DISTRIBUTORS' PERCEPTION OF COCA COLA DISTRIBUTION SYSTEM IN NAIROBI, KENYA

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A MANAGEMENT RESEARCH PROPOSAL SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER 2009

DECLARATION

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

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This project has been submitted for examination with my approval as university supervisor.

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DEDICATION

I wish to dedicate this thesis to my late grandmother –Hannah Muthoni Macharia for her continued emotional support.

ACKNOWLEDGMENTS

Acknowledgments go to my parents who have not only supported me financially but have been there for me all the way. Thanks Luis Gitonga (Hubby) for the love, great support and encouragement that you have always showered me with it went a long way.

I also wish to thank my supervisor Dr. R Musyoka for his support when doing the thesis.

May God bless you All

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ABSTRACT

This study was set out to investigate the distributor's perception on Coca Cola distribution system in Nairobi. The objectives of the study were determine the perception of Coca Cola Company distributors on the channel management used, the perception on the physical distribution management and to establish what the coca cola distributors perceive as the hindrances in the distribution system. The study aimed at determining the distributor's perception on Coca Cola distribution system in Nairobi. The author was not aware of any study done on distributor's perception and distribution system of Coca Cola which was the gap the study sought to fill.

This study adopted a survey design that was most appropriate to investigate the distributor's perception on the Coca Cola distribution system in Nairobi. The population of interest consisted of distributors of the Nairobi Bottlers which is a subsidiary Coca Cola bottling company. A stratified sample was selected through proportionate sampling from Nairobi urban and Nairobi rural. Data collection was done through self-administered questionnaires with closed and open-ended questions. The data collected was analyzed using descriptive statistics. This involved the use of frequency tables, percentages, rank ordering, and means scores. Percentages and rank ordering helped the researcher to address the objectives of the study.

The study found out that the respondents had very high knowledge on distribution of products which is consistent with industry norms. The finding suggests that service accorded to distributors by NBL to the distributors was rated as good by a majority of the respondents. There existed a motivational strategy which was both financial and non-financial. NBL regularly reviews the performance of products with the distributors; and offeres high quality services it consulted them after the promotions to advice on the results. It can be concluded that the distributors have a positive perception of NBL's distribution system in Nairobi and that it holds a positive image. NBL should form linkages to ensure better productivity and performance. NBL needs to invest more in transport trucks and vans so as to ensure constant supply of products at all times.

CHAPTER 1: INTRODUCTION

1.1 Background

Today's era of globalization has seen the emergence of the 'global' corporation. Such a corporation has operations scattered over multiple locations across the globe. One of the most important aspects of the 'global' corporation is the international distribution system employed for the distribution of product to customers in different parts of the world. The distribution process includes the physical handling and distribution of goods, passage of title and the buying and selling negotiations between producers and middlemen and between middlemen and consumers (Cateora and Graham 1996).

In the theory of marketing mix, place (distribution) determines where the product will be sold and how it will get there (Kotler, 2000). Griffith and Ryan (1996) hold that distribution channels evolved through the utilization of national resources contained within an area of trade. The need to move the resources to other areas where they were in demand brought about the need for distribution channels. A channel of distribution comprises a set of institutions which perform all of the activities utilised to move a product and its title from production to consumption.

Every business that manufactures or moves tangible products from place to place faces a similar set of demands from customers, suppliers, investors and industry analysts: to deliver products faster, reduce inventory, lower operating costs, and deal with increasingly complex orders. Of course, these requirements often conflict with each other, creating trade off and opportunity costs throughout the supply chain.

Mergers, divestitures, e-commerce, and growth further complicate the process of moving products from manufacturers to customers. Ultimately, management must confront the issue of how to effectively optimize its distribution network.

Paliwoda and Thomas (1998), points out that there are a number of differences between national and international distribution as the procedure and documentation for international sales transactions is more complex. In essence, it is characterized by higher costs, involving more parties, having higher financial penalties for errors and requiring more data and knowledge of international trade rules and regulations. The average export order size is much larger than the domestic one and it requires more credit checks, quality inspection and verification and it involves more intermediaries. However, the number of channel players involved in international trade is becoming shorter by the day. Distribution costs on the other hand are not uniform across markets.

Successful companies are using location and network efficiency as a competitive weapon to drive down overall operating costs and create value in the supply chain. Performance of the distribution network as a whole and of its component facilities is scrutinized closely to find hidden opportunities. These companies recognize that the facility strategy must be robust enough to handle current demand, while remaining flexible enough to react to changing market conditions and avoid business risk.

Streamlining the distribution network is often clouded by other challenges, such as globalization, e-market place trends, collaborative commerce, and the technology evolution. In the rush to apply solutions across the supply chain, it is easy to overlook the backbone of distribution performance, that is, the location, costs and conditions affecting each facility. Undeniably, technology solutions promote increased visibility, inventory control and performance measurement that allow stakeholders to make better decisions and improve operations.

1.1.1 The Concept of Perception

Perception is a process of giving meaning to sensory stimuli. People act and react on the basis of the way they sense and interpret the world around them. Perception as a determinant of behaviour in organizations has been and is likely to be a subject of fierce debate amongst human resource management community (Armstrong, 2004). It is therefore not surprising that perception is a central concept in procurement and management of human resources. Bennett (1997) argues that perception is essential because of the amount of information, signals and cues, which the senses constantly assailed. He suggests that the process by which individual perception is developed is both learned and instinctive. Cole (1997) notes that the understanding of perception in work situations is critical to successful managerial and organizational performance for those who have people to manage. Majumder (1996) observes that perception is the basis on which everyone forms their understanding of the world. People make interpretations of others that they meet, and places and situations that are encountered by combining each of these elements indicated to produce their own individual picture, which they can understand and be comfortable with.

Perception is affected by repetition and familiarity. Beardwell *et al* (1997) notes that something or someone who is always present acquires the illusion of permanence and that routines and habits are formed by organizing activities and interactions into regular patterns based on a combination of expectation and near certainty (Beardwell *et al*, 1997). According to Martin and Jackson, (1997) perception is affected by the characteristics of perceiver and perceived. The greater the knowledge of perception on the part of people and organizations, the greater the mutual understanding likely to be generated; and where problems do arise, the greater the potential of addressing these effectively.

Cole (1997) observes that personal characteristics affect the type of characteristics likely to be seen in others, their levels of importance, and whether these are or should be negative or positive. Those being perceived greatly influence the views of the perceiver through their visibility (appearance, manner, dress, speech) and through their status and role (either in a given situation or in a wider context) (Martin and Jackson, 1997).

1.1.2 The concept of distribution system

Distribution is where intermediaries, such as wholesalers and retailers, split large production runs into small amounts (breaking bulk) and create an assortment of products to offer customers. Distributors facilitate or help the flow of the transaction by physically moving product, information, or funds through the distribution channel. Distribution systems thus provide a standard of living for customers by moving products from producers to users in the most cost efficient manner as possible. This calls for marketing systems to constantly look for ways to lower the overall cost of distribution channels while striving to improve relationships between channel members. The main functions of a distribution system are ordering, warehousing and physical movement of the product from producers to end users.

The distribution process includes the physical handling and distribution of goods, passage of title and the buying and selling negotiations between producers and middlemen and between middlemen and consumers (Cateora and Graham 1996). In the theory of marketing mix, place (distribution) determines where the product will be sold and how it will get there (Kotler, 2001). Griffith and Ryan (1996) hold that distribution channels evolved through the utilization of national resources contained within an area of trade. The need to move the resources to other areas where they were in demand brought about the need for distribution channels. A channel of distribution comprises a set of institutions which perform all of the activities utilised to move a product and its title from production to consumption.

Frequently there may be a chain of intermediaries; each passing the product down the chain to the next organization, before it finally reaches the consumer or end user. This process is known as the 'distribution chain' or the 'channel.' Each of the elements in these chains will have their own specific needs, which the producer must take into account, along with those of the all important end user. A number of alternate 'channels' of distribution may be available: Selling direct, such as via mail order, Internet and telephone sales, Agent, who typically sells direct on behalf of the producer ,Distributor (also called wholesaler), who sells to retailers and Retailer (also called dealer), who sells to end customers (Cateora and Graham, 1996).

Distribution channels may not be restricted to physical products alone. They may be just as important for moving a service from producer to consumer in certain sectors, since both direct and indirect channels may be used. Hotels, for example, may sell their services (typically rooms) directly or through travel agents, tour operators, airlines, tourist boards and centralized reservation systems (Churchill and Peter, 1999). There have also been some innovations in the distribution of services. For example, there has been an increase in franchising and in rental services the latter offering anything from televisions through tools. There has also been some evidence of service integration, with services linking together, particularly in the travel and tourism sectors. For example, links now exist between airlines, hotels and car rental services. In addition, there has been a significant increase in retail outlets for the service sector. Outlets such as estate agencies and building society offices are crowding out traditional grocers from major shopping areas (Majumder, 1996).

