THE IMPACT OF VAN SELLING ON PRODUCT DISTRIBUTION: A SURVEY OF SELECTED FAST MOVING CONSUMER GOODS FIRMS IN KENYA

BY

MUTHIANI JOHN K

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SUPERVISOR........DR RAYMOND MUSYOKA

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DECLARATION

This management research project is my original work, and has not been, to the best of my knowledge been submitted for a degree in any other university for award of a degree.

Signed; ....

Muthiani John K.

Date....11th November 2009..................................

This management research project has been submitted with my approval as the supervisor.

Signed; ....

Dr. Raymond M. Musyoka

Senior Lecturer / Supervisor

Department of Business Administration

University of Nairobi

Date; 11-11-09..

DEDICATION

To Almighty God for the gift of good health and intellectual capacity to handle the project.

To my dear wife Juliet and my two lovely sons, Leon and Raymond, without whose inspiration and understanding the project could not have been accomplished.

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No one ever succeeds alone, and the completion of this project is no exception. I would like to take this space to acknowledge and thank all those people who contributed to this project in one way or the other.

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ABBREVIATIONS

FMCG - Fast Moving Consumer Goods

EABL - East African Breweries Limited

USA - United States of America

BAT - British American Tobacco

KBL - Kenya Breweries Limited

GSK - GlaxoSmithKline

KCC - Kenya Cooperative Creameries

AIG - American Insurance Group

KBS - Kenya Bureau of Standards

GNP - Gross National Product

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ABSTRACT

This study in its entirety sought to investigate the impact of van selling on product distribution with keen interest on the selected fast moving consumer goods in Kenya. To achieve this, selected companies' representatives were asked to give their responses to the factors that led their firms to adopt van selling and the impact of the same on product distribution.

This was a survey study which targeted a number of fast moving consumer goods in Kenya but given their variations and large number only a few were selected for this study as they are representative. Convenience sampling method was used to select the FMCG for the study. Primary data was collected using a semi structured questionnaire. Out of the targeted 40 respondents, a response rate of 67% was achieved. Collected data was analyzed using descriptive statistics; that is, frequencies, percentages, mean scores and standard deviations. Likert scale was used to measure the impact of van selling on product distribution.

From the study, it was found that van selling penetrated deep in to the market and as such reached most target groups. Van selling has been widely adopted by FMCG concerns to facilitate in-depth penetration to remote and far flung markets. The survey also found out that some FMCG concerns had adopted van selling at 100% thus giving them an edge over their competitors.

It was viewed by most firms as credible means of distribution as it helped to penetrate remote areas, stock up retailers with new and existing products by virtue of breaking bulk. The survey also established that van selling aids in educating retailers on new and existing products and in improving product visibility by having eye catching displays. From the survey, it emerged that van selling has high cost of operation but the benefits far outweigh the cost element. Van selling is very instrumental in intensive distribution, where the goal is to attain saturation coverage of the market by stocking up as many outlets as possible. Most firms that were previously reluctant to the adoption of van selling as a means of product distribution are fast changing to it.

Some of the respondents were not enthusiastic in responding to the questionnaire as appropriately possible. This is attributed to the fact that most firms consider it a secret strategy against their competitors and as such not willing to divulge much about it especially as regards benefits that accrue from its adoption. The fear that information gathered might be used against them also contributed to this; despite assurances that any information disclosed would be treated in strict confidence. This scenario could have also influenced the response of those who answered the questionnaires.

A similar study should be carried out and extended in terms of geographical scope to cover other major commercial centres in the country that play host to FMCG concerns. This way, it will give a holistic picture on the extent to which van selling has been adopted as a distribution strategy across the FMCG sector.

Besides, subsequent studies should address the other elements of marketing communication mix, that is, advertising, sales promotion and on-line selling, with a view to establishing their relative impact, if any, on product distribution, awareness and visibility.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

It is in the wake of liberalization that most FMCG companies started facing competition from parallel imports and counterfeits products from countries like China. The other challenge faced by companies that used to enjoy monopoly power is the emergence of local companies which are proving to be a major threat. The real threat arising out of these local and other international companies can be best explained in the strategies they use in doing their business. The strategies deployed in not only manufacturing but also distribution of the actual end products.

Upcoming companies have continued to give well established firms stiff competition due to their lower cost of production and flexibility in formulating policies suited to the Kenyan market unlike multinationals firms which have to get go-ahead from their headquarters in Europe or U.S.A. Notable among these, are companies like Unilever which once dominated the cooking fat category with their Kimbo and cowboy cooking fats and facing stiff competition from Bidco oil Refineries, and Kapa Industries from this category. It is important to note that the companies that are competing with Unilever are all local making it possible for them to adopt easily to the challenges of the local market without having to wait for approval from their head office which are in Europe of America. Bidco Oil refinery penetrated the rural market through their aggressive distribution network of van selling.

Other companies which have been affected by fierce competition are Eveready Batteries which is facing competition from cheap Chinese batteries which don't even meet the required standards of Kenya Bureau of Standards but continue to sell in the market. GlaxoSmithKline on the other hand has its own share of problems, in that, it once dominated the ready to drink juice category with their Ribena and Lucozade in tetra packs, now that category has seen many players coming in like Quencher, Highlands, Pick n Peel, Five Alive and Delmonte juices which are all fighting for space in supermarkets and shops. This category is now dominated by Delmonte Juices which have achieved distribution in bars, convenient stores, supermarkets and even in kiosks. On the pain analgesics category GlaxoSmithKline has continue to face stiff competition from generics, counterfeits and other well known brands like Action, Mara Moja, and Painotab among others.

Coca cola on the other hand which has dominated the soft drinks category for many years has not been spared either with the entry of Softa Soda and now Alvaro which is manufactured by East African Breweries is proving to be a major threat to Coke products. EABL has not been able to meet the demand for Alvaro which was introduced in March 2008, this poses a major threat to all those companies which are competing for a "share of the throat" and will require strategizing in terms of pricing distribution and even packaging for them to be able to remain profitable and maintain their market share.

Owing to intense competition, most fast moving consumer goods firms have resulted in employing the concept of van selling to ensure their products are within consumer reach. Over the past four years, the Kenyan economy has seen significant growth with the financial sector showing very impressive results. For example, quarter one pre-tax profit for Kenya Commercial Bank rose by 39% (Daily Nation, 27th April 2007, page 15).

It is not only the financial sector that is reporting growth alone, but other sectors of the economy also. Nakumatt Holdings' turnover grew by over 150% in 2006 over 2005. According to the Economic Survey, consumer spending grew by 14.6% while wholesale and retail trade by 10.9% in 2006 compared to 2005. Economic Survey further showed that consumer spending stood at Shs. 1.2trillion in 2006 up from Sh1 Trillion. (Daily Nation, 30th May 2007, page 17). AIG Global Investment Group, a global fund manager, projects the Kenyan Economy to grow by 6% (Daily Nation, 29th April 2007 page 17,). The Agricultural sector of the economy has also posted impressive growth of 24% Daily Nation, 18th May 2007, page 12).

In order for firms to tap the benefits of economic growth, it is imperative for them to avail goods to the consumers especially at the kiosk and shop level by taking up that burden from the retailer who has a wide variety of choice of brands. In the past, the term sales person might have connoted the image of pushy, fast talking individuals who preyed on naïve customers selling inferior or overpriced merchandise by getting them to sign purchase orders without first reading the small print. Over the years the negative attitudes have proven difficult to erase, leaving people to perceive selling a "job" (not as a "profession" or a "career") and discouraging students from embarking on the field.

Although this unflattering image originated with the high- pressure tactics of an earlier, production orientation and its persistence still hides the professionalism that characterizes contemporary personal selling and sales management. Today's sales people and sales managers are indeed a far cry from the stereotype described above. They are highly trained, skilled, and motivated people who understand that the key to long-term success is customer satisfaction. Instead of overwhelming prospects, modern sellers identify customer needs and develop solutions to problems. Instead of just talking, they make their business to listen. Instead of forgetting about a customer after an order is obtained, they provide after sale service. They are professionals, not hucksters.(Eugene, M.et, al, 1994)

Van selling involves loading goods into a van and then going to sell these goods in designated routes mainly to small shops, kiosks, and convenient stores. The sales person gets orders from the retailers and delivers the goods on the spot from the van and gets paid immediately. Van selling takes the form of personal selling since there is face-to-face interaction.

