FACTORS THAT VETERINARY MANUFACTURING FIRMS IN KENYA CONSIDER IN DETERMINING CHANNEL LEVELS OF DISTRIBUTION

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DECLARATION

This document is original research work tarried out by the undersigned. It has not been submitted anywhere else for any award.

Signed............]   Date.

Ca theriiW W. M w angi

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

Signed ....   Date. . . . .LlJ.Uj.P.L..

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DEDICATION

To my daughter Hazel Nkatha, who was my inspiration to go on,

and to my husband David Gitobu for his invaluable support and cncouragcment

ACKNOWI.EGnMF.VrS

I wish to acknowledge and thank my family David and Hazel Gitobu for your encouragement, patience and support.

1 am greatly indebted to my parents Mr. Samuel Mwangi and Mrs. Margaret Mwangi for nurturing the studying culture and for believing in me; thank you.

Thank you to my grandmother Naomi Njeri for asking after my progress and for promising to attend my graduation and
to Prof. |u!ia Gitobu for your support and mentoring.

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ABSTRACT

This study sought to identify the factors that veterinary manufacturing firms in Kenya considered when determining the channel levels of distribution. This study was a descriptive census survey, the results of whom will bo useful to various veterinary industry stakeholders.

The findings of the study reveal that the veterinary firms in Kenya are fairly young and are mainly locally owned. Most of these companies do not perceive distribution as a strong has is for competitiveness, and service delivery by the channel intermediaries is not emphasised upon. Animal health companies in Kenya may use the results of this study in designing of distribution channel strategy to achieve a competitive advantage. They may also adopt its recommendations to enhance fair-play and integrity in the industry, as well as to develop practical approaches to engage their channel partners more closely to enhance efficiency and performance.

Channel members in the veterinary industry may benefit from a clear understanding of their role as part of a service network and lead to collaborative effort between them and the manufacturers to improve service delivery to the livestock farmer.

One channel design cannot be appropriate for all markets. Customer focus and the realisation of customer value helps in channel design and the selection of channel levels, to both capture and retain customers. Of importance also are future developments and trends in global marketing channels, the ongoing economic integration of the Eastern African countries as well as emergent business opportunities in South Sudan and Rwanda among other regional markets. It will be necessary for onward studies to be carried out on how Kenyan veterinary firms can adapt their distributions strategies to take advantage of these opportunities.

CHAPTER ONE

INTRODUCTION

1.1 Background

In deciding on the elements of the marketing mix to utilize in a particular marketing strategy, the marketer must be aware of the prevailing consumer attitude toward their product or service. According to Drucker (1987) what a business produces is not of prime importance, especially not for future success. It is what the customer thinks he is buying and what he considers as value that is decisive and that determines what a business is, and whether it will prosper. Achieving a competitive advantage is a major preoccupation of marketers in a competitive slow growth market that characterizes many industries today (Abdalla, 2001). Marketing strategy contributes to competitive advantage by combining the customer influencing strategies of the business into an integrated array of market focused actions Gaining strategic leverage is a problem for companies in turbulent and uncertain markets. With the increasing competition that companies are facing today, rewards will accrue to those who can read precisely what consumers want by continuously scanning the environment and delivering the greatest value to customers.

1.1.1 Distribution Channels

After a company has defined its target market and desired positioning, it should identify its distribution channel. A distribution channel is the external contractual organization that management operates to achieve its distribution objectives (Rosenbloom, 1999). It is a set of institutions, agencies and establishments through which a product must move from the producer to the consumer (Kotler, 1999). Stern and hi Ansary 1992, add that distribution channels perform the work of moving good>» from producers to consumers, thereby helping to overcome the time, place and possession gaps that separate goods and services from those who need or want

Ihem, They provide a link between production and consumption by filling any gap or discontinuity that exists between them (Baker, 1992).

Distribution channels are used to move goods and services to consumers and information and payment back to producers (Majumder, 19%). They show very distinct features, depending on the objectives of the producers or the expectations of the consumers. Distribution is a complex subject spanning the process of getting the goods or services from the supplier to the customer. It involves the selection of the most expedient channels and the servicing of these channels (Marsh, 1988). Every company must decide how to make its goods or services available to its target market. The company's chosen channels ultimately affect all other marketing decisions (Kotler, 1999). Before a firm decides on the type of distribution channel to use, it has to specify the role of distribution within the marketing mix.

The distribution channel is a strategic marketing tool, which has now gained more prominence over the other strategies of product, price ami promotion. Management must develop and operate the external contractual organization to support anil enhance the other strategic variables of the marketing mix, in order to meet the demands of the company's target markets. According to Rosenbloom (1999) place or distribution channel strategy offers the greatest potential for gaiiung a competitive advantage because it is more difficult for competitors to copy in the long run. This is because; first, channel strategy is long run Setting up and maintaining superior marketing channels for making products and services available to customers involves a relatively long period to plan and implement. Second, channel strategy usually requires a structure consisting of organizations anil people to implement (Robert and Coleman, 1994). It is a substantial investment that competitors will not imitate that easily. Third, channel strategy is based on relationships and people. It is a Election of people relating with each other in different organizations (Barton and %ndy-1995). Success of the channel strategy and the structure that supports it are irectly dependent on how effectively the people in the various organizations relate to each °»her in performing their jobs.

Companies can achieve competitive advantage through the way they design their distribution channel coverage, expertise and performance. Success in an industry can be found on superior channel development where channel outlets are found in more convenient locations, with staff who are knowledgeable and who perform more reliably than competitors. A channel alternative, according to Kotler (1999) is described by three elements: the types of available business intermediaries, the number of intermediaries needed, and the terms and responsibilities of each channel member. Channel intermediaries perform key functions such as financing, where they facilitate acquisition and allocation of funds required to finance inventories .it different levels of the distribution channel.

1.1.2 The Veterinary Industry in Kenya

The veterinary industry has existed in Kenya for more than half a century. Between the earlv 1930s and the mid 1960s, provision of veterinary products and advisory services almost entirely involved servicing commercial ranches and dairy farms (Chema and Galhuma, 199K). In a major agrarian reform programme in 1954, Kenya initiated an aggressive campaign promoting the dairy industry in the wetter areas of the country among small scale farmers. The Veterinary Sen-ices Department, in an effort to encourage dairy development, decided to provide some services, mainly tick control and subsidized artificial insemination (l-'AO, 1997). This served as a foundation for the expansion of the industry and the support had a great positive impact on the smallholder dairy industry. After the end of the colonial administration in 1963, the Veterinary Services Department undertook the responsibility of providing regulatory services and veterinary drugs free of charge to farmers.

By 1988, operating costs had escalated by over 80%, necessitating a policy change, ^'hich led to decreased government involvement (Chcneau, 1998) The private sector, as expected, responded appropriately to the change in policy by taking a more aggressive role in Ihe supply of veterinary products to farmers. More veterinary pharmacies were set up to supply drugs, mineral supplements and artificial insermination products and services at a fee. It is during this period that the industry experienced growth with the entrance of new firms and an increase in the number of outlets and service providers. Over lime, structures for marketing, promotion and distribution have evolved to make it one of the most vibrant industries in the economy. With increasing returns from agriculture being realized, die industry is faced with an uphill task of meeting customer requirements particularly on channel strategy. This is because geographical separation, timing and information are very Important aspects of the distribution channel in the industry. Customers from far flung regions require the right products and information at specific times so that they can make correct and timely use. Channel levels of distribution therefore become a very crucial element of the marketing mix.

1.2 Statement of the Problem

Over the past two decades, a shift in emphasis has occurred from ihe production of goods to the distrilmtion of goods (Wysocki, 1995). This shift has been accelerated by the manufacturers' view that distribution channels play die role of gatekeepers into consumer market, where they act as buying agents for their customers rather than selling agents for the manufacturers (Rosenblooin, 1999). Many operate on a low margin and low price format, and have emerged as sophisticated marketers and fierce competitors dial make tough demands on the manufacturers who supply them. Rosenblooin (1999) posits dial as a result of this development, the need for producers ami manufacturers to develop effective distribution channel strategy for dealing with channel members has become more important than ever.