Distribution channels can thus have a number of levels. Kotler (2001) defined the simplest level that of direct contact with no intermediaries involved, as the 'zero level' channel. The next level, the 'one level' channel, features just one intermediary; in consumer goods a retailer, for industrial goods a distributor. In small markets (such as small countries) it is practical to reach the whole market using just one and zero level channels. Majumder (1996) in large markets a second level, a wholesaler for example, is now mainly used to extend distribution to the large number of small, neighborhood retailers. In Japan the chain of distribution is often complex and further levels are used, even for the simplest of consumer goods.

Of the various `levels' of distribution, which they refer to as the `channel length', (Kotler, 2001) also added another structural element, the relationship between its members: Conventional or free flow. This is the usual, widely recognized, channel with a range of `middlemen' passing the goods on to the end user. A temporary `channel' may be set up for one transaction; for example, the sale of property or a specific civil engineering project. This does not share many characteristics with other channel transactions, each one being unique and vertical marketing system (VMS) in this form; the elements of distribution are integrated.

Many of the marketing principles and techniques which are applied to the external customers of an organization can be just as effectively applied to each subsidiary's, or each department's, 'internal' customers (Churchill and Peter, 1999) In some parts of certain organizations this may in fact be formalized, as goods are transferred between separate parts of the organization at a `transfer price'. To all intents and purposes, with the possible exception of the pricing mechanism itself, this process can and should be viewed as a normal buyer seller relationship. The fact that this is a captive market, resulting in a `monopoly price', should not discourage the participants from employing marketing techniques (Cateora and Graham, 1996).

1.1.3 Overview of Soft Drinks Industry in Kenya

The soft drink industry is one of the very competitive industries in the market. In Kenya it has both local and multinational companies thus making it one of the very competitive industries. The soft drink industry is classified into; the carbonated soft drinks, the ready to drink juices and the mineral water.

In Kenya the soft drink industry consists of Coca cola Kenya which has six strategically located bottling companies in the country, Softa bottling company, Milly foods, Trufoods, premier foods and East African Breweries Ltd (EABL). Earlier Pepsi company had operations in Kenya but pulled out after a bruising battle with Coca cola during the difficult trading environment of the early 1980s (Abdallah, 2000). Schweppes Company entered the market in the late 1990s but also pulled out in early 2000. The major brands of Coca cola are Coke, Fanta, Sprite, Krest, Stoney and Dasani with Coke being their flagship brand. While those for Kuguru foods are Softa cola, Softa lemon, Softa orange and Mecca cola. Milly brands include Picana which is a juice that come in different flavours such as mango, passion and cocktail. The EABL has also entered into the soft drinks with its Malta Guinness and Alvaro brands.

Implementation of structural adjustment programmes (SAPS) in Kenya led to intense competition which saw new entrants' especially cheap imports and substitutes threaten the strategic position of the incumbents in the market. Trade liberation of early 1990s opened gates for massive imports thus saturating the disintegrating market in Kenya. (Economic Survey, 2000) this saw the influx of Mirinda brands, canned Pepsi cola, Red bull and even wines. The emergence of various milk processing firms in Kenya offered consumer with wide growing choice of dairy products that also pose competition to soft drinks.

With such an overwhelming variety, one wonder what makes a rational consumer choose one particular brand of soft drink over the others available in the shelves. This has led to intense competition for the same disposable income from the consumer. The consumption of soft drinks is directly proportional to age (Abdalla, 2000). Therefore the main target market for all these companies is the youth. Coca cola has a demand creation competency that deals with promotion and recruitment of new customers, thus increasing the consumer base. Coca cola practice aggressive, innovative and creative advertising policies on billboards, Christmas Coca cola caravans, road side shows and point of purchase raffles while the East African breweries concentrate on corporate advertising, sales promotion and advertising on billboards, Softa on the other hand has played low and imitated Coca cola through positioning of vendors (Push carts) strategically and advertising through the radio.

Due to changing lifestyles and consciousness towards health, consumers have tended to prefer low calorie drinks, bottled water and also tea. This has led to increasing number of packaged water brands ranging from Keringet, Dasani –produced and distributed by coca cola Company, Grange Park, Mt. Kenya, Highland and Kilimanjaro among others. It has also led to Coca Cola Company producing diet drinks such as; Coke light, Fanta light and Sprite light. Kenya Tea Packers (KETEPA) has also begun packaging iced tea. In the last five years competition in the soft drinks industry has really intensified existing players such as Softa (Kuguru foods) introduced Mecca cola which mostly targets the Muslim community; East African Breweries has also introduced Alvaro which is a non-alcoholic drink fruit flavored into the market while Coca Cola bottling company started distributing the Schweppes products as well as most recently Novida (which was mainly to counter competition from Alvaro).

1.1.4 Overview of Coca Cola Company

Coca-Cola originated as a soda fountain beverage in 1886 selling for five cents a glass. Early growth was impressive, but it was only when a strong bottling system developed that Coca-Cola became the world-famous brand it is today. It was however until 1948 that the Coca Company founded Nairobi Bottlers in Kenya.

Nairobi Bottlers later formed a partnership in the late 1960s with the Industrial and Commercial Development Corporation (ICDC), which is the government's initiative for promotion of investment. There were eight bottlers in Kenya, the other seven being: Mt Kenya Bottlers, East Kenya Bottlers, Equator Bottlers, Kisii Bottlers, Flamingo Bottlers, Rift Valley Bottlers and Coastal Bottlers. All these have common ownership in ICDC, while the other investing owners differ. Coca-Cola South Africa bottling company (Sabco), together with a local investment partner, acquired Nairobi Bottlers Limited from The Coca-Cola Company in November 1995 and followed suit a little over two years later with the purchase of Flamingo Bottlers in Nakuru from the Shah family in December 1997. In 2000, East Kenya Bottling of Machakos was added to the territory, thus reducing the number of bottlers to the current six.

Nairobi bottlers currently operate in Nairobi province, Machakos –up to Mutito wa ndei, and Nakuru. There are 2 regions in Nairobi province namely rural and urban. The rural region comprises of the whole of Waiyaki way from Kangemi up to fly over (limuru), Eastleigh and its environs, then Thika road upto Murang'a. Whereas urban comprises of Nairobi town and its environs (such as Upperhill, Hurlingham, Westlands, Parklands, South B and C, industrial area, Buru buru).

Nairobi Bottlers Limited has had to do more than design a good channel system which they have set in motion. The system has required periodic modifications to meet the new conditions in the market place. Modification becomes necessary since consumers buying patterns have changed, market have expanded, product have matured through the product lifestyle, new competition have arisen and innovative distribution strategies emerged. The most difficult decision has involved revising the overall channel strategy. The company has even considered replacing independent dealers with company owned dealers or local franchised dealers with centralized operations and direct sales.

1.2 Statement of the Problem

Perception is influenced by intelligence, personality expectations, motivations and interest. Perception and attitudes are developed over time and can change as how information and experiences are acquired (Bennett, 1977; Mullins 1999). In the theory of marketing mix, place (distribution) determines where the product will be sold and how it will get there (Kotler, 2001). Griffith and Ryan (1996) hold that distribution channels evolved through the utilization of national resources contained within an area of trade. The need to move the resources to other areas where they were in demand brought about the need for distribution channels. A channel of distribution comprises a set of institutions which perform all of the activities utilised to move a product and its title from production to consumption.

Today's era of globalization has seen the emergence of the 'global' corporation. Such a corporation has operations scattered over multiple locations across the globe. One of the most important aspects of the 'global' corporation is the international distribution system employed for the distribution of product to customers in different parts of the world. The paper examines issues involved in international distribution systems. Every business that manufactures or moves tangible products from place to place faces a similar set of demands from customers, suppliers, investors and industry analysts: to deliver products faster, reduce inventory, lower operating costs, and deal with increasingly complex orders. Of course, these requirements often conflict with each other, creating tradeoffs and opportunity costs throughout the supply chain. Mergers, divestitures, ecommerce, and growth further complicate the process of moving products from manufacturers to customers. Ultimately, management must confront the issue of how to effectively optimize its distribution network.

Performance of the distribution network as a whole and of its component facilities is being scrutinized closely to find hidden opportunities. Companies are recognizing that the facility strategy must be robust enough to handle current demand, while remaining flexible enough to react to changing market conditions and avoid business risk.
Soft drinks companies are heavy spenders in quality distribution channels, yet not many studies are available and showing the extent of input of the company in the distribution channels. Coca Cola has been seen to invest a big amount of resources in distribution of its brands. There exists no empirical evidence that the distribution system has led to influence on distributor's perception of Coca Cola distribution system.

Local scholars have come up with the following findings: Mburu (2001) research on perceived quality on brand choice on soft drinks found that quality enhances a positive image of quality perception. Abdallah (2000) did a research on strategic marketing practices of soft drinks and found out that promotional strategy and good network distribution strategies are the corner stone of strategic marketing. Waweru (2003) carried out a research on the extent to which soft drinks advertising slogans influence brand preference and his conclusion were that slogans actually influence brand preference to some extent.

