

**MULTI-CHANNEL RETAILING OPERATIONS AND PERFORMANCE
OF SELECT ALCOHOL MANUFACTURING COMPANIES IN
NAIROBI, KENYA**

**By
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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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

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DEDICATION

This is for my wife Edith,

You are my daily reminder of all that is good in this world; and for allowing me to take this path of academic and intellectual development.

.

To my sons Adrian and Brian and daughter Caren,

I wish you the best in your quest for academic excellence.

To my Parents,

Your loss is the reason I did this. I will always miss you.

To all my academic friends,

For being always there for me and for your never-ending support

ABSTRACT

The objective of the study was to investigate the effect of multichannel retailing operations on the performance of alcohol manufacturers in Nairobi, Kenya; with the multichannel operations being proxied by inventory, warehousing and capacity management. The performance of the firms was measured by the resultant cost containment, competitive advantage and market share changes. Towards the realization of the research objective, the case study research design was adopted because it facilitated an in-depth probing of the answers provided by the interviewees. The population of the study were the three major alcohol manufacturers that control a 5% market share in the local market, namely; East Africa Breweries, Kenya Wine Agencies Limited and London Distillers Kenya Limited. Primary data was collected through the use of an interview guide with the analysis of the data being realised through content analysis. From the results, it was evident that all three firms adopted a multichannel retailing operations in their business as a result of the need to reach a wider market segment. The changes to the capacity of the organization as a result of adopting multichannel retailing involved altering inventory ordering process and storage all the way to the queuing for service delivery and demand management through bringing forward or delaying a sales order processing. The capacity planning under a state of uncertainty brought about by online retailing was found to demand improved planning process. Similarly, the findings reveal that warehousing operation has necessitated the need of increased coordination between the production, warehousing and various retailers dispersed all over the country and this has led to the introduction of the inventory vendor management system to improve this coordination. The results reveal that the adoption of multichannel retailing had resulted in increased market share, especially from the online market, improved firm competitiveness and cost reduction. The study recommends increased investment in the online retailing by the firms because with the increased internet penetration in the country, the online purchase will be the future mode of purchasing and less store purchase.

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ABBREVIATION AND ACRONYMS

B & M	-	Bricks-and-Mortar
EABL	-	East Africa Breweries Limited
KRA	-	Kenya Revenue Authority
KWAL	-	Kenya Wine Agencies Limited
LDL	-	London Distillers Limited
TCC	-	Theory of Cumulative Capabilities
TPF	-	Theory of performance frontiers

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Over time, it has been argued that the greatest technological advancement after the industrial revolution has been the emergence of the internet which has found application in almost all the spheres of human life. One of these activities that have been transformed as a result of the internet adoption is retailing whereby the traditional bricks-and-mortar system has been gradually changed due to the emergence of e-commerce that has resulted in increased online turnover (Gallino & Moreno, 2014). The online business has meant that manufacturers have adopted a multiple retailing system whereby online retailing is becoming a significant second sales channel to the traditional bricks-and-mortar (B&M). As a consequence of the transformation of the retail logistics by the online channel, the challenge that has arisen is the need to seamlessly integrate the dual-channel systems in the most efficient way, both from the inventory, capacity and warehousing perspectives with the objective of fulfilling both online and offline orders (Hübner, Kuhn & Wollenburg, 2016).

It is imperative to note that under both retailing channels, customers expect the same level of information and service, as well as be able to pay and pick up a product that has been ordered, just as to return and exchange the same product if it does not meet the specifications. The inventory, capacity and warehousing management in an organization need to be able to cope with the small consumer orders associated with online purchase and also the larger store replenishment that is needed in the case of the brick-and-mortar retailing system (Schu, Morschett & Swoboda, 2016). Despite the challenges of implementing the multi-channel retailing system, its effective implementation is expected to affect organizational performance.

The study was anchored on three theories, namely; the Theory of Cumulative Capabilities (Ferdows & Meyer, 1990), Theory of performance frontiers (TPF) (Schmenner and Swink, 1998) and Contingency Theory (Donaldson, 2001). The TCC suggest that organization operations should first focus at improving service quality, and everything else follows. The theory further opines that upon service quality has been achieved, then the business operations should work towards improving its dependability, speed, flexibility and finally cost in that order with a view to improving its performance. The theory of performance frontiers introduces two frontier concepts, namely; asset and operating frontier with the asset frontier being formed from the way an organization re-organizes its investment in fixed assets that are being employed in the firm. The Contingency theory assert that a firm operating environment is quite unpredictable and therefore necessitating the need to tailor operations and design to a particular context since a lower performance can be expected in case of a misfit between the contingency factors that emerge and the existing inventory, warehousing and capacity management.

The alcohol manufacturing firms in Nairobi constitute a large segment of alcohol and beverages category in Kenya and contribute over 54% of the excise duty for the government according to the 2019 KRA report. Alcohol manufacturing firms also contribute significant employment opportunities starting from farmers who are contracted to grow the raw material inputs to those in the final stages of the product value chain and with the current alcohol consumption per capita in Kenya standing at 3.4 litres –up from 2.9 litres in 2015, the sector is expected to play an important role in the country economy. Considering the important role that the sector plays, it is important that it explores all available operational practices such as multi-channel retailing. Multi-Channel operations management practices such as administration, stock control and supply network administration, risk execution and

technology integration system is expected to influence the overall performance of the alcohol manufacturing firms and consequently the total revenues for the government.

1.1.1 Multi-Channel Retailing

In recent years the growth of online business has resulted in the change of the conventional retailing practice and in equal measure resulted in online channel and therefore giving rise to multi-channel retail systems. The online business serves as an alternative sales channel that offers an opportunity to price products differently depending on the sales channel that has been adopted to avail the product to the customer. This implies that multi-channel retailers operate online sales channel stores and several physical stores offering the same types of products. Schoenbachler and Gordon (2002) assert that multi-channel retailing is a marketing strategy in which a manufacturer sells its products through a combination of independent retailers as well as wholly owned –channel. This results in a situation where a product manufacturer acts as a supplier and at the same time a competitor to the retailers.

According to Neslin et al., (2006), multi-channel retailing is concerned with the enhancement of customer value through the design, deployment, evaluation and coordination of channels through customer acquisition, retention and development. In this case, channels acts as customer contact points or the points where the business entity and the customer interact. Further, Beck and Rygl (2015) avers that multi-channel retailing is a set of activities that is concerned with selling merchandise or services that the organization deals through the use of more than one channel or different channels through the customer in the process cannot trigger channel interaction or the retailer trigger channel interaction at the same time.

Multi-channel retailing has resulted in the need of a different approach to be adopted to manage customers across the different channels and the need to integrate retail mix across the diverse channels that an organization adopts. The different types of channels that can be used

to distribute products include the offline channels such as stores, the traditional channels such as the use of catalogs and the use of the online channels such as web stores. It has been highlighted by Jang, Chang and Chen (2015) that the channel choice by consumers changes over time and is not static because consumers migrate from one channel to another. The channel migration by customers is influenced by such factors as price search intention, risk perception, waiting time and difference in customer demographics. Consequently, as Fortin, Uncles, Carlson and O'Cass, (2011) posit, it becomes imperative that business organizations understand the evolution of their consumers, competitive changes in the market and technology. Through the same, business organization would be in a better position to extend their market size by employing the different multi-channel distributions to reach different customer segments.

1.1.2 Multi-Channel Operations Management Practices

Multi-channel retailers in their operations would ordinarily use different fulfilment systems in the process of delivering the products to their customers because of the widespread geographical location that their consumers are based and also the different inputs in form of product range, merchandising, price, communication, services and the personnel that are involved in the adoption of different channels. Heinemann (2009) argue that in a multi-channel retailing customers expect to experience the same level of service and information on every channel that adapted by an organization. Likewise, the company has to follow the same program of consumer loyalty in both platforms, to be able to pay and pick up a product ordered on the website in the shop, or to be able to buy and redeem a product purchased on the web in the store (Berman & Thelen, 2014).