Van selling as a form of personal selling is a critical aspect of a firm's promotional strategy. When correctly used and done well, it is a major factor in generating sales volume. It has been used over the years when companies are doing in store sales promotions since there is interaction of the consumer and the company. Product benefits are explained better by salesmen since they act as sales promoters as well and this helps in building confidence with customers. Customers are able to make decisions faster because of the rapport that exists between them and the suppliers.

Personal selling is a personal (face-to face, telephone, or Internet Chart) presentation for the purpose of making sales and building relationships (Allen, 1997). Personal selling is very crucial today for the success of fast moving consumer goods (FMCG) companies in Kenya. Personal selling is one of the components of communication used in marketing. It is actually cheaper than other forms of communications such as Advertising. 'Besides performing some of the same functions as media advertising, personal selling is especially useful in identifying prospective customers; providing personalized reassurance on the rightness of a purchase decision; and developing solutions tailored to buyer needs' (Weitz et al, 1998). A salesperson personally communicates with the prospect to make the sale and build a relationship. The job of a salesperson ranges from order takers to order getters (Allen, 1997).

Van selling is the most effective tool at later stages of the buying process, particularly in building up buyer preference, conviction, and action. Personal selling has three distinctive qualities, that is, personal confrontation, cultivation and response and all basically entail relationship. Personal confrontation is a form of personal selling which involves an immediate and interactive relationship between two or more persons. Each party is able to observe the other's reactions.

Cultivation is personal selling which permits all kinds of relationships to spring up, ranging from a matter-of-fact selling to a deep personal friendship. Finally, response on the other hand is a form of personal selling which makes the buyer feel under some obligation for having listened to the sales talk (Kotler, 2003). In Kenya van selling is a daily affair for fast moving consumer goods (FMCG) companies. This is mainly due to competition. Firms are trying to outdo each other in business.

1.1.1 The Concept Of Distribution

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. (Kotler, 2003)

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, centralized reservation systems among others.

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.

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. 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. (Allen, 1997)

Less obvious, but just as practical, is the use of 'marketing' by service and administrative departments; to optimize their contribution to their 'customers' (the rest of the organization in general, and those parts of it which deal directly with them in particular). In all of this, the lessons of the non-profit organizations, in dealing with their clients, offer a very useful parallel.

The channel decision is very important. In theory at least, there is a form of trade-off: 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. 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 they have any aspirations to be market-oriented, their job should really be extended to managing 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 that would basically include channel membership, channel motivation and the way of monitoring and managing these channels.

1.1.2 Overview of FMCG Sector in Kenya

Van selling happens when sales representatives load stocks in the vans and sell from shop to shop. The traders normally buy from the vans as per their requirements. Van selling requires heavy investment on vans as well as personnel and this puts an extra burden on a firm's finances. For example, GlaxoSmithKline did away with 10 vans selling sales force in order to cut cost and pushed the same cost to their distributors who were tasked to acquire vans and hire their own sales personnel to drive sales at the retail end of the market. (Mugambi, 2005)

The FMCG sector has become very dynamic in the wake of liberalization of the Kenyan Economy. Some companies have closed their manufacturing sites in Kenya due to high manufacturing costs and handed over their businesses to distributors. For example, Johnson & Johnson and Proctor & Gamble have closed their manufacturing plants in Kenya and now import finished products, which are then distributed by appointed distributors. Companies have been shifting from just relying on order taking and doing deliveries later, and complemented this with van selling to ensure that all the channel members are availed with products.

The key players in fast moving consumer goods include companies like Coca- Cola, which concentrates on beverages and now has ventured into bottled water. Coca- Cola has one of the best distribution strategies in the Kenyan market for their products are available in most of the retail outlets courtesy of van selling and committed distributors.

Unilever on the other hand, is a strong player in body care, food and detergent categories. Before competition was rife in Kenya, the company had employed direct selling to key customers but has since changed the strategy and engaged distributors who have acquired vans for selling in order to complement the company personnel who do order taking.

Bidco Oil Refineries and Kapa Oil Industries fight each other for the detergent and cooking fat market share. Bidco has employed a similar strategy to that of Unilever unlike Kapa Oil Industries who sell directly to key customers who in turn sell to retailers from their outlets. It is worth to mention that the cooking oil category was previously a preserve for East Africa Industry now known as Unilever but due to stiff competition from Bidco oil Refineries, the former had no option but to sell its flagship brands, Kimbo and Cowboy to Bidco Oil Industries due to high cost of manufacturing and marketing which resulted in low margins.

GlaxoSmithKline has had several changes in its distribution strategy over the years as a way of developing competitive edge due to stiff competition on its over the counter products. The company used to have van sales people up to 1999 when it stopped van selling due to high cost of operation and concentrated on selling to its wholesalers and supermarkets through its appointed distributors with the help of dedicated company personnel who were tasked with order taking. Due to decline of market share of its key products, Hedex and Panadol, the company changed its strategy in 2003 and made it a requirement for distributors to buy vans and employ van sales people to call on kiosk and small shops where competition, Beta Health Care had gained a strong foot hold after GlaxoSmithKline pulled out of van selling.

1.1.3 Characteristics of FMCG in Kenya

Branding is a key feature of fast moving consumer goods. Creating strong brands is important for FMCG companies and they devote considerable money and effort in developing bands. With differentiation on functional attributes being difficult to achieve in this competitive market, branding results in consumer loyalty and sales growth.

Another characteristic is the distribution network. Given the fragmented nature of the Kenyan retailing industry and the problems of infrastructure, FMCG companies need to develop extensive distribution networks to achieve a high level of penetration in both the urban and rural markets. Once they are able to create a strong distribution network, it gives them significant advantages over their competitors.

Contract manufacturing is yet another vital feature of FMCG. As FMCG companies concentrate on brand building, product development and creating distribution networks, they are at the same time outsourcing their production requirements to third party manufacturers. Moreover, with several items reserved for the small scale industry and with these SSI units enjoying tax incentives, the contract manufacturing route has grown in importance and popularity.

The existence of large unorganized sector has a presence in most product categories of the FMCG sector. Small companies from this sector have used their locational advantages and regional presence to reach out to remote areas where large consumer products have only limited presence. Their low cost structure also gives them an advantage.

1.2 Statement of the problem

In the fast moving consumer goods industry, competition is so stiff and has led many companies to adopt van selling in order to create an edge over others in terms of product availability, quick penetration of new products in the market among other gains. Personal selling is defined as oral presentation in a conversation with one or more prospective purchasers for the purpose of making a sale. (Kotler, 1999.) Personal selling is an important component of sales promotion in that its enables a company to get instant feedback about its products, it employs persuasion which can win hearts of difficult consumers or customers.

Counterfeit products are increasingly becoming a major threat to manufacturers of well-established brands. Personal selling comes in handy, in that the sales people are able to identify counterfeit or fake products and educate channel members on the dangers of keeping such stocks or even alert the relevant authorities, for example, Kenya Bureau of standards of the presence of such products.

The Kenyan economy is growing and a number of investors are streaming into the country with various products and services, thus, posing a threat to the already existing firms. Therefore, personal selling becomes very important in the presentation of informative and persuasive messages to the firm's target market in an attempt to get new customers and increasing sales of a company's products.

A study by Mugambi (2005), focused on the challenges encountered by FMCG companies undertaking van selling. These challenges include insecurity, physical infrastructure and credit terms. In contrast, my study sought to explore benefits derived from van selling. In this study, Mugambi mentioned in a passing manner some of the benefits that could be drawn from van selling. However, his focus of his study was on challenges and therefore his mention of benefits drawn from van selling is by no means exhaustive. The researcher was not aware of any previous study in Kenya addressing the full benefits of van selling in FMCG concerns. This research therefore seeks to close the gap by responding to the following questions:

I. To what extent do FMCG firms benefit from van selling?

II. To what level have FMCG firms institutionalized the concept of van selling?

1.3 Objectives of the study

The objectives of the study, was to determine the impact of van selling on FMCG products in Kenya with respect to the following:

(i). To determine the positive impact of van selling on FMCG concerns with respect to success of new products.
(ii). To establish the impact of van selling on product availability and visibility.
(iii). To establish the level of institutionalization of the concept of van selling and underlying reasons.

1.4 Significance of the study

The findings of this study will be useful to a number of stakeholders in a number of ways. Management of FMCG firms will appreciate the need to embrace van selling as a way of creating product awareness, increasing products' market share and a quicker way of availing new products to the market after launch, and as a means to achieving customer loyalty and retention.