Distribution channel strategies that get distributors and dealers to focus their attention and efforts on a company's products are key to building market share and •ales growth for the company (Kosenbloom, 1999). In addition, the effort to lower costs is now being extended to the distribution channels dial companies use to reach their customers and so the new frontier for cost control is the distribution channels (Wysockl, 1995). In order to reduce the costs of distribution while providing equ.il or superior product Availability to customers, companies need to focus more attention on channel structure and management.

Hie question of channel levels of distribution is very relevant to the veterinary industry in Kenya. This is because companies in the industry face the challenge of making goods available to customers using the most efficient and effective channels in order to gam a sustainable competitive advantage. Several factors therefore have- to be considered in channel levels of distribution. Whether products should be distributed via company owned distribution channels or by contracted distributors becomes crucial. This study will address the issue of factors considered m channel levels of distribution in the veterinary industry.

Much research has been conducted on distribution channels and factors influencing choice of channel strategy. Leo Aspinwall (1961), studied the marketing characteristics of goods and parallel systems of promotion and distribution, and concluded that distribution channels selected played a determining role. Bucklin (1966) found that the order sizes made determine service output delivered, and this in turn determines the level of intermediary involvement in the distribution channel Brady (1978) did an analysis of factors affecting the methods of exporting used by small manufacturing firms and concluded thai the characteristics of the market, producers, environment and product are important in determining the length of the distribution channel. Anderson and Coughlan (1987) found that international market entry depended much on the channels of distribution selected and concluded that the choice between integrated and non integrated distribution i hannols is complex and easily misunderstood. Sligler (1951) found that where customers are geographically dispersed, direct selling becomes difficult and long channels of distribution are appropriate. Chege (19%) on factors influencing the choice of product distribution channels in Kenya found that companies have to make a decision on whether to use direct or indirect distribution, which will determine how related functions such as tran.sport.ition, warehousing, advertising and promotion will be earned out and concluded that the size of the average order made is positively related to the choice of direct distribution channels. Ng'ang'a (2000) concluded that the main factors determining the choice of distribution channels were middlemen requirements, their availability and profit margin expectations, customer order sizes, nature of the product and the location of customers. The applicability of these studies in the veterinary industry in Kenya needs to be tested.

The veterinary industry has been undergoing tremendous changes since the 1990*8 when market reforms and liberalization look place. Free veterinary services and drugs were scaled down while controls on importation and sale of veterinary drugs were lifted. It is from these changes that the industry gained momentum in growth, and one of the main issues that players in the industry have had to deal with has been the distribution channels. It is against this background th.it the study sought to answer the following question:

What factors do veterinary manufacturing firms in Kenya consider in determining the channel levels of distribution?

1.3 Objectives of the Study

The objective of this study was to determine the factors thai veterinary manufacturing firms in Kenya considered when deciding on channel levels of distribution.

1.4 Importance of the Study

The results of the study wdl be useful to:

i. Veterinary companies may use the results of this study in designing of distribution channel strategy' to achieve a competitive advantage. The information may assist in setting out channel strategies by the marketers and sales representatives anil improve their relationship with channel members.

ii Retailers and buyers of veterinary products may benefit from the findings of the study by knowing how factors influencing channel levels of distribution impact on their interests.

iii. Government agencies may find the information useful in formulation of policy and a regulatory framework for the industry.

iv. Researchers and scholars who will undertake further studies in a related field.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In terms of the four major elements of a marketing strategy, product, place (distribution), price, and promotion, the selection of a marketing channel affeits both place and promotion, because it describes the path that goods or services take in moving from producer to coasumer (Scarborough and /immerer, 1906). Before selecting a channel strategy, management has to first decide upon the types of channel to be used and then determine the desired distribution intensity (Cravens 2000). Management must develop and operate the external contractual organization or the marketing channel to support and enhance the other strategic variables of the marketing mix, in order to meet the demands of the firm's target markets. The channel strategy variable is today taking on a more important role as competition intensifies with companies competing fiercely for market share.

The existence of distribution channels has helped to make society more efficient in resource allocation. Most producers use intermediaries to bring their products to the market. They try to forge a distribution channel; a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business users (Stem *ft at.,* 1996). Bagoz/i c/ al (1998) asserted that .in intermediary creates economic savings for the system and the savings become more dramatic as the number of producer-consumers increases Armstrong and Kotlor (2000) argued that intermediaries play an important role in matchmg supply and demand. VV'axman (2000) argued that by servicing the thousands of indirect partners who are the customers, nudrange distribution adds true value.

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2.1.1 Distribution Channel

Stern and Hl-Ansary (1988) see the distribution channel as a set of independent organizations involved in the process o! making a product or service available for use. In most contemporary markets, mass production and consumption have lured intermediaries into the junction between buyer and seller. Alderson (1958) wrote that the goal of marketing is the matching of segments of supply and demand Alderson argued that intermediaries provide economies of distribution by increasing the efficiencv of the process. Porter's (1985) value chain model describes primary activities such as inbound logistics, O|>erations, outbound logistics, marketing and sales, service, etc.. and distribution channel clearly plays an important role in these operations where they also could gam competitive advantage. Marketing channel strategy, as one of the major strategic areas of the marketing management fits under the distribution variable in the marketing mix (Rosenbloom, 1999).

Given the limitations of product, price and promotion strategies of the marketing mix, the best hope for companies to compete successfully in the slow growth, highly competitive markets is by emphasizing channel strategy (Boone and Kurtz, 1997). In the area of product strategy, competitive advantage is limited due to high rates of new product failure, short product life cycles and the ability of competitors to offer new products. In the price strategy, emphasis on price has led to intense price wars which erode profitability and therefore provide an unstable basis for a sustainable competitive advantage. Promotion strategy is needed in the form of bra ml advertising and point of sale promotion in order to build and maintain brand recognition I lowever, it is expensive and its effects short lived as competitors seek to get their messages across in an increasingly cluttered market But this is not to suggest that product, price and promotion strategies are less important. On the contrary, they are critical, for without good products that are attractively priced and well promoted; no firm can hope to he successful in the long run (Rosenbloom, 1999).

From the stand point of developing a competitive advantage that has long term viability, channel strategy that focuses on building <i strong relationship between a manufacturer and its channel members can be very effective (Rosenbloom, 1999). This is because such a relationship cannot be easily copied by competitors (Porter, 1985) It cannot be duplicated with technology cost advantages, or a clever idea. Rather, a channel strategy is based heavily on confidence, trust and people power. The superior performance of a strong channel relationship is likely to result from the capabilities of the people in the organizations of the various channels members and their inclination to deliver superior performance aimed at achieving mutually beneficial goals (Heide, 1990). Given the difficulties presented in coming up with the right marketing mix to survive and prosper in this competitive environment, many companies are laying more emphasis on channel strategy. They are rediscovering the potential of channel strategy as a potent and long lasting competitive tool.

According to Rosenbloom (I(W), there are two basic concepts that the management of manufacturing firms can use to decide whether or not to use intermediaries. These concepts are- specialization and division of labour, and contractual efficiency The concept of specialization and division of labour enables complex tasks to be broken down into simple functions that are then allocated to parties who are specialists in performmg them. Distribution tasks are allocated inter organizationally to the contractual organizations to achieve an optimal allocation of tin- distribution tasks. Contractual efficiency is the level of negotiation effort between buyers and sellers relative to achieving a distribution objective. It is the relationship between the negotiation effort and the distribution objective. These two concepts provide the channel manager with a basic framework from decision inking on the use of intermediaries (Rosenbloom, 1999).