With the introduction of multi-channel retailing, business organizations face many challenges ranging from logistics and delivery processes, dealing with small and large volume of orders within short delivery time frames and also the need to employ a flexible delivery

system(Verhoef, Neslin and Vroomen,2007). Delivery of products within a 24-hour basis and even during the night, as well as picking and packing process for single unit orders is a common feature of this distribution system. Warehouses or distribution centers must be ready to prepare orders coming from both offline stores and online shoppers. In the warehousing process, organizations adopting the multi-channel retailing system have embraced centralized warehousing system whereby they have to have one integrated warehouse or several warehouses distributed in the same location, with the objective of serving both online and offline orders in the same region has recently gained popularity (Hübner et al., 2015). In addition a common warehouse practice that has been embraced is to develop an allpurpose facilities that can communicate with one another, handle small orders, medium orders, and large. On the same line, Hübner, Kuhn and Wollenburg, (2016) opine that the other challenge faced by firms that have adopted multi-channel retailing is that they need to come up with an effective way of handling and shipment of small consumer online orders and at the same time replenishment large orders that were handled in separate channels.

Capacity planning arising from demand fluctuations under multi-channel retailing is yet another challenge under inventory management. Xie *et al.*, (2014) assert that both long- and short-term demand makes capacity planning and allocation complex under the multi-channel retailing system because of the associate demand unpredictability. This calls upon the need to plan for both work-force and infrastructure capacity planning because issues such as the necessity for storage area and equipment will need to be considered. As a result, Hübner *et al.*, (2015) have advocated for postponement of orders across channels as a way of managing organizational capacities. This is achieved through shift e-commerce and store replenishment orders backward or forward in time with the objective of balancing the workforce in the network.

1.1.3 Organizational Performance

The performance measure of an organization evaluates how well it accomplishes its wide range of goals that might range from its market positioning, customer satisfaction, operations and financial performance as compared to previous period or benchmark. According to Florian and Constangioara (2013), organization performance is divided into three main dimensions, namely; firm performance, financial performance and operational performance. The present research concentrates on a firm operational performance that seeks to answer the level of efficiency and effectiveness that is present in a firm processes and relationships with external stakeholders that cover different organizational functions (Florian &Constangioara, 2013).Therefore, operational performance explains the strategic position in which a company opts to compete through utilization of organizations capabilities and resources that would result in effective utilization of internal capabilities (Qi, Huo, Wang & Yeung, 2017).

In measuring the operational performance of an organization, different measures that reflect the performance of the internal operations of a company are used. These measures spans across a number of performance measures in terms of product/process quality and inventory performance (Salaheldin, 2009). According to Ortega et al., (2012) while reviewing the extant literature identifies the common denominator of measuring operational performance, namely; flexibility, quality, cost, and delivery. Hashmi, Khan and Haq (2015) added innovative performance as the fifth dimensions' measure of operational performance. As a result, the present study will adopt the same measurement metric of operational performance in which the metric of measurement include flexibility, quality, cost, delivery, and innovative performance.

1.1.4 Multi-Channel Operation Management Practices and Organizational performance

The benefits of this structure include lowering the expense of the facility by constructing an interconnected warehouse, reducing the storage space and inventory needed for the networks, improving the alignment and versatility of online and offline orders and increasing the levels of service. As a result, many firms operating the multi-channel distribution have a challenge of developing an effective inventory policy system that will facilitate reaching an optimal channel performance. Many organisations with dual-channel delivery networks have difficulties in developing an efficient inventory strategy to achieve optimum channel efficiency. Bernon, et al.(2016) note that some of the benefits associated with the adoption of the multi-channel retailing include improved capacity and resource utilization - in terms of both space and equipment), reduced material handling time and increased throughput. Similarly, Beck and Rygl (2015) highlight that multi-channel retailing results in increased flexibility in operations and design.

Multi-channel delivery adoption is correlated with higher sales and profitability. This is because the expense of such a technique is normally minimised. Coelho et al (2003) suggested that a higher sell efficiency and lower channel profitability was correlated with a multi-channel distribution. Also, owing to the expense consequences of such methods, the choice of businesses to provide a multi-channel distribution becomes hard to take. For example, businesses need to be able to tolerate heavy investments in the long-term strategy on infrastructure that can easily be redeployed whenever there is a change in demand and also adjustment of capacity requirement. Marchet et al., (2018) further highlight that multi-channel retailing results in reduced lead times, which puts implies that warehouses should be located near potential customers. This is aimed at reducing the throughput times in warehouses as evidenced by the total time spend from order placement, product being picked, packed, sorted and shipped.

1.2 Research Problem

The increased adoption of alternative business-to-consumer retail channels that tend to depart from the traditional brick-and-mortar approach to the adoption of innovative retail that predominantly sells through the internet has changed retail practices and consumers' shopping processes (Verhoef et al., 2015). Indeed, as a result of the increased use of the internet as an alternative channel of making sales, over the brick-and-mortar channel has necessitated business units to change their operations since this new sales approach has a direct effect on the inventory management, warehousing and organizational capacity management. Kozlenkova et al., (2015) avers that the ability of a business unit to simultaneously employ different consumer-store interaction channels, potentially affects the performance of the entity because through the use of the internet based retail, for example, consumers are able to search and compare product information and prices of the same product under different channel delivery. Similarly, business firms currently use different platforms like the Amazon and the eBay market and at the same time have developed self-managed online store retail channels – which when combined introduces different operational opportunities and challenges. The understanding of how the adoption of multiple channel retailing affects the warehousing, inventory management and the organization capacity as measured by both people and infrastructure is expected to influence the firm operational performance.

Alcohol manufacturing firms in Kenya play an important role in the economic growth of the country as well as job creation. According to the Kenya Revenue Report of 2018/19 financial year, the domestic taxes department that is cushioned largely by the beer and cigarette income grew by 11.0% as opposed to a growth of 7.4% in the previous financial period, a situation that led to an improvement on the country's economic impact by Kshs 13.866 billion. Cumulatively, the beer industry contributes 45% of the domestic taxes, a position that

is significant in the country's development of the economic agenda. As a result, the understanding of factors that contribute to the performance of the beer manufacturing firms in Kenya, not only will lead to the better performance of the firms but also the general economic development. However, the performance of an organization operation is not determined by a single factor but rather a combination of factors that create a synergy. With the adoption of the internet technology in the supply chain, the distribution processes of the beer manufacturers is expected to be affected by the nature of channel distribution it adopts. Consequently, the understanding of how multichannel distribution affects the performance of the beer manufacturing firms will be important towards enhancing their performance as well as the country's overall economic performance.

The multi-channel retail operation among business units has attracted the interest of scholars and management practitioners. Fortin, Uncles, Carlson and O'Cass (2011) investigated the management of web site performance by considering the contingency role of branding in multi-channel retailing among online consumers in Australia and found that cross-channel retailers need to consider the web site interface capabilities that capture various attributes and enhance consumer loyalty. The influence of multi-channel retailing on the economic performance and customer expectation was investigated by Lang and Bressolles (2013) among beer buyers in Australia. The findings suggest that order fulfilment for customers from firms that use cross-channel distribution was unsatisfactory and this affected their customer directly and in the process affecting the firm performance. In seeking to understand the impact of cross-channel diversification on retailers' financial performance, Shi, Lim, Weitz, and France (2018) undertook a research among the six global retailers using panel data set. The results suggest that single focus retail strategy yielded better performance than the multi-channel format.

Luvayo 2017) sought to determine the effect of multi-channel marketing strategies on performance of Pharmaceutical Companies in Mombasa County. The study established that the supermarkets chains adopted a diverse in-store logistics operations practices covering areas such as forward and reverse logistics and inventory management. In addition, adoption of multi-channel retail by the supermarkets improved customer level of satisfaction. Patel and Brown (2016) investigated the determinants of customer adoption of multi-channel banking in Kenya. The results reveal that the choice of a retail banking by consumers was determined by such factors as comparative advantages of one channel over another, transaction being performed, personal preference of consumers and the place and time that a consumer is. Further, Wawuda (2016) investigated how market penetration in the Kenyan pharmaceutical industry is affected by the multi-channel strategy adopted. The results suggest that despite different retail channels strategies being in place, the traditional vendor-customer contact is still being employed in the industry as the most effective strategy to penetrating the Kenyan market.

Granted, that the multi-channel retailing has gained traction in the wider industries, as an alternative option to the traditional brick-and –mortar structures, the available studies on its influence on the organizational outcome is still limited. This necessitates more studies to be undertaken to try and evaluate how multi-channel retailing affects the performance of business entities. This study therefore sought to answer the following research question; what is the effect of multi-channel retailing operations on the performance of alcohol manufacturers in Nairobi.