Policy makers will appreciate the impact of van selling in creating employment, hence strive to create an enabling atmosphere where van selling can flourish and this can be done through infrastructure and security improvement. On the other hand, companies that have always perceived van selling as an expensive affair will be able to appreciate its usefulness in product distribution, growth in market share and profitability which is the bottom line of any organization.

The findings will offer a basis to the researcher for further academic investigation into van selling in Kenya and provide a framework for companies that need to adopt it in their operation. Sales managers will be more informed of the challenges and opportunities that arise through use of van selling.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The first true salesperson appeared in the late eighteenth century during England's Industrial Revolution. They were called bagman because they sold their goods from sample bags. They marketed the goods produced by the developing factory system. American sales efforts began with the exploits of the Yankee peddler sometime during the late seventeenth century. These salespeople often called "pack peddlers," were traditionally based in New England, but were soon selling on the nation's frontier. Sometime after 1810, a different method of personal selling developed in the United States. The pack peddlers modified their selling methods by switching to the use of horse-drawn wagons capable of carrying several tons of merchandise (Eugene et al, 1994).

In the case of Kenya, we have bag salesmen, bicycle salesmen as well as motorcycle salesmen who move from town to town selling their wares to retailers or even consumers. The salesmen could either be self employed or working for particular organizations and paid on commission or salary plus commission. The more advanced and effective form of selling fast moving consumer goods is van selling which involves loading goods into a van and moving from town to town to persuade retailers to buy to products. As competition continues to grow, firms are seeing the need of embracing van selling as a sure way of reaching the retailer in order to ensure product availability.

2.2 Van Selling as a means of promotion

Personal selling can be defined as the oral communication with potential buyers of a product with the intention of making a sale. The personal selling may focus initially on developing a relationship with the potential buyer, but will always ultimately end with an attempt to "close the sale"

Van selling is one of the oldest forms of promotion. It involves the use of a sales force to support a push strategy (encouraging intermediaries to buy the product) or a pull strategy (where the role of the sales force may be limited to supporting retailers and providing after-sales service).

2.3.1 Main roles of a sales force

According to Kotler, 2003, there are six main activities of a sales force and they include the following;

Prospecting for customers is the among the first main functions of a sales force. This role basically entails trying to find new customers and attempt to attain repeat purchase. While prospecting for new customers its important to find out about the credit worthiness of the prospective clients, this information can be gotten from other sales people in the region as well as from other customers, though this is challenging.

Communicating with the entire range of a company's customers is yet another important function undertaken by the sales force. The communication with existing and potential customers revolves around the new product range, changes in the existing products and other relevant product developments.

The actual selling of a product is of course the mostly recognized role of a sales team. It involves contact with the customer, answering questions and trying to close the sale or otherwise establishing a convenient time frame within which a particular deal can be closed.

The actual servicing of the already purchased products is yet another role that is typically played by the sales force. Provision of support and service to the customer in the period up to delivery and also post-sale is not only essential in ensuring that the customer is satisfied but it also plays a role in guaranteeing a future repeat purchase.(Kotler, 2003)

A fully efficient sales team plays a critical role in market intelligence through information gathering. Obtaining information about the market to feedback into the marketing planning process helps a company to serve its customers much better and to further achieve its objectives of driving the sales revenue to the set levels.

Allocating the scarcely available resources among its competing interests of customer demands is a role that squarely rests with the sales team. In times of product shortage, the sales force may have the power to decide how available stocks are allocated between and among the existing sales personnel and territories available.

2.3.2 Advantages of using van selling

The most recognizable advantages of this exercise among others are that firstly, van selling is a face-to-face activity and customers therefore obtain a relatively high degree of personal attention. Similarly, the sales message can be customized to meet the needs of the individual customer. The two-way nature of the sales process that is involved in personal selling allows the sales team to respond directly and promptly to customer questions and concerns hence saving on time and effort that would otherwise have been used in booking appointments for such purposes.

Personal selling is a good way of getting across large amounts of technical or other complex product information. The face-to-face sales meeting gives the sales force chance to demonstrate the product. This goes along way in ensuring that every doubt in the consumers mind is adequately handled. Frequent meetings between sales force and customer provide an opportunity to build good long-term relationships. (Eugene et al, 1994)

Given that there are many advantages to personal selling, why do more businesses not maintain a direct sales force?

2.3.3 Main Disadvantages of Using Personal Selling

The main disadvantage of personal selling is the cost of employing a sales force. Sales people are expensive. In addition to the basic pay package, a business needs to provide incentives to achieve sales (typically this is based on commission and/or bonus arrangements) and the equipment to make sales calls (car, travel and subsistence costs, mobile phone etc). In addition, a sales person can only call on one customer at a time. This is not a cost-effective way of reaching a large audience. (Kotler, 2003)

2.4 Objectives of Personal Selling

Personal selling is used to meet the five objectives of promotion in various ways. Firstly, in building awareness of goods and services the common task of salespeople, especially when selling in business markets, is to educate customers on new product offerings. In fact, salespeople serve a major role at industry trades shows where they discuss products with show attendees. But building awareness using personal selling is also important in consumer markets. As we will discuss, the advent of controlled word-of-mouth marketing is leading to personal selling becoming a useful mechanism for introducing consumers to new products. (Kotler,2003)

Creating interest in the product is a fundamental objective of personal selling. The fact that personal selling involves person-to-person communication makes it a natural method for getting customers to experience a product for the first time. In fact, creating interest goes hand-in-hand with building product awareness as sales professionals can often accomplish both objectives during the first encounter with a potential customer.

Another objective is the provision of information about the product. When salespeople engage customers a large part of the conversation focuses on product information. Marketing organizations provide their sales staff with large amounts of sales support including brochures, research reports, computer programs and many other forms of informational material.

A personal selling exercise should be able to stimulate demand for the product. This is by far, the most important objective of personal selling and it aims majorly at convincing the customers to make a purchase decision.

Personal selling venture should be able to reinforce the brand in the market. Most personal selling is intended to build long-term relationships with customers. A strong relationship can only be built over time and requires regular communication with a customer. Meeting with customers on a regular basis allows salespeople to repeatedly discuss their company's products and by doing so helps strengthen customers' knowledge of what the company has to offer.

Personal selling occurs where an individual salesperson sells a product, service or solution to a client. Salespeople match the benefits of their offering to the specific needs of a client. Today, personal selling involves the development of longstanding client relationships. In comparison to other marketing communications tools such as advertising, personal selling tends to us use fewer resources, pricing is often negotiated, products tend to be fairly complex (e.g. financial services or new cars), there is some contact between buyer and seller after the sale so that an ongoing relationship is built, client/prospects need specific information and finally the purchase tends to involve large sums of money. (Kotler, 2003)

There are exceptions of course, but most personal selling takes place in this way. Personal selling involves a selling process that is summarized in the following Five Stage Personal Selling Process.

2.5 Personal Selling Process;

The first stage is the prospecting stage. Prospecting is all about finding prospects, or potential new customers. Prospects should be 'qualified,' which means that they need to be assessed to see if there is business potential, otherwise you could be wasting your time. In order to qualify your prospects, one needs to plan a sales approach focused upon the needs of the customer. Secondly its important to determine which products or services best meet their needs and lastly, ranking the prospect and leave out those that are less likely to buy, hence saving time

Secondly, personal selling process entails making that very first contact with the prospect. This is the preparation that a salesperson goes through before they meet with the client, for example via e-mail, telephone or letter. Preparation will make a call more focused by making sure you are on time, before meeting with the client, set some objectives for the sales call. Also make sure that you have done some homework before meeting your prospect as this will show that you are committed in the eyes of the consumer. As a way of saving time, send some information before the visit as this will wet the prospect's appetite. It is important to have samples especially for new products and finally during the first minute or two state the purpose of your call so that time with the client is maximized and have some sense of humor as you try to be sincere

The third stage of the personal selling process is often called the sales call or making the sales presentation. It is best to be enthusiastic about your product or service. If you are not excited about it, don't expect your prospect to be excited. Focus on the real benefits of the product or service to the specific needs of your client, rather than listing endless lists of features. It is also advisable to try to be relaxed during the call, and put your client at ease. Let the client do at least 80% of the talking. This will give you invaluable information on your client's needs. Remember to ask plenty of questions. Use open and closed questions i.e. questions that will only give the answer 'yes' or the answer 'no.' This way you can dictate the direction of the conversation and one should never be too afraid to ask for the business straight off.