2.1.2 1 lows in Marketing Channels

When a marketing channel has been developed, a series of flows emerges, which provides the links that lie channel members and other agencies together in distribution of goods and services (Rosenhloom, 1999). The most important flows are: product flow, negotiation flow, ownership flow information flow and promotion flow The product flow refers to the actual physical movement of the product from die manufacturer, through all of the parties who take physical possession from point of production to the final consumers. The negotiation flow represents the interplay of the buying and selling functions associated with the transfer of title while the ownership flow reflects the movement of the title to the product as it is passed on from the manufacturer to the final consumers. The mformation flow occurs when parties exchange information in the course of the product moving from the manufacturer to the consumer. I he promotion flow refers to the flow of persuasive information in the form of advertising personal selling, sales promotion and publicity. The concept of channel flows provides a basis for distinguishing between channel strategy and logistics management and separating channel members from non members (Rosenbloom, 1999).

From a management standpoint, the concept of channel flows provides a useful framework for understanding the scope and complexity of channel management (Cespedes, 1988), By thinking in terms of the five flows, it becomes evident that channel management is more than management the physical product flow. The other flows must also be managed anil coordinated effectively to achieve the firm's distribution objectives.

2.2 Channel Strategy

Channel strategy is the hroad principles by which Hie firm expects to achieve its distribution objectives for its target market (Rosenbloom, 1999). To achieve its distribution objectives any manufacturer will have to address six basic distribution decisions namely: the role of distribution in the firm's corporate strategy, role of distribution in the marketing mix, designing the linn's marketing channels to achieve its distribution objectives, channel members to be selected to meet the firm's distribution objectives, managing the marketing channel to implement the firm's channel design efficiently and effectively, and evaluating channel members performance. These six decisions are the heart and soul of distribution when viewed from a marketing channel management viewpoint. Dealing with these six decisions is really what marketing channel management is all about.

2.2.1 Role of Distribution in Corporate Strategy

The most fundamental distribution decision for any firm to consider is the role that distribution is expected to play in a company's long term overall objectives and strategy (Rosenbloom, 1999). More specifically, it has to decide whether the achievement of specific distribution objectives is crucial to the long run success of the firm. Given the potential importance of distribution, it should be considered in the strategic plans undertaken (AMI and Hammond, 1979). The question of how much priority to place on distribution is one that can be answered only by the particular firm involved. Distribution channel decisions do have effects on future growth and profit potential There is a growing k'Uef among management experts that distribution does increasingly warrant the attention of top management because competition has made the issue of distribution too important for top management to Ignore (Rosenbloom 1999).

According to Tampeters (1986) companies that mind their distribution as a top level in*nagement issue reap tangible rewards. Drucker (1990) emphasizes on the changing distributive channels brought about by changing technology, globalization, a changing workforce and shifts in demographics. Caspedes (1988) posits that channel decisions increasingly require companies to add an approach that is simultaneously broader in perspective than individual product line and more hands on. on the part of senior management. To dismiss distribution as a decision area for top management concern in formulating corporate objectives and strategies is to limit the firm's ability to complete effectively in today's global markets. Donald Files (19%), the chief executive officer of Caterpillar attributes the success of his companies to its system of distribution, product support and the close customer relationships it fosters.

2.2.2 Relevance of Distribution to Target Market Demand

Target market demand Is the basis for developing an appropriate marketing mix (Rosenbloom, 199V). I Ience, if customers in the firm's target market have demands that can be satisfied best through distribution strategy then this should be stressed in the firm's marketing mix. In short, distribution becomes relevant because the target maiket wants it that way (Butanav and Wortzel 1988). As firms become more target market oriented by listening more closely to their customers, the relevance of distribution has become apparent to an increasing number of companies because it plays such a crucial role in providing customer service, Marketing channels are very closely linked to customer needs and satisfaction because it is through distribution that the manufacturer can provide the kinds and levels of service that make for satisfied customers.

2.2.3 Channel Design

Channel design refers to those decisions involving the development of new marketing channels where none hail existed before or the modification of existing channels (Rosenbloom, 199^). It is an attempt by marketers to consciously and actively allocate the distribution tasks to develop an efficient marketing channel. Having recognized that a channel design decision is needed, the channel manager should try io develop a channel structure that will achieve the firm's distribution objectives. There is therefore need for distribution objectives that are well coordinated with other marketing and corporate objectives. After the distribution objectives have been set and coordinated, there is need to specify the distribution tasks. The tasks generally comprise buying, selling, communication, transport, storage, breaking bulk, and financing. These tasks must be precisely stated.

2.3 Channel Levels

The number of levels in a channel can range from two levels, which is the most direct, from manufacturer to consumer, up to five levels and occasionally even higher (Rosenbloom, 1999). The number of alternatives that the channel manager can realistically consider for this structural dimension is often limited to no more than two or three choices. It may for example, be feasible to consider going direct (two level) using one intermediary (three level) or possibly two intermediaries (four level). These limitations results from a variety of factors such as the particular industry practices, nature and si/e of the market and availability of intermediaries. In some instances, this dimension of channel structure is the same for all manufacturers in the industry and may remain virtually fixed for long periods of time. In other industries it is more flexible and subject to change in relatively short pcri«hIs of time.

2.3.1 Distribution Intensity

Intensity of the channel levels refers to the number of intermediaries at each level of 'he marketing channel (Rosenbloom, 1999). This has three categories: intensive, elective and exclusive. Intensive distribution, sometimes referred as saturation, rn,'ans that as many outlets as possible are used at each level of the channel. Consumer convenience goods and industrial consumables fit in this category. Elective distribution means that not all the available intermediaries at each level are ttlet*' but rather, those to be included are carefully chosen. Consumer shopping ' f 8 0 ^ are often in ibis category. Exclusive distribution refers to a very highly selective pattern of distribution. In this ease, only one intermediary in a particular market area is included. Specialty goods often tit in this category. The intensity of distribution dimension is a very important aspect of channel structure because it is often a key factor in the firm's basic marketing strategy and will also reflect the firm's corporate strategy (Rosenbloom, 1999).

2.4 Factors Affecting Channel Levels

There are five categories of variables that are likely to influence channel structures (Rosenbloom, 1999). These are: market factors, product factors, company factors, intermediary factors and competitor factors.

2.4.1 Market Factors

All of modern marketing management, including channel management is based on the underlying philosophy of the marketing concept, which stresses market orientation (Kotler, 1999). In developing and adopting the marketing mix, marketing managers should take theu cue from the needs of the target market, lust as the products a firm offers, the prices it charges and the promotional messages it employs closely reflect the needs and wants of the target market, so too should the structure of its marketing channels (Rosenbloom, 1999) Marketing variables are therefore the most important to consider in channel design. Subcategories of the market variables are market geography, market size, market density and market behaviour. Market geography refers to the geographical size of the market and its physical location and distance from the producer. The basic tasks that emerge when dealing with market geography are the development of a channel structure that adequately covers the markets and provides an efficient flow of funds to those markets Mar ket size is determined by the number of customers making up a market from a channel design standpoint. The larger the number of individual customers there are, the larger the market size. Market density is determined by the number of buying uiuLs per unit of land area. A high density market has more ^stoniers per unit of land area. In general, the less dense the market the more difficult and expensive is the distribution and ihis applies to the flow of information. In such a market intermediaries will be used. Conversely, in the high density market, the likelihood of eliminating intermediaries is higher.

Market behaviour refers to how customers buy, when customers buy, where they buy, and who does the buying (Rosenbloom, I9W). Customer preferences reflected in purchase behaviour indicate how the market buys, and this varies across different customer segments and over time for a given product category. The potential changing nature of how customers buv means that the channel manager must be in tune with what changes are likely to occur and whether they are temporary or long term. The sub dimension of when customers buy arises out of the seasonal variations in consumer purchase behaviour. Manufacturers who experience wide seasonal variations have to select channel members who can store products and eliminate shortages, The channel manager should also select channel members who are in tune with the changing patterns of when people buy. The types of outlets from which final buyers choose to nuke their purchases and the location of these outlets determine where the market buys. Customers will always want to maximize their convenience in the selection of retail outlets. To develop an effective channel design strategy, the channel manager needs to know where customers generally buy particular types of products and whether these patterns may lie changing (Rosenbloom, 1999). The sub dimension of who does the buying comprises two aspects- who makes the physical purchase and who takes part in the buying decisions. From a channel design stand point, who actually buys the product can affect the type of retailer chosen in the consumer market and the type of channel members used to serve industrial markets. The more difficult aspect to analyze than ^'ho actually makes the physical purchase or who uses the product is who decides to make the purchase in the first place. At the consumer level, the question of who takes part in the buying decision is in the context of the family unit and the roles Pl-iyed by the respective members.

