and on websites with statistical information, etc., then this data can be describe and interpret from the researcher's own perspective and of his/her own research interest.

3.4 Population and Sampling Technique

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

The sample respondents of the study are 60, consisting of 35 sales and marketing employees of the plants and also comprises of distributors. The research would choose census inquires for one universe (sales and marketing employees). In addition to this the number of distributor was included in to the survey is selected by using convenience Sampling in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher.

3.5 Data Collection Instrument

In order to collect data from the primary sources, this research are borrowing structured questionnaire as data collection instrument, which help the researcher to draw the appropriate information and before administering the questionnaire, preliminary test were conducted with professionals related to the subject under study to validate whether the questions used in the questionnaire are adequate.

3.6 Data Analysis Techniques

First, the researcher were collected the needed data by administrating a questionnaire. After that, collecting, editing and calculating the data in order to become complete data that is needed for this study. Next, the data analysis was made by using both descriptive and inferential statistics. Descriptive statistics such as frequencies, means and standard deviations are use to summarize and present the data. This study employs the correlation analysis, which investigates the strength of relationships between the studies variables. With regard to inferential statistics, regression analysis was used to test the significance contribution of each independent variable to the dependent variable company performance.

3.7 Reliability and Validity

A reliability test is used to evaluate consistency in measurement items (Cerri, 2012). Cronbach's alpha is used to measure the internal consistency of the measurement items. Higher Alpha coefficients indicate higher scale reliability. Specifically, Nunnally as cited in Eze et al., (2008) suggests that scales with 0.70 Alpha coefficients and above are considered acceptable. As shown in the table below, Scale Reliability Cronbach Alphas coefficients for determinants of multichannel distribution items range from 0.771 to 0.882. The scale of channel level and channel cooperation developed in this study also shows high internal consistency, with a Cronbach coefficient of 0.882 and 0.814 respectively. And the overall Cronbach alpha coefficient for expected-scale items is 0.919. Therefore, the expected scales used in this study demonstrate high reliability.

Table 3. 1Reliability Test Results

		Number of attributes	Cronbach's Alpha
Independent variables	Channel level	4	0.882
	Channel cooperation	4	0.814
	Channel control	4	0.770
	Channel conflict	4	0.771
Dependent Variable	Channel performance	4	0.772
Reliability of Total Scale		20	0.919

Source: Survey (2020) SPSS Output

Validity refers to the extent of which a test measures what we actually wish to measure (Blumberg et al., 2005). The questionnaire was adapted from other research paper by Boontharika Banjongjit (2010). Pilot testing allows assessing the question's validity and the likely reliability of the data (Ranjit, 2011). It also enables the researcher to know whether the design of data collection instruments is successful in meeting the research objectives and in obtaining meaningful responses. Therefore, pilot test was conducted and this validation was

made to get some evidence on whether the content of the items was relevant in helping to answer the research questions as well as to check the clarity of the questions.

3.8. Ethical Considerations

In this research study, issues relating to the ethical conduct of research such as informed consent, confidentiality and privacy are upheld. According Blumberg, et al, (2005) ethics is the norms or standards of behavior that direct moral choices about our behavior and our relationships with others. In addition, the goal of ethics in research is to cover that no one is injured or suffers difficult consequence from research activity. Participants and respondents are given full information on the purpose and objectives of the study in order for them to make informed decisions. They are promise that all data would be collects are use solely for the academic study purpose and are keep confidential. Finding and results would obtain from the study are present without any biases. The works of scholar cited in the study are appropriately acknowledged.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND INTERPRETATIONS

Introduction

This chapter presents the findings and results of the study in the order of the research objectives. It begins by analyzing the demographic characteristics of the sample population and then investigates how the sample population understood by the effect of multichannel distribution system on company performance in the case of faffa food S.C in addiss ababa. The results are based on demographic information of the respondents, and measurement of constructs. The discussions below present the appropriate data analysis and interpretations based on the data collected from the respondents and key informants using Statistical Package for Social Science.

In order to make the collected data suitable for the analysis, all questionnaires were screened for completeness. All returned incomplete questionnaires were considered as errors and removed from the survey data and the return rate was 77%. The collected data were 26 from employee and 20 from depot. Therefore 46 questionnaires were found to be valid and used for the final analysis.

