DISTRIBUTION STRATEGIES ADOPTED BY COSMETIC COMPANIES IN KENYA

BY

MUTHUYA, JOHN G

A Management Research Project Submitted In Partial Fulfillment of the Requirements for the Master of Business Administration Degree, Department of Business Administration, School of Business, University Of Nairobi

AUGUST 2008

DECLARATION

This research project is my original work and has not been presented for any degree in this university or any other institution of higher learning. No part of this work will be reproduced, stored in retrieval system or transmitted in any form or by any means without the prior permission of the author and/or the University of Nairobi

Signed-________________________ Date 17/11/2008

Muthuya, John Gitonga

REG NO. D61/9013/2004

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

Signed________________________ Date 17/11/2008

For Mrs. Margaret Ombok

Lecturer, Department of Business Administration

School of Business

University of Nairobi

DEDICATION

To my lovely wife, Bernice and son Peter for their love, persistence, understanding, encouragement and support.

Special dedication to my late parents, Phyllis and Justus who denied themselves so much for the sake of my future. They tirelessly guided and molded me into what I am today.

ACKNOWLEDGEMENT

My sincere gratitude goes to my project supervisor, the Late Mrs. Margaret Ombok for her tireless effort, support and guidance throughout the course of this project. She showed me ways to approach a research problem and the need to be persistent to accomplish my goals. May the Lord rest her soul in eternal peace.

I am also highly indebted to my employer, Beiersdorf East Africa Ltd and staff for the timely support without which this work would not have been a reality.

My special thanks go to the staff of the ten cosmetic companies who provided very valuable information to make this project a reality

May God bless you all.

ABSTRACT

Cosmetic companies play a key role in the Kenyan economy. They are major employers of the Kenyan population. They also provide ready market for different products to act as raw materials at the different stages in the production process and a source of revenue for the government in the form of taxes. The main aspect of any company or firm that produces products is to find and get market for its commodities. This goes along with finding ways of reaching the clients for transactions and seeking appropriate ways of distributing and offering transport services to the clients.

This study thus was aimed at investigating the distribution strategies adopted by various firms in their market and distribution of their products. Particular attention was paid to cosmetic companies. The objectives of this study was to find out the various distribution strategies adopted in marketing of wares and the factors influencing adoption of such strategies. Research design adopted included descriptive design. Through the survey method, populations of 10 respective respondents were selected from various cosmetic companies. Primary data was then collected using a semi-structured questionnaire. The questionnaire were personally delivered to marketing managers of the various cosmetic companies under the study and later collected.

The findings of the study revealed that, most of the firms are yet to embrace strategic marketing and distribution ways in order to sell their products and subsequently leap marginal profits. The choice of good distribution channel is paramount in ensuring high returns and easy distribution of the products to the consumers. Besides, firms should adopt modern technology in improving their distribution of the products. This technology may involve use of phones, internet, online catalogues, and use of couriers to deliver products to consumers, if embraced will see vast returns.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE: INTRODUCTION

1.1 Background

Globalization of world economies has resulted in high environmental volatility coming in unpredictable ways (Aaker, 1992). Environmental changes such as technological and innovation, competition, globalization, regulation and de-regulation and consumer behavior have affected many organizations in that organizations have been forced to enhance their business processes in order to survive in an environment which has become increasingly competitive (Ansoff, 1987). Organizations are therefore undertaking strategic changes in order to align their business strategies to the environment thereby matching the resources and activities of an organization to that environment. Globalization and liberalization of world economies has intensified, competition through: widespread of computers, faxes, mobile phones, introduction of the internet and e-commerce (Hewlett 2002). Globalization of companies is continually growing in response to the changing environment of international trade. The accelerating trends are a result of global consumer convenience in social economic, demographic characteristics, habits and culture (Intriligator, 2001).