Table 1: M.ukr< buying habiM and conc»pondlnR channel

Buying habit	Corresponding channel
How Customers buy in very small quantities	Use long channel with several intermediaries
When Buying is highly seasonal	Add intermediaries to the channel to perform the storage function reducing peaks and valley in production
Where Consumers shop at home	Eliminate wholesale and retail intermediaries and sell direct
Who Consumer market: husband and wife Industrial market: many Individuals influence the purchasing decision	Distribute to retailers who cater for both parties. Direct distribution for greater control of sales force who will reach all parties responsible for making purchase decision

(Source: Rosenbloom, 1999, pg 214)

Each of these patterns of buyer behaviour has a significant effect on channel structure and the channel levels of distribution adopted by manufacturers. There are, however, exceptions which arise due to the unique nature of the product, customer service and the buyers,

2.4.2 Product Factors

Product variables are another important category to consider in evaluating alternative channel structures (Larson, 1991). Some of the most important product variables are bulk and weight, perishability, unit value, degree of standardization, technical aspects and product newness. Heavy and bulky products have very high handling and shipping costs relative to their value. The producer of such products should therefore minimize costs by shipping only in large quantities to the fewest possible points (Rosenbloom 1999). Consequently, the channel structure is short and direct form producer to user. Products subject to physical deterioration and those that experience rapid fashion obsolescence are considered perishable. In this case, channel design is rapid movement of the product from production to its final user to minimize risk of perishability. However, due to distance, several intermediaries may be involved in this movement.

In general, the lower the unit value, die longer the channel should be (Rosenbloom, 1999). This is because low unit values leave a very small margin for distribution costs. l.ow value products such as convenience goods for consumer markets and operating supplies for industrial markets typically use one or more intermediaries so that Ihe costs of distribution are shared by the many other products that the intermediaries handle, crating economies of scale and scope In respect to the degree of standardization, custom made goods go directly from the producer to the user, but as products become more standardized, the opportunity to lengthen the channel by including more intermediaries increases. Custom made products such as industrial equipment more directly from producer to user while highly standardized supplies such as convenience goods will include more than one intermediary.

In the industrial market, a highly technical product will generally be distributed through a direct channel. The overriding reason here is that the manufacturer needs sales people who are capable of communicating the product's technical features to potential customers and who can provide continuing liaison, advice and service after the sale is made. Many new products in both consumer and industrial markets require extensive and aggressive promotion in the introduction stage to build primary demand (Cespedes, 1988). At this stage, a short channel is an advantage for gaining customer acceptance, and a carefully selected group of intermediaries is BK»e likely to provide aggressive promotion.

2.4.3 Company Factors

The most important company variables affecting channel design are size, financial capacity, managerial expertise and the overall objectives and strategies. In general, the range of options for different channel structures is a positive function of a firm's size. Large firms have a higher degree of flexibility in choosing channel structures compared to small firms. Likewise, companies with ample financial resources depend less of intermediaries. These firms Can bear the cost of sales force, support services, retail stores and warehouses. Some firms lack the managerial skills necessary to perform distribution tasks. When this is the case, channel design must include intermediaries. Marketing and general objectives and strategies may limit the ust' of intermediaries. Strategies such as aggressive promotion and rapid reaction to changing market conditions will determine channel levels used.

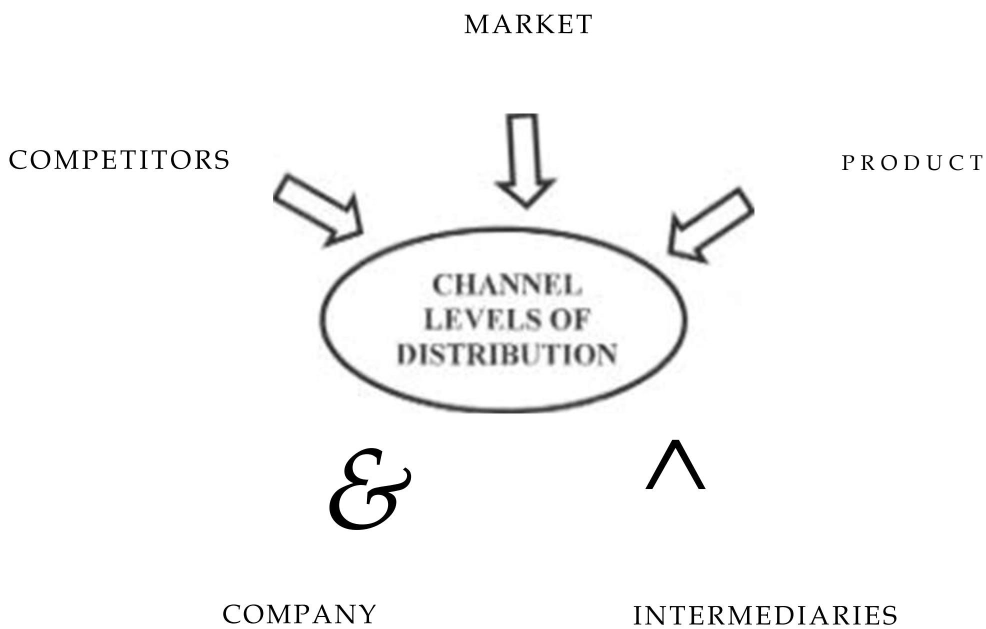
2.4.4 Intermediary Factors

Key intermediary variable related to channel structure are availability, costs anil services offered. I he availability of intermediaries does influence channel structure. The expertise and capability required to distribute a firm's products will eventually determine channel structure. The cost of using an intermediary is always a consideration in choosing a channel structure. The third variable, the services offered by intermediaries is related to the problem of selection. It is necessary to evaluate which channel members can perform the required services efficiently and at the lowest cost.

2.4.5 Competitor Factors

In addition to the competing products offered, depth and breadth of the product line, and product portfolio balance, a competitor's distribution strategy does influence the channel structure that an organisation selects, rhese competitor's distibution variables include exclusivity agreements, alliances, and geographical coverage. New distribution partners, more extensive distribution, more intensive distribution, .1 change in geographical locus, exclusive distribution and channel motivators would reveal the approach and importance of distribution to the competing companies.

Diagram 1: Main factors behind selection of channel levels of distribution



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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Kcsearch Design

This is a descriptive census survey, to establish factors that veterinary firms in Kenya consider in determining channel levels of distribution Cooper and Emory (1995) assert that a descriptive study is used to learn the who, what, when, where and how of a phenomenon Chege (19%) and Kamau (2000) have used descriptive designs in similar studies.

3.2 Population of Study

The population of study comprised of 15 veterinary companies listed in the Kenya Business Duectory as either manufacturers or importers of veterinary products. These organizations are involved in the marketing, sale and distribution of local and foreign company brands as franchisees and agents. Nairobi was chosen as the area of study because this is where these companies base their operations

3.3 Data Collection

Primary data was collected usmg a three part structured questionnaire. Part one sought to gather general information and data on the respondent and the company, while parts two and three contained hkert-scale type of questions to determine the nature and importance of channel intermediaries, and the factors that the veterinary firms consider when determming the channel levels of distribution.

3.4 Data Analysis

Data analysis was done using means, percentages and proportion to access the relative importance of various factors in the determination of the channel levels of distribution Ng'ang'a (2000) used these methods of data analysis in his study of distribution i hanncls in small scale firms.

CHAPTER FOUR

RESEARCH I FINDINGS AND DATA ANALYSIS

The data from the completed questionnaire is summarised in this chapter, and presented in tables, graphs, and percentiles to establish factors and their importance to veterinary firms in Kenya m determination of channel levels of distribution.