4.1 DEMOGRAPHIC PROFILE OF RESPONDENTS

Demographic characteristics of the respondents that comprise of gender, age, marital status, education level used in this study to gather information in order to have an in-depth insight of the respondent's characteristics. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the proportion of males and females in the sample, range of age, marital status, education level, and organization, so that the analysis could be more meaningful for readers

Table4. 1 Demographic Profiles of Respondents

Gender	Frequency	Percent
Male	15	32.6
Female	31	67.4
Total	46	100
Age	Frequency	Percent
18-29	36	78.3
30-39	10	21.7
Above 40	0	0
Total	46	100
Marital Status	Frequency	Percent
Single	18	38.1
Married	28	60.9
Divorced	0	0
Total	46	100
Educational Level	Frequency	Percent
Diploma	10	21.7
First degree	36	76.3
Masters and above	2	2.0
Total	46	100
Position of respondent	Frequency	Percent
Faffa's employee	26	56.5
Faffa's distributor	20	43.5
Total	46	100

Source: Own Computation of Data Survey (2020)

Table 1.1 shows the demographic profile of 46 respondents. In terms of gender, respondents were more of female and male are very few in number as compared to female (female 67.4%, male 32.6%). This shows that males are less in number in company's distribution activity.

Regarding the age of respondents, the sample population is largely dominated by the age group of 18-29 (78.3%) followed by the group comprise age of 30-39 (21.7%). This indicates that most of the sample populations are youngsters.

Regarding the marital status item, 60.9% of the sample population got married and 38.1% of the sample populations are at single status

In the item of education, 76.3% of respondents have attained degree, while 21.7% of the respondents have diploma, only 2% of the respondents are at the master level in terms of education. This shows that, most of the employees are degree holder. Furthermore, 56.5% of the sample respondents are company's employee and the remaining 43.5% are company's distributor.

The above analysis implies that, those females are more active in the company's distribution and sales activity. Regarding to the age of respondents, most of the sample population are youngster the result implies that there is a potential advantage for working with young employee especially to achieve future objectives of company's distribution strategy and the young employee are more eager to work. When we saw the level of education, most of the respondents are educated more than certificate holders; this implies that it is a good advantage for distribution strategy and gives the organization a competitive advantage because the companies compete by educated employees.

4.2. Reliability test

Reliability refers to the consistency of measurement and is frequently assessed using the test-retest reliability method (Mugenda, 2008) by the use of questionnaire as an instrument for collecting data. Subsequently reliability analysis was conducted using Cronbach's **Alpha** which measured the internal consistency by establishing if certain item within a scale measures the same construct. The findings of the test are shown below on Table 4.2.

Table 4. 2Reliability Test Results

		Number of attributes	Cronbach's Alpha
Independent variables	Channel level	4	0.882
	Channel cooperation	4	0.814
	Channel control	4	0.770
	Channel conflict	4	0.771
Dependent Variable	Channel performance	4	0.772
Reliability of Total Scale		20	0.919

Source: Survey (2020) SPSS Output

According to Gliem & Gliem (2003), the Alpha value threshold is **0.7**, which forms the study's benchmark. **Cronbach's Alpha** was established for every objective which formed a scale. The table shows, channel level and cooperation had the highest reliability value ($\alpha=0.882$ and 0.814) respectively, followed by channel performance, channel control and channel conflict having reliability value of ($\alpha=0.770$ and 0.771). This illustrates that all the five variables were reliable as their test values exceeded the prescribed threshold of 0.7.

Table 4. 3 Respondents' level of agreement on channel level

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std
The additional channel level increase the company customer base and market coverage	8.7%	10.9%	13.0%	41.3%	26.1%	3.65	1.233
The additional channel level increase the customer preference, convenience & availability for the product	6.5%	8.7%	8.7%	50.0%	26.1%	3.80	1.128
An improved customer service, delivery, and maintain inventory by Depots' for the channel will increase the company market	6.5%	8.7%	21.7%	45.7%	17.4%	3.59	1.087
Retail outlets prefer to buy from Depots than from producer channels this in turn increase the company sales	10.9%	8.7%	15.2%	15.2%	50.0%	3.85	1.414

Source: Survey (2020) SPSS Output

In the above table, Respondents were asked their level of agreement and disagreement relating to the channel level. Majority of the responses for the channel level were agreement. The highest agreement were 50.0% which is additional channel level increase customer preference and company market and majority of the respondents agree in, retailer outlets prefer to buy from distributor than producer.

Table 4. 4 Respondents' level of agreement on channel cooperation

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std
The company keeps the channels under a mutual dependence relationship to increase their market coverage	6.5%	8.7%	17.4%	41.3%	26.1%	3.72	1.148
The distributors' less trust and poor communication with the company leads to collapse the market	4.3%	8.7%	8.7%	47.8%	30.4%	3.91	1.071
An improved communication, commitment, and cooperation of depots with the company leads to broaden the company market coverage	4.3%	10.9%	26.1%	37.0%	21.7%	3.61	1.085
Using of channel power by the company for achieving better cooperation leads to expand the market	4.3%	4.3%	15.2%	26.1%	50.0%	4.13	1.108

Source: Survey (2020) SPSS Output

In the above table, Respondents were asked their level of agreement and disagreement relating to the channel cooperation. Majority of the responses for the channel cooperation were agreement. The highest agreement were 50.0% which is an improved communication and cooperation lead to broaden the company market coverage and follow 47.8% level of agreement, which is about distributors less trust and communication with the company lead to collapse the market.