The penultimate stage of this process is objection handling. Objection handling is the way in which salespeople tackle obstacles put in their way by clients. Some objections may prove too difficult to handle, and sometimes the client may just take a dislike to you (aka the hidden objection). Here are some approaches for overcoming objections:

Firstly, try to anticipate them before they arise.
'Yes but' technique allows you to accept the objection and then to divert it. For example, a client may say that they do not like a particular color, to which the salesperson counters 'Yes but X is also available in many other colors.'
Ask 'why' the client feels the way that they do.
'Restate' the objection, and put it back into the client's lap. For example, the client may say, 'I don't like the taste of X,' to which the salesperson responds, 'You don't like the taste of X,' generating the response 'since I do not like garlic' from the client. The salesperson could suggest that X is no longer made with garlic to meet the client's needs.
The sales person could also tactfully and respectfully contradict the client. (www.knowthis.com)

The final stage which actual forms part of the entire objective is van attempt at closing the sale. This is a very important stage. Often salespeople will leave without ever successfully closing a deal. Therefore it is vital to learn the skills of closing.

Just ask for the business! - 'Please may I take an order?' This really works well.
Look for buying signals (i.e. body language or comments made by the client that they want to place an order). For example, asking about availability, asking for details such as discounts, or asking for you to go over something again to clarify.
Just stop talking, and let the client say 'yes.' Again, this really works.
The 'summary close' allows the salesperson to summarize everything that the client needs, based upon the discussions during the call. For example, 'You need product X in blue, by Friday, packaged accordingly, and delivered to your wife's office.' Then ask for the order.
The 'alternative close' does not give the client the opportunity to say no, but forces them towards a yes. For example 'Do you want product X in blue or red?' Cheeky, but effective. (www.knowthis.com)

2.5.1 The Role Of Personal Selling In The Marketing Strategy

According to Eugene et al, (1994), the sales force has an even closer connection with the distribution component of the marketing mix. A channel of distribution is the route that the title to a product takes from producer to ultimate user. This ownership transfer can take place in two ways: directly or indirectly. In case of direct distribution, the ultimate buyer acquires the title directly from the manufacturer or provider of the product.

Indirect distribution involves the use of intermediaries (wholesalers and retailers) who buy and then resell the merchandise. This approach is used for frequently purchased, low-priced items where the expense of going direct would be too high in relation to the product's value. Indirect distribution is used for most groceries, personal and health care items in the consumer market.

In both instances, direct and indirect distribution, sales management is essential. A product is ultimately meaningless and its advertising wasted if it is not readily available to buyers. The personal selling function has to establish this vital link to the market place. In the case of direct distribution, the sales force calls on the ultimate users of a company's products. For those businesses that distribute indirectly, sales management has to secure the support of the trade, or intermediaries. Selling to the trade also requires a great deal of work with distributors' customers and prospects.

2.5.2 The Role Of Personal Selling In Promotional Strategy

Promotion is the presentation of information and persuasive messages to the firm's target market in an attempt to stimulate sales. Personal selling is a vital ingredient of this effort, working in conjunction with advertising, sales promotion, and public relations. Advertising is a long-term tool designed to create awareness of a company's product's and their major benefits. If it can go one step further and generate a positive attitude or interest on the part of the message recipient, advertising has accomplished the major part of its mission. Sales promotion and public relations techniques support the other aspect of promotional strategy. While advertising and sales promotion pave the way for personal selling and act in a supportive capacity, the sales force still has its own direct bottom- line orders. As has been said many times, "nothing happens until somebody sells something," (Eugene et al, 1994).

2.5.3 The Role of Personal Selling In Merchandising

Merchandising is a vital activity in the job of a van sales representative in that it involves category management in the outlet, that is to say, allocating space to products depending on sales and profitability. It is important for the sales person to ensure that products are displayed on the shelf at eye catching level so as to improve visibility and induce impulse buying. Sales representatives are tasked with the responsibility of putting up point of purchase materials in the outlets they service, they could be dispensers, posters among many. Personal selling and more specifically van selling, helps in improving the visibility of products in a competitive market environment.(Perreault, 2006)

2.6 Channels of Distribution

Means used to transfer merchandise from the manufacturer to the end user. An intermediary in the channel is called a middleman. Channels normally range from two-level channels without intermediaries to five-level channels with three intermediaries. For example, a caterer who prepares food and sells it directly to the customer is in a two-level channel. (Dent, 2008)

A food manufacturer who sells to a restaurant supplier, who sells to individual restaurants, who then serve the customer, is in a four-level channel. Intermediaries in the channel of distribution are used to facilitate the delivery of the merchandise as well as to transfer title, payments, and information about the merchandise. For example, a manufacturer may rely upon the workforce employed by a distributor to sell the product, make deliveries, and collect payments. The channels used by a marketer are an integral part of the marketing plan and play a role in all strategic marketing decisions.

Means used to transfer merchandise from the manufacturer to the end user. Intermediaries in the channel are called middlemen. Those who actually take title to the merchandise and resell the goods are merchant middlemen. Those who act as broker but do not take title are agent middlemen. Merchant middlemen include wholesalers and retailers. Agent middlemen include Manufacturer's Representatives, brokers, and sales agents.

2.6.1 Evolution of Channels

Marketing channels always emerge from the demands of a marketplace. However, markets and their needs are always changing. It's true, then, that marketing channels operate in a state of continuous evolution and transformation. Channels of distribution must constantly adapt in response to changes in the global marketplace.

At the beginning of the nineteenth century, most goods were still produced on farms. The point-of-production had to be close to the point of-consumption. But soon afterward, the Industrial Revolution prompted a major shift in the American populace from rural communities to emerging cities. These urban centers produced markets that needed larger and more diverse bundles of goods and services. At the same time, burgeoning industrialization required a larger assortment of production resources, ranging from raw materials to machinery parts. The transportation, assembly, and reshipment of these goods emerged as a critical part of production. (www.answers.com/channelsofdistribution)

During the 1940s, the U.S. gross national product (GNP) grew at an extraordinary rate. After World War II ended, inventories of goods began to stockpile as market demand leveled off. The costs of dormant inventories—goods not immediately convertible into cash—rose exponentially. Advancements in production and distribution methods now focused on cost-containment, inventory control and asset management. Marketers soon shifted from a production to a sales orientation. Attitudes like "a good product will sell itself" or "we can sell whatever we make" receded. Marketers confronted the need to expand sales and advertising expenditures to convince individual customers to buy their specific brands. The classic four Ps classification of marketing mix variables—product, price, promotion and place—emerged as a marketing principle. Distribution issues were relegated to the place domain.

This new selling orientation inspired the development of new intermediaries as manufacturers sought new ways to expand market coverage to an increasingly mobile population. The selling orientation required that more intimate access be established to a now more diversified marketplace. In response, wholesale and retail intermediaries evolved to reach consumers living in rural areas, newly emerging suburbs and densely populated urban centers.

Pioneering retailers such as John Wanamaker in Philadelphia and Marshall Field in Chicago quickly sprouted as goliaths in this brave new retail world. Small retailers came of age, as well, offering specialized operations tailored to meet the needs of a changing marketplace. Retailers and their channels evolved in lockstep with the movements and needs of the consumer marketplace. As always, marketing channels were evolving in response to changing marketplace needs.

The impact of two remarkable innovations taken for granted today—the car and the interstate highway system—cannot be ignored. These transforming innovations simultaneously stimulated and satisfied Americans' desire for mobility. Manufacturers suddenly began selling their wares in previously inaccessible locations. Millions of Americans fled from the cities to the suburbs in the 1950s and 1960s. Retailers quickly followed. Yet another channel phenomenon emerged, this one involving groups of stores situated together at one site. The suburban shopping center was born. Its child, the mall, soon followed. (Stern et al 2006)

In 1951, the earth moved. That was the year marketers first embraced the marketing concept. The marketing strategy decrees that customers should be the focal point of all decisions about marketing mix variables. It was accepted that organizations should only make what they could market instead of trying to market whatever they could make. This new perspective had a phenomenal impact on channels of distribution. Suppliers, manufacturers, wholesalers, and retailers were all forced to adopt a business orientation initiated by the needs and expectations of each channel member's customer.

The marketing concept quickly reinforced the importance of obtaining and then applying customer information when planning production, distribution, and selling strategies. Sensitivity to customer needs became firmly embedded as a guiding principle by which emerging market requirements would be satisfied.

The marketing concept remained the cornerstone of marketing channel strategy for some thirty years. It even engendered the popular 1990s business philosophy known as total quality management. Small wonder, then, that in today's Japan the English word customer has become synonymous with the Japanese phrase honored guest.