4.1 Profile of the companies

The companies studied were 1CM~II manufacturers or franchise holders of foreign firms manufacturing and marketing veterinary products in Kenya. 80% of the companies are locally owned while 20% are foreign owned. The respondents were marketing managers, but where they could not be reached, the sales or distribution manager was interviewed.

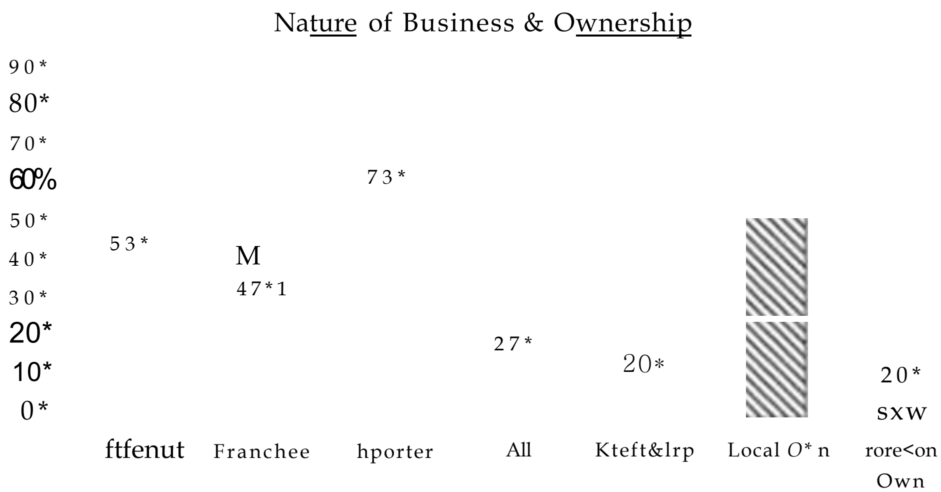
From the survey, it emerged that 80% ol the companies studied have been in business in Kenya for between 5 and 14 years. Two of the companies surveyed had been in agrochemical business in Kenya for much longer but their veterinary divisions have been in existence in Kenya for between 15 anil 24 years Only one company was more than 25 years old.

1 able h Age of company

	Number	%
Less than 1 year	0	0%
5-9 years	7	47%
10- 14 years	5	33%
15 - 19 years	1	7%
2d - 24 years	1	7%
Over 25 years	1	7%

As shown in the diagram below, 53% of the companies surveyed engage in manufacturing while 73% are importers of veterinary products, 47% of whom are franchise holders.

Diagram 2 Profile of companies by Nature of Bimnrss



27% of the companies are both manufacturers and franchise holders for foreign firms and are therefore also importers of finished veterinary products for sale. 20% of the manufacturers are also engaged m importation and sale of animal health products but do not hold any franchise for a foreign firm.

Their mam veterinary product categories were;

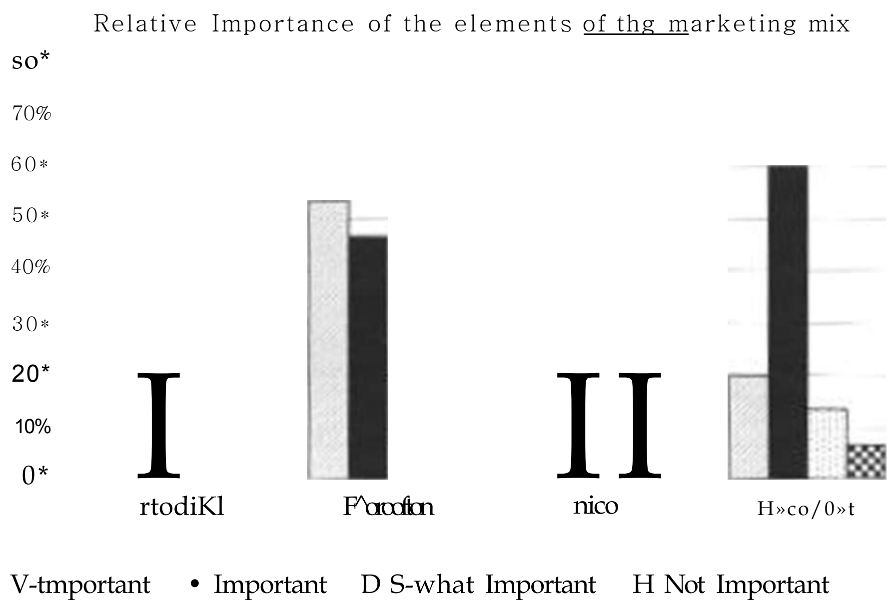
i. Tick and fly control products
ii. Worm control products
iii Mineral and nutritional supplements
iv. Dairy hygiene products
v. Vaccines
vi. Antibiotics

mainly for farm animals such as cattle, sheep, goats and chicken.

4.2 Relative importance of the elements of the marketing mix

According to the survey, product and promotion were identified as the most important elements of the marketing mix to the organisations; 73% of the companies considered product while 53% ranked promotion as a very important element of marketing.

Diagram V Relative importance of the elements of the marketing mix



As shown by the diagram above, only 20% of the surveyed firms considered distribution as a very important marketing element to the organisation, 60% ranked distribution as important, 13% as somewhat important and 7% as not important. These 7% felt that a product backed by good promotion and affordable price was more important than distribution.

4-3 Sources of competitive advantage

Superior products were deemed to be the most likely source of competitive, with of the companies asserting that they were, while 60% thought that innovation &

improvements were their likely source- of competitive advantage. Advertising & promotion also scored highly at 53% for likely and 40% for most likely source of competitiveness.

Tabic 3: Likriy source o(competitive advantage for your company

	Highly likely		Likely		Unlikely	
	No.	%	No.	%	No.	%
Superior products	8	53%	6	40%	1	7%
Advertising and promotion	6	40%	7	47%	2	13%
Geographical area covered	5	33%	6	40%	4	27%
Innovation & improvement	4	27%	9	60%	2	13%
Effective distribution	3	20%	8	53%	2	13%
Market share held	3	20%	3	20%	9	60%
Corporate governance	3	20%	6	40%	6	40%
I-arge capital base	2	13%	8	53%	5	33%
1 arge sales force	2	13%	8	53%	5	33%
Sound financial management	2	13%	4	27%	9	60%

As indicated in the table above, effective distribution is considered a most likely source of competitive advantage by only 20% of the respondents with 13% rating it as unlikely This is consistent with the findings for geographic area covered which was ranked by 33% as most likely and 27% as an unlikely basis of competitiveness

4.4 Nature and number of distribution intermediaries

Of the companies surveyed, none owned its distribution intermediaries. 27% of the companies used contracted distributors while the other 73% used specialised or «*tablished wholesalers as the first level into the market. All the companies used stockists to retail their products to the end users, with no written agreements or ᶠuntracts in place. In some instances however, most of the companies did some direct distribution to large farms with no trade intermediary.

Out of the fifteen companies studied, 67% used three distribution intermediaries to move the product from the company to the farmer who was the end user of their products. 20% of the organisations used four channel intermediaries before their products reached the farmer. One firm however hail two intermediaries making the only unique two-tier distribution system in the industry using exclusive distributors at the first level, who then sold and distributed wholesale to the retailing stockists countrywide. One other company had only one intermediary. This company dealt in specialised veterinary equipment that needed on-farm installation and user training, hence the limitation on the number of intermediaries that could be used.

However all the organisations cited the occasional emergence of sub-distributors who then lengthened the chain between the firm and the farmer. This was the case especially during the high season when demand was high and whenever there were sales promotions running.