Table 4. 5 Respondents' level of agreement on channel control

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std
-------------------	--------------------------	-----------------	----------------	--------------	-----------------------	-------------	------------

The Company's demarcation the market territory and close control of Depots in their area of assignment increase the company sales.	6.5%	6.5%	15.2%	32.6%	39.1%	3.91	1.189
An attainment of Sales quota and good inventory holding by Depots leads to an improved sales growth of the company	4.3%	6.5%	10.9%	47.8%	30.4%	3.93	1.041
Depots loyalty and brand image building increase the company sales	6.5%	6.5%	13.0%	45.7%	28.3%	3.83	1.122
The company contractual agreement and price policy are useful tools to control channel members and sales improvement	6.5%	8.7%	17.4%	32.6%	34.8%	3.80	1.204

Source: Survey (2020) SPSS Output

In the above table, Respondents were asked their level of agreement and disagreement relating to the channel control. Majority of the responses for the channel cooperation were agreement. The highest agreement were 47.8% which is an attainment of sales quota and good inventory holding by depots leads to an improved sales growth of the company and follow 45.7% level of agreement, depots loyalty and brand image building increase the company sales.

Table 4. 6 Respondents’ level of agreement on channel conflict

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std
Even if Conflict is viewed as being inevitable , it affects company profitability	6.5%	6.5%	17.4%	23.9%	45.7%	3.96	1.228
There is a conflict between company and Depots in opening of new Depots for same area and reduction of area and thus affect company profitability	6.5%	26.1%	13.0%	21.7%	32.6%	3.48	1.362
There is a conflict between company and Depots in Product delivery and availability of materials that leads to affect profitability	4.3%	17.4%	19.6%	19.6%	39.1%	3.72	1.227
Lack of sales efforts by depots and improper communication create conflict among channel members and leads to hinder company performance	6.5%	15.2%	17.4%	34.8%	26.1%	3.59	1.222

Source: Survey (2020) SPSS Output

In the above table, respondents were asked their level of agreement and disagreement relating to the channel conflict. Majority of the responses for the channel cooperation were agreement. The highest agreement were 45.7% which is conflict affects company profitability

and follow 39.1% level of agreement, There is a conflict between company and Depots in Product delivery and availability of materials that leads to affect profitability.

4.3 Correlation Analysis

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

As per Table 3, the coefficients show that determinant factors of multichannel distribution affecting company performance were channel level, channel control, channel conflict and channel cooperation positively related with company performance within the range of 0.758 to 0.355, they are significant at $p < 0.01$ level. A further look into each factor indicates that the four independent variables i.e. channel level ($r=0.758$), channel cooperation ($r=0.723$), channel control ($r=0.365$), and channel conflict ($r=0.355$) are important determinants of multichannel distribution for increasing market coverage, sales volume and profitability of company performance.

Regarding the relationship between the independent variables, the table below clearly shows that channel cooperation were significantly correlated with channel control, channel level and channel conflict. The correlation between channel control and channel cooperation is the highest ($r=0.758$) followed by the correlation between channel level with channel cooperation and channel conflict ($r=0.737$).

Table 4. 7 Correlation matrix between dependent (overall company performance) and independent variables (channel level, channel control, channel conflict and channel cooperation)

		Channel level	Channel cooperation	Channel control	Channel conflict	Company performance
Channel level	Pearson Correlation	1	.737**	.611**	.602**	.758**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	46	46	46	46	46
Channel cooperation	Pearson Correlation	.737**	1	.758**	.587**	.723**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	46	46	46	46	46
Channel control	Pearson Correlation	.611**	.758**	1	.559**	.365**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	46	46	46	46	46
Channel conflict	Pearson Correlation	.602**	.587**	.559**	1	.355**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	46	46	46	46	46
Company performance	Pearson Correlation	.758**	.723**	.365**	.355**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	46	46	46	46	46