The customer focus espoused within the marketing concept has a broad, intuitive appeal. Yet the marketing concept implicitly suggests that information should flow unidirectionally from customers to intermediaries and from intermediaries to manufacturers. This unnecessarily restrictive and reactive approach to satisfying customers' needs has been supplanted by the relationship marketing concept. As modern communication and information management technologies emerged, channel members found they could now establish and maintain interactive dialogues with customers. (www.answers.com/channelsofdistribution)

Ideas and information nowhere exchanged—bi-directionally—in real time between buyers and sellers. Channel members learned that success comes from anticipating one's customer's needs before they do. The earth had moved, again, as the relationship marketing philosophy was widely adopted.

How important is a customer dialogue? Sophisticated database and interactive technologies enable channel members to quickly identify changes in customers' preferences. This, in turn, allows manufacturers to modify product designs nimbly. Relationship marketing allows manufacturers to mass-customize offerings and to reduce fixed costs associated with production and distribution. Retailers and wholesalers make better informed merchandising decisions. This is yet another lesson in the costs of carrying unwanted products. Relationship marketing yields greater customer satisfaction with the products and services they acquire and consume. And why not? The customer's voice was heard when the offering was being produced and distributed.

Relationship marketing is driven by two principles having particular relevance to marketing channel strategy, that is, long-term, ongoing relationships between channel members are cost-effective. (Attracting new customers'costs more than ten times more than retaining existing customers) and the interactive dialogue between providers and users of goods and services is based on mutual trust. (The absence of trust imperils all relationships. Its presence preserves them. (www.answers.com/channelsofdistribution)

2.7 Market Missions

The functions performed by marketing intermediaries concurrently satisfy the needs of all channel members in several ways. The most basic way that market needs can be assessed and then satisfied centers on the role channel intermediaries can perform in helping channel members reach the goals mapped out in their strategic plans. Because they link manufacturers to their final customers, channel intermediaries are instrumental in aligning all organizations' missions with the market(s) they serve.

Channel intermediaries foster relationship-building activities and are indispensable proponents of the relationship marketing concept in the marketing channel. Channels of distribution are not all there is to marketing, but without them all the behaviors and activities known as marketing become impossible. Channels of distribution represent the final frontier within which most sustainable strategic marketing advantages can be achieved. Channels of distribution are the instruments through which organizational missions meet— come face to face with—the marketplace. Strategic success or failure will take place there. (www.answers.com, 2002)

2.8 Distribution Intensity

There are three broad options available for this and they include intensive, selective and exclusive distribution. Intensity of distribution is the number of intermediaries that the producer will need at each level.

Intensive distribution aims to provide saturation coverage of the market by using all available outlets. Producers of convenience goods and common raw material typically seek this form of distribution to stock their products in as many outlets as possible. These goods must be available where and when consumers want them. For example, toothpaste, candy, and other similar items are sold in millions of outlets to provide maximum brand exposure and consumer convenience. (Kotler, 1999)

Selective distribution involves a producer using a limited number of outlets in a geographical area to sell products. An advantage of this approach is that the producer can choose the most appropriate or best-performing outlets and focus effort (e.g. training) on them. Selective distribution works best when consumers are prepared to "shop around" - in other words - they have a preference for a particular brand or price and will search out the outlets that supply. It is favored by manufacturers of shopping and specialty products such as refrigerators, products that not everyone wishing to carry to the consumers is allowed to do so but few are selected by the producer.

Exclusive distribution is an extreme form of selective distribution in which only one wholesaler, retailer or distributor is used in a specific geographical area. Good examples of this in Kenya are

DT Dobie which is the only distributor authorized to distribute Mercedes Benz vehicles and Marshalls Limited that distributed Peugeot cars.

2.9 Considerations for Channel Selection

In deciding whether to use many channels of middlemen or long channels or zero or few channels of middlemen or short channels, the marketer considers several factors that are discussed as below.

Firstly, is a consideration of the environmental characteristics which include; economic, political, legal, social-cultural and competitive forces. The channels used by competitors for instance tend to be regarded as representing the collective wisdom of the industry (Kibera, 1998). As a result it is wise for a marketer to use a similar channel as the competitor. Channel decisions are also influenced by political, legal and socio-cultural factors not only in Kenya but in the world over. It is often argued that where economic conditions are depressed marketers should move their products to the market via the route that is least expensive for the consumers.

Product characteristics consideration is the other factor to be considered in channel selection. Key product related features that come in to play here are product perish ability, degree of product standardization and whether the product is for industrial or household use. If the products are highly perishable then use of short channels is highly advised. Industrial products tend to be sold through short channels because the number of buyers is relatively small.

A consideration of the customer characteristics is the third factor that needs to be looked at. Key customer features to be evaluated are the market size, geographical dispersion of the customers, customer buying habits in terms of quantity purchased per period and the outlets from which they purchase and the composition of the markets. In their own ways each of the above directly or indirectly influence channel choices. It will be difficult for instance to sell directly where customers are widely and sparsely scattered due to logistical problems and therefore long channels are appropriate. (Dent, 2008)

KBL sell beer directly to its final consumers partly because it s consumers are scattered all over Kenya and partly because each consumer buys a relatively small quantity of beer. Market composition entails industrial, government and household customers in which the first two buy directly from the manufacturer. Channel analysis with the final consumer and working backwards to the producer is thus advised for every marketer.

The middlemen characteristics is yet another important factor that has to be considered. The main factors for consideration here are the markets that middlemen serve, middlemen financial requirements, the services they provide and their availability (Kibera, 1996). A producer such as Unilever for instance may opt to use a chain of retailers such as Uchumi supermarkets to distribute its products for profitability purposes, however, this may be limiting in that Uchumi does not command presence in every corner of the country.

An effective channel selection exercise has to take into account company characteristics. The relevant characteristics are company objectives, financial status, product mix, past channel experiences and the desired degree of channel control. To sell directly, a producer must open his own retailing outlets but this is prohibitively expensive even for large companies such as EABL and BAT Kenya limited.

The very nature of competition in the industry is equally crucial in channel selection. Channels used by competitors are argued to be representative of the collective industry wisdom, though this is not always right. As a result a producer should always make his products to meet with those of the competitors head on or else he should convince the consumers why his brand or product demands a different channel (Kibera, 1996). Making sure that products are available where competitors' products can only be achieved through the use of a similar distribution channel.

2.10 Rationale Of Middlemen Use

Middlemen are used especially where they perform certain functions as discussed below better than the producers and the consumers. Nevertheless, for producers and consumers to delegate their distribution functions to intermediaries, the latter must perform the functions at less cost. Some have argued that middlemen or intermediaries are parasites and should be eliminated, for others, they are however, vital in that they perform the following functions.

Firstly, middlemen aid in the contacting function. They effectively reduce the number of sales contacts or sales calls needed to reach all customers. As the number of sellers and customers increases the number of sales contacts increases geometrically when there is no middlemen and arithmetically when there is a middleman. For instance, the number of producers represented by retailers such as Nakumatt Supermarkets is amazing. However, besides contacting costs as the only expense, some producers still sell directly to customers unless the state regulates.

The actual sorting function of products is mostly done by the middlemen. This function of middlemen takes two dimensions. Firs is bulk breaking in which the middlemen buy in large units and break the units in to smaller units suitable for resale especially where the producer is large but with many small quantity consumers, for instance Unga Limited with its Jogoo maize meal. The second function is bulk building in which the middleman buys from different producers and combines to make suitable units for resale. This is common in agricultural based firms where for instance a farmer purchases from farmers before selling in bulk to the millers or producers of the final products.

Physical distribution function is a task primarily performed by the middlemen. The actual physical movement of the goods from the manufacturer to the consumer is via the middlemen. This creates utility by guaranteeing the availability of goods where they are required. Other sub functions of warehousing and storage create time utility for the product. (Dent, 2008).

This facilitates continuous production because of storage space available at the manufacturer's warehouse. It would be hectic if every beer drinker had to purchase every other bottle of beer from EABL premise.

There is probably not any other crucial assignment for the middlemen as is the task of stimulating demand, demand stimulation function. Just as the producers, middlemen are also in the business of profit making. They thus stimulate demand. As such they engage in personal selling, advertising, sales promotion, product planning, or merchandising and formulating pricing policies. As such distributors of FMCG like Uchumi and Tuskys engage in demand stimulation just as East African Industries only that they don't concern themselves purely with stimulating sales for only one manufacturer but for many. This function is crucial for small producers who have little or no budget for advertising in that they the middlemen stimulate demand cooperatively with the producers.