4.5 Importance of channel intermediaries to corporate strategy

When asked about the importance of the channel intermediaries to the overall corporate and marketing strategy, 60% of the companies indicated that they were very important in availing products to customers and in geographical area coverage. The other 40% of the organisations concurred that their distribution intermediaries were an important aspect of the corporate strategy in that respect. 60% of the respondents rated the role of intermediaries in intensifying distribution as important, with 40% asserting it as very important

fable 4: Import.inn." of channel intermcdiari?*

	V-Important		Important		Not Important	
	No.	%	No.	%	No.	%
Avail products to	9	60%	6	40%	.	0%
Cover wide geographical area	9	60%	6	40%		0%

Grab competitor market share	7	47%	8	53%	-	0%
Intensify distribution	6	40%	9	60%	-	0%
Assist in promotion	4	27%	8	53%	3	20%
Reduce operating costs	3	20%	11	73%	1	7%
Match supply & demand	3	20%	12	80%	-	0%
Add value to products	3	20%	12	80%	-	0%
Augment credit management	1	7%	9	60%	5	33%

As depicted by the table above, channel members were also considered .is very important in shifting customers from competitors thereby increasing market share, by 47% of the respondents. Additionally, channel intermediaries were viewed by 80% of the organisations as important both in adding value to products, as well as in matching demand with supply.

20% of the respondents scored channel members as not important in assisting in promotional activities, although the majority thought that they were relatively important.

In spite of financial stability not being a basis for competitive advantage for many, most of those surveyed did not view channel intermediaries as very important in augmenting their organisation's credit management. 33% of them actually thought that the channel members were not key in credit management

4.6 Factors considered in selection of channel members

The organisations interviewed were asked to identify what factors they considered when selecting channel members.

As depicted in the table below, the size of the firm was considered as a very important factor by 87%, with the remaining 13% concurring that it is an important consideration.

Another very important factor that 80% companies considered in selecting channel members to distribute their products was profit margin requirements. The ability to maintain proper product image consistently was also highly rated by a majority of the respondents, while location, geographical coverage and the ability to meet targets were considered as relatively important.

Table 5. Fai lore considered in the selection of channel intermediaries

	Very important		Important		Somewhat important		Not important	
	No.	%	No.	%	No.	%	No.	%
Size of firm	13	87%	2	13%	-	0%	-	0%
Profit margin requirements	12	80%	2	13%	1	7%	·	0%
Maintains proper product image	10	67%	4	27%	1	7%	·	0%
Location	9	60%	6	40%	-	0%		0%
Ability to meet targets	9	60%	6	40%	-	0%	·	0%
Geographical area covered	8	53%	7	47%	-	0%	·	0%
Qualified staff	6	40%	8	53%	1	7%	·	0%
Cost advantages	4	27%	7	47%	3	20%	1	7%
Contractual efficiency	2	13%	8	53%	5	33%	·	0%
Exclusively stocks our products	1	7%	1	7%	-	0%	13	87%
Appearance of premises	-	0%	-	0%	2	13%	13	87%
Ability to execute _POS promotions	-	0%	2	13%	9	60%	4	27%
[Trustworthiness	1	7%	6	40%	7	53%	1	7%
Adherence to fegulations	1	7%	7	47%	7	47%		0%

40% of the interviewees asserted that qualified staff was very important with 53% concurring that it was an important factor. Contractual efficiency was viewed as important factor by 53% of the respondents with an additional 13% of them scoring it as a very important factor. This is consistent with the requirement for channel members to engage in converting customers from competitors, therefore their selling and negotiation skills are key in that respect

Only one firm considered the need for exclusive stocking of their brands as a important requirement, while appearance of premises and ability to execute point of sale promotions were scored as not important in selection of channel intermediaries bv majority of the respondents.

trustworthiness and adherence to regulations were also only somewhat important for a significant number of the organisations studied. 50% of the studied organisations expressed concern that the Lick of trustworthiness had resulted in the parallel importation of cheap products and counterfeit products by members of the trade channel.

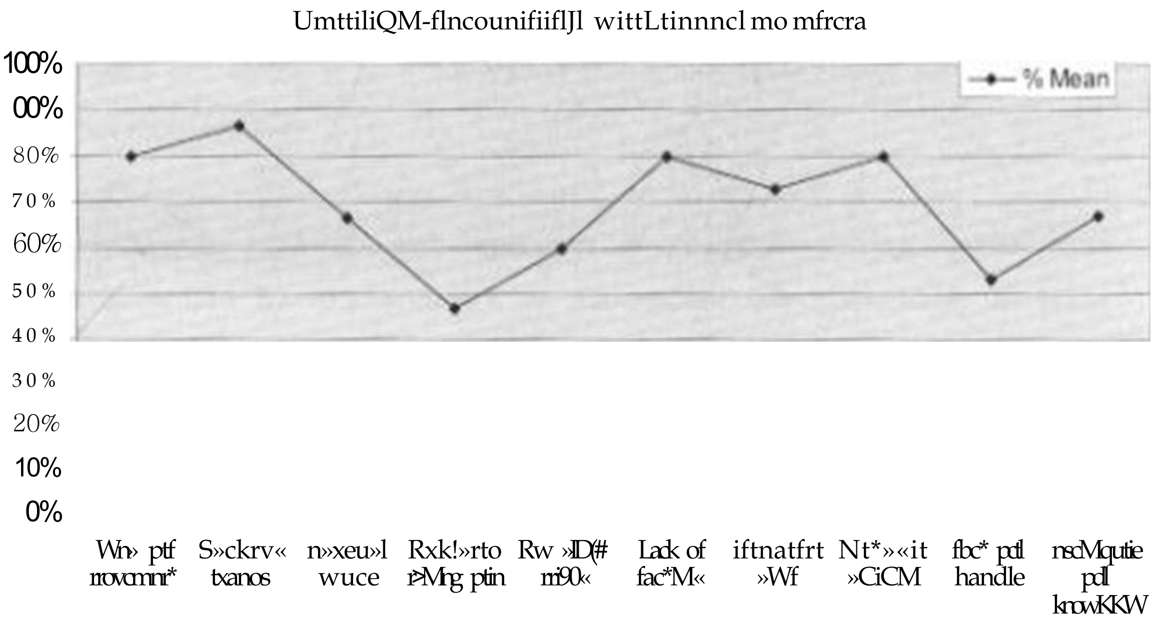
4.7 Limitations encountered with channel intermediaries

Generally most of the companies interviewed encountered similar problems with their distribution channel members. The most common limitation encountered, as cited by 87% of the respondents was that channel intermediaries always stocked rival products. 80% of the respondents also cited the failure of channel intermediaries, especially stockists, to adhere to recommended retail prices as a problem always encountered.

Another limitation cited as always encountered 1))' 80% of the organisations was lack °f facilities. Slow product movement was a problem also expenenced frequently by of the respondents At least 60% of the organisations also reported that the intermediaries' poor in-store imago and layout was a problem they faced more titan frequently.

73% of the organisations interviewed reported that unqualified distributor staff was an occasional problem, with poor product handling also occasionally experienced by 53% of the respondents. Poor customer service was reported as an occasional problem by 33% of the respondents, with 67% asserting that it was a problem rarely encountered.

Diagram 4: I-imitation* cncounlcfctl with rhiuincl InlcrmKlurici



Consequently, more than 80% of the companies placed high emphasis on the channel members in the areas of efficiency, ability to move volumes and customer relations, with only moderate emphasis being placed in the areas of brand specialization and sound credit management.

4.8 Factors considered in determining channel levels of distribution

Various factors were confirmed as important in influencing the selection of channel levels of distribution.

4.8.1 Market Factors

As shown by the table below, the most important market factors were buyers per region, scored by 91% and number of customers or market size, scored by 67% of the respondents as being very important determinants from a channel design stand point

More than 51% asserted that geographical dispersion was important, with 7% of the organisations perceiving it as a somewhat important determinant on how many channel levels to have.

Market behaviour and it's sub-dimension of customer buying habits were consistently scored by 73% and 67% of the respondents respectively as being important considerations in determining the channel levels of distribution

Table 6: Relative importance of Market Factors in determining channel levels of distribution

	Very Important	Important	Somewhat Important	Not Important
Buyers per region / area	93%	7%	0%	0%
Number of customers	67%	33%	0%	0%
Geographical dispersion	13%	53%	27%	7%
Market behaviour	7%	73%	13%	7%
Consumer buying habits	7%	67%	20%	7%

4.8.2 Product Factors

As depicted by the table below, the most important product factors were Perishability and technical specifications with 87% of the respondents scoring them as very important. I his is consistent with the nature of products that the companies trade in, and therefore the need for technical assistance to the end users at the point of purchase. Perishable products such as vaccines also need specialised cold chain storage throughout hence are an important factor in channel design consideration. Product bulk and weight were also considered as very important factors by more companies than after sales service and unit value.