The study is aimed at determining the distributor's perception on Coca Cola distribution system in Nairobi. I am not aware of any study done on distributor's perception and distribution system of Coca Cola. This is the gap which this study seeks to fill.

1.3 Objectives of the Study

The purpose of this study was to investigate the distributor's perception on Coca Cola distribution system in Nairobi. The study mainly addressed the following objectives:

a. To determine the perception of Coca Cola Company distributors on the channel management used in Nairobi
b. To determine the perception of Coca Cola Company distributors on the physical distribution management.
c. To establish what the coca cola distributors perceive as the hindrances in the distribution system.

1.4 Importance of the Study

This study is based on the premise that the passage of time and the very numerous and significant changes in the business environment have led to totally different distribution systems by companies. As a result there is need for a study that will update the existing knowledge about distribution channels because the political, legal, economic and trading environments have undergone numerous changes, ushering in new challenges for company.

The study will be of importance to the policy makers. It will help them evaluate whether the distribution channels adopted have had an impact on the targeted regions in as far as the distribution of products is concerned. It will indicate whether the distribution network is able to bring about the benefits that are associated with distribution channels. As a result it will caution or encourage the promoters on the choice of distribution strategy in future; so that the amount of resources spent on promotions can in some way be linked to the intended positive reaction or change.

This study will determine the distribution network created by the Coca Cola Company. It will give an idea on improving the distribution channels in order to improve the efficiency of the distribution network, in creating awareness and customer loyalty.

Coca Cola management and stakeholders will benefit from the study as it will shed light on the distribution system of the company. This will guide them as they improve the distribution channel management and operations.

Researchers and scholars can use this information to add to their understanding of distribution channels activities, channel operations and management as well as factors that influence the perception of distributors on distribution systems.

The study will provide foundation and material for further related research. It will also contribute to the growing body of knowledge in the field of marketing. The study could also provide a good basis for future research on distribution channel activities of the industrialists.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review providing a theoretical grounding for the study, identifying the research issues that will be addressed. The chapter discusses other works that give insight on distribution, perception concepts, as well as the distribution system. It also provides the conceptual framework and a detailed outline of the underlying concepts and variables.

2.2 Channel management

The channel decision is very important. In theory at least, there is a form of tradeoff: the cost of using intermediaries to achieve wider distribution is supposedly lower. Indeed, most consumer goods manufacturers could never justify the cost of selling direct to their consumers, except by mail order. In practice, if the producer is large enough, the use of intermediaries (particularly at the agent and wholesaler level) can sometimes cost more than going direct (Kotler, 2001).Many of the theoretical arguments about channels therefore revolves around cost. On the other hand, most of the practical decisions are concerned with control of the consumer. The small company has no alternative but to use intermediaries, often several layers of them, but large companies 'do' have the choice (Churchill and Peter, 1999).

However, many suppliers seem to assume that once their product has been sold into the channel, into the beginning of the distribution chain, their job is finished. Yet that distribution chain is merely assuming a part of the supplier's responsibility; and, if he has any aspirations to be market oriented, his job should really be extended to managing, albeit very indirectly, all the processes involved in that chain, until the product or service arrives with the end-user. This may involve a number of decisions on the part of the supplier: Channel membership, Channel motivation and Monitoring and managing channels (Majumder, 1996).

Intensive distribution is where the majority of resellers stock the `product' (with convenience products, for example, and particularly the brand leaders in consumer goods markets) price competition may be evident. Selective distribution is the normal pattern (in both consumer and industrial markets) where `suitable' resellers stock the product. Exclusive distribution is where specially selected resellers (typically only one per geographical area) are allowed to sell the `product'. (Churchill and Peter, 1999)

According to Cateora and Graham (1996) it is difficult enough to motivate direct employees to provide the necessary sales and service support. Motivating the owners and employees of the independent organizations in a distribution chain requires even greater effort. There are many devices for achieving such motivation. Perhaps the most usual is `bribery': the supplier offers a better margin, to tempt the owners in the channel to push the product rather than its competitors; or a competition is offered to the distributors' sales personnel, so that they are tempted to push the product. At the other end of the spectrum is the almost symbiotic relationship that the all too rare supplier in the computer field develops with its agents; where the agent's personnel, support as well as sales, are trained to almost the same standard as the supplier's own staff.

In much the same way that the organization's own sales and distribution activities need to be monitored and managed, so will those of the distribution chain. In practice, of course, many organizations use a mix of different channels; in particular, they may complement a direct sales force, calling on the larger accounts, with agents, covering the smaller customers and prospects. This relatively recent development integrates the channel with the original supplier producer, wholesalers and retailers working in one unified system. This may arise because one member of the chain owns the other elements (often called `corporate systems integration'); a supplier owning its own retail outlets, this being 'forward' integration. It is perhaps more likely that a retailer will own its own suppliers, this being 'backward' integration. (For example, MFI, the furniture retailer, owns Hygena which makes its kitchen and bedroom units.) The integration can also be by franchise (such as that offered by McDonald's hamburgers and Benetton clothes) or simple cooperation (in the way that Marks & Spencer cooperates with its suppliers) (Bert, 1997).

Alternative approaches are `contractual systems', often led by a wholesale or retail cooperative, and `administered marketing systems' where one (dominant) member of the distribution chain uses its position to coordinate the other members' activities. This has traditionally been the form led by manufacturers. The intention of vertical marketing is to give all those involved (and particularly the supplier at one end, and the retailer at the other) 'control' over the distribution chain. This removes one set of variables from the marketing equations (Bert, 1997).

Other research indicates that vertical integration is a strategy which is best pursued at the mature stage of the market (or product). At earlier stages it can actually reduce profits. It is arguable that it also diverts attention from the real business of the organization. Suppliers rarely excel in retail operations and, in theory, retailers should focus on their sales outlets rather than on manufacturing facilities (Marks & Spencer, for example, very deliberately provides considerable amounts of technical assistance to its suppliers, but does not own them) (Bert, 1997). A rather less frequent example of new approaches to channels is where two or more non-competing organizations agree on a joint venture and/ or joint marketing operation because it is beyond the capacity of each individual organization alone. In general, this is less likely to revolve around marketing synergy (Louis, Adel, Ansary, and James, 1989).

2.3 Distribution Strategies

A distribution strategy defines how you are going to move products from point of creation to points of consumption, in a cost effective manner. It must also define how you are going to manage your brand. A producer must do more than design a good channel system and set it into motion. The system will require periodic modification to meet new conditions in the market place. Modification becomes necessary when consumer buying patterns change, market expands, product matures through the product lifestyle, new competition arises and innovative distribution strategies emerge.

For product-focused companies, establishing the most appropriate distribution strategies is a major key to success, defined as maximizing sales and profits. Unfortunately, many of these companies often fail to establish or maintain the most effective distribution strategies. Distribution issues come into play heavily in deciding brand level strategy. In order to secure a more exclusive brand label, for example, it is usually necessary to sacrifice volume. Some firms can be very profitable going for quantity where economies of scale come into play and smaller margins on a large number of units add up, but may make larger profits because of volume. Some firms choose to engage in a niching strategy which targets small segment of customers. In order to maintain one's brand image, it may be essential that retailers and other channel members provide certain services, such as warranty repairs, providing information to customers and carrying a large assortment of products. Since not all retailers are willing to provide these services, insisting on them will likely reduce the intensity of distribution given to the product (Kotler 2001).

2.3.1 Multi-channel Marketing Systems

Kotler (2001) looks at multi-channel marketing as a strategy where a firm uses two or more marketing channels to reach one or more customer segments. Companies have applied this strategy in trying to reach its customers for instance; it sells its products directly to its corporate buyers as well as through value-added resellers. Buy doing this, companies increases its market coverage, lower channel costs and also increase more customized selling. This is the use of two channels to reach one or two customer segments. A single firm sets up two or more marketing channels to reach on or more customer segments. The multi-marketer gains volume with each new channel but also risks alienating its existing channels. Existing channels can cry 'unfair competition' and threaten to drop the multi-marketer if it does not limit the competition or recompense them in some way.

2.3.2 Intensive Distribution Strategy

Companies also use intensive distribution strategy to distribute its products. The company places the products as many outlets as possible to increase their market coverage and sales. Company's products are carried by supermarkets, retail shops, wholesalers and through distributor and even goes out of its way to attract even the tiniest retailers (Belch and Belch, 2004).

2.3.3 Internet Distribution Strategy

Technology has been changing; product companies have incorporated the electronic marketing channel distribution (Belch and Belch 2004). The company uses the internet to make products available so that the target market with access to enabling technologies can shop and complete transaction for the purchase via interactive electronic, means. This way the company has been able to lower sales and distribution costs interact with customers, through email communication and also to expand global scope and reach.