The new capabilities unleashed by the digital and information age have led to substantially new forms of marketing and businesses in the new global economy (Gupta and Khanka, 2003). The ramifications of globalization have also played an important role in shaping the policy formulations among national governments. Business today is being operated on a global scale. This global business environment calls for completely new ways of doing things. Schumpeter (1942) says "competition from the new commodity, the new technology, the new source of supply, the new type of organization … competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms (and possible even entire national economies) but at their foundations and their very lives". Going global in today's economic environment is a must if businesses have to survive in the long run. Businesses have been forced to rethink their strategies.

Schumpeter (1942) says "… businesses are operating in a globalized economy; that things are moving at a nanosecond pace; that our markets are characterized by hyper competition;

that disruptive technologies are challenging every business; and that business must adapt to the empowered consumer".

Due to intense global competition, most organizations have adopted various strategies aimed at achieving a sustainable competitive advantage. These strategies range from improvement in products/service, acquisition/ mergers, strategic alliances, partnerships and downsizing to survive (Hewett, 2002). Many organizations now consider the pursuit of global strategies as offering distinct benefits of cost reduction, improved quality, better ability to meet customer needs and increased competitive leverage (Johnson& Scholes, 2001). According to Yoshino and Rangan (1995), firms must constantly innovate to forge a head of rivals; they must develop new capabilities in areas such as technology development, manufacturing processes, marketing and distribution in order to gain a competitive edge. In a competitive environment, the first priority of an organization should be to reach its customers effectively (Guirdham, 1972). Libin (2006) indicates that for channel members to push a company's product successfully, they have to be motivated to undertake their selling duty effectively.

1.1.1 Distribution Strategy

Cateora and Graham (1996) assert that distribution relates to the flow of goods and services from the producer to consumer. A distribution strategy is intended to establish a dominant position in the geographic markets served by firms. The selection of an appropriate distribution strategy is a major determinant of an organization's success and distribution decisions represent much longer-term commitments than do other marketing decisions because of the time, costs and intermediate relationships that are involved in gaining access to an established channel. Distribution represents a complex, specialized, sophisticated and coordinated supply chain in developed countries and increasingly in many developing countries (Rapoport, 1998). The distribution sector includes commission agents, wholesalers and retailers who act as enablers of trade.

The distribution strategy must be carefully integrated with all components of the marketing program. Before a manufacturer formulates a distribution strategy, two decisions should occur. These are determining whether the firm will sell directly to end-users or will utilize intermediaries and selecting the type of channel (Cateora and Graham, 1996). Griffith and

Ryan (1985) hold that distribution channels evolved through the utilization of national resources contained within an area of trade. The need to move the resources to other areas where they were in demand brought about the need for distribution channels.

According to Rapoport (1998), Modernization of distribution services is becoming crucial in promoting domestic competitiveness and supply capacity, especially given the intermediation role of the sector. In most developing countries there is a prevalence of non-structured and informal distribution activities, which provide many employment opportunities and serve as a refuge for people in the lowest income groups. At the same time, developing countries face challenges in gaining access to international markets for the distribution of their goods and services, often because of a lack of competitive access to international markets and also because of bottlenecks in the distribution systems.

The main market players related to distribution are consumers, retailers, wholesalers and other intermediaries, as well as suppliers of goods and other services (Thompson and Strickland, 1993). Policy reform in the area of distribution services impacts on each of those different groups, and flanking policies need to be considered by Governments. The process of reform in distribution services often raises socio-political concerns which need to be addressed (Vishal and Basiliere, 2007). In most developing countries reform calls for an active government role, including the adoption of complementary measures, in particular to address market failures, to assist small and medium-sized enterprises (SMEs) and to address possible employment impacts. Major and immediate benefits accrue to consumers, who generally have a wider choice of quality products at lower prices. At the same time, maintaining fair conditions for competition in the market can maximize benefits to all actors in the distribution services market (Gerstner and Hess, 1995).