Product handling costs and margin were considered to be at least an important consideration by 87% of the companies, which is consistent with the importance accorded to product bulk and weight as they would affect handling costs.

Table 7: Relative importance *of* Product Factor[1]; in determining channel levels of distribution

	Very Important	Important	Somewhat Important
Technical s|>ecifications	87%	13%	0%
Perishability	87%	13%	0%
Product bulk anil weight	67%	20%	13%
Handling costs and margin	60%	27%	13%
After sales service	27%	53%	20%
Unit value	0%	53%	47%

4.8.3 Company Factors

All the companies interviewed considered their financial capability as the most important company factor m determining the levels of distribution. 73% of the companies also asserted that the numl>er of facilities they owned was a very important factor, while a similar percentage considered the size of their sales force an impoitant consideration.

As depicted by the table Mow, 87% of veterinary manufacturing firms, reported that corporate objectives were an important determinant factor, while 7% thought it *'as only somewhat important.

Table 8: Relative importanceol Company I actors in determining channel levels ol distribution

	Very	Important	Somewhat Important
Financial capability	100%	0%	0%
Facilities owned	73%	20%	7%
Management expertise	53%	47%	0%
Size of sales force	20%	73%	7%
Corporate objectives	7%	87%	7%

4.8.4 Intermediary Factors

The most important factor identified by 87% of the respondents was the area covered by the intermediary, while 73% of the interviewees concurred that intermediary availability was a very important consideration. Distribution costs were also an important consideration to all the organisations studied.

I able 9: Relative importance of Intermediary lactors in determining channel levels of distribution

	Very Important	Important	Somewhat Important
Intermediary availability	73%	20%	7%
Area covered	87%	13%	0%
Services offered	33%	53%	13%
Distribution costs	60%	40%	0%

From the table above, 13% of the interviewees felt that services offered were only somewhat important, with 53% scoring it as an important factor in determination of channel levels of distribution.

4.8.5 Competitor Factors

Mt»st of the companies studied viewed competitor alliances and exclusivity arrangements as a very important factor influencing their channel design decisions, since channel members that were exclusively aligned to one competitor were not available to the others.

The geographical coverage of competitor distributors was also cited by 80% of the respondents as a very important consideration in determining the channel levels of distribution.

The size of competitor sales teams was also an important determinant according to all the companies studied. Competitor channel motivators wen- not as highly regarded as the competitor product offering, 93% stating that they were only a somewhat important factor.

The products offered were perceived as very important by 40% of the veterinary companies with another 53% concurring that they were an important factor. Of concern was the ease of entry of low cost products and the resultant effect on channel strategy, since they had low margins and often competed through price promotions.

Table 10: Relative importance ol Competitor l-'actors in determining channel levels of distribution

	Very Important	Important	Somewhat Important
Alliances / exclusivity arrangements	87%	13%	0%
Geographical coverage	80%	20%	0%
Size of sales force	73%	27%	0%
Products offered	40%	53%	7%
Channel motivators	0%	7%	93%

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a summary of the findings of the study, implications and recommendations.

5.1 Summary

The objective of the study was to determine the factors that veterinary manufacturing firms in Kenya considered when determining the channel levels of distribution. The five major factors that influence the selection of channel levels of distribution as extracted from literature were market factors, product factors, company factors, intermediary factors and competitor factors.

The study established that for most Kenyan veterinary companies distribution was neither perceived as one of the most important elements of the marketing mix, nor as a highly likely source of competitive advantage. Instead, the most important elements of marketing mix were the product and promotion, with the most likely sources of competitive advantage being superior products, innovation and improvement, and advertising and promotion.

The study also determined that all the veterinary manufacturing companies in Kenya used independent channel intermediaries to get their product to the end user. None of them owned its distribution intermediaries but instead used stockists, established wholesalers, specialized wholesalers and contracted distributors as their companies' distribution intermediaries. In some instances however, the companies did some direct distribution to large farms with no trade intermediary, due to Tricing and margin considerations, as well as to keep a tighter control on their key accounts.

The importance of the channel intermediaries in the overall corporate and marketing teg)- of Kenyan veterinary companies was seen as mainly to avail products to customers, to cover a wide geographical area and to intensify distribution. They were also viewed by a significant number of the veterinary organisations in Kenya as playing an important role in market share growth and cost control

The most important factors that veterinary companies in Kenya considered in selecting channel members to distribute their products were location, size of firm, ability to meet targets, ability to maintain proper product image consistently and profit margin requirements. In what could seem like a departure from conventional marketing expectation, the interior decor or appearance of distributor/retail premises was not considered .is an important factor in selection of channel members, neither was their ability to execute point of sale promotions.

In spite of Kenyan veterinary firms not requiring channel members to exclusively stock their products, one of the most common limitations they encountered was the stocking ol rival products, coupled with the failure of channel intermediaries to adhere to recommended retail prices. Lack of facilities was also a prevalent limitation, as most channel members did not have adequate facilities such as computers for easy record keeping, refrigerators for cold storage of vaccines and vehicles for distribution of products. Poor customer service and unqualified distributor staff were some of the problems occasionally encountered, which was consistent with the finding that most organisations considered qualified staff an important factor in selection of intermediaries. Consequently the emphasis that Kenyan veterinary companies placed on their channel members was for higher efficiency, ability to move volumes and better customer relations.

Various factors were found to influence selection of channel levels of distribution by Kenyan veterinary companies. The most important were market size and density; geographical dispersion was therefore an important factor. In concordance with Seasonality of the veterinary products, market and customer behaviour were also important determining factors of channel levels of distribution. Similarly technical product specifications, perishability, product bulk, and weight were key Considerations in determining channel levels of distribution

The most important company factor was financial capability. A more financially stable firm could support a larger distribution network and sales team, as well .is offer better trading terms to channel members than its rival. Although corporate objectives were important for most companies in the determination of channel levels of distribution, management expertise was nonetheless viewed as being slightly more important.

The availability of intermediaries, their areas of coverage and distribution costs constitute very important factors in the determination of clunnel levels. I his was consistent with the company's requirement during selection of intermediaries for them to intensify distribution and to offer cost advantages.

Predictably, most organisations perceived the presence of competition and their activities in the market place as having very important implications in their determination of channel levels of distribution. The competitor's distribution system in terms of alliances with the trade channel members, the geographical coverage, distribution intensity and the size of their sales teams were all key considerations. Fhe competitor product offering was also an important determinant factor in the channel levels that a firm would have. Most respondents cited the high influx of parity products with no distinctive value proposition, which has led to commoditisation of products that should otherwise be technical products.

5.2 Implications of The Study and Recommendations

The results of this study will be useful to various veterinary industry stakeholders

The findings of the study reveal that the veterinary firms in Kenya an- fairly young and are mainly locally owned. I'lus means that they have the ability to understand changes in the industry and respond relatively easily and quickly, as there would be no consultation with a parent office abroad.

Most of the companies do not perceive distribution as a strong basis for competitiveness However according to Rosenbloom (19W) distribution channel strategy offers the greatest potential, than the other elements of the marketing nux, for gaming a competitive advantage in the long run. Animal health companies in Kenya may use the results of this study in designing of distribution channel strategy to achieve a competitive advantage. They may also adopt its recommendations to enhance fair-play and integrity in the industry, by perhaps instituting a code of conduct for the channel members in order to deal with the problem of contraband and counterfeit products.

It is evident from the study that service delivery by the channel intermediaries is not emphasised upon. The high prevalence of unqualified staff and poor customer service is a pointer of poor service delivery to the end user. The veterinary firms in Kenya need to develop practical approaches aimed at engaging theu channel partners more closely either through training in product knowledge, customer service and sales to enhance efficiency and performance.