Internet distribution can serve several purposes such as actual sales of products. On-line distribution provides customer service where the site may contain information for those who no longer have their manuals handy and, for electronic products, provide updated drivers and software patches. It can also Market research in which data can be collected relatively inexpensively on the Net.

2.3.4 Franchising Business Strategy

According to Kotler (2001) franchising business strategy is a business arrangement where the franchiser of a business concept grants other (the franchisees) the license –right to own and operate a business based on the franchiser's business concept using its trademark. The product companies use product franchising method where it grants franchisees the right to produce and sell its products. Through this strategy the companies, have been able to penetrate the market, limit its overheads and gain access to ready market, as well as creating employment opportunity to the host country. A channel member called franchiser might link several successive stages in the production-distribution process. Franchising has been the fastest growing and most interesting retailing development in the recent years. Although the idea is an old one, some forms of franchising are quite new. Three forms can be distinguished as; manufacture-sponsored retailer franchiser, exemplified by the auto mobile industry; manufacture-sponsored wholesaler system, which is found in the soft drink industry and service-firm sponsored retailer franchise. It is where a service firm organizes a whole system for bringing its service efficiently for example auto rental business, fast food service business and motel business.

2.3.5 Direct Marketing Strategy

According to Belch and Belch (2004) direct marketing strategy is the interactive system of marketing that uses one or more advertising media to affect a measurable response and/or transaction at any location. The product companies have applied this strategy in distribution of its products where it uses direct mail in form of letters, flyers, brochures and catalogues. Newspapers, magazines, telephone, television and radio are also used extensively. The companies have taken a market segmentation or micro marketing approach in an attempt to target its market more precisely so as to find niches that avoid the intense competition of mass markets. Through the use of direct marketing, product companies have been able to reach their target market hence it's an alternative marketing channel structure for achieving distribution objectives of the company. This is one of the newer elements added on to the promotional mix tools. The advances made in the telecommunications sectors have now opened avenues where promotions can be carried out. This new media incorporates the use of mailings, telephone, fax, email and other non-personal contact tools to communicate directly with or solicit a direct response from specific customers and prospects.

2.3.6 Indirect Distribution Strategy

Indirect distribution strategy is where goods move from producer to consumer through middlemen (McCarthy 1991). The firm uses longer or shorter chains of distribution. The product companies employ this strategy by using various middlemen, for example, distributors, wholesalers and several retailers. Product companies have a long chain of distribution comprising of the wholesalers and retailers who finally sell to the consumers. In general, a company cannot save money by eliminating the middlemen because intermediaries specialize in performing certain tasks that they can perform more cheaply than the manufacturer. Most products are most efficiently sold to consumers through retail stores that take modest mark-up. It would not make sense for manufacturers to ship their products in small quantities directly to consumers. Intermediaries perform tasks such as moving the goods efficiently, breaking bulk, consolidating goods –carrying a wide assortment especially at retail stores and adding value via services offered such as demonstrations of how to use products as well as guaranteed repairs.

2.3.7 Multiple Channel Strategy

McCarthy (1991) views multiple channel as a strategy in which two or more different channels are employed for distribution of goods and services. In this strategy, markets must be segmented so that each segment is given a product or service its needs. This strategy includes complementary channels strategy where each channel handles a different non-competing, product or serving non competing market segment and competitive channel strategy where the same product is sold via two different and competing channels to capture a large share of the market. A firm can set up two or more marketing channels to reach one or more customer segments. The multi-marketer gains volume with each new channel but also risks alienating its existing channels. Existing channels can cry 'unfair competition' and threaten to drop the multi-marketer if it does not limit the competition or recompense them is some way.

2.3.8 Channel Modification Strategy

This refers to introduction of a change in existing distribution arrangement based on evaluation and critical review. This is done when existing channels may not be meeting expectations of the firm or there may be a market segment that the existing channel may not be effectively serving. Many product companies have also employed this strategy. For instance, in the past there were some market segments e.g. in rural areas that the existing channels were not effectively serving therefore, the company modified its channels to cater for these segments by adding more or increasing kiosks, roadside sellers and retailers in the distribution task (Kotler, 2001).

A producer must do more than design a good channel system and set it into motion. The system will require periodic modification to meet new conditions in the market place. Modification becomes necessary when consumer buying patterns change, market expands, product matures through the product lifestyle, new competition arises and innovative distribution strategies emerge. Three levels of channel modification should be distinguished. The change could involve adding or dropping individual channel members, adding or dropping particular market channels, or developing a totally new way to sell goods in all markets.

2.3.9 Channel Control Strategy

According to Etzel (2003) channel control is a strategy where the manufacturer or producer has a direct control over its products and distribution. Control may be achieved using vertical marketing where professionally managed and centrally programmed networks which are pre-engineered to achieve operating economies

Under this we have corporate vertical marketing system where successive stages of production and distribution are owned by a single company. Product Company have corporate vertical marketing system where it owns the stages of production and distribution thus the company is able to cut on distribution costs and problems associated with distribution such as damages to the bottles or products. The companies have been able to achieve this through backward and forward linkages (Etzel, 2003).

2.4 Physical Distribution

Churchill and Peter (1999) viewed the second important element in physical distribution concerned storing products for future delivery. Marketers of tangible products, and even digital products, may have storage concerns. Storage facilities, such as warehouses, play an important role in the distribution process for a number of reasons which includes:
The need to hold wide assortment of products. Many resellers allow their customers to purchase small quantities of many different products and yet, to obtain the best prices from suppliers, resellers must purchase in large quantities. The need, thus, exists for storage facilities that not only hold a large volume of product, but also can hold a wide variety of resellers' inventory. Additionally, these facilities must be organized in a way that permits resellers to easily fill orders for their customers.

Holding products in storage offer a safeguard in cases of unanticipated increases in demand for products. Needed for Large Shipping Quantities As we noted in our discussion of transportation, manufacturers generally prefer to ship in large product quantities in order to more effectively spread transportation costs. This often means manufacturers must create storage areas in which the manufactured goods can build up in the quantities needed for such shipments to occur.

Offer Faster Response: Additional storage facilities, strategically located in different geographical areas, allow a marketing organization to respond quickly to customers' needs. The ability to respond with quick delivery can be a major value-added feature since it reduces the buyer's need to maintain large inventory at their own locations. Security and Backup: For digital products, additional storage facilities are not only needed to offer customers faster access to products (e.g., online content and software) but are also needed to protect against technical glitches and security threats(Louis, Adel, Ansary, and James, 1989).

2.4.1 Types of Warehouses

The warehouse is the most common type of storage though other forms do exist (e.g., storage tanks, computer server farms). Some warehouses are massive structures that simultaneously support the unloading of numerous inbound trucks and railroad cars containing suppliers' products while at the same time loading multiple trucks for shipment to customers.

Private Warehouse: This type of warehouse is owned and operated by a company that is also involved in other aspects of the distribution channel. For instance, a major retail chain may have several regional warehouses supplying their stores or a wholesaler will operate a warehouse at which it receives and distributes products. The public warehouse on the other hand is essentially space that can be leased to solve short-term distribution needs. Retailers that operate their own private warehouses may occasionally seek additional storage space if their facilities have reached capacity or if they are making a special, large purchase of products. For example, retailers may order extra merchandise to prepare for in store sales or order a large volume of a product that is offered at a low promotional price by a supplier.

Automated Warehouse: with advances in computer and robotics technology many warehouses now have automated capabilities. The level of automation ranges from a small conveyor belt transporting products in a small area all the way up to a fully automated facility where only a few people are needed to handle storage activity for thousands of pounds/kilograms of product. In fact, many warehouses use machines to handle nearly all physical distribution activities such as moving product filled pallets around buildings that may be several stories tall and the length of two or more football fields (Louis, Adel, Ansary, and James, 1989).

Climate Controlled Warehouse handle storage of many types of products including those that need special handling conditions such as freezers for storing frozen products, humidity controlled environments for delicate products, such as produce or flowers, and dirt free facilities for handling highly sensitive computer products. Distribution Centre: There are some warehouses where product storage is considered a very temporary activity. These warehouses serve as points in the distribution system at which products are received from many suppliers and quickly shipped out to many customers. In some cases, such as with distribution centres handling perishable food (e.g., produce), most of the product enters in the early morning and is distributed by the end of the day (Churchill and Peter, 1999).

2.4.2 Transportation

The key objective of product distribution is to get products into customers' hands in a timely manner (Kotler 2001). While delivery of digital products can be handled in a fairly smooth way by allowing customers to access their purchase over the Internet, for example, download software, gain access to subscription material, tangible products require a more careful analysis of delivery options in order to provide an optimal level of customer service. In terms of delivering products to customers, there are six distinct modes of transportation: air, digital, pipeline, rail, truck, and water. However, not all modes are an option for all marketers. Each mode offers advantages and disadvantages on key transportation features that include:

Product Options: This feature is concerned with the number of different products that can realistically be shipped using a certain mode. Some modes, such as pipeline, are very limited in the type of products that can be shipped while others, such as truck, can handle a wide range of products. Speed of Delivery: This refers to how quickly it takes products to move from the shipper's location to the buyer's location.