1.3 Research Objectives

To determine the effect of multi-channel operations management on performance of Alcohol Manufacturers in Nairobi, Kenya

1.3.1 Specific Objective

1. To determine the influence of multi-channel inventory management on performance of Alcohol Manufacturers in Nairobi, Kenya
2. To establish the effect of multi-channel warehousing management on performance of Alcohol Manufacturers in Nairobi, Kenya
3. To determine the effect of multi-channel capacity management on performance of Alcohol Manufacturers in Nairobi, Kenya

1.4 Value of the Study

Organizational performance is influenced by different factors and the understanding of how various operational strategies, such as the appropriate distribution channel to be employed, is a good move towards improved performance. With the increased application of the internet in operational activities, one is able to deduce the appropriate channel retailing that is appropriate for a given market segment in order to realise increased sales. Therefore, the study would be of benefit in increasing the understanding how various multi-channel retailing options available in Kenya can the alcohol manufacturers pursue. The understanding of how multi-channel retailing influence the performance of a firm will therefore be of benefit to the distribution and operational activities of a firm.

To the management of alcohol manufacturing firms in Kenya, the understanding of the effect of multi-channel retailing in their organizational outcomes would them to adopt the appropriate channel retailing that is going to result in a synergy with other internal capabilities available in the organization. In addition, the management of the alcohol manufacturing firms would benefit to deduce the appropriate distribution channel that results in increased market share. Therefore, from the managerial point of view, the analysis could be beneficial for multi-channel retailers since it would provide a framework for evaluating

the chosen e-fulfilment systems and consequently identify potential areas of improvement on specific dimensions that is going to be researched on.

To the regulars of the alcohol manufacturing firms, the identification of the appropriate retailing channel that has higher effect on firm performance would enable them come up with appropriate policies on the identified parameters with a view to harnessing them further. This can be in informing of rebates on the cost incurred in setting up the system. To the scholars – especially in the emerging economies like Kenya, that have not adopted fully multi-channel retailing, the study forms of a basis of understanding how the distribution system influence different organizational outcome such as customer satisfaction and competitiveness.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section covers the literature relating to the research subject area, namely the effect of multichannel retailing on the performance of business entities. The section discusses the theoretical review that anchors the study and a discussion of the three dimensions relating to multichannel retailing. Further, the chapter discusses the literature on the relationship between multichannel retailing and performance of business firms and ends with a conceptual framework.

2.2 Theoretical Review

The discussions relating to the effect of multi-channel retailing on the organizational performance is informed by the Theory of Cumulative Capabilities, Theory of Performance Frontiers and Contingency Theory. This section discusses the three theories and highlights their relevance to the study.

2.2.1 Theory of Cumulative Capabilities

The theory of cumulative capabilities (TCC) was advanced Ferdows and Meyer (1990). The theory asserts that an organization should pursue a single objective at any given time since there need to be a logical sequence in which these goals should be achieved. Specifically, TCC emphasis that a firm should first focus on obtaining quality and, only upon the organization services has been achieved, will then move to the next goal which is to improve service delivery. However, Metters, King-Metters and Pullman (2013) highlight that once a suitable delivery has been achieved, it does not mean that quality improvement should stop but rather should continue being pursued. Further, upon the delivery and quality objective has been achieved, then flexibility capacity of the organization should be pursued without

compromising on the other two objectives. Ferdows and Meyer (1990) finally suggest that having reached the optimum operational flexibility level, the cost efficiency goal should then be pursued. As the quality of services, delivery capability and flexibility get ingrained in the organization, continuous improvement in the organization operations is likewise being achieved.

Commenting on the possible outcomes of broadening the base of operational activities of an organization, Amoako-Gyampah and Meredith, (2007) suggest that the improvement in quality of service, delivery capacity, flexibility and cost, help to achieve better performance. The concept of cumulative capabilities originated from the basis that an organization performance should be developed along multiple sources of internal capabilities and this implies that managers should adopt a proactive approach to capability development. Liu et al. (2011) support this view by arguing that through the adoption of cumulative capabilities model in an organization, it is more realistic to achieve improved performance since the outcome will be more balanced and the initial capabilities will form the basis of subsequent capabilities improvement. Narasimhan and Schoenherr (2013) modified the Ferdows and Meyer (1990) model by suggesting that after quality service has been achieved, then the organization should move to improving dependability because for efficiency to be registered in operations, there need to be improved quality in the services being offered as well as dependability on the processes.

Since the objectives of an organizational capabilities is for them to augment each other, it implies that the order in which they are utilized is not important but rather that a sequence of applicability will be dependent upon the final synergy and so long as there is no incompatibility that prevents their realization. It is also critical that the realization of an organization objectives, there need to be consistent management practices that cannot be easily replicated by competitors.

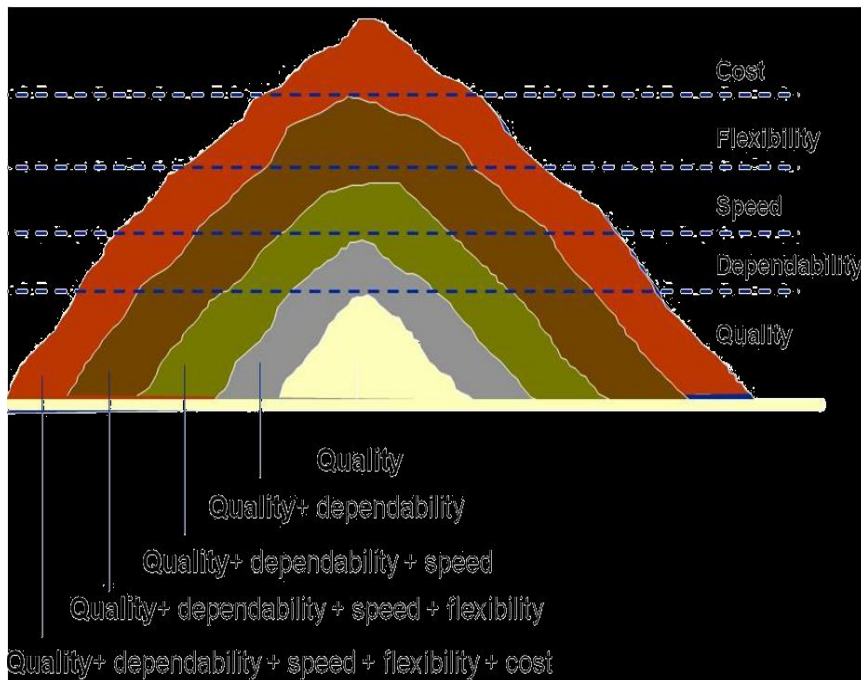


Figure 1: The Sand Cone Model (Source: Ferdows & De Meyer; 1990)

The cumulative capabilities theory is however subject to criticism because it seems to suggest existence of a single best way of identifying and utilization of the organization internal capacities. Further, different scholars have poured cold water on the theory assertion that one need that a company need to pursue the three objectives concurrently namely; dependability, flexibility and cost efficiency, and yet these are broad objectives that an organization cannot pursue all the three together since it will result in sub-optimal results as opposed to pursuing them individually (Garvin, 1987; Jaikumar 1986; Swamidass and Newell, 1987). However, despite the criticism, the theory of cumulative capabilities still is a dominant model that suggests the need for a structured utilization of capabilities, starting with quality and eventually to delivery of service, then followed by flexibility and ends with cost efficiency.

2.2.2 Theory of Performance Frontiers

The theory of performance frontiers (TPF) is the outcome of the work of Schmenner and Swink (1998) in which they introduce, both the asset and operating that comes out of the organizational structural choices that is defined by the interaction of the plant and equipment

that has been employed. The asset frontier is explained by the combination of equipment and plant that has been employed by an organization while on the other hand the operating frontier comes out of the utilization of the two assets. The theory suggest that in order to achieve improved service performance there is need to be a trade-offs system with the firms that are operating further away from the frontier operating under the laws of cumulative capabilities. In addition, an organization will register improved performance if both the asset and operating frontiers work in tandem and this will be evidenced by higher performance and lower cost. Commenting on TPF, Hibbs, Jewett and Sullivan (2009) assert that improvement in organizational performance is achieved through the use of the same assets, but which are measured tailored to perform more effectively. Further, organizational frontiers are formed by choices in project design and investment as well as by choices in operational activities, implying that as an organization strives for improved operations it needs to align its operating policies with available capabilities of its physical assets in an effective manner and in the processes shift its operating frontier (Alhassan, Alzahrani& Abdul Aziz, 2017).