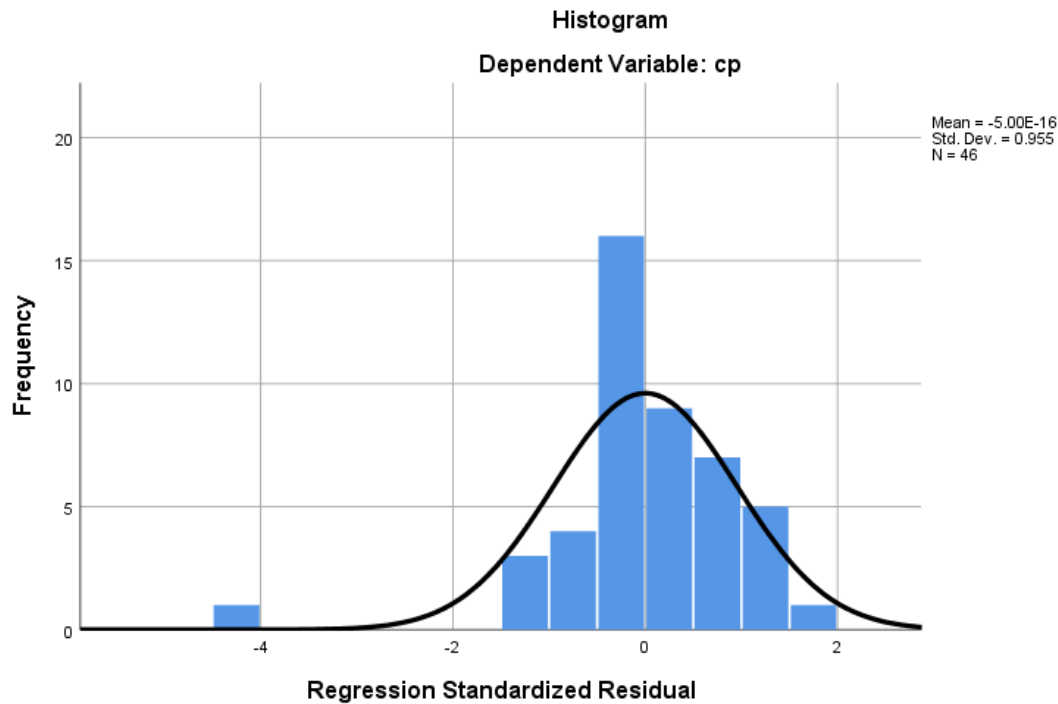
Source: Survey (2020) SPSS output 4.3 Inferential Analysis

4.3.1. Diagnostic Analysis

The regression result must pass the classical linear regression model (CLRM) assumption which is normality, heteroscedasticity, autocorrelation and multicollinearity assumptions.

a. Normality Test

Normality test assumes that the residual has zero mean and constant variance. Thus, the result on Figure 3. Indicates the mean of the residual is zero and its variance is 1 which implies that the distribution of the error term is normally distributed.



Source: Survey (2020) SPSS

b. Multicollinearity Test

Multicollinearity refers to the situation where explanatory variables are highly inter-correlated meaning that one can be linearly predicted from the others with a substantial degree of accuracy. Multicollinearity problem can be detected through variance inflation factor (VIF). If VIF is greater than 10 per cent there will be a problem of multicollinearity (Gujrati, 2007).

CLRM assumes that independent variables are not linearly associated. Thus, the researcher applied VIF (variance inflation factor). Based on the assumption VIF is less than 10% there will be no multicollinearity. Table 4.9 indicates no multicollinearity detected because the value of VIF of the four determinants of multichannel distribution system is less than 10%. The value of VIF (Variance Inflated Factors) of the four independent variable was 2.427, 3.313, 2.474 and 1.753 were respectively indicating the non-existence of Multicollinearity.

Table 4. 8 Multicollinearity Test

Model (Mean Score)	Co linearity Statistics	
	Tolerance	VIF (%)
Channel level	.412	2.427
Channel cooperation	.302	3.313
Channel control	.404	2.474
Channel conflict	.571	1.753

Source: Survey (2020) SPSS output

C. Autocorrelation Test

CLRM assumes there is no serial correlation among error terms. Durbin Watson (DW) test is the common techniques of detecting autocorrelation. Thus, if DW test is near 2 there is no autocorrelation between the error terms. As the Table 4.10, indicates the DW test is almost approaching to 2 therefore there is no autocorrelation. The coefficient of determination (Adjusted R²) of the first regression model was 0.689, suggesting a very good fit of the model. This confirms that, company performance was significantly affected by the four determinants of multichannel distribution system (channel level, channel cooperation, channel control and channel conflict). In other words 68.9% of the variation on company performance is explained by the four determinants of multichannel distribution system and the remaining 31.1% of the variance company performance was due to other factors. Durbin Watson (DW) test is the common techniques of detecting autocorrelation.