Accessibility: This transportation feature refers to whether the use of a mode can allow final delivery to occur at the buyer's desired location or whether the mode requires delivery to be offloaded onto other modes before arriving at the buyer's destination. For example, most deliveries made via air must be loaded onto other transportation modes, often trucks, before they can be delivered to the final customer (Bert 1997). Cost: The cost of shipment is evaluated in terms of the cost per item to cover some distance such as mile, kilometre. Often for large shipments of tangible products cost is measured in terms of tons-per-mile or metric-tons-per-kilometre.

Capacity: Refers to the amount of product that can be shipped at one time within one transportation unit. The higher the capacity the more likely transportation cost can be spread over more individual products leading to lower transportation cost per item shipped. Inter-modal Capable: Inter-modal shipping occurs when two or more modes can be combined in order to gain advantages offered by each mode. For instance, in an inter-modal method called piggybacking truck trailers are loaded onto rail road cars without the need to unload the trailer. When the rail road car has reached a certain destination the truck trailers are offloaded onto trucks for delivery to the customer's location.

2.4.3 Lead Time and Just In Time Delivery

Just in time (JIT) is a synchronized system where customer demands can be met and profits maintained or increased through reduction in stock piles and inventory level which do not gain value as they wait. In fact they cost the organization money in terms of extra financing (Hackman, and Wageman, 1995). Just in time practices are associated with improved quality. Suppliers are evaluated on their ability to provide high quality products. The Total effects of JIT can be enormous. The purchasing inventory and inspection costs can be reduced, product design can be improved, delivery streamlined, production downtime reduced and the quality of products enhanced (Hackman, and Wageman, 1995).

Just in time was first practised in Japan. With advancement of technology and new ways of doing business, the traditional distribution system is no longer effective. The adoption of JIT supply chain system has resulted in reduced stock out, cost cut downs and ultimately increased margins. Products reach their destined places in good condition and in time as well Masinde, (1986). The main objective is to present better customer services, increased efficiency levels and cut down on operational costs. The JIT concept aims at reducing stocks by organizing a supply system which provides materials and components as they are required. As such stock holding costs are significantly reduced or eliminated and thus profits are increased (Hackman, and Wageman, 1995). The system requires integration of both purchasing and production operations. It requires delivery of exact amount of materials or components as they are required. Delivery schedules must very reliable and suppliers must be ready and capable of making deliveries (Hackman, and Wageman, 1995). Lead times for ordering must be short and honoured. The marketing implication of JIT is that, to be competitive suppliers must be able to meet the requirements of this fast growing system (Hackman, and Wageman, 1995).

2.5 Perception

The human factor in organizations has been the subject of debate for some time now its origin can be traced to do early works of Prof. Elton Mayo at the Western Electric Hawthorne Plant in Chicago in 1927-32 (Burnes, 2000). The study for the first time, addressed the issue of the worker in the workplace, rather than the work itself (Cole, 1996). This view was taken up by other social scientist such as Abraham Maslow. He was able to demonstrate that a hierarchy of needs can influence behaviour in organizations. This ranges from the physiological, such as food and shelter through esteem needs, self-actualization, the highest level of self-fulfilment. At any time it is the unmet needs that act as motivators, further V, H. Room, in the mid 1960s expounded this issue with the expectancy theory of motivation. He advanced the view that an individual’s behaviour is formed on the perception of what they consider to be the reality (Cole, 1996). This Theory stresses the importance if perceptions in the motivation process. It argues the case or the view that individuals act on the basis of how they perceive situations. Individual effort and productivity is determined by the perception of the situation (Cole, 1997).

Managers therefore need to be interested not only with the physical presence of the employee in the workplace but more importantly their emotional presence. This latter attribute is developed through motivational and intrinsic satisfaction.

2.5.1 Factors Influencing Perception

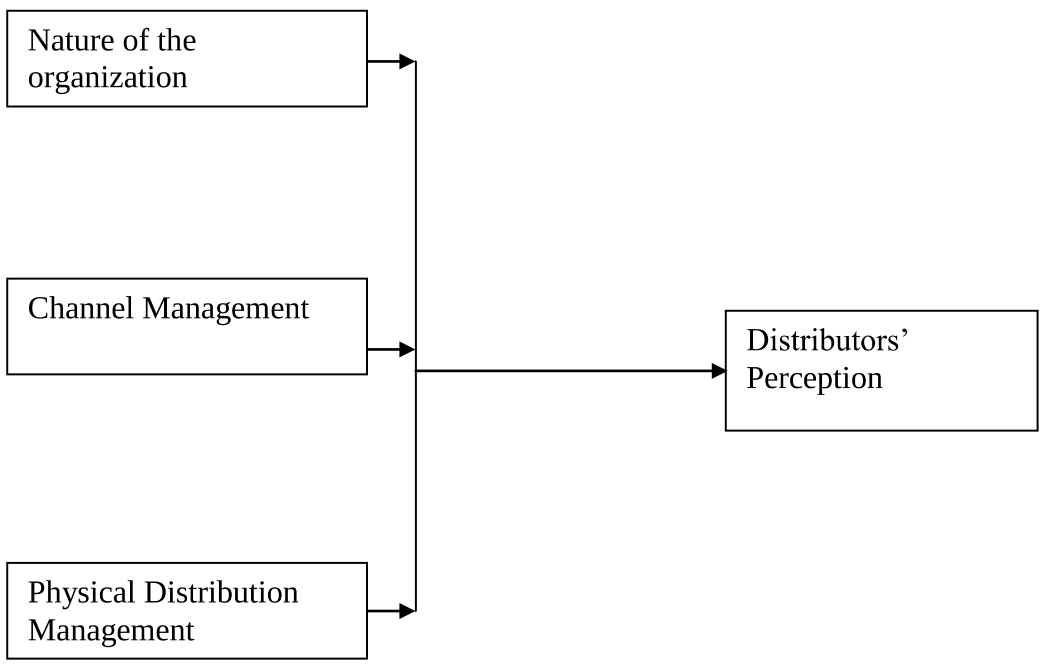
Perception as a determinant of behaviour in organizations has been and is likely to be a subject of fierce debate amongst human resource management community (Armstrong, 2004). It is therefore not surprising that perception is a central concept in procurement and management of human resources. Bennett (1997) argues that perception is essential because of the amount of information, signals and cues, which the senses constantly assailed. He suggests that the process by which individual perception is developed is both learned and instinctive. Cole (1997) notes that the understanding of perception in work situations is critical to successful managerial and organizational performance for those who have people to manage. Rogers (1947) observes that perception is the basis on which everyone forms their understanding of the world. People make interpretations of others that they meet, and places and situations that are encountered by combining each of these elements indicated to produce their own individual picture, which they can understand and be comfortable with.

According to Bennett (1997) perception is influenced by situational factors. Perception is affected by the context in which employees are placed. Cole (1997) points out that the contextual factor varies according to the nature of the organization involved and the relationship with it(whether one is a member of staff or customer, for example). Perception is affected by repetition and familiarity. Beardwell *et al* (1997) notes that something or someone who is always present acquires the illusion of permanence and that routines and habits are formed by organizing activities and interactions into regular patterns based on a combination of expectation and near certainty (Beardwell *et al*, 1997).

According to Martin and Jackson, (1997) perception is affected by the characteristics of perceiver and perceived. The greater the knowledge of perception on the part of people and organizations; the greater is the mutual understanding likely to be generated; and where problems do arise, the greater the potential of addressing these effectively. Cole (1997) observes that personal characteristics affect the type of characteristics likely to be seen in others, their levels of importance, and whether these are or should be negative or positive. Those being perceived greatly influence the views of the perceiver through their visibility (appearance, manner, dress, speech) and through their status and role (either in a given situation or in a wider context) (Martin and Jackson, 1997).

2.6 Conceptual Framework

Fig 1: Conceptual Framework



Independent Variables **Dependent Variable**

CHAPTER 3: RESEARCH METHODOLOGY.

3.1 Introduction

This chapter gives details regarding the procedures used to conduct this study. Pertinent issues discussed in this section include the research design, population, sample design and data collection methods and data analysis.

3.2 Research Design

Nachmias and Nachmias (1981) have grouped primary data collection methods into three broad categories: observation, surveys and unobtrusive measures. The nature of data to be collected was largely determine the choice taken. The survey design was selected as it was the best in investigation of the distributor's perception on the Coca Cola distribution system in Nairobi. This gave the required observation of the kind of strategies prevalent and factors affecting management and how these were being addressed thus giving a comprehensive picture.

3.3 Population

The population of interest in this study consisted of distributors of the Nairobi Bottlers which is a Coca Cola bottling company.

3.4 Sampling

Mugenda and Mugenda (1999); propose a rule of the thumb for determining a sample size and says that a size of 30 to 500 is appropriate for most academic researches. It was stratified into two: Nairobi urban and Nairobi rural. 30 distributors were selected through proportionate sampling of which 20 Nairobi urban and 10 from Nairobi rural. Within each stratum, systematic random sampling was used.