The TPF theory argues that any given project is exposed to a trade-off between the technology, organizational structure, and other practices that influence the organization processes under the context in which the project is executed. The question that arises in the operational field is how to balance between these competing resources with a view to improving one dimension and not compromising on the other. However, questions arise, for example, on how a firm can improve its quality and at the same time lower cost on the already existing frontier where quality is improved based on cost incurrence, followed by the quest to lower cost, and resulting in better operating frontier. Further, is the question on possible is it for a firm to put in place a program where both of these dimensions can be achieved (Ferdows, & De Meyer, 1990).

This theory is relevant in this study because firms that operate near their asset frontier are likely to register greater benefits from structural and technological changes than similar companies that operate further away from the asset locus. In the same line, alcohol manufacturing firms that have employed better assets in terms of physical infrastructure, serving layouts and proximity to target clients and at the same time employed such technological systems as multi-channel distributions will register improved performance. It is also important to note as Metters, King-Metters and Pullman (2013) highlighted that despite a firm asset frontier and operating frontier matching, the resultant benefits cannot be increased indefinitely because each operational changes is subject to the diminishing returns. Therefore, despite the alcohol manufacturers introducing new service development, the benefits can only be realised up-to a certain point and there will be need to introduce a new operating advantage or technological advantage, for example introducing new product distribution strategy. This is because once an organization has exhausted many or most of its capabilities, fewer opportunities for improvement become readily apparent.

2.2.3 Contingency Theory

Contingency theory was advanced by Lawrence and Lorsch (1967) and recognizes that no single theory or method can be applied in all instances during organizations operations, implying that there is no one way to structure and organization to respond effectively to the demands in the market. Instead, the structures and process within which an organization operates in is what shapes the strategies to which it adopts, and therefore explains the reason why firms should match their structures and processes to their environment, suppliers and customers (Donaldson, 2001).The theory therefore suggest that the performance of an organization depends on a well the operational strategies, such as, multi-channel retailing, is aligned with its design. Milgrom and Roberts (1995) called this alignment a strategic fit so that a firm can achieve an improved performance.

Contingency theory recognizes the ever changing operating conditions under which business organizations currently operate in due to the new sources of global competition, volatile price wars, fickle consumers and other such factors. As a result, in order for an organization to compete effectively in such a market, there is need for organizational and contextual factors to be aligned accordingly and also for the organization to be adequately agile to meet the challenges and opportunities that arise (Aghina, De Smet, & Weerda, 2016). The common internal factors that were highlighted and that influence how an organization reacts include variables external to the firm, strategy, organisational structure, technology, culture and size, that are thought to affect the control system in which an organization operates in and therefore by extension the performance of the organization.

However, the crucial position that the Contingency Theory aims to explain in an uncertain market setting has been criticized for having technical and analytical shortcomings, such as minimal variables, a specification model, and an error of measurement leading to contradictory results (Ferreira & Otley, 2010). Similarly, by choosing fit and focusing on interaction results, the contingency theory focuses on one or two variables, which is problematic because of the mutual commonality between the contingency variables. However, considering the constraints of the contingency theory, recognizing the connection between structural variables and operational success in the increasingly dynamic market climate it remains a plausible theory.

2.3 Multi-Channel Retailing Operations

The adoption of the internet among many users –both in the developed and developing countries has given rise to a different shopping experience in which companies are shopping via multiple channels, with companies continually introducing new channels and at the same

time customers increasingly using various devices anywhere and at any time to do their shopping (Ansari et al., 2008). The use of different channels by business entities to sell their products is characterized by the firm establishing an integrated promotions, information system, and product consistency across channels, pricing, inventory data across all the channels. As a result, different challenges arise during the adoption of multichannel retailing operational system. According to Neslin et al. (2006) among the challenges that multi-channel retailing might bring about include the establishment of an information system that shares customer, differentiated pricing and inventory data that suits the needs of different customers and coming up with a store pick-up system for the many items purchased from an online shop.

The introduction of the multichannel retailing in an organization brings about challenges to the firms. These challenges include the need to integrate data across channels, fair allocation of resources across networks, to evaluate channels performance on continuous basis and similarly to coordinate the various channels (Zhang et al. 2010). Earlier on, the adoption of the multichannel was identified by Schoenbachler and Gordon (2002) to require a customer-centric view so that one can understand what drives multiple-channel buyer behavior and also it is important that processes and data be integrated through the retailer's point of view. The adoption of multichannel retailing has effect on different firm operational activities, among them warehousing, capacity management and inventory management.

2.3.1 Multichannel Warehousing

Multichannel operations is more complex than the traditional cross-the counter retailing because retailers have to manage a large number of stock-keeping units (SKUs) in their warehouse, handle a much diverse group of users, introduce frequent and many changes at the same time, and also be able to handle the logistic process of selling the products and being able at the same time deliver the products to the customer (Metters & Walton 2007). In

regard to the warehousing when dealing with multichannel retailing, the two common systems that have been adopted by manufacturers include the decentralized and centralized system. According to Hübner et al., (2015) a firm that adopts a decentralized warehouse in distributing its products will establish a dedicated online sales product delivery warehouse and that a separate warehouses sales channel will handle inventory, operation, and commercial teams. Conversely, for the business units that adopt the centralized warehouse, they will have warehouse in the same location to serve both online and offline orders for a particular region. Xiao and Shi (2016) point out that the advantages adopting a centralized warehousing is that it reduces warehouse space, reduces the inventories required in each channel, improves the coordinating ability and fulfilment of both online and offline orders and thus eventually increase the service level.

Zhao et al. (2016) advocates a hybrid online-to-offline type of warehousing and inventory management system in which one manufacturer and one retailer is adopted in the delivery of products system. However, it should be noted that that core function of an organization warehousing is facilitate direct picking, guided replenishment, and removal of inventory from the premise (Zhang & Tian, 2014). Consequently, in achieving the stated goals of a warehousing system, there will be need for necessary adjustments to be initiated in the case of a firm dealing with both online and offline retails system. Whatever the manner in which a warehouse is set up and stored in detail may differ widely between technology suppliers, but main logic is that it uses a combination of items, position, quantity, unit measurement and order details to choose the storage and picking location and how to conduct those operations (Wang et al., 2016).

2.3.2 Multichannel Inventory Management

The need to hold an optimal amount of inventory is explained by the attendant costs associated with inventory. The common forms of costs include procurement costs, lost sales penalty, the holding costs and the negative costs from the sales revenue. Multichannel retailing introduces a new challenge under inventory management in which there will be need to optimize product replenishment with a view to reduce stock risk as well as being able to monitor stock levels across different locations (Sürie & Wagner, 2008). At the same time, there is need to balance stock that are stored at different locations which in most cases are in small volumes.

Heinemann (2008) argues that customers expect equal levels of service and information from every single channel in multi-channel retail, the expectation that they are able to repay and collect products in a store as they are ordered on the website, and likewise that they are able to return and exchange products purchased on the web in a store. Therefore, a business entity entering into multichannel retailing need to develop an inventory system that is able to facilitate a system in which a customer is able to pay and pick up a product in store irrespective of whether it was ordered on the website or to exchange and pick a product ordered online in a store (Berman & Thelen, 2004). Similarly, fulfilment of orders –whether from online or offline is important since it influences the customer level of satisfaction and at the same time, successful management of inventory management, under multichannel retailing is able to reduce costs, enhance profitability, and represent a true competitive advantage for the retailer.

Simchi-Levi (2010) highlight that being able to forecast accurately the level of sales under a mixed retail arrangement is problematic, leading to the inability of the firm to take advantage of economies of scale in both procurement and transportation costs. Similarly, the use of

mixed channel retailing brings in the need to manage customer order and delivery fulfilment element with the need to manage online and store based customer orders; promotes products for consumers across many platforms – including home delivery and even the consumer decision to return a product where customers request refunds and choose their selection for return. Regardless of if a customer wishes to buy a commodity, the return network and distribution feature can include return logistics, return storage and processing of goods and disposal (Xing, et al. 2010).

2.3.3 Multi-channel Capacity management

In general, capacity management may be considered the methods implemented by an organisation or business to adapt to the company's ability to do a job or work that is reflected in time and performance. The control of capacity is solely a function of the major factors of this programme. For example, the space management strategy in shopping malls is a recorded scheme that tracks and evaluates the performance, predictions, criteria for customer loyalty, times and human resources (Klassen & Rohleder, 2015). Capacity management activities support the need to balance supply of capacity and demand for the same, provided other factors that lead to quality service in terms of cost and times are kept constant.