Table 4. 9 Durbin Watson Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.847 ^a	.717	.689	.38115	1.290
a. Predicators variable: (Constant), channel level, channel cooperation, channel control and channel conflict					
b. Dependent Variable: company performance					

Source: Survey (2020) SPSS output

4.4 Regression Results

The standardized Coefficients of determination under the B column in the Table Below (model 2) were used to substitute the unknown beta values of the regression model. The beta values indicated the direction of the relationship. A positive or negative sign indicates the nature of the relationship. The significant values (p-value) under sig. column indicate the statistical significance of the relationship or the probability of the model giving a wrong prediction. A p-value of less than 0.05 is recommended as it signifies a high degree of confidence. The coefficient of regression analysis indicates all variables are statistically significant. Therefore, on the next paragraphs we presents and discusses the effects of the predictors (independent)' variable on in company performance.

The standard beta coefficients of CL, CCO, CC and CCF were 0.656, 0.624, 0.410 and -0.178 respectively. These verify that channel level makes the strongest contribution while channel conflict contributes less. The significant values of channel level, channel cooperation and control are less than 0.05; it indicates that there is significant relationship between them and the company performance. And these determinant factors which are perceived to be important in predicting company performance. Since the significance values of the channel conflict variables are greater than 0.05 there is no significant influence in predicting company performance.

Table 4. 10Regression coefficients results from determinants of multichannel distribution system and company performance

Regression Coefficients					
Model	Un-standardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.021	.288		7.019	.000
Channel level	.458	.090	.656	5.068	.000
Channel cooperation	.503	.122	.624	4.129	.000
Channel control	.319	.102	.410	3.137	.003
Channel conflict	.133	.082	-.178	-1.617	.508
a. Dependent variable: company performance					

Source: Survey (2020) SPSS output

4.5. Validating the proposed Hypotheses

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

HO: Channel level has significance effect on company performance.

Conclusion: According to the regression table result beta is 0.656 and is significant (0.000) at 95%. There is a significant effect channel level on company performance. This means that an increase by 1% of channel level will result in 0.66% increase on company performance, holding other variables constant.

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

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

Conclusion: According to the regression table result beta is 0.624 and is significant (0.000) at 95%. There is positive significant effect channel cooperation on company performance. This means that an increase by 1% of channel cooperation will result in 0.62 % increase on company performance, holding other variables constant.

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

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

Conclusion: According to the regression table result is 0.410 and is significant (0.003) at 95%. There is positive significant effect channel control on company performance. This means that an increase by 1% of channel control will result in 0.41 % increase on company performance, holding other variables constant.

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

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

Conclusion: According to the regression table result value 0.508 in excess of at 95%. There is a no significant effect channel conflict on company performance.

Table 4. 11Summary of Hypothesis

HYPOTHESIS	RESULT	REASON
<i>H0: Channel level has significance effect on company performance.</i>	Ho: Accept H1:Rejected	$\beta =0.656,p<0.05$
<i>H0: Channel cooperation has positive significant effect on company performance</i>	Ho: Accepted H1: Rejected	$\beta =0.624,p<0.05$
<i>H0: Channel control has positive significant effect on company performance.</i>	Ho: Accepted H1: Rejected	$\beta =0.410,p<0.05$
<i>H0: Channel conflict has negative significant effect on company performance.</i>	Ho: Rejected H1:Fail to Reject	$\beta =- 0.178$ $,p>0.05$

4.6 Discussions on Findings

The study was designed and carried out to examine the influence of the determinant factors of multichannel distribution system on company performance. As discussed on the introduction part of this study, the FAFFA employed multichannel system to distribute the products to different out lets in Addis. This paper has particularly tried to see four factors that have effects on firm performance as proposed by and adopted from the works of Pieterse, 2009.

The regression model was significant and thus reliable for making conclusions and recommendations. The most significant predictor of company performance was channel level (Beta= 0.656, t= 5.068, Sig. = 0.000) followed by channel cooperation and channel control (Beta= 0.624, t= 4.123, Sig. = 0.000) and (Beta= 0.410, t= 3.137, Sig. = 0.003) respectively. Channel conflict was found to be an insignificant predictor of company performance. The findings revealed that channel level, channel cooperation and channel level were strong predictors of company performance whereas, channel conflict were found to be an insignificant predictor of company performance. The research's finding has similarity with that of another research Brandenburger & Nalebuff, (1996) Frazier & Lassar (1996) in that channel level has significant effect on company performance. The same result was also achieved by Obaji (2011) revealing that customer prefer to purchase the products more from intermediary rather from manufacturer. The Channel control result was consistent with

Anderson, Lodish, & Weitz (1987) and Bello & Gilliland (1997) in that of channel control improve sales of the company.

Coelho & Easingwood (2003) positive significant association between channel cooperation and company performance is that Co-operation between partners can help improve the competitiveness of the chain and the interaction between firms.