According to Cateora and Graham (1996), globalization means doing business according to local customs and institutions and on their own terms. According to them this would lead to increased acceptance, improved competitiveness and an ability to quickly move down the experience curve. Success in a global environment calls for customizing products for specific national, regional, or demographic market niches. Products and services must be differentiated, be of higher quality and usually have shorter life cycles. Globalization will mean increased flexibility and tighter linkages among suppliers, manufacturers, market distribution systems, and the customer.

1.1.2 Cosmetic Industry in Kenya

The cosmetic industry in Kenya dates from the 1960s when multinationals – Johnson & Johnson, Beiersdorf ,Unilever, PZ Cussons and Sara Lee – first entered the country, and, after years of trading, these companies have now become established and contribute about 35% of the market share (World Cosmetics, 2007). This lack of direct representation within the country provided local companies with the opportunity to grow and market their products more aggressively, which has contributed to industry growth and more favorable pricing. Cosmetics with natural themes continue to appeal to Kenyan consumers, examples are products containing plant and botanical extracts such as shampoos, facial creams, and hair care products. The industry was given a substantial boost in 1999 through the liberalization of the economy. This led to an improvement in social and economic conditions in the country and rising disposable income, all of which subsequently boosted demand for cosmetics. According to the Kenya Association of Manufaturers (KAM), the cosmetic industry is composed of ten main players. The organization is the voice of the industry and premier representative for manufacturing and value added related sectors in Kenya. KAM has approximately 600 members drawn from 99% of formal sector industries comprising of small, medium and large enterprises. The association provides an essential link for co-operation, dialogue, and understanding with the trade and investment and representing member's views and concerns.

According to World Cosmetics (2007), Skin care and bath and shower products were the most dynamic ranges in 2006 mainly due to increased activity including new entrants, promotions, advertising and outdoor marketing. These products accounted for just under half of total value sales in 2006 as they appeal to a wide consumer base and are used on a daily basis. Sales of these products grew alongside improvements in the economic climate in the country, as consumers became better off, and also because of the rising trend towards Westernization. There is a huge demand for products such as beauty soaps, face washes, shampoos, conditioners, body and skin lotions, toners, astringents, cold creams and other moisturizing formulations, perfumes, hair colors, dyes, powders, eye and face packs, skin treatments, slimming treatments, and massage products for use in spas and professional skin care salons to mention just a few. Each market segment also has its own sub-sectors with unique best prospects. While most markets cite anti-aging, skin-lightening, and sun-screen and sun-care products as the sectors with the best overall sales prospects, other strong sectors are said to be body scents for under 13-year olds, baby toiletries, depilatory products, and men's cosmetics.

Cosmetics distribution in Kenya can be divided into five channels: general distributorship, franchise, door-to-door, institutional, and other (the last includes the huge but officially undocumented informal sector). The largest of these distribution channels is the general distributorship system, by which products are distributed to cosmetics stores, variety shops, general merchandise shops, homes, convenience stores, and drug stores. Market entry strategies vary from market to market but most require the appointment of a local distributor/agent to handle the registrations and execute the best marketing and selling strategy to suit local conditions. Although official, detailed, and reliable market (including import and export) data is generally unavailable, Kenya's cosmetics market is estimated to have registered growth of 7% in 2006 following 5% growth in 2005.

In Eastern Africa, however, U.S. cosmetics and toiletry products face stiff competition from products manufactured in surrounding countries, such as Egypt and the U.A.E. It is therefore crucial that U.S. exporters clearly identify their products, if possible, as "Made in the U.S." Also, it is best to modify product names and packaging to suit local demand, as appropriate. For example, a product made for "whitening skin" may not be politically correct for use in the U.S. In Kenya, labeling tends to be more explicit and skincare products for lightening spots on the face may be better named "whitening products" (rather than "lightening products"). Also, a smaller product size may be advisable in Kenya to suit younger consumers' tastes, for ease of carrying, and as an affordability tactic as the per-unit cost will be lower than for a standard American-size item, Morgan (2006).Multinationals, the main players in cosmetics and toiletries are largely represented by direct subsidiary business operations or directly appointed distributors and through this mechanism, Johnson & Johnson, Beiersdorf, and PZ Cussons are strong players in most aspects of the industry. However, over the review period, local companies have rapidly increased their presence in hair care and skin care. They produce mass products enabling them to benefit from economies of scale and also have the advantage of local production and more direct, effective distribution networks. Local businesses also enjoy government support and their locally based factories give them access to opportunities and the ability to fend off threats at very low costs. In addition, leading local companies, such as Interconsumer Products, Haco and Buy line Complex manufacture their own products that are of a similar standard to those of multinationals in terms of quality and packaging (Morgan, 2006).