Different companies have separate environmental business conditions that cause them to provide particular goods or services and the relationship between different facets of a company operation therefore needs to be investigated (Huffman, 2010). In particular, the core components of process planning, process controls and processes in the management of facilities have close relationships between capacity management, quality management and human-related management. Capacity management and business operations is a management test for Skilful Administrators, in which the features and procedures that integrate customers in the service supply process are viewable as a wall blocking control-free options and aligning customer demand and supply in the service supply or system (Klassen & Rohleder,

2015). They found out that there are many organisational problems with the management of an organization's capacity: capacity adjustment, storage or inventory keeping, service delivery queuing and demand manipulation.

2.4 Multichannel Retailing and Performance

The change of the traditional retailing that is characterized by store-based, TV home shopping, or online retailers to evolve to the multichannel operators is ultimately influenced by the profitability quest. A research by Geyskens, Gielens, and Dekimpe (2012) suggest that operating multiple channels has a significant and positive effect on the financial performance. The reasons behind the increased performance of multichannel retailers operations is due to the associated low cost access to new markets, creation of competitive advantage increased customer satisfaction and loyalty. Kushwaha and Shankar (2007) emphasise that the competition is confined to the nearby trade areas of their shops, in case of a retail sector. On the other hand it makes it easier for vendors with small areas to leverage economies of regional scale through proximity to a broader market without actually constructing new stores with the inclusion of other platforms, such as online retailing. Neslin and Shankar (2017) considered multi-channel customers to be an interesting market because they prefer to invest more than single channel consumers and have a relative higher value of life.

The adoption of multiple channels by a retailer is able to satisfy better the needs of diverse customer segment through the exploitation of the benefits of one channel and at the same time overcoming the deficiencies of the other each channel. The store channel, for example, affords a customer the ability to use all his/her senses when selecting products, option of cash payment, personal service, social experiences and immediate acquisition at the same time. At the same time, however, the store channel requires that a customer spends time and energy in the process to visit the store (Li & Kannan, 2014). In the case of the self-service stores,

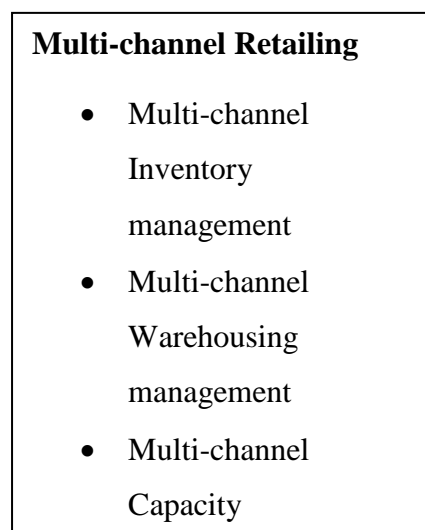
customers may have difficulty in locating a particular product from a wide selection of products on display and this might require assistance of a knowledgeable sale assistant to help - a situation that results in increased operational cost. The internet channel, however, encourages a customer to purchase items whenever they want, minimised travel and time costs; and facilitates a greater range of products for the consumer and physically healthy shopping in their own homes and at other places of convenience (Valentini, Elisa & Scott 2011). Besides the advantages of most non-store outlets, the Internet platform allows consumers to access as much information as they want before making their transactions through interactivity. The web-based data can be customised to the needs of consumers.

Rigby (2011) argue that multichannel retailing creates a strategic advantage to a business unit because as compared to the store retailing multichannel retailers develop resources that are not easily detected or copied by competitors. Such information include propriety customer information and knowledge about customer preference which results in a better customer interface. Out of the generated information, a firm is able to enhance customer loyalty because of the expected improved level of customer satisfaction and also results in reduced costs. The contrary applies to the store-based retailers who are not in a position to develop a wide customer databases because of the inability of the option to link customers to transactions since in most cases customers pay using cash or they use third-party credit cards. However, Li and Kannan (2014) highlight that many store-based retailers have embraced the use of loyalty-program cards in order to evaluate the shopping behaviour of their customers. This long process is eliminated when the shopping is online based since the customer information is automatically collected whenever they shop. In addition to purchase statistics, the online platforms often provide a chance to gather information on the actions of a customer online search. This means that multi-channel retailers can create large, proprietary customer knowledge rather than shopping customers.

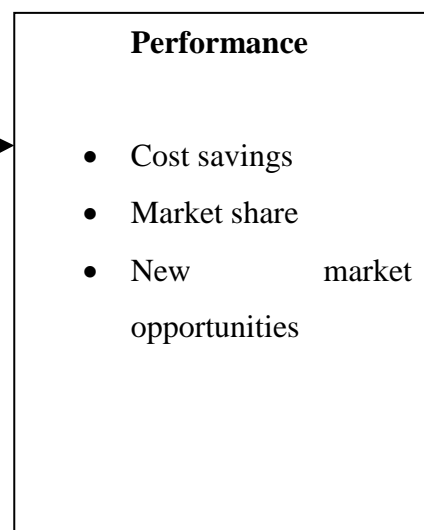
2.5 Conceptual Framework

The computational model shows the relation between several channel management and production variables of alcohol producers in Nairobi, Kenya, as shown in Figure 1. The conceptual framework describes the success of alcohol producers in Nairobi, Kenya, through the multi-channel supply control, multichannel warehousing management and multi-channel capacity management

Independent Variable



Dependent Variable



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The methodological context to be followed in the execution is provided in this chapter. The key items for discussion are the study design, the population of interest, the sampling technique, sampling scale, data collection instrument, procedures for analytical data collection and data analysis procedures interpreted as a reflection of the sample with anticipated outcomes..

3.2 Research Design

The research followed the style of a case study. A case study would explore the influence of multi-change retail operations on the productivity of alcohol manufacturing firms in Nairobi, Kenya, as a comprehensive study of an individual, organisation or phenomenon. In this inquiry, a case study analysis design would be suitable as the collected evidence is qualitative. In this respect, a case study approach is expected in which a certain number of the top management teams have been consulted. The case study design was thus viewed as the most reliable way to accomplish the study's objective.

3.3 Population

The largest alcohol producers in Kenya were the target population in this analysis. According to the alcohol companies' KRA (2018) categorisation, large companies have more than 5% market share. At present there are three companies that qualify in the group of big breweries, Kenya Wines Agencies Ltd and London Distillers, East Africa Breweries Limited. The research population consists of the three companies.

3.4 Data Collection

In this analysis, primary data was used. As the main data collection instrument, the researcher used an interview guide. Data was gathered by interviewing the respondents face-to-face. The five senior employees of each company were the main interviewees. These interviewees are managers in the areas of finance, marketing, planning, logistics and warehousing. The interviewees were deemed to be aware of the business model techniques of the organization and how they impact their success standards. Furthermore this group is interested in designing or executing the company's policies.

The interview guide consists of three parts with section A on the demographic profile of respondents, Section B on multi-channel inventory management and Section C on how multi-channel inventory management affects the organization's efficiency..

3.5 Data Analysis

To achieve empirical findings from the interview guide, the thesis will follow content analysis. Content analysis offers an outline of relationships between research variables. Furthermore, content analysis is considered ideal for this thesis because it is able to define, analyse and critique the research subject accurately because it might not be possible to do this numerically. Content review requires a detailed explanation and observation of events, objects and elements relevant to the purpose of the study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to determine the effect of multi-channel retailing on the performance of alcohol manufacturing firms in Nairobi. This chapter presents the analysis from the interviewees and discussion of the findings. The areas covered include the research response rate, the extent of the adoption of multi-channel retailing in the firms operations and the effect of multi-channel retailing on performance.

4.2 Response Rate

The study collected data from three large alcohol manufacturing firms in Kenya, namely; East Africa Breweries limited, Kenya Wines Agencies Ltd and the London Distillers. From the three firms, the researcher sought to collect data from nine interviewees whereby each organization was to have three persons holding senior management position relating to multi-channel retailing operations. The specific departments that were targeted include marketing, finance, planning, operations and warehousing departments which sit at key decision levels in the organizations' value chain. Data was collected from all the three firms that were targeted. During the data collection process, the researcher was able to interview seven of the targeted interviewees, representing a 78% response rate, a position that was deemed to be adequate in the quest to realise the research objective.