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

The hypotheses raised at the beginning of the study were also addressed in the analysis. One of the hypotheses were Rejected (i.e. channel conflict) and three of them accepted (i.e. the ones related with channel level, channel cooperation and channel control). The findings of the t-test results also showed that the independent factors affecting company performance have no differences among the category of respondents.

CHAPTER- 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter aims to assess the findings of the research and conclude the findings with regard to the objectives of the study to observe the impact of the determinant factors of multichannel distribution system on company performance. Recommendation that focuses on how the problem recognized could be addressed was included in this chapter.

5.1. Summary of Major Findings

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

From the correlation analysis, the factors (independent variables); channel level, channel cooperation, channel conflict and channel control were found out to be correlated with company performance (i.e. dependent variable). From the regression analysis, it's experimental that the three factors (i.e. channel level, channel cooperation and channel control) out of the four studied independent variables come out to significantly affect company performance. When put in the order of significance from high to low, channel level and channel control affect company performance.

5.2 Conclusion

In general, the study looked at the relationships between the determinant factors of multi distribution system channel level, Channel control, Channel Cooperation, Channel Conflict and Company performance in FAFFA food Share Company. From the findings, the relationships between channel level, channel cooperation and channel control with company performance were found to be significant whereas, channel conflict relationships were insignificant. Channel control, channel cooperation and channel level were found to be significant predictors of company performance. Channel level was the most significant predictor.

5.3. Recommendations

Basing on the outcome of this study, recommendations are made that can assist to progress performance of FAFFA distribution strategy. These recommendations do not only apply to the company but to all food organizations that are committed to improving performance and competitiveness in the course of multichannel distribution factors of channel level, channel cooperation, channel control and channel conflict. Based on the research findings, the following possible recommendations are forwarded:

- According to the findings, channel level was found to be the major predictor of company performance of FAFFA. In today's business world an amplified channel of distribution and its network have become an vital source of success and competitive advantage. Manufacturer's success cannot be reached from own effort alone; having a good partner in distribution is very important. Though the company takes great care about choosing the right distributors.
- According to the findings, channel cooperation was found to be the second major predictor of company performance of FAFFA. In a channel relationship, channel cooperation has positive effect on performance. Once distributors have more communication, commitment, and cooperation with the company, their satisfaction will be boost and also will prefer to constantly work with the producers. In addition a number of channel supervision issues must be addressed. These are the selection, motivation, training and evaluation of channel members and managing conflict between company and channel members.
- According to the findings, relationships between the study variables FAFFA food industry need to put a lot of concentration on the significant relationships between the study variables on company performance as a means of enhancing the performance of the company.
- From the findings, the regression analysis discovered that the model could explain 69% variance of the company performance of FAFFA. The researcher recommends that a study be carried out comprising of other variables which were not part of the model to try and predict the company performance.

5.4 Limitations and Direction of the Study

The study was conducted and restricted on the FAFFA food company and selected company representatives in Addis Ababa by taking sample. Even if the sampling techniques have its own limitations the researcher made use censes and convenience sampling method to become more accurate on the conclusion. This study used the four variables future researcher may investigate other variables which have a potential to influence multichannel distribution system

The following limitations were encountered during the study:

- Respondents withholding information due to fear of being maltreated however the researcher convinced the respondents that the information would be kept confidential.
- Reluctance of respondents to fill questionnaires and respondents having a view of not acquiring any direct advantage from the research results. But the researcher convinced the respondents to spare some little time to answer the questions and further explained that the recommendations of the research would be accessible to management for the benefit of employees.