Issues regarding product title can be quite demanding when it comes to a situation where more than one person is involved. The role of claiming title to goods at any one given point may be a source of legal tussle for the producer however the middlemen step in to avoid such a dilemma. The actual transfer of ownership from one organization/person to another is played by the middlemen (Okatch, 2002).

No company can best function without information coming out of its markets. The function of market information is properly done by the middlemen. To effectively implement all the marketing mix variables, marketers need appropriate information about the market. Middlemen are important sources of information about the market in that they interact more with the consumers. This information is two way, from the producer to the consumer and from the consumer to the producer. It aids a lot in decision making. This function is useful for small producers who do not have sophisticated marketing research departments or sales personnel that can collect pertinent information.

Lastly, middlemen help a great deal in risk taking. Few people enjoy risks as much as they form part of day to day business functions. The middlemen also play the all critical role of assumption of risk connected with carrying out the channel work. This include all sorts of risk that include being attacked by robbers when still in possession of goods and the goods being damaged as a result of bad weather.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

A descriptive survey research design was used for this study. It involved gathering, processing and interpretation of data in a completely natural and unchanged environment from producers of well known fast moving consumer goods in Kenya. According to (Churchill, 1987), a good descriptive study presupposes much prior knowledge about the phenomenon under study. Descriptive design suited this study because as a scientific method it involved observing and describing the behavior of a subject without influencing it in any way. It was also useful in obtaining the general overview of a subject. For instance, some subjects cannot be observed in any other way, such as a social case study of an individual subject is a descriptive research design and allows observation without necessarily affecting the subject's normal behavior. A descriptive research design also serves as precursor to more statistical research designs and quantitative research experimentations.

3.2 Population

The population of study for this research consisted of the large producers of FMCG in Kenya selected on the basis of convenience sampling. A total of four organizations based in Nairobi were selected and they included: East African Breweries Limited, GlaxoSmithKline, Unilever and Coca Cola (See appendix iii). The main reason for selecting the population for this study was because of the extent of representation that the population participants gave to the wider FMCG market both regionally and globally thus enabling more accurate findings from the study.

Many firms produce and distribute goods all over the world but fewer specialize in the production or distribution of fast moving consumer goods. The selection of the four firms dealing in FMCG for purposes of this study was judgmental and is deemed to be sufficient.

Mukiri (2001) successfully used judgmental sampling. The FMCG producers and distributors in Kenya are mostly based in Nairobi and as such offered a true representation.

3.3 Sample

The choice of the sample size was governed by the size of the target population from which the sample is to be drawn (Sanders et al,2003) A total of 40 respondents were selected via convenient sampling, and were interviewed from their offices, through email and in the field. An equal number of sales managers, 3 from each firm and sales representatives, seven from each company were drawn for purposes of this study. The four FMCG firms selected are however a representative of the population. In a study where the population of interest is not quite big, a sample size of 40 is deemed to be representative. In cases where the sample size is less than 30,and the analysis has to be carried out at that level, it is important to collect data from all the cases (Sanders et al, 2003). For the purpose of this study, not all sales managers and sales people were interviewed

3.4 Data Collection

Primary data was collected using a semi structured questionnaire, see appendix (ii) , and was sent by email and hand delivered to the respondents. The questionnaires were self administered by the researcher. The respondents were sales managers and sales representatives who are policy makers and implementers of distribution strategies undertaken by their companies

The questionnaire was divided into three sections. Section A sought to give company demographics such as the company name, title or area of responsibility of the respondents, nature of ownership, number of employees among others. The second section, B, sought to unveil the key decision areas and aspects of distribution means for the company products and especially through vans and other personal selling tactics. Section C of the questionnaire dwelt on the factors leading to the adoption of van selling, benefits so far, and whether it was the best for the company plus its impact on the distribution of fast moving consumer goods.

3.5 Data Analysis

Quantitative or content analysis was used to determine the influence of van selling on distribution of FMCG in Kenya. The data so collected was analyzed with the goal of highlighting useful information, suggesting conclusions and for purposes of supporting decision making as regards issues of product distribution. The responses were put in frequency distribution tables to measure dimensions with the highest concentration and hence the greatest impact of van selling. Mean scores and standard deviation were also used to determine the impact of van selling on distribution of FMCG.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter contains summaries of data findings together with their possible interpretations. It has been divided into three sections. The first section mainly deals with the companies' demographic information, while the second section analyses the position of van selling verses other modes of distribution. Finally, section three looks into the overall impact of using vans in distribution of products.

Forty senior management staff, policy makers and middle level managers were sampled and interviewed by a researcher using a semi-structured questionnaire, out of which twenty (27) responded by filling in the questionnaires; this gave a response rate of 67.5 %, which was considered adequate for the research.

4.2 Demographic information of the companies

The demographic information of the companies considered in the study included the number of years the respondent has worked with the company, the ownership structure of the company, the total number of employees in the company and the number of employees directly involved in the distribution system of the products. The findings were as presented below:

4.2.1 Number of years the respondent has worked for the company

The respondents were to indicate the number of years they had worked for their companies as this could determine the respondent's knowledge on the company's operations.

Table 4.2.1 Number of years the respondent has worked for the company

No. of years Worked	Frequency	Percentage
1-4 Years	3	11
5-10 Years	12	44
11-15 Years	12	44
Total	**27**	**100**

The findings from Table 4.2.1 indicated that 11% of the respondents had worked for their companies for between 1-4 years, 44% for between 5-10 years and again, 44% for 11-15 years. This shows that, majority of the respondents had worked for their companies long enough to be alive to the companies' operations, and could thus give reliable information.

4.2.2 Ownership structure of the companies

The respondents were to indicate the ownership nature of the companies; the ownership structure of a company influences its policies and operations.

Table 4.2.2: Ownership structure of the companies

Ownership Structure	Frequency	Percentage
Local	6	22
Foreign	12	44
Subsidiary	9	33
Public	0	0
Total	**27**	**100**

From the findings, 22% of the companies were locally owned, while 44% were foreign-owned, and 33% were subsidiaries. This indicates that most of the companies were either locally or foreign owned.

4.2.3 Number of employees in the organization versus number of employees in the distribution system.

By comparing the number of employees in the organization versus those working directly in the distribution system of the products, the researcher could determine the level of importance the companies attached to the distribution system for the products. As such, the respondents were to indicate the total number of employees in their organizations vis-à-vis those working directly in the distribution system.

Table4.2.3: Number of employees in the organization versus those in the distribution system.

Number of Employees in the Organization	Number of Employees in the distribution system	Percentage
500	200	40
400	100	25
230	25	10.87
300	15	5

As indicated in Table 4.2.3, the companies interviewed had 40%, 25%, 10% and 5% respectively, of the total employees directly deployed to the distribution system of their products. This shows that the management of the companies accorded the distribution component of their marketing strategy supreme importance.

4.3 The position of van selling versus other modes of distribution

To determine the position of van selling against other modes of distribution, the researcher looked into the number of FMCGs the companies manufactured versus the number of products distributed through vans, then, other means the companies used to distribute products and the reasons for preferring these other means of distribution. Finally, the researcher addressed the reasons for resorting to van selling and the duration van selling had been used as a means of distribution.

4.3.1 Number of FMCGs Manufactured versus number of products distributed through vans

To determine the number of products distributed through van selling compared to other means of distribution, the respondents were asked to indicate the total number of products manufactured by their firms against those distributed via vans.

Table 4.3.1: Number of FMCGs manufactured versus number of products distributed through vans

Number of FMCGs manufactured	Number of products distributed through vans	Percentage
2	2	100.00
50	50	100.00
17	17	100.00
25	22	88.00
89	69	77.53
40	22	55.00
5	1	20.00

Out of all the products manufactured, some companies distributed 100%, 88%, 77%, 55% and 20% of the products respectively using vans. This shows that van selling was overly adopted by most of the companies in the distribution of their products.

4.3.2 Other means of distribution of products

Companies use different means to transfer merchandise to end-users. These include company-distributor-wholesaler-retailer-consumer model, picking orders then delivering later, bicycle/ motorbike selling and multilevel marketing. The respondents were to indicate other means their companies used to distribute their products other than van selling.