3.5 Data Collection

Data was collected using a semi structured questionnaire with a likert scale as the main part of the questionnaire. The questions were both open ended and closed questions. The questionnaire was divided into two parts. Part one collected the demographic data. Part two consisted of questions with likert scale which tapped the information on distributor's perception on the Coca Cola distribution system in Nairobi. The respondents interviewed were owners of the enterprises. The questionnaire was be self administered.

3.6 Data Analysis

This was a descriptive study, and descriptive statistics were used to analyse the data. Frequencies, mean scores, percentages as well as standard deviation will be used. The analysed data was presented in frequency distribution tables with percentages.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents a detailed discussion of the research findings in an attempt to achieve the research objectives. Data analysis is carried out based on the objectives of the study.

4.2 Analysis of General Information

The data in this study was summarized and presented in the form of tables, frequencies and percentages. A total of 30 questionnaires were distributed to various distributors in Nairobi. However, only 20 distributors responded by completing the questionnaires, representing 66.67% of the response rate.

4.2.1 Gender

The purpose of the study was to find out the gender of the customers. It captured the gender of the customers. Table 4.1 shows their response

Table 4.1: Gender

Gender	Frequency	Percent
Male	13	**65.0**
Female	7	**35.0**
Total	20	100.0

Source: Researcher, 2009

From Table 4.1 it is evident that 65.0% of the respondents are male and 35.0% were female.

4.2.2 Years in Operation

The study sought to find out the number of years for which the distribution company has been in operation which is captured in Table 4.2.

Table 4.2: Years in Operation

	Frequency	Percent
2-5 years	3	15.0
5-7 years	7	35.0
Over 7 years	10	50.0
Total	20	100.0

Source: Researcher, 2009

From Table 4.2, 50.0% of the respondents indicated their companies were in operation for over seven years, 35.0% are had been in operation for 5-7 years and the rest 15.0% had been in operation for 2-5 years. It is evident that most of the distribution companies have been in operation for a period of over seven years.

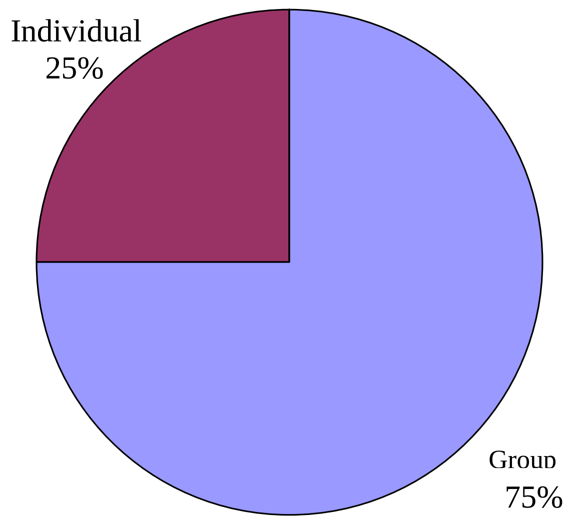
4.2.3 Knowledge in Product Distribution

The respondents were asked to rate the knowledge on distribution of products in their company. All the respondents indicated that they had very high knowledge on distribution of products which is consistent with industry norms. Businessmen will invest or venture into a field they are well conversant with and will then continue to hire experienced staff to manage their enterprises.

4.2.4 Ownership of the Company

The respondents were then asked to indicate the appropriate management and ownership of their company. Majority (75%) of the respondents indicated that the companies were owned by group while the rest, 25% indicated that they were individually owned. The results are as shown in Figure 4.1

Figure 4.1: Ownership of the Company



Source: Researcher, 2009

4.3 Nature of organisation

The study sought to find out the perception held by the distributors on the nature of an organisation that Nairobi Bottlers Limited which are captured below.

4.3.1 Image of Nairobi Bottlers Company Limited

The respondents were asked to indicate the image held by Nairobi Bottlers company limited (NBL) in the market. They all responded by indicating that NBL held favourable image in the market which is consistent with the market trends and the near monopoly status that NBL enjoys in the soft drinks industry.

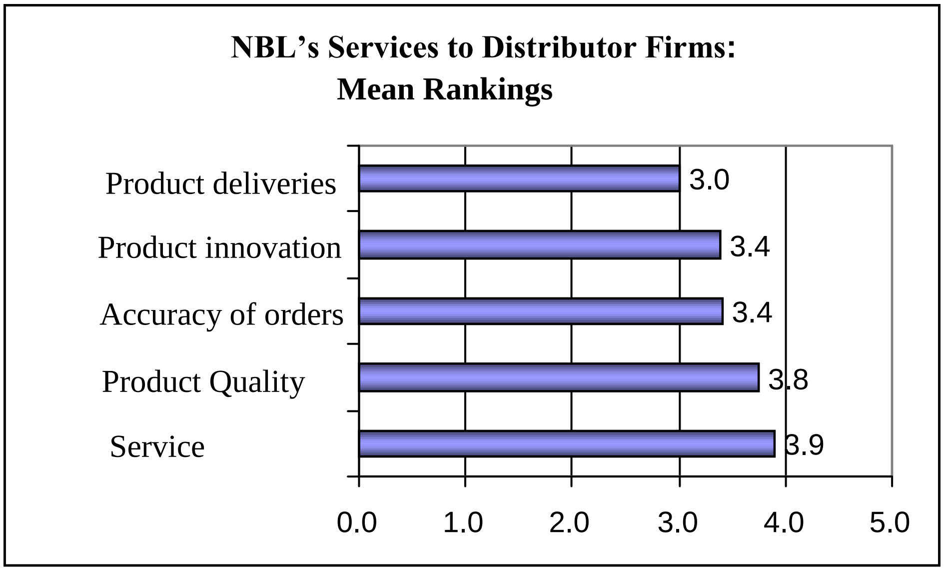
4.3.2 Communication of Nairobi Bottlers Company Limited Contacts

When the respondents were asked to rate the communication they get from NBL contacts (drivers, sales reps, Area sales mangers), they all responded by indicating that the communication was good. This is attributable to the fact that the contacts and their supervisors are always in the field and are constantly or daily in touch with the distributors.

4.3.3 Nairobi Bottlers Company Limited Services

The respondents were asked to evaluate NBL services to their firms. The services were to be rated on a scale of 1-3 with 1- bad, 2 - average, 3 - good. These were analysed by mean rankings of the responses obtained which are as shown in Figure 4.2.

Figure 4.2: NBL's Services to Distributor Firms



Source: Researcher, 2009

It is illustrated in Figure 4.2 that Service (mean 3.9) was the most highly ranked competitive factor. This finding suggests that service accorded to distributors by NBL to the distributors was rated as good by a majority of the respondents. Though all the factors were rated as good, product deliveries got a lower ranking (3) followed by product innovation. This is probably because of open entry requirements that limit more players from joining the industry. Further, competition is likely to thrive in such an environment and the players would be tempted to use product innovation to maintain their image and reputation.

4.4 Channel Management

The study sought to determine the perceptions of Coca Cola Company distributors on the channel management used by Nairobi Bottlers Company Limited which is captured below.

4.4.1 Review of Distribution Strategies

The respondents were asked to indicate whether they regularly reviewed their distribution strategies with the relevant contact or the Area Sales Manager. They all responded that they did indeed consult with the area sales manager when reviewing their distribution strategies. They further indicated that this was done once a month or after every quarter. A total of 65% of the respondents indicated the consultations were done on a monthly basis with the rest, 35% indicating it was after every quarter. The results are as indicated by Table 4.3.

Table 4.3: Frequency of distribution strategies review

	Frequency	**Percent**
Monthly	13	65.0
Quarterly	7	35.0
Total	20	100.0

Source: Researcher, 2009

This can be generalised to the fact that respondents were chosen from Nairobi urban, where area sales managers will review the distribution strategies more often as compared to their counterparts in Nairobi rural.

4.4.2 Presence of a Motivational strategy

When the respondents were asked whether the company have a motivational strategy, they were all in agreement that there existed a motivational strategy. The nature of the motivational strategy was sought and the respondents indicated that the motivational strategy was both financial and non-financial. This was cited as stemming form the promotional items they received (caps, t-shirts, free cases,) and the discounts and bonuses they received from purchases and exceeding quotas set for them.

4.4.3 Company Related Features

The respondents were then asked to rate on a scale of 1 to 5; (1=very important, 2=fairly important, 3=important, 4=somehow important, 5=not important) company related features and how they perceived them. The results are as indicated in Table 4.4.