The personal information concerning the interviewees that was sought with an aim to determine the suitability of being the research informants included their current position, the length of period that they had held the position and their academic and professional qualifications. The interviewees were planning manager, Customer Service manager from East Africa Breweries Limited (EABL), Warehousing and Capacity Planning and Production

Scheduling Manager, and also Marketing manager. From the London Distillers, the researcher was able to interview Operations and Warehousing managers. Majority of the interviewees had worked in the respective organization for a period ranging from five to 16 years and that five of them had post-graduate educational level with accompanying requisite professional qualifications in marketing, finance and warehousing and inventory management. On the question of how long the organizations had been operated under multi-channel warehousing system, the results reveal that the concept is relatively new among the organizations with the three firms indicating that they had only operated the system for less than seven years. From the interviewees educational and work experience, it can be concluded that they are knowledgeable with regard to the multi-channel retailing at the respective alcohol manufacturing firms and consequently were able to understand and answer accordingly the questions asked by the researcher.

4.3 Multi-Channel Retailing Operations

For an operations manager, entering into a new market through use of multiple processes is not an easy proposition. This is because it comes with different operational planning due to the anticipated seen and unseen planning challenges and under such a situation the success or failure of venturing into the new distribution system will depend largely on the planning strategy that is put in place. With regard to the planning of the multi-channel retailing to the alcohol manufacturing firms put in place, the KWAL Ltd Capacity Planning and Production Scheduling Manager noted that; *there is a lot of planning that goes into both people and infrastructure capacity planning, warehousing, customers targeted and product scheduling. The manager noted that, a lot of planning goes into the ordering process, when to order, lead time considerations, possible supply chain distributions, regulatory environment and value chain consideration - all which need to be relooked afresh*

Within the same organization, the Warehouse manager opined that operation planning that goes into the multi-channel retailing includes adjustments of warehouse capacity in terms of the total pallet space to deliver the projections on the goods to hold, as well as stocks cover and related costs. The manager pointed out that before introducing the multi-channel retailing in their organization; *they had to consider the expected changes in the working capital in view of the new inventory repositories that is dispersed in different geographical location. In addition, the organization had to come up with a new labour and manpower planning schedule, material handling decisions as well as stocks availability with reference to stocks planning, reorder level and stocks monitoring.*

The planning manager of EABL pointed out that there was a lot of planning that went towards introducing the multi-channel retailing in the organization. The planning was not necessarily towards the product distribution but rather many other support activities that are important for a smooth flow of products using the traditional store distribution and the online platforms. *Despite a significant distribution system in the organization still being based on mono-channel – the store to store-channel, the limited multi-channel that has been introduced on some premium products a sales and production planning covering material handling, production planning and traffic scheduling and planning was important.*

From the customer service perspective, the EABL Manager of Customer service highlighted that in order to meet the customer demands under multi-channel retailing, they had to *plan for credit and cash management, customer support, order management, delivery timelines management and customer complaint management process.* All these are aimed at lessening possible distribution in the distribution channel as a result of adopting more than one avenue to reach the customer.

4.3.1 Capacity Planning Under Multi-Channel Retailing

Capacity management is concerned with the methods adopted by a firm with a view to addressing the task at hand that is expressed in terms of time and output. Under the

management of an organization capacity management, the practice advocates the balancing capacity that is available and customer demands while at the same time maintaining a balance of such other factors as quality, cost and time variations. In the case of KWAL, it was noted that the success of the capacity management in the firm starts with the implementation of an effective operations planning decisions. The warehouse manager pointed that; *key elements of our capacity are brewing streams or packaging lines which cost billions of shillings to invest in. A poor decision arising from operations planning can paralyse capacity very much. So operations planning decisions and Capacity management are directly related.*

The finding highlight that within the EABL, capacity management strategy that relate to multi-channel retailing takes care of different operation issues ranging from altering inventory ordering and storage to the queuing for service delivery, or demand manipulation with a view to utilizing the available capacity in form of infrastructure and people to facilitate the service.

The importance of the planning function was appreciated as an important determinant of capacity management in the organizations. The Planning Manager at EABL pointed that in developing a capacity management in the organization, they plan on how inventory will be managed, sourcing of raw materials, packaging of materials, product conversion cycle and also the availability of warehousing to hold goods and make a rational decision with a view to making the goods available to customers on continuous basis. Similarly, the interviewees pointed out that capacity management is aimed at avoiding stock outs stock overstocking.

4.3.2 Warehousing Under Multi-Channel Retailing

Warehouse management has traditionally been concerned with storing and controlling materials within a warehouse but has been extended to include transportation management, order management, transportation and complete accounting system that accompany the same. However, the introduction of multi-channel retailing has changed the way these activities

operate because of the need to integrate the warehouse function with suppliers, vendors and customers with a view to establishing a seamless interaction and thus ensure that the product is available in the market. Similarly, the capacity manager at London Distillers pointed out that the warehousing function is inter-wined with the capacity management function since the purchase of raw materials, production and eventual distribution of the finished product requires warehousing and resource planning at a given point in time. Thus, it was found that there need to be a balance and the two synchronised to minimise slack resources. The use of Vendor Management System has been introduced by KWAL in this regard to help in coordinating the warehousing upstream at the distribution centres can see the warehousing state downstream and thus be able to trigger necessary action to be taken with a view to correcting any imbalance and potential deficit. As the manager customer service at EABL noted seamless integration of *warehouse and logistics ensure that traffic scheduling is optimised, loading is done and vehicle turnaround is achieved to meet customer expectation. Therefore we are enjoined in decision making.*

The operations planning function at KWAL was further pointed out to be directly related with warehousing in the sense that *in case the business feels any desire to increase the brand offerings, increase productivity, add or reduce production lines, the decision will have a direct effect on the warehousing space. Towards the same, it was found that the organization had outsourced its warehousing function in different parts of the country with a view to reducing the operational cost of this function.*

The need to integrate the warehouse function with suppliers and customers was expounded by the research. The Warehouse manager at KWAL pointed out that with a view to establish a coordinated approach with their customers under the multiple retailing platforms, *the organization had adopted a end-to-end supply chain supply chain system whereby suppliers provide raw materials, ingredients, packaging materials, services and expertise. Thereafter,*

they also have in place a customer system which purchases our goods either online or through the distributor system by physically collecting goods from our premises. Similarly, the end-to-end supply chain system facilitates a clear line of visibility across the value chain to help in prediction of behaviours around buying, selling and replenishment. To carry out all these functions, KWAL has employed technologies to help in materials requirements planning, vendor managed inventory systems and Sales force automation (SFA) tools.

The concept of integrating warehouses with the firms' suppliers and customers was found to be applicable in the case of small firms with local market presence and not global brands as EABL whose parent company –Diageo has presence in over 40 countries. The findings were that in the case of such a brand, they have embraced modular autonomy because their supplier base is too wide to integrate. Consequently, the firm procurement departments in every region are considered as a feasible option to help in faster decision making. For warehousing purposes, the firm has established a demand planning function that is able to help meet the customer requirements against their provision of goods.

4.3.3 Inventory Management under Multi-Channel Retailing

The importance of having a decentralised warehousing to aid the distribution of products under the multi-channel retailing was found in the study. The three companies adopted almost similar distribution channel whereby dedicated distributors was used to supply their products to dispersed outlets across the country. In the case of KWAL, the epicentre of the distribution is at the main factory and then the products are distributed to the five main market regions. However, the company does not differentiate in their distribution between the online stores and the physical stores because within the regions, individual distributors have adopted more than one retail channel. Further, in the case of KWAL Ltd product manufacturer acts as a supplier and at the same time a competitor to the retailers in some other instances. In the London distillers Ltd, the Business development manager highlighted

they have embraced different sales channels that include stores and the use of online channels such as web stores to distribute the products –especially in Nairobi, that forms over 65% of their market share. The manager noted that in the last five years since the start of the multi-channel retailing, they have registered increased sales under online channel retailing and currently explains around 47% of the total sales – up from 25% two year ago.

Effective management of inventories is important due to the direct impact it has on the level of insurance value, stock-outs or potential issues with providers in light of the fact that unit value might change unexpectedly. With regard to being able to deliver the finished product to customers on time, KWAL was found to deliver small orders promptly –whether through online or conventional store retailing while for *huge orders, there are processed through the customer service credit support would take up-to 24 hours to deliver. For offline customers it takes around 6 – 24 hours due to the large volume and yet there is credit clearance required on the same products.* The turnaround time for the stock delivery was found to depend with the geographical location from the production plant with the farthest customers having a truck turnaround of 24 hours while the closest have a 12 hours or less turn around.