Table 4.3.2: Other means of distribution of products

Means	Frequency	Percentage
Company-Distributor-wholesaler-retailer-consumer	21	78
Picking orders then delivering later	6	22
Bicycle/motorbike selling	0	0
Multilevel Marketing	0	0
Total	**27**	**100**

The findings revealed that, other than van selling, most of the companies (78%) used company-distributor-wholesaler-retailer-consumer model to distribute their products, while only 22% of the companies used picking orders- then- delivering later approach.

4.3.3 Reasons for preferring other means of distribution than van selling

In determining the best means of distributing their products, companies consider several factors including cost of distribution, maneuverability and the nature of products to be distributed. The respondents were to indicate the reasons for preferring other means of distribution than van selling.

Table 4.3.3: Reasons for preferring other means of distribution than van selling

Reasons	Frequency	Percentage
Low Cost	21	78
Maneuverability	0	0
Nature of products	6	22
Total	**27**	**100**

The survey uncovered that majority of the companies preferred other means of distribution than van selling because of low cost (78%) and nature of products (22%) respectively. This shows that van selling was more expensive, compared to other means of distribution.

4.3.4 Reasons for using van selling as a means of distribution

The respondents were to indicate the reasons for using van selling as a means of distribution.

Table 4.3.4: Reasons for using van selling as a means of distribution

Reasons	Frequency	Percentage
Faster in availing new products in the market	0	0
For marketing intelligence gathering	0	0
To increase product visibility in the outlets	0	0
To achieve in-depth distribution of products in retail outlets	24	89
To aid in implementing retail promotions	3	11
Total	**27**	**100**

Despite van selling being more expensive compared to other means of distribution, most of the companies (89%) used it to achieve in-depth distribution of products in retail outlets, while 11% of the companies used van selling to aid in implementing retail promotions.

4.3.5 Duration of using vans for distribution of products

In order to determine for how long van selling had been in use by various companies, the respondents were to indicate for long they had used vans for distribution of products.

Table 4.3.5: Duration of using vans for distribution of products

Duration	Frequency	Percentage
1-3 Years	0	0
4-7 Years	12	44
8-11 Years	6	22
Over 12 Years	9	33
Total	**27**	**100**

From the findings, 44% of companies had used vans for distribution of products for 4-7 years, 22% for 8-11 years and 33% for over 12 years. This shows that van selling is not a new practice, as many companies have used it for more than four years.

4.3.6 Benefits of using vans for distribution of FMCGs

Companies derived several benefits from the use of vans for distribution, which include building loyalty with retailers, introducing newly launched products, increasing the distribution depth of products, market intelligence gathering, and breaking bulk for retailers.

Table 4.3.6: Benefits of using vans for distribution of FMCGs

Benefits	Frequency	Percentage
Builds loyalty with the retailers	3	11
Easier to introduce newly launched products	3	11
Increases the distribution depth of products	18	67
Market intelligence gathering	0	0
Breaking bulk for retailers	3	11
Total	**27**	**100**

The findings showed that the benefits companies derived from van selling were building loyalty with retailers (11%), ease of introducing newly launched products (11%), increased distribution depth of products (67%) and retailers preference for broken bulk from vans (11%).

4.3.7 Challenges experienced in the use of vans for product distribution

Challenges experienced in the use of vans for product distribution normally include insecurity, high cost of operation, risk of fraud and low sales volumes. The respondents were to indicate the challenges they experienced in the use of vans for product distribution.

Table 4.3.7: Challenges experienced in the use of vans for product distribution

Challenges	Frequency	Percentage
Insecurity	4	14.8
High cost of operation	12	44.4
Risk of fraud	8	29.6
Low sales volumes	3	11.1
Total	**27**	**100**

The major challenge experienced in the use of vans in product distribution was mainly high cost of operation at 44.4%, followed closely by risk of fraud at 29.6%, while insecurity ranked third at 14.8% with low sales volumes trailing at 11.1% respectively.

4.4 Impact of using vans in distribution of products

The impact of using vans in distribution of products was measured in terms of product availability, new product launch and increased product visibility.

4.4.1 Product Availability

Table 4.4.1: Product Availability

Product Availability	Frequency	Percentage
Breaking bulk for retailers	9	33
Able to avail products in remote areas	9	33
Increased product distribution	9	33
Total	**27**	**100**

The findings showed that, the key drivers of product availability that included breaking bulk for retailers and availing products to remote areas carried the same weight at 33%. This means they contributed to product distribution and availability equally.

4.4.2 New Product Launch

Table 4.4.2: New Product Launch

New Product Launch	Frequency	Percentage
Retailers get to stock new products faster	21	78
Communication about new products is done by retail sales representative	0	0
Point of sale materials are put up by vans	6	22
Total	**27**	**100**

From the above analysis, it is clear that van selling contributed immensely to stocking up new products at a whopping 78%, while putting up point of sale material took a distant second at 22%.

4.4.3 Increased Product Visibility

Table 4.4.3: Increased Product Visibility

Increased Product Visibility	Frequency	Percentage
Van sales representatives educate the retailers on better ways of displaying products	15	56
Van salesmen provide display units to the retailers	12	44
Total	**27**	**100**

From the table above, van selling contributed to increased product visibility by providing an opportunity for van sales people to educate retailers on better ways of product display at 56%, and provision of display units coming a close second at 44%.

4.4.4 Upsides and downsides of van selling

The respondents were to rate the extent to which they agreed with the upsides and downsides of van selling as a means of distributing FMCG products. These were measured in a five-point likert scale, where the range was 'Strongly Agree' to 'Strongly disagree'. The scores of 'Strongly Disagree' and 'Somewhat Disagree' have been taken to represent a variable, which is important to a small extent (S.E) (equivalent to mean score of 0 to 2.5 on the continuous likert scale :($0 \leq$ S.E <2.5). The scores of 'Neutral' have been taken to represent a variable that is important to a moderate extent (M.E.) (equivalent to a mean score of 2.5 to 3.9 on the continuous likert scale: $2.5 \leq$ M.E. <3.9). The scores of both 'Somewhat Agree' and 'Strongly Agree' have been taken to represent a variable, which is important to a large extent (L.E.) (equivalent to a mean score of 4.0 to 5.0 on a continuous likert scale: $4.0 \leq$ L.E. <5.0). A standard deviation of >1.5 implies a significant difference in opinion among respondents.

Table 4.4.4: Upsides and downsides of van selling

Upsides and downsides of van selling	Mean Score	Standard Deviation
Van selling has enabled our products be on top of consumer's mind	4.11	0.88
I can recommend van selling to any company keen on an efficient distribution network and maximization of sales turnover	4.00	1.06
Van selling is costly but helps in creating an edge over competitors	4.00	0.67
Van selling is a faster means of distributing new products in the market	4.00	0.67
Van selling is very expensive in terms of time and man power requirements	3.89	1.00
It's easy to distribute point of sale materials	3.89	0.88
Van selling is the most effective means of distributing FMCGs	3.67	0.67
Van Selling enhances product availability more than other means of distribution	3.56	0.69
Van selling is only used by companies dealing in FMCGs	3.00	0.95
Van selling has the advantage of ease in coordination	2.89	0.74

To a large extent, van selling has enabled our products be on top of consumer's mind (4.11); recommendation of van selling to any company keen on an efficient distribution network and maximization of sales turnover (4.00); faster means of distributing new products in the market (4.00); and helps in creating an edge over competitors (4.00) were deemed overriding gains derived from van selling. The standard deviation ranged from 0.67 to 1.06, implying insignificant differences in opinions among the respondents.

However, to a moderate extent, van selling was considered expensive in terms of time and man power requirements (3.89); made it easy to distribute point of sale materials (3.89); was the most effective means of distributing FMCGs (3.67); enhanced product availability more than other means of distribution (3.56); was only used by companies dealing in FMCGs (3.00); and had the advantage of ease in coordination (2.89).

Again, the standard deviations were relatively low (0.67—1.00) indicating that the respondents had close views on the variables.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter highlights the findings of the study as well as conclusions and recommendations thereof.

5.2 Discussions

The objectives of the study were to determine the impact of van selling on successful FMCG distribution, particularly, product availability and visibility, as well as to establish the level of institutionalization of the concept and the reasons underlying the same.