Table 4.4: Company Related Features

	Very Important		Fairly Important		Important		Somehow Important		Not Important		Totals	
	f	%	f	%	f	%	f	%	f	%	**f**	%
Size of market	20	100.0	-	-	-	-	-	-	-	-	**20**	100
Competition	9	45.0	11	55.0	-	-	-	-	-	-	**20**	100
Price	15	75.0	7	25.0	-	-	-	-	-	-	**20**	100
Product range	18	90.0	2	10.0	-	-	-	-	-	-	**20**	100
Company image	16	80.0	4	20.0	-	-	-	-	-	-	**20**	100
Product innovation	7	35.0	13	65.0	-	-			-	-	**20**	100
Motivation	11	55.0	9	45.0	-	-	-	-	-	-	20	100

Source: Researcher, 2009

From the results, 100.0% of the respondents rated that they perceived size of market as very important. Price, product range, company image, and motivation were also perceived as very important by 75.0%, 90.0%. 80.0% and 55.0% of the respondents as very important. Competition and product innovation were on the other hand perceived to be fairly important by 55.0% and 65.0% of the respondents.

4.4.4 Rating of Nairobi Bottlers Company Limited Services

The respondents were then given statements related to NBL services and were required to tick the box that applied to their perception. Means for the statements were established in order to provide a generalized feeling of all the responses. Always responses were coded 1, sometimes responses were coded 2, and never responses were coded 3. Means closer to one implied that the factor was rated always by most respondents, Means closer to 2 implied that most respondents rated that the factor sometimes, while means closer to 3 implied that the factor was rated as never by the respondents. The results are as indicated in Table 4.5.

Table 4.5: Rating of Nairobi Bottlers Company Limited Services

	Always	**Sometimes**	**Never**	**Total**	**Mean**
Firm Studies	**Frequency**	**Frequency**	**Frequency**		
Does NBL offer high quality services	14	6	-	**20**	**1.3**
Does NBL regularly review the performance of products with you	15	5	-	**20**	**1.25**
Does the firm provide the best packaging in the market	10	7	3	**20**	**1.65**
Are you consulted before promotion(s) are run	8	10	2	**20**	**1.7**
Are you consulted after the promotion to advice on the results	15	3	2	**20**	**1.35**
Do you study emerging trends to play a role in development of new products	5	10	5	**20**	**2**
Are you informed before new product(s) is introduced in the market	3	8	9	**20**	**2.3**
Where appropriate, do you advice the company on poorly performing products in the market	9	3	8	**20**	**1.95**
Are you consulted when the company wants to change price	8	5	7	**20**	**1.95**

Source: Researcher, 2009

The respondents indicated that NBL always regularly reviews the performance of products with the distributors, NBL offered high quality services and usually consulted them after the promotions to advice on the results, all of which had means closer to one. The respondents indicated that the firm sometimes provided the best packaging in the market, consulted the distributors before promotion(s) are run, where appropriate, they advised the company on poorly performing products in the market and they were consulted when the company wanted to change price as indicated by the means closer to 2. Studying emerging trends to play a role in development of new products and being informed before new product(s) is introduced in the market was also undertaken sometimes.

4.5 Physical Distribution Management

The study then sought to determine the perceptions held by Coca Cola Company distributors on the physical distribution management used by Nairobi Bottlers Company Limited which is captured below.

4.5.1 Delivery Time

The respondents were asked to indicate whether NBL keep to their delivery time. The results are as indicated in Table 4.6.

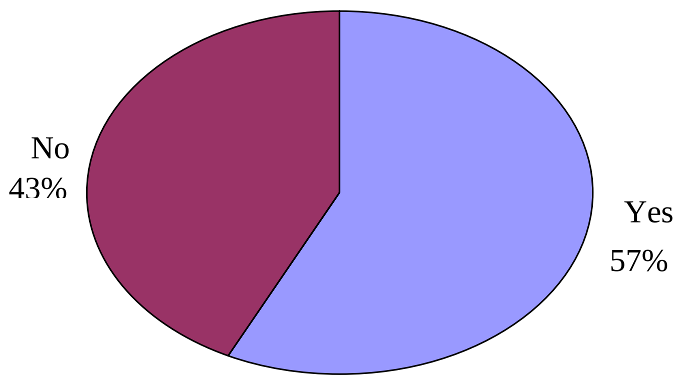
Table 4.6: Frequency of distribution strategies review

	Frequency	**Percent**
Yes	13	65.0
No	7	35.0
Total	20	100.0

Source: Researcher, 2009

As shown in the table, majority of the respondents (65.0%) indicated that the NBL kept to their delivery times while 35% indicated that they did not keep to the delivery times. The respondents who indicated that NBL did not keep to delivery times were asked if they were informed in advance to expect the delay. Majority (57%) responded by indicating that they were informed in advance to expect the delays while the rest 43%, indicated that they were not informed to expect the delays. The results are as indicated in Figure 4.3.

Figure 4.3: Advance Information about Delays



Source: Researcher, 2009

4.5.2 Resources for Transportation

The respondents were asked to indicate whether NBL had enough resources for transportation. The results are as indicated in Table 4.7

Table 4.7: Frequency of distribution strategies review

	Frequency	**Percent**
Yes	15	75.0
No	5	25.0
Total	20	100.0

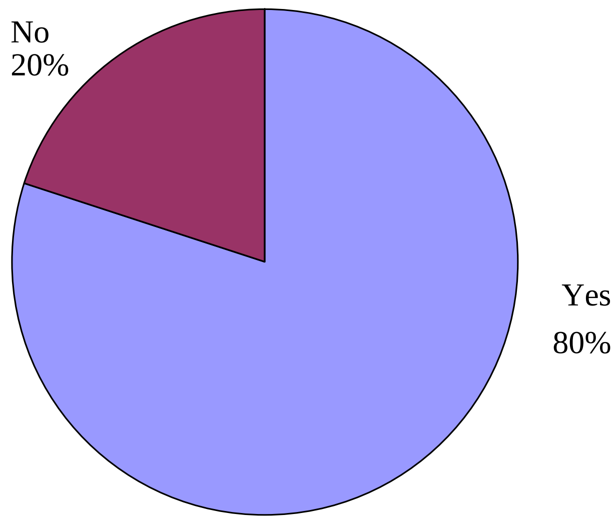
Source: Researcher, 2009

As shown in the table, majority of the respondents (75.0%) indicated that the NBL had enough resources for transportation while 25.0% indicated that they did not had enough resources for transportation. They further indicated that NBL had leased trucks from transporters to facilitate transportation but these were at times not adequate especially for Nairobi Rural regions. They did indicate that NBL needs to invest more in transport trucks and vans so as to ensure constant supply of products at all times.

4.5.3 Adequacy of Storage Space

When the respondents were asked to indicate whether NBL has enough storage space, 80.0% of the respondents by indicating that they had enough storage space, while 20.0% indicated that it did not have enough storage capacity. This was evidenced by the acute storage that occasionally occurs during the peak seasons. The results are as indicated in the Figure 4.4

Figure 4.4: Adequacy of Storage Space

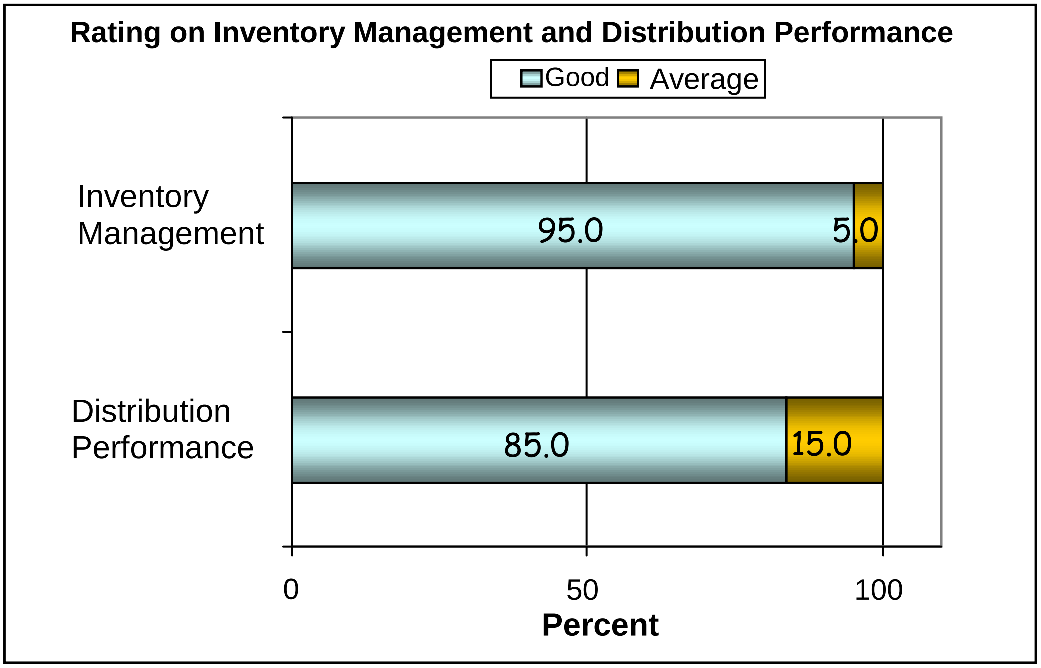


Source: Researcher, 2009

4.5.4 NBL's Inventory Management and Distribution Performance

The respondents were then asked to rate NBL's inventory management and distribution performance. A majority of the respondents 95.0% indicated that the inventory management was good while 5.0% indicated that the inventory management was average. The distributor's orders were processed and delivered in a timely and accurate manner. When they rated NBL distribution performance, 85.0% indicated that they had a good distribution performance record, while 15.0% indicated that it had an average distribution performance. This was evidenced by the acute storage that occasionally occurs during the peak seasons. The results are as indicated in Figure 4.5

Figure 4.5: NBL's Inventory Management and Distribution Performance



Source: Researcher, 2009

4.6 Chapter Summary

This chapter presented a detailed discussion of the research findings while answering the research objectives. Data analysis is carried out based on the objectives of the study. Descriptive statistics such as means, standard deviation and frequency distribution were used to analyze the data. Data presentation was done by the use of pie charts, bar charts and graphs, percentages and frequency tables.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the results gathered from the analysis of the data, as well as the conclusions reached. The chapter incorporates the various suggestions and comments given by the youth in the questionnaires. Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study and the recommendations for action are also given.