References

- Anderson, E. a. b. w., 1992. The use of pledge to build and sustain commitment in distribution channels. February, Issue 29, pp. 18-24.
- Andy A. Tsay, N. A., 2004. Channel conflict and coordination in the E- commerce age. *production and operation management*, Volume 13, pp. 93-110.
- Asiamah Y, A. O. S. B. S. O., 2013. Effective distribution management a pre-requisite for retail operation: a case of poku trading. *European journal of business and innovation research*, Volume 1, pp. 28-44.
- Bahtisen kavak, A. E. S. O. O. T., 2016. The moderating effect of knowledge transfer on satisfaction-performance relationship. *International journal of business*, 6(5), pp. 49-63.
- Bahtisen kavak, A. E. S. O. O. T., 2016. The moderating effect of knowledge transfer on satisfaction-performance relationship. *International journal of business and social research*, 6(5), pp. 49-63.
- Bello, D. G. D., 1997. The effect of out put controls, process controls and flexibility on export channel performance. *Journal of marketing*, pp. 22-38.
- Branden Burger, A. N. B., 1996. Co-opetition. *Doubleday*.
- Brown, J. & D. R., 1991. measures of manifest conflict in distribution channels,. *journal of marketing research*, Issue 18, pp. 263-274.
- business, h. t. r. p. a. a. p. w. a. c. i. o. p. o. y., n.d. *direct marketing* , June.
- cerrishpetim, 2012. Exploring the relationship among service quality, satisfaction, trust and store loyalty among retailer customer. *journal of competitiveness*, 4(4), pp. 16-35.
- chiang ku fan, t.-l. k. l.-. N. T., 2014. Insurance hybrid -channel conflict. *international journal of managerial studies and research*, 2(3), pp. 59-68.
- Coelho, F. & E., 2003. An exploratory study in the drivers of channel change. *European Journal of marketing*, pp. 1005-1022.
- coughlan, A. A. E. S. L. E.-A. A., 2006. *marketing channels*. 7th edition ed. upper saddle river: s.n.
- Dennis ayage, A. T., 2015. managing channel conflict for enhanced organizational performance. 20-22 february.
- Dr.Vasanth Kiran, D. M. m. D. K. K., 2012. Distribution channel conflict and management. *Journal of business management and social sciences research*, October. Volume 1.
- Dumrong si ri, A. M. J. K. M., 2008. A supply chain model with direct & retail channels. *European journal of operational research*, 3(187), pp. 691-718.
- Ehikwe, A., 2002. Transportation & distribution management.
- Geof frey marczyk, d. d. & D. f., 2005. Essential of research design & methodology.

- Gundlach, G. F. R., 2006. The changing landscape of supply chain management ,marketing channels of distribution logistics & purchasing. *Journal of business & industrial market*, Issue 21, pp. 428-438.
- Hamid R, K. & G. J., 2011. Develop a framework for selection of intermediary in marketing channel. *Journal of management*, 4(1), pp. 25-42.
- Hingley, K., 2005. Power imbalanced relationshipn. *International journal of retail & distribution management* , Issue 8, pp. 551-569.
- jie zhang, P. J. T. T. & B., 2010. Crafting Integrated multichannel retailing strategies. *Interactive marketing*, Volume 24, pp. 168-180.
- Kaijun liu, Z. z., 2008. Channel competition and selection in a capacitated multi-channel distribution system. *Int.J. Logistics system and management*, Volume 4.
- kalubanga matthew, T. s. 7., n.d.
- kalubanga matthew, T. s. k. p., 2012. Examining the effect of multichannel product distribution on firms performance. *managment journal*, Volume 1, pp. 90-103.
- Kotler, A. a. v., 2008. *principle of marketing*. 5th edition ed. s.l.:s.n.
- Lal, R., 1990. Improving channel coordination through franchising market science.
- lomg, G., 2012. Multi-channel retailer supply chain management. *international research confrence in logestics & suppliy chain*, sep.pp. 1-25.
- Menkhaus, D. y. H. P., 2004. Food retailing & supply chain linkageds in the russian federation. *Journal of East-West business*, pp. 53-73.
- merrilees, B., 2007. A theory of brand led SME new venture development. *qualitative market research*, 10(4), pp. 403-15.
- N, R., 2011. inter- firm channel dependency,power,cooperation,channel conflict7.
- N, R., 2011. Inter- firm channel dependency,power,cooperation,channel onflict & channel member performance in the polyurethane foam products.
- Obaji, R., 2011. the effect of channels of distribution on Nigerian sales. *international business & economics research journal*, 10(2).
- Panda, T. K., 2009. marketing management. In: s.l.:excel book indian.
- Pieteron, W., 2009. channel choice citizens' channel behaviour & public sector service strategy. In: s.l.:s.n.
- Ryan, P. N., 2011. product distribution & coordination strategies in multichannel contexet. *journal of retailing & consumer services*, pp. 19-26.
- saunders, M. t. A., 2000. s.l.:pearson education limited.

- Scott A, N. V. s., 2009. key issues in multichannel customer management. *journal of interactive marketing* , pp. 78-81.
- Smith, J. B. & D. W. b., 1997. the effect of organzational diffrences and trust on the effectiveness of selling partner relationship.
- Tasy, A., 2002. modeling conflict & coordination in multichannel distribution syster. *international serial in operation research & management*.
- Ubangu, O., 2005. channel conflict management, a pragmantic approach. *Journal of marketing*.
- Van Birgolen, M. D. j. & K., 2006. multichannel services retailing the effect of channel performance satisfaction on behaviral intentions. *journal of retailing* , pp. 367-410.
- verhuaf, s. A. N. & b. v., 2007. multichannel customer management understanding the research shopper phenomena. pp. 129-148.
- Vishwanta, V., 2006. Harvard business review. April.pp. 52-91.
- Yaw B, S. A. k. & s. A., 2013. analysis of ditribution channels in the pharmaceutical industry in ghana. 5(20).
- Yaw B, s. A. k. 4., n.d.
- Yin R, t., 2003. *case study research design & methodolgy*. 3rd edition ed. s.l.:stage publication.