The findings reveal that irrespective of the retail form that is adopted, if the sales rate in a customer warehouse increases, the signal is picked by the factory finished goods warehouse and in the process trigger replenishment. Consequently, the gap that would result due to more goods leaving the factories is easily anticipated and a similar signal is generated through production, raw materials warehouse and the way to the supplier with proper consideration of lead times. From the same, everyone knows when to avail material and the correct quantities.

4.4 Multi-Channel Retailing and Product Scheduling

The introduction of multi-channel retailing by the alcohol manufacturers introduces the need to plan for the production of different products which are all produced using the same production line in batches. The question that then arises is what batch size need to be produced for each product such that stock-outs or over-production might not result while at the same time ensuring that all types of alcohol brands demand are met. The manager warehousing at KWAL pointed out that product rescheduling under multi-channel retailing has been facilitated using the *VMI system that is able to determine the trigger production by showing the stocks at risk, evaluating the minimum batch quantities, countercheck material requirements and compare that with loading on every line to establish when next the products can be produced.*

The Manager Planning at London Distillers pointed that to manage production scheduling they establish annual production plans that are broken down to monthly and further to weekly demands which then helps in estimating the batch production for each product. The weekly production plans give rise to daily production schedule or runs. Since the key decisions are made through the Sales and Operations Planning process, proper sign off and approval is achieved thus creating very reliable product scheduling that facilitate different brands of their products to be availed in the market through both offline and online retailing.

The product scheduling and replenishment was found to be a function of production and at EABL and KWAL, the Vendor Management system that is able to sense an uptake of product demand in a particular brand and consequently estimate the day's cover, lead time to estimate, minimum order quantities; a process that helps to reduce operational risk in the process.

4.5 Challenges of Multi-channel Warehousing

Adoption of multi-channel retailing in a company was pointed out to be faced by different factors. The Planning manager at London Distiller Ltd pointed that in regard to the offline sales, warehousing function is mainly faced with capacity challenges where the firm has to meet different iterations of customer requirements with swift and smooth mobilization of goods. For example, with over 150 stock keeping units (SKUs) in their portfolio, that need to be managed based on their demand, sale rate, expiry profile (shelf life) and the fact that most of their customers would want every mix – if not managed well, it might result in a complication that sometimes infuses too much inefficiency and increased cost. Similarly, too much material handling, stock movements and shifting also results in breakages that affect write off costs. On the other hand, Warehouse manager at KWAL Ltd pointed that in regard to the online sales, the biggest challenge is the fact that customers basically make small orders with lots of variety of products. The manager noted that because of the use of pallets and cases as the main packaging form to sell to online customers – who will ordinarily buy one or two bottles, it has brought about a huge challenge to stock management because, a position that as resulted in KWAL Ltd adopting a micro or retailer models who are third parties. A good example is Chupa chap and Mobar.

Demand seasonality was identified as yet another challenge that face alcohol manufacturers warehousing and capacity management function. It was noted that during the current Covid situation, the online sales has justified the need for online sales since the demand seasonality of the firms products has been put into test. The need to continuously monitor the stock levels was highlighted by Manager Customer service at EABL who pointed that *there are so many things that happen at one single time in the value chain and caution is important to ensure we do not go out of stock and we also do not over stock. Out of stock denies us revenue. Overstocking ties down working capital and increases costs. The VMI system helps us to*

study every single sale, its frequency and then triggers what to produce to replenish, or what the suppliers should deliver. All are done within the estimated delivery schedules.

To counter the challenge of demand seasonality, EABL has embraced a forecasting system that relies on historical experience to leverage accuracy in demand seasonality which has resulted in almost 85% predictability in terms of consumption. The push towards 100% forecasting is now based on looking at trends within a smaller window of weekly or even daily consumption patterns.

4.6 Effect of Multi-Channel Retailing on Performance

The adoption of a multiple channel retailing has the foremost goal of increasing the performance of a firm in terms of sales, market share, customer satisfaction, reduced operation risk and affecting similar performance indicators. While aiming of the same, all retailers strive for high availability rates on both channels and in doing so, customer satisfaction tends to be the leading primary goal and outweighs minimizing inventory cost because margin losses in fashion due to stock-outs are usually greater than the additional logistics cost. The study found that multi-channel retailing had a direct effect on the product delivery time, customer satisfaction, operational cost and market share.

The products delivery time was found to depend on the size and the mode of retailing that has been adopted by the alcohol manufacturer. The findings suggest that orders received through the online channel as opposed to the cross-the-counter orders.

For all online sales where we have delivery done, we deliver immediately within 3 hours while for the offline orders, the suppliers are made within 24 hours. Where customers can pick the goods themselves we load them within 12 hours while on the other hand, in regard to

the duty free orders and exports, it depends on the customs process and may take up to 48 hours to service customers (Warehousing Manager, KWAL).

The management of LDL pointed that their delivery schedule was targeted to be a days old and this has been reinforced by the entering into a strict service level agreements to safeguard against spill-over to the next day. Generally, the study found that the turnaround period in all the alcohol firms was 24-hours in the case of online retailing. Similarly, as the proportion of online sales increases in comparison to the cross-counter sales, the average stock holding period to the firms was found to reduce and consequently resulting in increased management efficiency. In the case of the critical customers whose purchase constitute a larger portion of the total sales, the results reveal that online sales had resulted in increased customer satisfaction due to prompt delivery and thus resulting in increased sales revenue.

The other outcome resulting from the adoption of multi-channel retailing is cost. The warehousing cost was found to reduce as compared to the across the counter sales because the production and storage of goods is based on the just-in-time practice and majority of the goods are stored by other parties from the manufacturer and this helps to reduce cost. *Adoption of multi-channel retailing had resulted in reduced order processing, delivery and reduced sales returns which cumulatively have resulted in improved efficiency (Planning Manager, London Distillers Ltd).*

Indeed, over the 24-months period that KWAL had significantly hyped its online sales, monthly sales have increased and with increase in revenue against a decline in costs, profitability is going up. The extra channels especially online, are proving to be a good revenue addition stream as the firm can reach many other customers that were outside company market share. The market share of KWAL was pointed out to have positively changed because a customer is now able to order from the comfort their home, cars or office,

which was not possible under the a-cross the counter sales approach. The result of the improved delivery time and customer service has resulted in increased in new customer base being reached and considering that the delivery of the products is prompt. However, the same results is not evident in the case of EABL - a leading alcohol manufacturer which has registered marginal increase in sales level.

4.7 Discussions to the Finding

The adoption of various forms of selling products has been discussed by scholars and continues to attract the attention of operational managers with a view to trying to establish whether the online channel can be integrated to the existing bricks-and-mortar channel structures. The results from the study reveals that the implementation of the multi-channel retailing among the alcohol manufacturing firms has had an effect on the back-end related operations activities such as inventory management, picking and warehousing as well as the front-end related operations such as delivery and goods return. In their operational marketing activity, the findings reveal that the companies utilize channel integration whereby more than one form of retailing is used to meet the needs of various customer segments. This finding is in line with Bell et al. (2015) finding who noted that majority of the firms that deal with fast moving consumer goods have embraced multi-channel retailing due to the associated low-cost access to new markets and increased customer satisfaction and strategic advantage.

The findings reveal that the market for the traditional store-based retailers is ordinarily limited to the nearby customers as opposed to a situation whereby a business entity adds the internet and mobile phones as an avenue of sales. As was pointed out by LDL the embracing of the multi-channel retailing had resulted had increased their limited market location to exploit the economies of scope by expanding their markets without incurring additional cost in constructing warehouses in different geographical regions (Colla & Lapoule, 2012). The

other benefit that has arisen from the multi-channel retailing was found to be in form of increased sales which in some firms had increased by up to 24% in the previous five years. This findings support the position held by Neslin and Shankar (2009) that consumers who use multiple channels are an attractive value because they tend to have a higher lifetime value than single-channel consumers. The multichannel consumers adopt the different channels because they are differentially effective in satisfying their shopping needs. Indeed according to Lewis et al. (2014), with the rapid growth of the internet shopping, it expected that multichannel shoppers are expected to increase and consequently rendering unimportant the need to segregate them. This explains why many of the interviewees pointed out to their firms desire to increase their presence on the online market.