5.2 Summary of Findings

Majority of the distributors interviewed were male and most of the distribution companies have been in operation for a period of over seven years. All the respondents indicated that they had very high knowledge on distribution of products which is consistent with industry norms. Businessmen will invest or venture into a field they are well conversant with and will then continue to hire experienced staff to manage their enterprises. The ownership and management of the companies was mostly group ownership.

The study sought to find out the perception held by the distributors on the nature of an organisation that Nairobi Bottlers Limited where they indicated that NBL held a favourable image in the market which is consistent with the market trends and the near monopoly status that it enjoys in the soft drinks industry. The finding suggests that service accorded to distributors by NBL to the distributors was rated as good by a majority of the respondents.

The study also sought the perceptions of Coca Cola Company distributors on the channel management used by Nairobi Bottlers Company Limited. The respondents indicated that they did indeed consult with the area sales manager when reviewing their distribution strategies. They further indicated that this was done once a month or after every quarter. There existed a motivational strategy which was both financial and non-financial. The respondents indicated that NBL always regularly reviews the performance of products with the distributors; NBL offered high quality services and usually consulted them after the promotions to advice on the results.

The study then sought to determine the perceptions held by Coca Cola Company distributors on the physical distribution management. From the results, it is evident that NBL kept to their delivery times and that distributors were informed in advance to expect the delays. NBL had enough resources for transportation and had leased trucks from transporters to facilitate transportation but these were at times not adequate especially for Nairobi Rural regions. They did indicate that NBL needs to invest more in transport trucks and vans so as to ensure constant supply of products at all times. They had enough storage space. Inventory management was good as distributor's orders were processed and delivered in a timely and accurate manner. They also have good distribution performance in place.

5.3 Conclusions

From the findings it can be concluded that the distributors have a positive perception of NBL's distribution system in Nairobi. NBL holds a favourable image in the market which is consistent with the market trends and the near monopoly status that NBL enjoys in the soft drinks industry. It can also be concluded that the motivational strategy which is both financial and non-financial that has been set in place serves to improve the distributors perception. This was cited as stemming from the promotional items they received (caps, t-shirts, free cases,) and the discounts and bonuses they received from purchases and exceeding quotas set for them. It can also be concluded that NBL does not have enough resources for transportation which can be cited from the fact that they have leased trucks from transporters to facilitate transportation. It can be further concluded that NBL has enough storage space with a good inventory management system and a good distribution performance.

5.4 Recommendations

The study found out that NBL is in competition with other companies and as such it should form linkages to ensure better productivity and performance. NBL needs to invest more in transport trucks and vans so as to ensure constant supply of products at all times. NBL needs to put in place procedures for allocating the necessary financial resources to distributors thus enabling them to play their mandated roles. It should also invest more in the motivational strategy by providing better terms and more promotional items (caps, t-shirts, free cases,), discounts and bonuses they offer to distributors for purchases and exceeding quotas set for them.

5.5 Recommendations for Further Studies

Distributor welfare programs are very important factors that affect organizations not only in Kenya but the world over, it is therefore suggested that further research be carried out focusing on whether there is a strong relationship between the provision of distributor welfare programs and financial performance and stability of firms. NBL distribution performance, as both good and average and it is therefore recommended that they expand the storage spaces to cover the acute storage that occasionally occur during the peak seasons.

Other areas of future research interest include relationships between provision of distributor welfare programs and human behaviour of employees in Kenya. All these may need the use of multi regression to analyze. The future study should be wide enough but limited to particular sectors to control for the differences in various sectors or focus on a specific organization.

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APPENDIX

Appendix I: Questionnaire

GENERAL INFORMATION

1. Name of the distributor ____(Optional)
2. Designation ____
3. Gender

   Male [ ] Female [ ]

4. Education background?

   High school and below [ ] College graduate [ ]

   University graduate [ ] Other (specify) [ ]

5. How long has your company been in operation?

   0-2 years [ ] 2-5 years [ ]

   5-7 years [ ] over 7 years [ ]

6. How would you rate your knowledge on distribution of products in your company?

   Very high [ ] High [ ]

   Medium [ ] Low [ ]

7. Kindly indicate the appropriate management and ownership of the company.

   a) Group ( )

   b) Individual ( )

   c) Others (specify) ( )

Section B: Nature of organisation

8. How do you consider Nairobi Bottlers company limited (NBL) image? Is it

   a) Favourable [ ] b) Neither favourable nor unfavourable [ ] c) Unfavourable [ ]

9. How would you rate the communication of NBL contacts (drivers, sales reps, Area sales mangers?)

   a) Good [ ] b) Average [ ] c) Bad [ ]

10. Please evaluate NBL services to your firm.

	Good	Average	Bad
o Product deliveries	[ ]	[ ]	[ ]
o Product Quality	[ ]	[ ]	[ ]

- Accuracy of orders [ ] [ ] [ ]
- Product innovation [ ] [ ] [ ]
- Service [ ] [ ] [ ]

11. How does NBL select the distributors of its products? Through,

Open tendering [ ] Referrals [ ] Franchise [ ]

12. Below are statements related to NBL's Trade relations issues? Please tick the box that applies

	Always	Sometimes	Never
Is there constant communication between NBL and the distributors			
Are you consulted before promotion(s) are run			
Are you consulted after the promotion to advice on the results			
Are you informed before new product(s) is introduced in the market			
Are you consulted when the company wants to change price			

Section C: Channel Management

13. Do you regularly review your distribution strategies with the relevant contact (ASM)

a) Yes [ ] b) No [ ]

14. If yes how often?

a) Once a month [ ] b) Quarterly [ ] c) Half year [ ] d) Yearly [ ]

15. Do the company have a motivational strategy?

a) Yes [ ] b) No [ ]

16. If yes, is it:

a) Financial [ ] b) Non-financial [ ] c) Both [ ]

17. Which distribution structure does NBL adopt

Independent producer, wholesaler(s), and retailer(s) [ ]

Producer, wholesaler(s), and retailer(s) acting as a unified system [ ]

Wholesaler -sponsored voluntary chains [ ]

Multi-channel Marketing systems [ ]

18. On scale of 1 to 5, please rate the following on how you perceive them –Tick as appropriate. (1=very important, 2=fairly important, 3=important, 4=somehow important, 5=not important)

	Very Important	fairly important	important	Somehow important	Not important
a) Size of market	[ ]	[ ]	[ ]	[ ]	[ ]
b) Competiton	[ ]	[ ]	[ ]	[ ]	[ ]
c) Price	[ ]	[ ]	[ ]	[ ]	[ ]
d) Product range	[ ]	[ ]	[ ]	[ ]	[ ]
e) Company image	[ ]	[ ]	[ ]	[ ]	[ ]
f) Product innovation	[ ]	[ ]	[ ]	[ ]	[ ]
g) Motivation	[ ]	[ ]	[ ]	[ ]	[ ]

19. Below are statements related to NBL services? Please tick the box that applies.

	Always	Sometimes	Never
Does NBL offer high quality services			
Does NBL regularly review the performance of products with you			
Does the firm provide the best packaging in the market			
Do you study emerging tends to play a role in development of new products			
Where appropriate, do you advice the company on poorly performing products in the market			

Section D: Physical Distribution Management

20. Does NBL keep to their delivery time?

a) Yes [ ] b) No [ ]

21. If no, are you informed in advance to expect the delay?

a) Yes [ ] b) No [ ]

22. Do you think NBL has enough resources for transportation?

a) Yes [ ] b) No [ ]

23. If no, which additional investment should the company consider?

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24. How would you rate NBL distribution performance?

a) Good [ ]   b) Average [ ]   c) Bad [ ]

25. Any other

comments…………………………………………………………………………..

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Thank you for your cooperation!