1.2 Statement of the Problem

Cosmetic companies play a key role in the Kenyan economy. They are major employers of the Kenyan population. They also provide ready market for different products to act as raw materials at the different stages in the production process and a source of revenue for the government in the form of taxes.

The manufacturers and importers of cosmetic products in Kenya face stiff competition. According to Prisecki (2004), when the Kenyan economy was liberalized in the early 1990s, several major industries that had operated as monopolies suddenly came face to face with unexpected competition. According to Kenya Association of Manufacturers (2008), there are ten players in the cosmetic market which has resulted in reduction of market shares of older companies, their sales revenue and ultimately their level of profitability.

The competition for discovering new distribution strategies and bringing them to work is extremely high. Competition between existing players in an industry increased as various cosmetic companies positioned themselves using various competitive practices to deliver their products to the customers and retain them. High competitive pressure results in pressure on prices, margins, hence, on profitability for every single company in the industry (Porter, 1985). It therefore becomes imperative that a company focus on how best to reach its customers effectively than its competitors (Farnish, 1995). Rossenbloom (1999) indicates that distribution strategies that sets distributors and dealers to focus their attention on a company's product distribution are key to building market share and sales growth for the company.

With the onset of global market competition facilitated by e-commerce, "things" are changing pretty fast – occasionally changes taking place in the opposite direction of the known trend or of the projected trend. Information is now transmitted worldwide within seconds. In a discontinuous and surprise environmental turbulence, management process should be flexible, dynamic and entrepreneurial so as to allow timely response to novel and unexpected distribution issues. Companies can seek ways to partner with the distributors so as to put more emphasis in selling that product and outsourcing the retail function to improve on numerical distribution to reach as many consumers as possible.

According to Kotler (1999), marketers use numerous tools to elicit desired response from their target markets and one of these tools is place. Cosmetic producers need distribution strategies to help reduce cost, remove access barriers and increase perceived benefits (Kolter and Roberto 2002). Alumila (2004), conducted a study on distribution strategies used by health maintenance organizations in Kenya and found that most firms were using a combination of various distribution strategies to reach their patients in varying extents. Nyaga (2000) conducted a study on factors influencing the choice of product distribution channels for small scale manufacturing firms in Thika. The findings of the study indicated that cost consideration and availability of the middlemen was a critical issue in choosing the different channels of distribution. The findings could not be generalized to distribution strategies of cosmetics, given the unique nature of the industry and the political, legal, environmental and economic factors involved. It was therefore necessary to conduct a study to determine the distribution strategies in this industry.

1.3 The Objectives of this Study

The study was guided by the following objectives:

i) Determining the distribution strategies used by cosmetic companies in Kenya
ii) Establishing the factors that influence adoption of these strategies.

1.4 Importance of the Study

The findings of the study may be of use to the following group of people.

i) The management of cosmetic companies can use this information in developing the channels in the distribution of their products.
ii) Future researchers and scholars may use the study as a source of reference for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Distribution

The distribution process includes the physical handling and distribution of goods, passage of title and the buying and selling negotiations between producers and middlemen and between middlemen and consumers (Cateora and Graham 1996). In the theory of marketing mix, place (distribution) determines where the product will be sold and how it will get there (Kotler, 2001). Griffith and Ryan (1985) hold that distribution channels evolved through the utilization of national resources contained within an area of trade. The need to move the resources to other areas where they were in demand brought about the need for distribution channels. A channel of distribution comprises a set of institutions, which perform all of the activities utilized to move a product and its title from production to consumption

Kogan (2008) Distribution channels may not be restricted to physical products alone. They may be just as important for moving a service from producer to consumer in certain sectors, since both direct and indirect channels may be used. Hotels, for example, may sell their services (typically rooms) directly or through travel agents, tour operators, airlines, tourist boards and centralized reservation systems (Church, 1999). There have also been some innovations in the distribution of services. For example, there has been an increase in franchising and in rental services - the latter offering anything from televisions through tools. There has also been some evidence of service integration, with services linking together, particularly in the travel and tourism sectors. For example, links now exist between airlines, hotels and car rental services. In addition, there has been a significant increase in retail outlets for the service sector. Outlets such as estate agencies and building society offices are crowding out traditional grocers from major shopping areas (Majumder, 1996).

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

Kogan (2008) assert that of the various `levels' of distribution, which they refer to as the `channel length', (Kotler, 2001) also added another structural element, the relationship between its members: Conventional or free-flow - This is the usual, widely recognized, channel with a range of `middle-men' passing the goods on to the end-user, Single transaction - A temporary `channel' may be set up for one transaction; for example, the sale of property or a specific civil engineering project. This does not share many characteristics with other channel transactions, each one being unique and vertical marketing system (VMS) - In this form; the elements of distribution are integrated. Many of the marketing principles and techniques, which are applied to the external customers of an organization, can be just as effectively applied to each subsidiary's, or each department's, 'internal' customers (Church 1999). .In some parts of certain organizations this may in fact be formalized, as goods are transferred between separate parts of the organization at a `transfer price'. To all intents and purposes, with the possible exception of the pricing mechanism itself, this process can and should be viewed as a normal buyer-seller relationship. The fact that this is a captive market, resulting in a `monopoly price', should not discourage the participants from employing marketing techniques Cateora and Graham (1996).

Louis (2006) many of the theoretical arguments about channels therefore revolve around cost. On the other hand, most of the practical decisions are concerned with control of the consumer. The small company has no alternative but to use intermediaries, often several layers of them, but large companies 'do' have the choice (Church 1999). However, many suppliers seem to assume that once their product has been sold into the channel, into the beginning of the distribution chain, their job is finished. Yet that distribution chain is merely assuming a part of the supplier's responsibility; and, if he has any aspirations to be market-oriented, his job should really be extended to managing, albeit very indirectly, all the processes involved in that chain, until the product or service arrives with the end-user. This may involve a number of decisions on the part of the supplier: Channel membership, Channel motivation and Monitoring and managing channels (Majumder, 1996).

Urban and Hauser (1993) Distribution arrangements tend to be long term in nature. Because of this time horizon, channel decisions are usually classed as strategic, rather than tactical or operational ones. Thompson and Strickland (1993) Channel decisions have a direct effect on the rest of the firm's marketing activities. For example, the selection of target markets is affected by and in turn affects, channel design and choice. Similarly, decisions about individual marketing mix elements (e.g. pricing) must reflect a company's channel choice. Once established, a company's channel system may be difficult to change, at least in the short term.

Although distribution channels are not impervious to change and new channels emerge as old established channels fade, few companies are able to change their channel structure with the same ease of frequency as they can change other marketing mix variables like price or advertising strategies. Because channel arrangements are likely to change slowly over time, manufacturers need to continually monitor the distributive environment and reassess their existing channel structure in an attempt to exploit and capitalise on any change. However, they should be aware of developments that are taking place, so as not to be caught off guard. Thompson and Strickland (1993) Nowhere is this more true than in the case of the speed of development of the internet as a direct retailing medium, that has caught many traditional distributors off balance. An important consideration for marketing management in formulating channel policy and the number of marketing intermediaries used is the degree of market exposure sought by the company for its products. Tero and Mattila (1979) three distribution strategies, resulting in varying degrees of market exposure, can be distinguished.

2.2 Distribution Strategies

A distribution channel links the manufacturer of a product with the end users i.e. the consumers (Kogan, 2008). Decisions regarding distribution channels are of great significance to the manufacturers. Organizations can have strategic distribution systems that help them to examine the current distribution system and decide on the distribution system that can be useful in the future. Cateora and Graham (1996) in designing a distribution channel for an organization, there are mainly three steps – identifying the functions to be performed by the distribution system, designing the channel, and putting the structure into operation. There are different types of distribution channels depending on the number of levels that exist between the producer and the consumer. In deciding on the kind of distribution strategy to be used, there are various considerations to be kept in mind – considerations on middlemen, customers, product, price, etc. The middlemen should have the necessary financial capacity to carry out the task effectively and customers should be able to get the products conveniently (Kogan, 2008). Product features to be considered include durability, toughness etc. The price of the product also requires consideration in deciding the distribution strategies

2.3 Direct Distribution Channel

This is a channel that has no intermediary levels. It consists of a company selling directly to consumers. Here goods are sold through personal, face to face (salesperson to customer) away from fixed business locations. In most cases, direct sales people are not employees of the firm they represent but independent contractors working for themselves. In direct selling, only the consumers market is served. Although direct selling has grown significantly in recent years, it is not without some problems. Firstly, many potential customers luck on awareness of direct selling as an alternative. Secondly a significant portion of potential customers have a negative impression towards direct selling in general. A third concern of direct selling is the lower availability of consumers at home sales calls and parties which is brought about by the fast paced lifestyles of the working class. There is also a perceived risk indicated by consumers towards buying products through direct sales which is high in compared to other modes of shopping.

The main advantage of this mode of distribution is the untapped market of potential consumers and the opportunity provided by the lifestyle of the working class. There are quite some market variables in support of the direct selling and include the increasing number of consumers, both male and female who have less time for shopping and are becoming more and more amenable to alternative modes of distribution that can save then time for shopping, sophistication in terms of demanding more and better product information and increased convenience in all spheres of their lives. Because of the emphasis placed on using intensive levels of personal selling and demonstration of products in actual use situation, direct selling channel is well suited for selling high quality products and products with unique features as well as providing high levels of product information.

Both giant and small companies, as well as those with modest versus high financial capabilities use direct selling channels. If the firm require a high degree of control over how a product is promoted and sold to its final users, the direct selling channel should be given serious attention. If appropriate intermediaries at the various levels are not available, direct selling is highly preferred. There are also quite a number of environmental variables to consider in deciding on direct/indirect distribution. In regard to economic environment, direct selling channels may actually be strengthened during tough economic times. The legal environment cannot be ignored and is usually beyond the decision-making ability of the firm.

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

Devlin (1995) the use of the internet is now an important distribution method for manufacturers and a source of products for businesses and consumers. The pioneers in this area are computer hardware and software companies, books and music retailers and electronics. Technically, e-commerce is a form of direct selling but its unique speed and availability of variety makes it different from other forms of direct marketing. However, e-commerce is now a high volume business area with companies relying on the net for numerous complex transaction activities and connections. These range from linking offices and factories globally data exchange, facilitating buying and selling transactions between retailers and consumers and providing online catalogues advertising and promotion. Via the internet, buyers can pay for their purchases using credit cards and the sellers arrange for delivery by the courier service provider chosen by the buyer.

Gerstner and Hess (1995) the Internet supply chain management system knows where the raw materials originate. They are then delivered direct to the manufacturer. From the manufacturer they are distributed to a major distribution facility, in the global region to which they will eventually be sold, where there may be a "cross-docking" facility whereby the goods move from one side of a distribution facility and out to the other side within hours of being received. