DISTRIBUTION STRATEGIES ADOPTED BY WINES AND ALCOHOLIC SPIRITS MANUFACTURERS AND IMPORTERS IN NAIROBI, KENYA

BY

JOSEPH ERIC OWUOR

A management research report submitted in partial fulfillment of the requirements for the award of Master of Business Administration (MBA) degree, school of business, University of Nairobi

NOVEMBER 2008
DECLARATION

I declare that this research project is my own original work and has not been presented for an award of any degree in any university.

Signed: ___________________________  Date ____________

Joseph Eric Owuor (D61/P/7056/04)

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

Signature: ___________________________  Date 10th Nov 2008

Dr. Justus Munyoki
Lecturer, Department of Business Administration
University of Nairobi
DEDICATION

This research project is dedicated to my loving mother, Mrs. Rufina Ayuma for the support, prayers and encouragements and to my wife and friend Florence Machio for her love and unfailling support.
ACKNOWLEDGEMENT

It has been a long journey that would have been difficult and even impossible without God's mercies and blessings.

Special thanks to my supervisor Dr. Justus Munynki for the constant encouragement, guidance and challenging insight that contributed to the shaping of this project right from the research proposal.

I further extend my appreciation to all the respondents for their co-operation, understanding and assistance in filling in the questionnaires. Finally, I thank Mr. Kennedy for the research assistance he has given me in the writing of this project.

To all I say thank you, and may God bless you.
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The objective of the study was to establish the distribution strategies adopted by wines and alcoholic wines manufacturers and importers in Nairobi and then to determine the factors influencing the choice of distribution strategies adopted by wine and alcoholic spirit manufacturers and importers in Nairobi.

To satisfy the research objective, the researcher used a descriptive survey comprising of all the wines and spirits manufacturing and importing companies. This was due to the fact that the industry had only 32 industries as at 31st December 2007. Primary data was collected using semi-structured questionnaires. Respondents were selected from the marketing departments of the wines and spirits manufacturing industries. Data was then analyzed using descriptive statistics and presentations done in tables, pie charts and graphs.

The study established that the wines and alcoholic manufacturing and importing companies used a mixture of various distribution strategies to sell their products. They sold their products to wholesalers who then sold them to the retailers. The study also established that the respondent companies sold directly to retailers. The companies used to a large extent distributors who sold different products as was indicated by 70 percent of the respondents.

Even though the companies used various distribution strategies, they did not use them exhaustively. The researcher therefore recommends that the manufacturers and importers of wine and alcoholic spirits should diversify their distribution strategies. For instance by franchising, the organizations are assured of effective distribution of their products as what they could not do as a single entity is possible when they come together.
1.1 Background

The World Wine and Spirits trade has undergone the most radical change since the 1970s. Massive structural adjustments have taken place in the industry. New protagonists have helped to push market boundaries ever further a field in a world that has become a smaller place Spahni (2000). Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Liberalization and globalization has further aggravated the competitive atmosphere by introducing global players and a variety of products in the market. Kotler (2001) observes that the demographic, economic, natural, technological, political-legal and socio cultural environment have been changing at an accelerated rate. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies. Pezzullo (1998) notes that competition has called for companies to come up with strategies that not only defend their market share but to also make them stand out from the competition.

If customers are to be provided with good services, companies need to select and effectively manage their distribution strategies. A review of the trade and popular management press confirmed the importance of good distribution strategy (Fites, 1996). Assael (1993) defines distribution system as a group of independent business composed of manufacturers, wholesalers and retailers designed to deliver the right set of products to consumers at the right place and time. Cravens, Hills and Woodruff (1996), view distribution to have two major components, the distribution channels and physical distribution.

Distribution system is a key external resource, which normally takes years to build, and it is not easily changed (Kotler, 2001). Kotler (2000) observes that distribution ranks in importance with key internal resources such as manufacturing, research, engineering and field sales personnel and facilities. McCarthy et. al (1990) admits that offering customers a good product at a reasonable price is important in achieving successful marketing
strategy, but this is not enough. managers must also think about place, making products available, in the right quantities and location when customers need them hence the importance of distribution. The movement of goods and services to points where they are actually required is an important aspect of an economic system of a country and of an organization.

1.1.1 Distribution strategies

The concept of strategy has grown in importance among management scholars and practitioners since 1950s. The importance of this concept has been underscored by various leading management scholars and practitioners such as Porter (1980), Ansoff (1987), and Harvey-Jones (1987). According to Glueck (1984), strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through proper implementation process.

Distribution plays an important role of availing goods and services to consumers where and when they need the products and services, therefore distribution function is critical and contributes towards the overall success of the firm and the development of a country. As competition becomes fierce, the fight for marketing channels such as retailers and wholesalers by Wine and Spirits importers and manufacturers is increasingly becoming intense (Majumdar, 1996). It is therefore important for any organization that wants to succeed in the market place to come up with appropriate distribution strategies that help them achieve their marketing and overall objectives Needham et. al (1999).

The new and growing possibilities which the internet offers for business are introducing important changes in distribution strategies (Webb, 2002). As a result, many organizations are increasingly considering the options provided by new technologies when they design distribution strategies (Gorsch, 2001). Specifically, a significant number of organizations have undertaken the strategic reorientation of their distribution activities (Rauer et al., 2002).
1.1.2 Wines and alcoholic spirits industry in Kenya

Wine can be defined as the alcoholic fermented juice of fresh grapes used as a beverage. On the other hand, spirit is the intoxicating agent in fermented and distilled liquors; used pure or denatured as a solvent or in medicines and colognes and cleaning solutions and rocket fuel; proposed as a renewable clean-burning additive to gasoline. Between 1990 and 2001, the new world combine share of world Wine exports grew from 4 to 18 per cent. Economists from each major wine producing and consuming regions of the world analyse recent developments and future trends, and conclude that globalization of the industry is set to continue for the foreseeable future (Anderson, 2001).

Kenya is primarily known for beer production by East African Breweries Limited and, to a lesser degree, South African Breweries Plc, although the latter pulled out of the Kenyan market in 2001. The production of wine and spirits, on the other hand, only began to develop during the review period with the launch of local fortified wine by Keroche Industries and Ederman Kenya Limited. The wine and spirit industry in Kenya is made up of few formal players (See the appendix 3)

A look at production and consumption per capita for beer reveals trends similar to those of total production and consumption. Production per capita peaked at over 10 litres in 1997, but declined consistently to just above 8 litres in 2003. This period marked a shift from a specific to an ad valorem tax regime. Consumption per capita was higher during the specific tax regime, mainly because this is considered to be independent of demand variations.

1.2 Statement of the problem

As competition in the local and global arena becomes intense, alcoholic drinks manufacturers and importers which include manufacturers and importers of Wines and Spirits need to defend their market share more than ever. This is because the role of alcohol in diseases such as cancer, heart disease and the increasing number of binge drinkers gets constant media attention. In Kenya, the mounting pressure on the advertising of alcoholic beverages has even made things worse for the industry players. One of the areas the Wines and Spirit manufacturers have to greatly improve on is
marketing of their products. This calls for more aggressive application of the marketing mix to be able to achieve the marketing objectives of the firms in this industry. The marketing mix is made up of the product, place, promotion and price. According to Kotler and Roberto (2002), place is where and when the target market will perform the desired behaviour, acquire true tangible object and receive any associated service. If the Wines and Spirit manufacturers and importers in Kenya have to survive in an increasingly competitive environment, they have to redesign marketing strategies that are tailored to the needs of the customers and offer superior value. This would involve among others developing distribution strategies that would ensure they reach customers at the time, place and form required (Needham et. al. 1999).

Studies on distribution strategies by Muiruri (1989), Chepkoit (1992), Odondi (2001) and Alumula (2004), Oluoch (2007) focused on the physical distribution problems facing Nairobi city open air vegetable and fruit sellers, distribution of Sugar by Kenya National Trading Corporation, physical distribution strategies and the firms' sales performance, a case of dairy processing firms in Nairobi, distribution strategies used by health management organizations in Kenya and distribution strategies pursued by food manufacturing companies in Nairobi respectively. In his study, Chepkoit (1992) found that there was an imbalance in the way sugar is being distributed within the rural and urban areas. Odondi (2001) concluded in her study that distribution strategies do affect sales and market share performance of dairy processors. According to Alumula (2004), Health Management Organizations were using various distribution strategies to reach their target market. Oluoch (2007) found out that food manufacturing firms pursue several distribution strategies which include distribution scope, intensity of distribution, different channel structure and multi-channels. Franchising is the least used distribution strategy. Even though the above studies have importance contributions in the field of distribution, the findings of these studies cannot be applied to Wine and Spirit manufacturing and importing firms in Kenya because of different industry settings and study themes.
Due to lack of study focusing on this industry, it is not known as to which distribution strategies have been adopted by food processing firms. An information gap therefore exists and this study therefore seeks to bridge the missing information gap by providing responses to the following research questions:

i. Which distribution strategies have Wine and alcoholic spirits manufacturers and importers in Nairobi adopted?

ii. Which factors influence the choice of distribution strategies adopted by Wine and alcoholic Spirit manufacturers and importers in Nairobi?

1.3 Objective of the study

The objectives of this study were to;

i. Establish the distribution strategies adopted by Wine and alcoholic spirits manufacturers and importers in Nairobi, Kenya.

ii. Determine factors influencing the choice of distribution strategies adopted by Wine and alcoholic spirit manufacturers and importers in Nairobi, Kenya.

1.4 Importance of the study

The study is expected to be beneficial to the following:

i. Wines and alcoholic spirit manufacturers and importers. Effective and efficient distribution will help lower their distribution cost and meet the customer’s expectations; it will also lower the cost of company products in the market hence stimulating consumption of company products which promotes market share growth and profitability.
ii. Other manufacturers and importers. Insight into the findings of this study will provide tips on which distribution strategies are appropriate in helping them achieve their marketing objectives.

iii. The scholars. The study will shed light and add knowledge to the concept and practice of distribution in Kenya. It will also act as a source of reference for future researchers.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
The researcher will cover this chapter by reviewing the views of other people concerning the distribution strategies adopted by wines and alcoholic spirit manufacturers and imports under the following sub headings: the concept of distribution; distribution strategies and the chapter summary.

2.2 The concept of distribution
Historically, physical distribution systems have been designed to position inventories forward within the channel in anticipation of future sales. Channel members' attempts to change the form of goods and shift those goods forward at the earliest possible time in order to transfer risk to other channel institutions and ensure availability of products. Holding inventories at various channel levels permits economies of scale in manufacturing and reduces the cost of sorting and transportation and limits the loss of consumer goodwill due to stock outs (McGinnis and Kohn, 1990).

Assael (1993) defines distribution system as a group of independent business composed of manufacturers, wholesalers and retailers designed to deliver the right set of products to consumers at the right place and time. Cravens, Hills and Woodruff (1996), view distribution to have two major components, the distribution channels and physical distribution. According to Needham et. al (1999), distribution is the process of making goods and services available to those who wants to buy them. Rosenbloom (1995) views distribution to be divided into channel strategy component and logistics management component which are closely related and work together to achieve objectives. Distribution is the process of managing the product from the producer to the consumer/user (Dibb and Simkin, 2001).

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to a retailer rather, than a supplier-driven distribution system began to evolve. Macro environmental factors, such as the massive increases in transport costs because of energy crises and high interest rates forced British companies to reassess their distribution policies. At the same time, a gradual shift in power within marketing channels was becoming evident, retailers begun to take responsibility for many aspects of product policy, the creation of store rather than a brand loyalty became a feature in the 1980s (McKinnon, 1991). Many of these changes in the market place have heralded advances in distribution support to stores with a shift from supplier-controlled to retailer-controlled distributed network all over the world (Fernie and McKinnon, 1991).

2.3 Distribution strategies
Randall (1994) argues that every manufacturer needs a way of getting his or her products to the consumer. He observes that distribution process is essential and must be planned and managed. Needham et. al (1999) recommends that organizations come up with several distribution strategies, these strategies should address levels of channels, distribution scope, multiple channels, franchises and channel control strategies among others to be able to achieve their marketing objectives.

2.3.1 Distribution channels
Assael (1993) defines channels of distribution as the networks through which marketing organizations reach their customers. He compares distribution process to a pipeline or channel because it represents a series of flow. According to Stanton et. al (1994), distribution channel can be defined as a set of people and firms involved in the transfer of the title to a products as the product moves from producer to ultimate consumers or business users. Rosenbloom (1995) defines marketing channel as the external contractual organizations that management operate to achieve its distribution objectives. Cravens, Hills and Woodruff (1996) defined channels of distribution as an organizations network of agencies and institutions which in combination, perform all the activities required to link producers with users and users with producers to accomplish the marketing task. A channel of distribution can further be defined as a chain of market intermediaries or middlemen used by a producer or marketer to make products and services available when
and where consumers or users want them, it is thus a route followed by a product as it moves from the producer to the user (Kibera and Waruingi, 1998). Rosenbloom (1998) argues that channel strategy is concerned with the entire process of setting up and operating the contractual organization that is responsible for meeting the firms' distribution objectives. He pointed out that channel strategy must always be formulated before logistics management can be considered.

One of the main tasks of marketers is to distribute their products to their customers, these calls for selection of an appropriate channel of distribution that ensures that targeted customers readily obtain the products or services they need. Marketing channels exists outside the firm, they are organizations involved in negotiating functions as a product or service moves from the producer to its ultimate user. Negotiatory functions consist of buying, selling and transferring title to products or services. Organizations management must be involved in the affairs of the channel to be able to realize distributions objectives. Distribution channels are among the most critical decisions facing management today. This is because the battle for the customer has been taken to the shopping floor, the company's chosen channels ultimately affects the marketing decision (Kotler, 1997). According to Mc Cathy and William (1991), place decisions have long-run effects; they are harder to change than product, price and promotion decisions. Several channel strategies are available to the manufacturer; some of these are discussed in the following paragraphs.

2.3.1.1 Channel level strategies

Distribution involves the use of market intermediaries or middlemen to make products and services available where and when consumers need and want them. The intermediaries include agents, wholesalers, large scale retailers, retailers and brokers. The number of intermediaries used determines the channel levels. Needham et. al (1995) observe that distribution may involve a single step or any number of steps. The chosen step varies according to whether the organization is dealing with consumer or organizational goods (Brassington and Pettitt, 1997). Needham et. al (1995) identified the levels of distributions discussed in the following paragraphs.
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Zero-level channel: This is where there are no intermediaries, Needham et al (1995). The main factors influencing the choice of channel level are the nature of products and the organization's desire to have total control of the channels of distribution, Needham et al. (1995). Selling is done directly from the producer to the consumer, it is also called direct marketing, Needham et al (1995). Stanton (1994) argues that producers can sell using e-mail under this arrangement. Brassington and Pettitt (1997) observe that producers may use door-to-door selling. Kibera and Waniinge (1998) observe that under zero channels, producers open up their own retailing outlets where consumers buy the merchandise.

Single level channel: This is where the manufacturer uses one intermediary, Needham et al (1995). Stanton et al (1994) observe that most agricultural producers use this channel level to a great extent. Brassington and Pettitt (1997) observe that large retailers buy directly from manufacturers. Factors influencing the choice of level of channel are the nature of the products for instance fresh agricultural products cannot withstand long channels of distribution, the desire to maintain image is also a contributing factor (Kotler, 2001). Muiruri (1989) found in his study that open-air market is a major single level channel that vegetables and fruits reach city consumers.

Two level channel: This is where there are two middlemen, Kibera and Waniinge (1998). Stanton et al (1998) observe that this is the traditional channel for consumer goods. Needham et al (1995) observe that two level channel are still common in consumer markets since many retailers are not sufficiently large and do not have purchasing power to buy directly from the manufacturer. The nature of products is an important factor in the choice of this channel level, convenience goods are mostly distributed using this channel level (Kibera and Waniinge, 1998).

Three level channels: Brassington and Pettitt (1997) observe that the three level channel is the largest and most indirect channel. Kibera and Waniinge (1998) argue that this level carries the agent, wholesaler, retailer and consumer and tend to be dominant in international transactions.
2.3.1.2 Distribution scope strategy

In order to define the scope of distribution to pursue, marketers must define the target customers they want to reach with the product. According to Peter and Donnelly (1992), there are many alternatives as far as distribution scope is concerned. These strategies include intensive distribution, selective distribution and exclusive distribution.

**Intensive distribution:** This where the manufacturer attempts to gain exposure through as many wholesalers and retailers as possible. The main factor choice of this strategy is the nature of good or service (Kotler, 1997). Most convenience goods require intensive distribution based on the characteristics of the product, needs and the expectations of the buyer, Peter and Donnelly (1992). According to Brassington and Pettitt (1997), no interested intermediary is barred from stocking a product under intensive distribution. Kibera and Waruingi (1998) observe that manufacturers of convenience goods find it more profitable to follow intensive distribution. Needham et. al (1999) see intensive distribution as effective saturation of the market. According to Adcock et. al (2001), intensive distribution involves maximizing the number of outlets where a product is available.

**Selective distribution:** Under this arrangement, the manufacturer limits the use of intermediaries to the ones believed to be the best available. This may be based in the services available in the intermediary such as sales capacity, reputation and general management of the intermediary. Thus certain qualities of appliances, home furnishings and better clothing are usually distributed selectively. For appliances, the intermediary's service organization could be a factor, while for better clothing and home furnishings, the intermediary's reputation would be an important consideration, Peter and Donnelly (1992). Kibera and Waruingi (1998) observe that if some outlets of low reputation are allowed to carry a brand, prestige of that brand may be lowered. Therefore manufacturers of shopping and specially goods follow some distribution policy in order to maintain the prestige attached to the products and where the products are purchased from. Adcock et. al (2001) observe that selective distribution is used where the choice of
outlets or service offered is specifically relevant to the buying situation. Needham et. al (1999) argues that selective distribution helps the organization protect its image and to create better relationship with channel members so that it can exercise more control to the distribution process. Brassington and Pettitt (1997) argue that selective distribution are often found with shopping products where the consumer may be more willing to search for the most appropriate product and then undertake a detailed comparison of alternatives.

**Exclusive distribution:** Under exclusive arrangement, only one outlet is licensed to sell the product within a defined geographic area. Stanton et. al (1994) argue that producers often adopt an exclusive distribution strategy when it is essential that the retailer carry a large inventory. Adcock et. al (2001) observe that exclusive distributions receive the benefit of exclusivity that reduces competition. Needham et. al (1999) observe that though some market coverage may be lost by exclusivity of such an arrangement, the image and prestige of the product is maintained. Retail paint stores are an example of such distribution arrangement (Peter and Donnelly. 1992). Kibera and Warningi (1998) observe that the rationale behind exclusive distribution is that specialization in one line may greatly increase sales and profits, particularly if a premium price is obtained through exclusive distribution. Retail selling strategy typically used by manufacturers of high-priced, generally upscale merchandise, such as cars or jewelry, whereby manufacturers grant certain dealers exclusive territorial rights to sell the product. The retailer benefits from the lack of competition, and the manufacturer benefits from a greater sales commitment on the part of the retailer. Additionally, exclusive distribution gives the manufacturer greater control over the way the product is merchandised.

**2.3.1.3 Multiple Channel Strategy**

Multiple channel strategy is where two or more different channels are employed at the same time in distribution of goods and services, companies sometimes use dual or even several channels to achieve effective distribution, pride and Ferrell (1982). In some situations, producers use dual distribution, an arrangement whereby a firm reaches different buyers by employing two or more different types of channels for the same basic
product. Benkowitz (1989). Needham et al (1999) identify two types of multi-channels as complementary and competitive. Complementary channels are those which deals with complementary products while competitive are those which deal with similar products at the same channel level. Adcock et al (2001) argue that there is no reason why a producer should stay with single channel where different levels can be mixed at the same time to achieve marketing objectives.

An enterprise may have both industrial and consumer channel arrangements. For example, automobile brake fluid is sold both to consumers as an additive to the brake system and to industrial customers that manufacture and repair brake systems. According to Kotler (1997), multiple channel marketing occurs when a single firm uses two or more marketing channels to reach one or more consumer segments. By adding more channels, companies can gain three important benefits. The first is increased market coverage, the second is lower channel cost and the third is more customized selling (Kotler, 1997). Kotler and Armstrong (2001) refers to multiple channel strategy as hybrid strategy and they view it as a multi-channel distribution system in which a single firm sets up two or more marketing channels to reach one or more customer segments.

2.3.1.4 Channel control strategy

One of the important factors to be considered by marketers is the degree of control desired over the marketing of the firm’s products, Peter and Donnelly (1992). Some manufacturers prefer to keep as much control as possible over the policies surrounding their product. Ordinarily, the degree of control achieved by the seller is proportionate to the directness of the channel. A company whose market is concentrated geographically may for instance own its own fleet of trucks and operate a wholly owned delivery system. When more indirect controls are used, the manufacturer must surrender some control over the marketing of the firm’s product. However attempts are commonly made to maintain a degree of control through some other indirect means, such as sharing promotional expenditures, providing sales training, or other operational aids, such as accounting systems, inventory systems, or marketing research data on the dealers trading area.
According to Baker (1992), members of a distribution channel are autonomous and independent organizations which are pursuing their own individual objectives. Where these objectives are not congruent, a channel system can be conceived as a competitive unit in and of itself. Peter and Donnelly (1992). To avoid this kind of conflict, channel members superimpose their goods over other members and assume control over the channel. Baker (1992). The success that a product has is determined largely by the effectiveness and efficiency by which human, material, and monetary resources have been mobilized through out the entire inter firm network, Peter and Donnelly (1992). Baker (1992) observes that in many cases competition between members lead to inefficiencies and lost profit opportunities. To avoid this, an alternate, more co-operative form of organization emerged in recent years and has been designated the vertical market system (VMS).

A Vertical Market System is a marketing channel which has achieved some degree of vertical integration involving some central control of Operational practices and programmes, Baker (1990). Nylen (1990) elaborates on this definition by suggesting that VMS differ from conventional channels in four important respects; VMS use centrally prepared Marketing Programs; whether or not the members of a VMS are independent of each other, their activities are directed by this central program; in VMS marketing functions are assigned to units on the basis of efficiency and effectiveness rather than on the basis of traditional roles and precedent;- the members of VMS accept closer control than is usual in a Conventional Channel, the result that VMS’s tend to be more stable. There are three main types of VMS, these are administered, Contractual and Corporate. According to Kotler and Armstrong (2001), VMS is a distribution channel structure in which producers, wholesalers and retailers act as a unified system. These are discussed here below:

Corporate VMS exist where a firm integrates vertically, either backwards or forward, and so becomes responsible for the product/service from its initial Conceptualization/production right through to its consumption and after-sale Service, Nylen (1990). Kotler
and Armstrong (2001) views corporate VMS as a marketing system that combines successive stages of production and distribution under single ownership. i.e. channel leadership is established through ownership.

Administered VMS is a Vertical Marketing System that coordinates successive stages of production and distribution, not through common ownership or contractual ties but through the size and power of one of the parties (Kotler and Armstrong, 2001). Under this system, a channel leader has sufficient power to persuade the other members of the benefit of the corporation. In order to enjoy this power, the leader will normally be the organization which enjoys the strongest customer franchise. For most food products this now means the major multiples will set the lead channels which involve the smaller retailer chains and independents. Either way the leader of an administered VMS will be expected to spell out the terms of trade within the channel (discounts, allowances, trading areas, etc.) in order to provide the incentives necessary to keep the channel intact, Nylen (1990)

According to Kotler and Armstrong (2001), a contractual VMS is where independent firms at different levels of production and distribution join together through contracts to obtain more economies or sales impact than they could achieve alone. In this system, the relationship between members tends to be more formalized and spelled out in official contracts. Three main kinds of contractual VMS may be distinguished as; retail co-operatives, wholesale co-operatives and franchises. Nylen (1990). Retail co-operatives occur when independent retailers take the initiative to team up together and set up their own wholesaling intermediary. Conversely wholesalers' co-operatives occur when smaller wholesalers' band together to secure the benefits of bulk buying power through pooled purchase as well as the benefits of professional advice, joint branding and advertising, etc. commonly associated with both kinds of cooperatives.

2.3.1.5 Franchising as a distribution strategy

A franchise is a means by which a producer of products or services achieves a direct channel of distribution without wholly owning or managing the physical facilities in the
market. Bankowitz (1989) defines franchising as a contractual arrangement between a parent company (franchisor) and an individual or firm (franchisee) that allows the franchisee to operate a certain type of business under an established name according to specific rules. In effect, the franchiser provides the franchisers knowledge, manufacturing, and marketing technique for a financial return, Peter and Donnelly (1992). Ramu (1997) observes that there are several types of franchises; he gave some as territorial franchise, operating franchise, mobile franchise, distributorship, co-ownership, co-management, leasing, licensing, manufacturing and service. Needham et. al (1999) argue that the major advantages of the franchisor is that it does not have to risk its own capital and it takes a regular share from the profit of the franchised outlet. It involves a continuing relationship in which a franchiser provides the right to use its trademark and management assistance in return for payment from a franchisee (Stanton et. al, 1994). Adcock et. al (2001) view franchising as a licensing system under which the owner of a product or service grants an independent local operator the right to trade under the umbrella of the brand owners name, offering the brand owners product.

2.3.1.6 Strategic Alliance Distribution

In a strategic alliance, two or more organizations have connections that cause them to function according to a perception of a single interest shared by all parties. An alliance is strategic when the connections that bind organizations are enduring and substantial, cutting across numerous aspects of each business. Alliance goes under many labels, including close relationship, partnerships, relational governance, hybrid governance, vertical quasi-integration, and committed relationships (coughlan et al, 2002). A distribution alliance exhibits genuine commitment. Commitment exists when an organization desires the relationship to continue indefinitely. However, this in itself is not enough to make an alliance. The organization must also be willing to sacrifice to maintain and to grow the relationship. These sacrifices may take the form of giving up short-term profits or of not pursuing other opportunities, preferring instead to devote the organizations resources the alliance (coughlan et al, 2002).
2.4 Chapter Summary

This chapter contained literature that explored the concept of strategy which has been seen as a coherent, unifying and integrative pattern of decisions meant to determine and reveal the organizational intention both in the short and long term (Hax and Majluf, 1998). Distribution has been viewed as the process of managing the product from the producer to the consumer, (Dibb and Simkin, 2001). Assael (1993), Rosenbloom (1995) and Stanton et. al (1994) have all underscored the importance of distribution in availing products and services to consumers at a place, time and form required. Channel levels, distribution scope, multiple channel, franchising and channel control have been identified as part of the distribution strategies pursued by firms [(Needham et. al. 1999), (Kibera and Waruinge, 1998), (Brassington and Pettitt, 1997) and (Stanton et. al. 1994)]. There are however few literature on distribution strategy. This study will contribute towards availing the missing literature in the subject of distribution strategy.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Research design
This will a descriptive survey study aimed at determining the distribution strategies pursued by Wines and Spirits manufacturers and importers in Kenya. According to Cooper (1996), a descriptive study is concerned with finding out who, what, where and how of a phenomenon which is the concern of this study. The design has in the past been used by Muiruri (1989), Odondi (2001), Alumula (2004) and Oluoch (2007) in related studies.

3.2 Population
The population of interest in this study consisted of all Wine and Spirit manufacturers and importers in Nairobi. This population was chosen because Nairobi has a high presence of Wine and Spirit manufacturers and importers in Kenya than any other town or region of Kenya. According to the Kenya Association of Manufacturers and the Kenya Revenue Authority there were 32 Wine and Spirit manufacturers and importers in Kenya as at 31st December 2007 (see appendix 3). Because of the relatively small number of Wine and Spirit manufacturers and importers in Nairobi, a census survey study was conducted.

3.3 Data collection
Primary data will be collected using a semi-structured questionnaire (see appendix 2). One respondent in a marketing position or equivalent in each of the Wine and Spirit manufacturers and importers was studied. An initial call was made to establish who is playing the marketing role in the organization. The questionnaire will be dropped and picked later. The questionnaire is divided into three sections. Section one contained questions on Wine and Spirits manufacturers and importers bio data, section two contained questions on the Wine and Spirit manufacturers and importers distribution
strategies while section three contained questions on factors influencing the choice of
distribution strategies.

3.4 Data analysis

Descriptive statistics will be used to analyse data. Section one will be analysed using
frequencies and percentages to summarise food processing companies' bio data. Section
two and three will be analysed using percentages, frequencies, mean score and standard
deivation. Presentation of data will take the form of tables, graphs and pie charts.
CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction
In this chapter data pertaining to the distribution strategies adopted by wine and alcoholic spirits manufacturers and importers and the factors influencing the choice of distribution strategies adopted by these companies is analyzed and presented.

4.2 Response rate
A total of 32 wine and spirits manufacturers and importers were sampled. Every company was given a questionnaire that were to be filled by marketer in the companies out of which 20 companies responded by completing and returning the questionnaire. This gave a response rate of 63%. The collected data were edited and coded. Data analysis was done using; frequencies, percentages mean scores and standard deviations.

4.3 General Information on Respondent Companies
The respondents were first asked to provide information on: name of the organization, the year of establishment, the respondent’s position in the company, number of distribution centers in Kenya, whether the respondent company has a marketing department, the number of staff in the marketing department, the location of the head office and the products the company dealt in and the brands the companies offered in the market (Appendix 2). It was apparent from the study that most respondents (70%) were sales managers while 30 percent were national sales managers.

Table 4.1: Company Ownership

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally owned</td>
<td>12</td>
<td>60</td>
</tr>
<tr>
<td>Foreign owned</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Jointly owned</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.1 show that that 60 percent of the wines and alcoholic spirit manufacturing and importing companies were locally owned.
Table 4.2: Number of Distribution Centres in Kenya

<table>
<thead>
<tr>
<th>No. of centres</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 centres</td>
<td>17</td>
<td>85</td>
</tr>
<tr>
<td>6-10 centres</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Over 10 centres</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.2 shows that 85 percent of the wines and alcoholic spirit manufacturing and importing companies had between one and five distribution centres country wide.

Asked whether their companies had marketing departments, all the respondents indicated that indeed their companies had marketing departments. Table 4.3 shows the number of staff in the marketing departments at different ranges.

Table 4.3: Number of Staff in the Marketing Department

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 members</td>
<td>7</td>
</tr>
<tr>
<td>6-10 members</td>
<td>8</td>
</tr>
<tr>
<td>11-15 members</td>
<td>3</td>
</tr>
<tr>
<td>16 - Above</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

Table 4.3 shows that 35 percent of the companies had between one and five staff in the marketing department while 40 percent had between six and 10 staff in the marketing department. Only 10 percent had above 16 members of staff. This implies that most of the companies had an average number of staff to ensure adequate marketing of the products.

The study sought to establish where the head offices of the respondent companies were located. The findings of the study are presented in Table 4.4.
According to the study as presented in table 4.4, 90 percent of the respondent company head offices were located in Nairobi.

The study sought to establish the brands of wines and spirits that the companies offered in the market. According to the results of the study, 53 percent of the brands offered in the market were wines while 47 percent were alcoholic spirits.

4.4 Distribution Strategies

The study sought to establish the distribution strategies used by the respondent companies. The findings of the study are summarized in the subsequent sections.

4.4.1 Types of Distributors

Respondents were asked to state the extent to which they used the listed types of distributors. This was measured by a five-point Likert scale. The range was from 'no use of,' (1), to 'very large extent' (5). The score of '1' has been taken to represent 'not used at all' and to be equivalent to mean score of 0 to 1.0 on the Likert. The scores '2' have been taken to represent 'marginally' and to be equivalent to a mean score of 1.1 to 2.0. The scores '3' represent 'moderate extent' and taken to be equivalent to mean score of 2.1 to 3.0. The scores '4' represent 'large extent' and taken to be equivalent to mean score of 3.1 to 4.0. And the scores '5' have been taken to represent 'very large extent' and to be equivalent to mean score of 4.1 to 5.0. A standard deviation of > 1 implies a significant difference in the respondents' response. The results of the analysis are presented in Table 4.5.
Table 4.5: Extent Distributors are used

<table>
<thead>
<tr>
<th>Type of Distribution</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell directly to consumers</td>
<td>16</td>
<td>1.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Sell directly to retailers</td>
<td>19</td>
<td>2.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Sell to wholesalers who sell to retailers</td>
<td>19</td>
<td>3.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Use agents, wholesalers, retailers and brokers</td>
<td>18</td>
<td>2.3</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Table 4.5 shows that most of the respondent companies sold their products to the wholesalers who then sold to the retailers (mean score 3.8). The study also established that the respondent companies to a moderate extent sold directly to the retailers and also used agents, wholesalers, retailers and brokers (Mean score 2.9 and 2.3).

4.4.2 Area of Distribution

The respondents were asked to indicate the areas within which they sold their products. The findings of the study are presented in table 4.6.

Table 4.6: Areas of Distribution

<table>
<thead>
<tr>
<th>Area</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countrywide</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>Regional</td>
<td>9</td>
<td>45</td>
</tr>
<tr>
<td>Local</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

According to table 4.6, the study shows that; 50 percent of the respondent companies distributed their products regionally (within East Africa), while 45 percent distributed countrywide. Only 5 percent distributed their products locally.

4.4.3 Types of Distribution Practices

The study sought to establish the distribution types used by the respondent companies. The respondents were therefore asked to indicate the extent to which their companies practiced the listed types of distribution. The pertinent responses are summarized in Table 4.7.
Table 4.7: Extent to which Companies used Types of Distribution

<table>
<thead>
<tr>
<th>Use of many distributors</th>
<th>N</th>
<th>No use of (%)</th>
<th>Small extent (%)</th>
<th>Moderate extent (%)</th>
<th>Large extent (%)</th>
<th>Very large extent (%)</th>
<th>None response (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20</td>
<td>5</td>
<td>50</td>
<td>10</td>
<td>30</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Use few distributors</td>
<td>20</td>
<td>30</td>
<td>30</td>
<td>5</td>
<td>30</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Use only one distributor in a region</td>
<td>20</td>
<td>15</td>
<td>40</td>
<td>25</td>
<td>5</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Use more than two distributors</td>
<td>20</td>
<td>0</td>
<td>20</td>
<td>15</td>
<td>55</td>
<td>0</td>
<td>10</td>
</tr>
</tbody>
</table>

The results in the table show that 50 percent of the respondents indicated that their companies have used many distributors only to a small extent, while 30 percent indicated that their companies had used many distributors to a large extent. The study also established that 30 percent of the respondents indicated that their companies used to a large extent few distributors, while the same percentage indicated that their companies had use few distributors only to a small extent. The study further revealed that 40 percent of the respondent companies had used to a moderate extent only one distributor in the region while 55 percent indicated that their companies used to a large extent more than two distributors.

4.4.4 Channels of Distribution

The study sought to establish the channels of distributions used by the respondent companies. The relevant results of the study are presented in table 4.8.

Table 4.8: Channels of Distributions used by Respondent Companies

<table>
<thead>
<tr>
<th>Channel</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sells directly to consumers</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Sells to retailers directly</td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td>Sells through wholesalers to retailers</td>
<td>16</td>
<td>80</td>
</tr>
<tr>
<td>Use agents, wholesalers, retailers and brokers</td>
<td>6</td>
<td>30</td>
</tr>
</tbody>
</table>
The results in the table 4.8 show that 90 percent of the respondent companies sold their products directly to the retailers while 80 percent of the companies sold to wholesalers who sold to retailers. Only 10 of the companies sold directly to the consumers.

4.4.5 Types of distributors used

Respondents were asked to indicate the extent to which they used the listed distribution channels. The results of the analysis are presented in table 4.9

<table>
<thead>
<tr>
<th>Channel</th>
<th>No Extent (%)</th>
<th>Small extent (%)</th>
<th>Moderate extent (%)</th>
<th>Large extent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributors selling the same products</td>
<td>0</td>
<td>50</td>
<td>35</td>
<td>15</td>
</tr>
<tr>
<td>Distributors selling different products</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>70</td>
</tr>
</tbody>
</table>

The results in table 4.9 show that 70 percent of the respondent companies used to a large extent distributors selling different products. The study further established that 50 percent of the respondent companies used to a small extent, distributors who sold the same products.

4.4.6 Use of Franchise as a Distribution Strategy

The study sought to establish the extent to which the respondent companies used franchising as a distribution strategy. It was found that the respondent companies do not use franchising as a distribution strategy as 95 percent indicated that their companies use franchise to no extent.

4.4.7 Control Mechanisms

The study sought to establish the control mechanism used by the respondent companies in ensuring that the distribution happened as planned. Respondents were therefore asked to indicate the channel control practices used by their companies. Table 4.10 shows the findings.
Table 4.10: Channel Control Practices

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have a channel member who play role at many levels</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Channel system has channel leaders</td>
<td>12</td>
<td>60</td>
</tr>
<tr>
<td>Channel members cooperate among themselves</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.10 shows that 60 percent respondents indicated that in their organizations channel systems have channel leaders and 30 percent indicated that the channel members cooperate among themselves as a control practice.

4.5 Factors Influencing Choice of Distribution Strategy

The study sought to establish the factors that influenced the respondent companies' choice of distribution strategies. Using a five-point Likert scale and a range from 'no use of' to 'very large extent', the respondents were therefore asked to indicate the extent to which the listed factors influenced their companies' choice of distribution strategies. The scores of 'no use of' have been taken to be equivalent to mean score of 0 to 1.0. The scores 'small extent' has been taken to be equivalent to mean score of 1.1 to 2.0. The scores of 'moderate extent' have been taken to be equivalent to mean score of 2.1 to 3.0. The scores 'large extent' has been taken to be equivalent to mean score of 3.1 to 4.0. And the scores 'very large extent' has been taken to be equivalent to mean score of 4.1 to 5.0. Table 4.11 presents the results of this analysis.
Table 4.11: Factors Influencing Choice of Distribution Strategy

<table>
<thead>
<tr>
<th>Factor Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Error</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of area where product is distributed</td>
<td>20</td>
<td>3.8</td>
<td>0.09</td>
<td>0.4</td>
</tr>
<tr>
<td>Concentration or dispersion of customers in an area</td>
<td>20</td>
<td>2.1</td>
<td>0.05</td>
<td>0.2</td>
</tr>
<tr>
<td>Quantity and frequency of customer purchases</td>
<td>20</td>
<td>2.0</td>
<td>0.17</td>
<td>0.8</td>
</tr>
<tr>
<td>Product perishability</td>
<td>20</td>
<td>1.1</td>
<td>0.07</td>
<td>0.3</td>
</tr>
<tr>
<td>Product volume or weight</td>
<td>19</td>
<td>1.8</td>
<td>0.12</td>
<td>0.5</td>
</tr>
<tr>
<td>Nature of customers served by distributors</td>
<td>20</td>
<td>2.0</td>
<td>0.13</td>
<td>0.6</td>
</tr>
<tr>
<td>Ability of distributor to pay for products</td>
<td>20</td>
<td>4.1</td>
<td>0.00</td>
<td>0.0</td>
</tr>
<tr>
<td>Additional services provided by the distributor</td>
<td>20</td>
<td>1.9</td>
<td>0.08</td>
<td>0.4</td>
</tr>
<tr>
<td>Availability of distributor</td>
<td>20</td>
<td>2.9</td>
<td>0.12</td>
<td>0.6</td>
</tr>
<tr>
<td>Competency of distributor's staff especially sales staff</td>
<td>20</td>
<td>1.7</td>
<td>0.11</td>
<td>0.5</td>
</tr>
<tr>
<td>Number of customers served by distributor</td>
<td>20</td>
<td>2.1</td>
<td>0.09</td>
<td>0.4</td>
</tr>
<tr>
<td>Political temperature of area served</td>
<td>20</td>
<td>2.0</td>
<td>0.05</td>
<td>0.2</td>
</tr>
<tr>
<td>Changes in social lifestyle of people served</td>
<td>20</td>
<td>1.7</td>
<td>0.13</td>
<td>0.6</td>
</tr>
<tr>
<td>Distributors technological capability</td>
<td>20</td>
<td>1.1</td>
<td>0.07</td>
<td>0.3</td>
</tr>
<tr>
<td>Environmental regulations in area served</td>
<td>19</td>
<td>1.5</td>
<td>0.16</td>
<td>0.7</td>
</tr>
<tr>
<td>Legal requirement in relation to product distributed</td>
<td>20</td>
<td>3.8</td>
<td>0.12</td>
<td>0.5</td>
</tr>
<tr>
<td>Economic conditions of area served</td>
<td>18</td>
<td>3.3</td>
<td>0.16</td>
<td>0.7</td>
</tr>
<tr>
<td>Company objectives</td>
<td>20</td>
<td>3.6</td>
<td>0.15</td>
<td>0.7</td>
</tr>
<tr>
<td>Company location in relation to the customers served</td>
<td>20</td>
<td>2.1</td>
<td>0.12</td>
<td>0.6</td>
</tr>
<tr>
<td>Number and types of product requirements by customers</td>
<td>20</td>
<td>2.0</td>
<td>0.11</td>
<td>0.5</td>
</tr>
<tr>
<td>The companies past experiences with consumers</td>
<td>20</td>
<td>2.0</td>
<td>0.14</td>
<td>0.6</td>
</tr>
<tr>
<td>Desired degree of distributor's control</td>
<td>20</td>
<td>2.7</td>
<td>0.11</td>
<td>0.5</td>
</tr>
</tbody>
</table>

According to the results of the study as presented in Table 4.11, ability of the distributor to pay for the products influenced the respondent companies' choice of distribution strategy to a very large extent (mean score 4.1). The study revealed that the other factors that influenced the choice of distribution strategy to a large extent included the size of area where product is distributed and the legal requirement in relation to product distributed (mean score 3.8), the company objectives (mean score 3.6) and the economic conditions of the area served (mean score 3.3). The other factors considered important include availability of distributors (mean score 2.9), and the desired degree of distribution control (mean score 2.7). But the factors that were considered uninfluential included product perishability and the distributors' technological capacity (mean score 1.1).
5.1 Summary

The overall purpose of the study was to establish the distribution strategies adopted by wines and alcoholic spirits manufacturers and importers in Nairobi. The study further sought to determine factors that influenced the choice of distribution strategies adopted by Wine and alcoholic spirit manufacturers and importers in Nairobi, Kenya.

The study established that the respondent companies used a mixture of various distribution strategies to sell their products. The respondent companies sold their products to the retailers who then sold the products to the retailers (mean score 3.8). This was further backed by 80 percent of the respondent companies indicating that they sold products to the wholesalers who later sold to the retailers. In the distribution channel according to Kibera and Waruingi (1998), this was a two level distribution channel where the manufacturer decides to use two middlemen, wholesaler and retailer.

The study also established that the respondent companies sold products directly to the retailers. The study further confirmed this when 90 percent of the respondents indicated that their companies sold directly to the retailers. This according to Needham et al., (1995) is known as a single level channel whereby the manufacturer uses only one intermediary to distribute its products. Kibera and Waruingi (1998) call this a selective distribution whereby the manufacturer limits the use of intermediaries to the one believed to be the best available. This is done in a bid to maintain prestige and also as a distribution control. But this did not come out strongly as 40 percent of the respondents indicated that their companies used only one distributor within in a region only to a small extent. On the contrary 55 percent indicated that their companies used to a large extent more than two distributors. This type of strategy is referred to as multiple channel strategy and according to Pride and Ferrell (1982) is aimed at achieving effective distribution. It was equally apparent that 70 percent of the respondent companies used to a large extent distributors selling different products.
The study established that the wines and alcoholic spirit manufacturers and importers never used franchising as a distribution strategy as 95 percent of the respondents indicated that they did not use franchise as a distribution strategy. But the companies put distribution controls in place as all the channel systems had leaders (60%).

According to the study, the factors that influenced the respondent companies' choice of distribution strategies included: to a very large extent the ability of the distributor to pay for the products (mean score 4.1). For instance according to Brassington and Pettitt (1997) large retailers with enough capital buy directly from manufacturers. Needham et al. (1995) also observe that two level channel are still common in consumer markets since many retailers are not sufficiently large and do not have purchasing power to buy directly from the manufacturer. The study further established that other factors that influenced the choice of distribution strategies to large extent included the size of the area where the products were to be distributed, the legal requirements in relation to the product distribution, the company's objectives and the economic condition of the area served.

5.2 Conclusions

From the results of the study, it is clear that the wines and alcoholic spirits manufacturers and importers sold their products directly to retailers. They also sold the products to wholesalers who later sold to the retailers. The study also established that the companies used wholesalers, retailers and agents to distribute their products. This therefore means that depending on the factors such as the ability of the distributor to pay, the size of the areas where the products were being distributed, the legal requirements in relation to product distribution, the objective of the company and the economic condition of the area to be served, the companies used channels such as single level channel where only one intermediary is used, two level channel where just two intermediaries are used to distribute and the multiple level channels.
5.3 Recommendations
The study found that even though the companies used various distribution strategies, they did not use them exhaustively. The researcher recommends that the manufacturers and importers of wines and alcoholic spirits should diversify their distribution strategies. For instance by franchising the organizations are assured of effective distribution of their products as what they could not do as a single entity is possible when they come together.

5.4 Suggestions for Future Research
This study was done on the manufacturing and importing companies of wines and alcoholic spirits in Kenya only. It is suggested that similar study should be replicated in other countries especially in Africa. A similar study can also be done in other industries in Kenya.
REFERENCES


APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

Joseph Owuor
Cell phone No. 0728-604306
E-mail: owuorj2002@.yahoo.com

The Marketing Manager

Nairobi.

Dear Sir/Madam,

REF: REQUEST FOR RESEARCH DATA

I am a Master of Business Administration (M.B.A.) student at the University of Nairobi. I am required to submit as part of my course work assessment a research project report on "Distribution strategies pursued by Wine and Alcoholic Spirit Manufacturers and Importer in Nairobi". Your company has been selected to participate in the study. I would appreciate if you assist me in answering in full the herewith-attached questionnaire for the purposes of this research. I further request that you enclose the answered questionnaire in the self-addressed and stamped envelope enclosed here with and post. Where need be, I will be willing to avail myself for further explanation or collection of the questionnaire. Please be assured that all your responses shall be kept strictly anonymous and confidential and shall only be used for academic purposes and destroyed after data analysis is done. A copy of the research findings shall be availed to you if you so wish after completion of the study. Thank you in advance.

Joseph Owuor
M.B.A. Student (Researcher)
University of Nairobi

Dr. Justus Munyaki
Project Supervisor
University of Nairobi

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APPENDIX 2: QUESTIONNAIRE

SECTION ONE: COMPANY DATA

1. Name of the organization ____________________________________________

2. Year of establishment ________________________________________________

3. Position in the company _____________________________________________

4. Who owns the company? (Please tick where applicable)

   - Foreign owned. [ ]
   - Locally owned [ ]
   - Joint [ ]
   - Parastatal [ ]
   - Multinational Subsidiary [ ]

5. How many distribution centers do you have in Kenya? ______________________

6. Do you have a marketing department? (Tick the appropriate one)

   (a) Yes [ ]
   (b) [ ]

7. Number of staff in the marketing department ______________________________

8. Where is your head office located? ______________________________________

9. Which products does your company offer in the market? Please list and indicate in bracket if the product is a wine or Alcoholic spirit.

   (a) ________________________________________________________________
   (b) ________________________________________________________________
   (c) ________________________________________________________________
   (d) ________________________________________________________________
   (e) ________________________________________________________________
   (f) ________________________________________________________________
   (g) ________________________________________________________________
   (h) ________________________________________________________________
   (i) ________________________________________________________________
   (j) ________________________________________________________________
10. What brands of Wines and Alcoholic Spirits does your company offer in the market? Please list and indicate whether the brand is Wine or spirit.

(a) _________________________________________
(b) ___________________________________________
(c) _________________________________________
(d) ___________________________________________
(e) ___________________________________________
(f) ___________________________________________
(g) ___________________________________________

SECTION TWO (DISTRIBUTION)

11. Indicate the extent to which your firm uses the following types of distributors on a scale of 1-5 where:

1- No use of
2- To a small extent
3- To moderate extent
4- To a large extent
5- To a very large extent.

(a) Sells directly to consumers
(b) Sells to retailers directly
(c) Sells to wholesaler who the sells to retailers
(d) Use an agent, wholesaler, retailers and brokers

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<tr>
<td>(a) Sells directly to consumers</td>
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<td>(b) Sells to retailers directly</td>
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<tr>
<td>(c) Sells to wholesaler who the sells to retailers</td>
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<td>(d) Use an agent, wholesaler, retailers and brokers</td>
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</table>

12. Within which area do you sell your products?

(a) Local town
(b) Regional
(c) Country wide
(d) International
13. Indicate the extent to which your company practices the following types of distribution by ticking an appropriate box on a scale of 1-5 where:

1. No use of
2. To a small extent
3. To moderate extent
4. To a large extent
5. To a very large extent.

| (a) Use of many distributors | 1 | 2 | 3 | 4 | 5 |
| (b) Use few distributors     |   |   |   |   |   |
| (c) Use only one distributor in a region |   |   |   |   |   |
| (d) Use more than two distributors |   |   |   |   |   |

14. Some companies use more than one channel of distribution to get their products to the target market. If your firm uses more than one off the channels listed below, please indicate the combinations of the channels used by your company by ticking the appropriate box below:

| (a) Sells directly to consumers | [ ] |
| (b) Sells to retailer directly  | [ ] |
| (c) Sells to wholesaler who the sells to retailers | [ ] |
| (d) Use an agent, wholesaler, retailers and brokers | [ ] |

15. To what extent do you use the following types of channels (distributors)? Please indicate by ticking the appropriate box below on a scale of 1-5 where: 1 - No extent; 2 - To a small extent; 3 - To some extent; 4 - To a large extent; 5 - To a very large extent.

| (a) Channels (distributors) selling the same products |   |   |   |   |   |
| (b) Channels (distributors) selling different products |   |   |   |   |   |
16. Franchise is a means by which a producer of products or services achieves a direct channel of distribution by providing the franchisers knowledge, manufacturing and marketing technique for a financial return. To what extent do you use franchise as a distribution strategy?

1. No extent
2. To a small extent
3. To moderate extent
4. To a large extent
5. To a very large extent.

17. In order to be able to ensure that distribution happens as per the plans of the company, many companies practice some control mechanism. Please indicate the channel (distributors) control practices of your firm by ticking the appropriate box below.

a) We have a channel member who play roles at many levels
b) Our channel system has channel leaders
c) Our channel members cooperate among themselves
SECTION THREE: FACTORS INFLUENCING CHOICE OF DISTRIBUTION STRATEGY

18. To what extent do the following factors influence the choice of your distribution strategies? Please indicate on scale of 1-5 where: 1 - No use of; 2 - To a small extent; 3 - To moderate extent; 4 - To a large extent; 5 - To a very large extent.

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<thead>
<tr>
<th>Variables</th>
<th>1</th>
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</thead>
<tbody>
<tr>
<td>The size of the area where you distribute your products</td>
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<td>Concentration or dispersion of customers in an area</td>
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<td>Quantity and frequency of customer purchases</td>
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<td>Product perishability</td>
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<td>Product volume or weight</td>
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<td>Nature of customers served by distributors</td>
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<td>Ability of the distributor to pay for products</td>
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<td>Additional services provided by the distributor</td>
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<td>Availability of distributor</td>
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<td>Competency of distributors staff especially sales staff</td>
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<td>Number of customers served by the distributor</td>
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<td>Political temperature of the area served</td>
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<td>Changes in social lifestyle of people served</td>
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<td>Distributors technological capability i.e. in ICT</td>
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<td>Environmental regulations in the area served</td>
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<td>Legal requirement in relation to product distributed</td>
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<td>Economic conditions of the area served</td>
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<td>Company objectives</td>
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<td>Company location in relation to the customers served</td>
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<td>Number and types of product requirements by customers</td>
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<td>The companies past experiences with consumers</td>
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<td>Desired degree of distributors control</td>
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# APPENDIX THREE: WINE & SPIRIT MANUFACTURERS & IMPORTERS

<table>
<thead>
<tr>
<th>WINES</th>
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<tbody>
<tr>
<td>1. VIVA PRODUCT LINE LTD. (W &amp; S)</td>
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<tr>
<td>2. KENYA WINE AGENCIES (W &amp; S)</td>
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<tr>
<td>3. WINES OF THE WORLD LTD (W &amp; S)</td>
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<td>4. THE WINEMASTERS (W)</td>
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<td>5. DISTILLERY KENYA LTD (W)</td>
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<td>6. NAIROBI VINTNERS (K) LTD. (W &amp; S)</td>
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<td>7. CAMA TRADING (W)</td>
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<td>8. KAFRA WINES LIMITED (W)</td>
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<td>9. IN VINO VERITAS (K) LTD (W)</td>
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<td>10. TRADE ROOTS LIMITED. (W)</td>
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<td>11. XAI XAI WINE MERCHANTS (W &amp; S)</td>
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<td>12. MOHAN'S OYSTERBAY LTD (W &amp; S)</td>
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<td>13. ITALIAN MARKET (K) LIMITED (W)</td>
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<td>14. KEROCHE INDUSTRIES LTD (W &amp; S)</td>
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<td>15. FOOD AND DRINKS INTERNATIONAL. (W)</td>
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<td>16. LONDON DISTILLERS (K) LTD (W &amp; S)</td>
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<td>17. NEW WESTLAND STORES LTD. (W &amp; S)</td>
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<td>18. MIA WINES &amp; SPIRITS INTERNATIONAL (W)</td>
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<td>19. EMPEE IMPEX (K)LTD (W &amp; S)</td>
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<td>20. BRAND IMPORTS LIMITED. (W)</td>
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<td>21. ALLIANT INTERNATIONAL LTD (W)</td>
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<td>22. VIRGIN SPIRIT TRAVEL LTD (W)</td>
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<td>23. HEALTHY U. LIMITED (W)</td>
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<td>24. TROPIC TRADE MARKET LTD (W)</td>
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<td>25. PAMPA CHURRASCARIA (W)</td>
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<td>26. JOLYN WINES &amp;SPIRITS LTD. (W)</td>
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<td>27. EASTERN SUN LTD (W)</td>
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<td>28. CAVA WINES INTERNATIONAL (W)</td>
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<tr>
<td>29. NEXUS LIMITED. (W)</td>
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<tr>
<td>30. KENYA BREWERIES LIMITED (S)</td>
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<tr>
<td>31. BEST DRINKS LIMITED. (S)</td>
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<td>32. JESONS (S)</td>
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