They could also commission a syndicated study to collect industry data, such as market size and market potential, which is currently not available. The information may assist in setting out channel strategies and assist in design of distribution channels by the marketers and sales representatives to improve their relationship with channel members, for the benefit of the end user. The veterinary companies may also use (his market information to enhance flexibility in their distribution approach. One channel design may not be appropriate for all markets, for instant e, although both North Eastern Province and Central Provinces have livestock farmers, their needs and accessibility are expected to be completely different. Customer focus in channel design and selection of channel levels is of therefore of utmost importance.

Distributors and retailers of veterinary products may benefit from the findings of this study by knowing how factors influencing channel levels of distribution impact on their interests. A clear understanding of their roles as part of a service network will result in a positive paradigm shift and lead to collaborative effort between them and the manufacturers to improve service delivery to the end user.

Government agencies and industry regulators such as the Pharmacy and Poisons Hoard and the Pest Control Products Board may find the information useful in formulation of policy and a regulatory framework for the industry. Several months back the Director of Veterinary Services issued a directive that has since been quashed, that all veterinary retail outlets should be manned by qualified personnel, either a veterinary doctor or an animal health assistant l"he reinstatement and enforcing of such policies would be instrumental in enhancing farmer education on product usage to avert loss of livestock due to product misuse (KTN Prime News, 12th July 20W).

This study may also be useful to researchers and scholars who will undertake further studies in a related field.

5.3 Recommendations for Further Research

Since tins is a relatively new area of study the report recommends more research in this field so as to build more data that may be useful to Kenyan veterinary companies in development of their future marketing strategies.

With the ongoing economic integration of the Eastern African countries as well as emergent business opportunities in South Sudan and Rwanda among other regional markets, it will be necessary for a study to be carried out on how Kenyan veterinary firms can adapt their distributions strategies to grasp these opportunities.

Of importance also are future developments and trends in global marketing channels According to Roscnbloom (1999), the structure of electronic marketing channels and their overall role in the distribution of goods and services will t lunge and evolve due to the benefits of convenience, choice, cost and fun offered. ITie advent of electronic marketing channels will essentially sound a death knell for middlemen. The impact of the ^commerce on the channel decisions in the veterinary industry will need to be studied.

Jonathan Weeks (1977) opined that any given product distribution strategy, carefully diought out, wholeheartedly accepted, honestly implemented, thoroughly debugged and scrupulously maintained, will be hopelessly inappropriate five years later In time, a study will therefore need to be done to ascertain whether the findings of this study are still valid.

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QUESTIONNAIRE

SECTION 1

1. Name of company

2. Name of respondent

3. Position in company

4. Age of company (Tick as appropriate)

Less than 1 year	[ ]
5 - 9 years	[ ]
10 - 14 years	[ ]
15 - 19 years	[ ]
20 - 24 years	[ ]
Over 25 years	[ ]

5 Nature of business

- Manufacturer
- Franchise holder
- Agent
- Importer

6. Main product categories

i)

ii)

iii)

iv)

SECTION 2

I. Describe the relative importance of the elements of the marketing mix to your company

		Very Important	Important	Somewhat Important	Not Important	Not Important at all
1	Product					
2	Promotion					
3	Price					
4	Place / Distribution					

2. What in your view is the most likely source of competitive advantage for your company?

		Highly likely	Likely	Unlikely	Highly unlikely
1	Superior products				
2	Innovation and improvement				
3	Large capital base				
4	Advertising and promotion				
5	Large sales force				
6	Effective distribution strategy				
7	Geographical area covered				
8	Market share held				
9	Sound financial management				
10	Corporate governance				
	Other* (ptcmr «p«lfy)				

3. In your view, what is the importance of channel interm,.^^^ ^ company's over.ill corporate and marketing strategy? Plea$Q jnjjt-llc on A scale of 1 to 5 by marking (\) the appropriate box below.

		Very important 5	Important 4	Somewhat Important 3	No* %ortant 2	Not Important at all %
I	Avail products to customers					
2	Reduce operating costs					
	Match supply and demand					
4	Add value to products					
	Cover wide geographical area					
6	Take up competitor market share					
7	Intensify distribution					
8	Assist in promotion					
V	Augment credit management					

4. I low many distribution intermediaries do you have?

- None
- One
- Two
- Three
- Four
- More

5. What is the nature of your company's distribution intermediaries

- Own operated (company owns and operates outlets)
- Contracted distributors
- Specialized wholesalers/Established distributors
- Stockists

SECTION 3

1. What factors do you consider in selecting channel members to distribute your company's pnxlucts? Please indicate in the order of importance as provided below.

		Very important 5	Important 4	Somewhat Important 3	Not Important 2	Not Important al all I
1	Location					
2	Cost advantages					
3	Size of firm					
4	Qualified staff					
5	Appearance of premises					
6	Interior decorum					
7	Ability to meet targets					
H	Geographical area covered					
9	Contractual efficiency					
10	Ability to execute point of sale promotions and merchandising					
11	[Ability to maintain proper product image consistently					
12	Trustworthiness					
13	Exclusively stocks our products					
14	Adherence to regulations					
15	Profit margin requirements					
	Oihcf (pie*w specify)					

2. What are the limitations that you encounter with your current channel intermediaries? Please indicate as appropriate:

		Never	Rarely	Occasionally	frequently	Always
1	Slow product movement					
2	Stocking rival brands					
3	Poor customer service					
4	Inability to tit into marketing plan					
5	Poor image (premises, store layout)					
6	Lack of facilities					
7	Unqualified staff					
8	l ailure to adhere to recommended retail prices					
9	Poor product handling					
10	Inadequate/ low product knowledge					
	Other (plrav specify)					

3. On what area do you place emphasis on your channel members?

		Not at all	Minimal	Moderate	HiRh	Very hiRh
1	Specialization on our brands					
2	Customer relations					
3	Efficiency					
4	Sound credit management					
5	Ability to move volumes					
	Other (pkav^xxilv)					

4. Please indicate the relative importance of the following factors in influencing the selection of channel levels of distribution/number of intermediaries in your company

4.1 Market factors

		Very important 5	Important 4	Somewhat Important 3	Not Important 2	Not Important at all 1
	Geographical dispersion					
	Market behaviour					
	Number of customers					
	Uuvers per region / area					
	Consumer buying habits					
	Other (j»h\»M- vpcrUy)					

4.21'roduct factors

		Very important 5	Important 4	Somewhat Important 3	Not Important 2	Not Important at all 1
–	Product bulk & weight					
	Perishability					
	Unit value					
	After sales service					
	Handling costs & margin					
	Technical specifications					
	Other (pteasc spcrify)					

4.3 Company factors

		Very important s	Important 4	Somewhat Important 3	Nol Import ant 2	Nol Important at all 1
	Financial capability					
	Management expertise					
	Size of sales force					
	f acilities owned					
	Corporate objectives					
	OOirr (plruw ipei ify)					

		Very important 5	Important 4	Somewhat Important 3	Not Important 2	Not Important at all 1
	Intermediary availability					
	Area covered					
	Services offered					
	Distribution costs					
	Other (please >prt tfy)					

4.5 Competitor factors

		Very important 5	Important 4	Somewhat Important 3	Not Important 2	Not Important at all 1
	Products offered					
	Alliances/ exclusiv ity arrangements					
	Geographical coverage					
	Size of sales force					
	Channel motivators					
	Other (please tpet'rfy)					

Thank you for your cooperation

LETTER Of INTRODUCTION

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

P.O. BOX 30197

NAIROBI

14'" Aug 2006

Dear respondent

I am a post graduate student in the school of business. University of Nairobi conducting a management research project on factors that companies in the veterinary industry consider in selecting channel levels of distribution. This is in partial fulfillment of the requirements for Master of Business Administration degree.

Kindly fill the attached questionnaire to the best of your knowledge. The information you give is needed purely for academic research and will be treated with strict confidence. A copy of the final report can be made available to you on request.

Your assistance will be highly appreciated. Thank you in advance

Yours faithfulh

Catherine Mwangi	Tom Mutugu
MBA Student	Supervisor