The findings revealed that, van selling has been widely adopted by FMCG concerns to facilitate in-depth penetration to remote and far flung markets, which would otherwise be difficult to access through other modes of distribution. According to Eugene et al (1994), the more advanced and effective form of selling fast moving consumer goods is van selling, which involves loading goods into a van, and moving from town to town to persuade retailers to buy the products. As competition intensifies, firms are seeing the need to embrace van selling as a sure way of reaching the retailer in order to ensure product availability. Moreover, to qualify the undisputed position of van selling as the most fashionable means of FMCG distribution, the survey found that, some organizations had absolutely adopted it at 100%

Despite van selling's overriding popularity, other modes of distribution emerged as very close challengers, with the Company-Distributor-Wholesaler-Retailer model taking the second position, and picking orders-then-delivering thereafter approach taking a distant third. Respondents overwhelmingly cited low cost as the key reason for preferring these means of product distribution as opposed to van selling. Kotler (2003) argues that, the use of intermediaries usually applies to frequently purchased, low-priced items where the expense of going direct to the manufacturer would otherwise be too high in relation to the product value.

According to the survey, high cost of operation featured prominently across all organizations as the major challenge facing use of van selling.

Notwithstanding high costs of operation, van selling still scored fairly well as having a positive impact on product availability and visibility. Respondents closely concurred that it helped to penetrate remote areas, and stock up retailers with new and existing products, by virtue of breaking bulk. According to Kotler (1999), van selling is very instrumental in intensive distribution, where the goal is to attain saturation coverage of the market by stocking up as many outlets as possible.

Further, the survey found that, van selling provided an opportunity for sales people to educate retailers on better ways of product display, and even practically assist in setting up eye-catching displays for enhanced product presence and visibility.

5.3 Conclusions

Van selling is a leading strategy for effective product distribution, particularly in remote and far-flung markets. Though not without downsides, it was found to deliver benefits that far outweigh the flipside. Gains such as enhancing share of the mind, efficient delivery of products, and improved uptake of new products were found to offer a sustainable cutting edge over competitors, thanks to van selling. They scored a mean of 4.00 and above on a continuous likert scale. On the other hand, respondents almost unanimously agreed (by a standard deviation of 1.00), that, the cost of undertaking van selling was prohibitively high, and hence a major deterrence to its adoption by some FMCG concerns.

5.4 Recommendations

On the back of this study, FMCG firms should embrace the concept of van selling, so as to reap the benefits that featured to a great extent as emanating from the adoption of the concept.

Nonetheless, van selling, taken as a stand-alone strategy, may not deliver sustainable advantages due to the high cost implications thereof. As such, it is strongly recommended that, FMCG concerns should combine it with other modes of distribution in line with the findings of the study. This would create synergistic leverage in their distribution strategies to insulate against the debilitating cost effects of van selling.

5.4 Limitations of the study

The study only covered four organizations based in Nairobi. In contrast, the FMCG sector in Kenya is quite vast. As such, these four might not give a panoramic picture of the extent to which van selling has been institutionalized by Kenya's FMCG sector.

5.5 Suggestions for further research

The study should be extended in terms of geographical scope to cover other major commercial centres in the country that play host to FMCG concerns. This way, it will give a holistic picture on the extent to which van selling has been adopted as a distribution strategy across the FMCG sector.

Besides, subsequent studies should address the other elements of marketing communication mix, that is, advertising, sales promotion and on-line selling, with a view to establishing their relative impact, if any, on product distribution, awareness and visibility.

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APPENDICES;

Appendix (i); Letter to the Respondents

University of Nairobi

School of Business

P.O. Box 30197, NAIROBI.

August, 2009

Dear Respondent,

RE: <u>COLLECTION OF SURVEY DATA</u>

I am a postgraduate student at the University of Nairobi, School of Business. In partial fulfillment of the program Masters in Business Administration (MBA), I am undertaking a management research project titled.

''The impact of van selling on product distribution: A survey of selected fast moving consumer goods in Kenya''

I kindly, therefore, request you to assist me in filling out the attached questionnaire. Kindly respond to all the questions.

The information provided will be used exclusively for the purpose of this research. My supervisor and I assure you that the information will be treated in strict confidence. A copy of the final report will be availed to you upon your request. You cooperation will be highly appreciated. Thank you in advance.

Yours sincerely,

John K Muthiani.

Appendix (ii): Questionnaire

Introduction;

This questionnaire seeks to help the researcher conduct a study on the impact of van selling on product distribution, especially the case of fast moving consumer goods in Kenya. It is meant to be completed by the senior management staff/policy makers and middle level managers or as they may advise.

Kindly respond to the following questions by giving all the details in the spaces provided.

SECTION A:

Company Demographics

1. Name of the company (Optional) ....
2. Year of establishment ....
3. Position of respondent in the company (Optional) ....
4. Number of years the respondent has worked for the company

   1-4 ( ), 5-10 ( ), 11- 15 ( )

5. What is the nature of ownership of your company? Please tick appropriately

   Local ( ), Foreign ( ), Subsidiary ( ), Public Limited ( ), Others (Specify)..........

....
....
....

6. What is the total number of employees in your company?...
7. How many of your employees are directly involved in the distribution system for your products?..

SECTION B:

The position of van selling verses other modes of distribution

1. Indicate the number of fast moving consumer goods that your company manufactures.

....

....

....

2. How many products does your company distributes through vans?

....

....

....

3. What other means does your company uses to distribute the products? Rate in order of preference.

(i). Company- distributor-wholesaler-retailer- consumer ( )

(ii). Picking orders then delivering later ( )

(iii). Bicycle /motorbike selling ( )

(iv). Multilevel marketing ( )

4. What are the reasons for preferring some of the means in 3 above as opposed to using vans for distribution? Rate in order of preference.

(i). Low cost ( )

(ii). Maneuverability ( )

(iii). Nature of products ( )

5. Which of your products do you distribute by this other means other than van selling?

....

....

....

6. Why did your company resort to van selling as a means of distribution for the particular products you use it for? Rate in order of preference.

(i). Faster in availing new products in the market ( )

(ii). For marketing intelligence gathering ( )

(iii). To increase product visibility in the outlets ( )

(iv). To achieve indepth distribution of products in retail outlets ( )

(v). To aid in implementing retail promotions ( )

7. For how long have you been using vans for distributing your products? Rate in order of preference.

(i). 1-3 years ( )

(ii). 4-7 years ( )

(iii). 8-11 years ( )

(iv). Over 12 years ( )

8. What do you consider as some of the benefits resulting from the use of vans in distributing your FMCGs? Rate in order of preference.

(i). Builds loyalty with the retailers ( )

(ii). It is easier to introduce newly launched products ( )

(iii). It increases the distribution depth of products ( )

(iv). Van selling helps in market intelligence gathering ( )

(v). Retailers prefer bulk products from vans ( )

9. What challenges does your company experiences in the use of vans as a means of product distribution? Rate in order of preference.

(i). Insecurity ( )

(ii). High cost of operation ( )

(iii). Risk of fraud ( )

(iv). Low sales volumes ( )

10. What is the overall impact of using vans in distributing your goods? Rate in order of preference.

Product Availability

(i). Breaking bulk for retailers

(ii). Able to avail products in remote areas

(iii). Increased product distribution

New Product launch

(i). Retailers get to stock new products faster

(ii). Communication about new products is done by retail sales representative

(iii). Point of sale materials are put up by vans

Increased product visibility. Rate in order of preference.

(i). Van sales representatives educate the retailers on better ways of displaying products

(ii). Van salesmen provide display units to their retailers

11. What is the future of van selling in FMCG distribution in Kenya, in your own view?

....

....

SECTION C

Rating of the upsides and downsides of van selling

Please rate how strongly you agree or disagree with each of thje following statements regarding the use of van selling as a means of distributing FMCG products by placing a check mark in the appropriate box.

KEY;

Strongly Disagree	**1**
Somewhat Disagree	**2**
Neutral	**3**

Somewhat Agree **4**

Strongly Agree **5**

Factors	**1**	**2**	**3**	**4**	**5**
Van selling has enabled our products be on top of consumer's mind					
Van selling is only used by companies dealing in FMCGs					
Van selling is a costly but it helps in creating an edge over competitors.					
Van selling is the fastest means of distributing new products in the market.					
Van selling is the most effective means of distributing fast moving consumer goods.					
Van selling enhances product availability more than any other means of distribution					
Its easy to distribute point of sale materials through van selling					
Van selling is very expensive in terms of time and man power requirements.					
Van selling has the advantage of ease in coordination					
I can recommend van selling to any company keen on an efficient distribution network and maximization of sales turnover.					

Appendix (iii); List of FMCG To Be Firms Studied

1. East African Breweries Limited
2. Coca Cola Company Limited
3. Unilever East Africa Limited
4. GlaxoSmithKline