The finding from the study suggests that customer satisfaction and loyalty has equally been realised as a result of employing the multichannel retailing by the alcohol manufacturers. Through exploiting the opportunities that arise from each of the channels and countering the deficiencies of the other channel, the alcohol manufacturers have been increase their customers' satisfaction. The findings is in line with Ansari, Mela and Neslin (2008) who pointed that multichannel retailing provides a spread of benefits that allows consumers to buy their products whenever and wherever they want at a lower time and also allows physically safe shopping experience at their homes. It is also possible that the low cost of searching experienced by the internet users increases the likelihood of free riding by the customers and thus buy more products than anticipated - apposition that was reinforced by (van Baal & Dach, 2005).

Multichannel marketing among the alcohol manufacturers was also found to result in improved strategic advantage that is manifested in form of proprietary customer information

and also knowledge of being able to provide seamless services to multiple customers who in most cases possess different tastes. According to Gallino and Moreno (2014) highlight that online retailing facilitates a seller to collect data about a consumer search behaviour in addition to the transaction data. The study findings reveal that as a result of adopting a multichannel retailing they have been able to develop extensive, proprietary information about their customers and can use this information to more effectively target their marketing activities.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The research findings have been presented in Chapter four. This chapter presents the summary to the findings based on the objective of the study and draws conclusions thereof. In addition, it covers the recommendation for policy and practice, limitations to the study and finally makes suggestions for further research.

5.2 Summary of the Findings

The objective of the study was to investigate the effect of multichannel retailing on the performance of the alcohol manufacturers in Nairobi, Kenya. The operational activities of the firms were found to have been altered as a result of adopting the multichannel retailing and this ranged from their capacity management, warehousing, nature of customers served and the average delivery time. Before the introduction of multichannel retailing, it was noted that intense planning went towards capacity management, product distribution, handling recall of products, addressing customer complains, marketing process and how the company can handle both the offline and online retailing. Capacity management strategy that relate to multi-channel retailing takes care of different operation issues ranging from altering inventory ordering and storage to the queuing for service delivery, or demand manipulation with a view to utilizing the available capacity in form of infrastructure and people to facilitate the service.

The introduction of the multichannel retailing brought about the need to change the nature of warehousing structure considering that it is mostly inter-wined with the capacity management function since the purchase of raw materials, production and eventual distribution of the finished product requires warehousing and resource planning at the same time. Similarly, the

warehouse function requires to be integrated with the customers and suppliers with a view to monitor the consumption of the products and the sourcing of raw materials. To improve this coordination, the firms had adopted inventory management systems which are able to monitor the flow of inventory from the inputs to the finished product and trigger any necessary action by considering factors such as the lead time required.

The multichannel retailing operations among the alcohol firms had resulted in improved performance to the organizations as measured by sales, competitive advantage and cost. The findings reveal that the market for the traditional store-based retailers is ordinarily limited to the nearby customers as opposed to a situation whereby a business entity adds the internet and mobile phones as an avenue of sales. Similarly, the finding reveals that customer satisfaction and loyalty has equally been realised as a result of employing the multichannel retailing by the alcohol manufacturers. This is because the firms are able to exploit the opportunities that arise from each of the channels and also being able to counter the deficiencies of the other channel. Similarly, the other performance measure affected include improved strategic advantage that is manifested in form of proprietary customer information and also knowledge of being able to provide seamless services to multiple customers who in most cases possess different tastes. As a result of adopting the online retailing a firm is able to develop extensive proprietary information about their customers and can consequently use this information to more effectively target their marketing activities.

5.3 Conclusion

The retailing landscape is undergoing a transformation whereby the traditional over-the-counter sales is changing to the online system, a change that will definitely affect our alcohol manufacturers operating in the country. Indeed the multichannel retailing is gaining traction all over the world and it is expected that it will become a universal form of sales in the coming

years. As a result, it is imperative that an organization improves its performance by offering very uniform experience across the channels and it is plausible to have firms in the same sector to harmonize their distribution channel and to compete only on the product characteristics and not the distribution.

The findings reveal that the adoption of the multichannel retailing affects the capacity management, warehousing and inventory management across an organizations value chain. This implies that there is a need for a detailed planning that cuts across all the organization value chain before the introduction of the retailing system in tandem with the existing brick-and-mortar system. There is need to plan on how the raw materials are sourced to meet the increased demand, production scheduling, warehousing of the finished product, distributions, recalls and addressing the customer feedbacks.

The need to embrace multichannel retailing is explained by the associated benefits to the organization which include cost reduction, improved market share, sales and customer reduction. Considering that multichannel retailing has also associated benefits to the consumer in that they have a latitude to do shopping at any point of their convenience, it becomes important that the management of alcohol manufacturing firm in Kenya embrace multichannel retailing because with more people accessing the internet, they will also be doing their purchases through use of the internet.

5.4 Policy Recommendation

The finding suggests that multichannel retailing is gaining popularity among the alcohol consumers and has led to the increase of the firms' market share, turnover as well as profitability. At the same time, multichannel retailing is the direction that future retailing will move to. Consequently, business entities should direct more investment towards capacity

building, infrastructure development related to online sales and also human manpower to manage the system.

The findings also reveal the critical role played by the firm value-chain partners in the success of multichannel retailing and eventually in the performance of the organizations. As a result, it becomes important that adequate training is facilitated by the alcohol manufacturers to their customers and retailers in the downstream value chain with the aim of improving the working of dual retailing. This will also enable the customers to be served better.

5.5 Limitations of the Study

The multichannel variables that were considered in study were only three, namely; inventory, capacity and warehousing and yet there could be many more variables that affect the performance of a firm. Similarly, the study adopted a case study approach and this might limit the establishment of the nexus between the multichannel retailing and performance.

The scope of the study was limited to three alcohol manufacturers in Nairobi and yet there are more small and medium enterprises that the study did not cover. Similarly, the study afforded less attention on the financial performance aspect of the firms. Similarly, the study adopted a descriptive research design and therefore the findings cannot be generalized to other sectors in the country. However, despite the above stated limitations, the findings of this research will form an important reference material in other studies, managerial decisions and policy makers.

5.6 Suggestions for Further Research

In consideration of the limited scope of the study in terms of the firms studied, future research should increase the scope to include more alcohol manufacturing firms across the country to facilitate generalization of the findings. In addition, future studies should consider

using descriptive research design to facilitate establishment of the nexus between the two variables.

Future research should also seek to understand shopper behaviour across the various channels and specifically on the omni-channel level. The understanding of the various points of the consumer touch points affect the performance of a firm will be of benefit to the managers in coming up with appropriate operations strategies. Questions on whether particular touch points determine the choice of specific retail channels should be answered by future research.

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APPENDICES

Appendix I: Interview Guide

This interview guide is designed to gather information on the effect of multi channel retailing operations on the performance of select alcohol manufacturing companies in Kenya and is purely for academic purposes only.

Section A: Background Information

1. What is your current position in this organization?

.....

2. For how long have you held the current position?

.....

3. What is your highest academic and professional qualification?

.....

4. For how long has your company been engaged in multi-channel operations?

.....

Section B: Multi-Channel Retailing Operations

5. What are the types of operations planning decisions in multi-channel retailing?

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.....

6. How are the operations planning decisions relating to capacity management in your organization? How are they related?

.....
.....

7. How are the operations planning decisions relating to warehousing management in your organization? How are they related?

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.....

8. How integrated is warehousing, suppliers and customers? Please explain.

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.....
9. How close are the product warehouses to your target customers? Do you differentiate between online and offline warehouse?

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10. What is the average delivery time from your warehouse to the customer?

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11. What challenges do you face in multi-channel warehousing?

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12. How is the stock replenishment done under the multi-channel system adopted by your firm?

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13. How does multi-channel retailing manage demand seasonality?

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.....
14. How does multi-channel retailing manage product rescheduling?

Section C: Effect of Multi-channel Retailing on Performance of the Business

15. How is the delivery time of multi-channel retailing operations?

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16. How does multi-channel retailing affect the delivery time of products?

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17. How is the cost of retailing influenced by the multi-channel retailing?

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18. What effect has multi-channel retailing had on the total revenue and profitability?

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19. Since the adoption of multi-channel systems, has there been increase in number of new customers?

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.....

20. How has sales to new customers been like since the adoption of multi-channel operations?

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