APPENDIX-I

SURVEY QUESTIONNAIRE

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

Greetings,

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

The point of this questionnaire is to assess your opinion and feelings about the recently employed multichannel distribution system and their factors impact on company performance. The result of this study is supposed to benefit the company to get better distribution channel strategy which is in good turn of the needs and wants of its customers. It also helps the company management to focus their concentration on the management of multichannel distribution system so as to take remedial actions where necessary, benefitting it's customer to enjoy a better and well-organized distribution system. The completion of the research substantially depends on your cooperation and of the information you give in this questionnaire. Furthermore, the information you provide will be only used for academic purpose. Therefore you are requested to give a genuine response to the questions. There is no need of writing your name and be guaranteed that any information you provide will be kept in a strict confidential manner.

Determinant factors of multichannel distribution system that affecting company performance

Part-I: General Information

1. Sex Male Female
2. Age 18-29 30-39 40-49
3. Marital status Single Married Divorced
4. Education level Diploma Degree Masters and above

Part 2: - multichannel dimensions

How do you rate the impact of multichannel distribution on company performance with respect to determinants factors (Channel level, Channel Control, Channel Cooperation, and Channel Conflict) on bases of Sales growth, profitability, and market coverage? Please Mark (✓) in the right appropriate box after closely seeing the Note below Note: - SA(5)= Strongly Agree, A(4)= Agree, N(3)=Neutral, D(2)= Disagree, SD(1)= Strongly Disagree,

1. Respondent of this questionnaire A, FAFFA employee
- B, FAFFA’s distributor

	Determinant factors	SA (5)	A (4)	N (3)	D (2)	SD (1)
Channel level(CL)						
	The additional channel level increase the company customer base and market coverage					
	The additional channel level increase the customer preference, convenience & availability for the company product					
	An improved customer service, delivery, and maintain inventory by Depots' for the channel will increase the company market					
	Retail outlets prefer to buy from Depots than from producer channels this in turn increase the company sales					

Channel cooperation (Cco)		SA (5)	A (4)	N (3)	D (2)	SD (1)
	The company keeps the channels under a mutual dependence relationship to increase their market coverage					
	The distributors' less trust and poor communication with the company leads to collapse the market					
	An improved communication, commitment, and cooperation of depots with the company leads to broaden the company market coverage					
	Using of channel power by the company for achieving better cooperation leads to expand the market					

Channel control (Cc)		SA (5)	A (4)	N(3)	D(2)	SD(1)
	The Company's demarcation the market territory and close control of Depots in their area of assignment increase the company sales.					
	An attainment of Sales quota and good inventory holding by Depots leads to an improved sales growth of the company					
	Depots loyalty and brand image building increase the company sales					
	The company contractual agreement and price policy are useful tools to control channel members and sales improvement					

Channel conflict (Ccf)		SA (5)	A (4)	N(3)	D(2)	SD(1)
	Even if Conflict is viewed as being inevitable , it affects company profitability					
	There is a conflict between company and Depots in opening of new Depots for same area and reduction of area and thus affect company profitability					
	There is a conflict between company and Depots in Product delivery and availability of POP materials that leads to affect profitability					
	Lack of sales efforts by depots and improper communication create conflict among channel members and leads to hinder company performance					
Company performance(CP)		SA (5)	A (4)	N(3)	D(2)	SD(1)
	The market coverage by the company's product have increased with multi-channel distribution system					
	Multi-channel distribution of the company minimizes costs and ensures that there is profit					
	Multichannel distribution system of the company creates competitive advantage for the company					
	Multi-channel distribution of the company minimizes costs and ensures that there is growth sales					

APPENDIX II Descriptive Analysis

Frequency Table

Position of respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employees	26	56.5	56.5	56.5
	Distributors	20	43.5	43.5	100.0
	Total	46	100.0	100.0	

Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	15	32.6	32.6	32.6
	Female	31	67.4	67.4	100.0
	Total	46	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-29	36	78.3	78.3	78.3
	30-39	10	21.7	21.7	100.0
	Above 40	0	0	0	
	Total	46	100.0	100.0	

Highest Educational Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	College Diploma	10	21.7	21.7	21.7
	First degree	36	78.3	78.3	100.0
	Masters and above	2	2.0	2.0	
	Total	46	100.0	100.0	

APPENDIX III: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.847 ^a	0.717	0.689	0.38115	1.290

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

b. Dependent Variable: company performance

APPENDIX IV: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.098	4	3.774	25.981	.000 ^b
	Residual	5.956	41	0.145		
	Total	21.054	45			

a. Dependent Variable: company performance

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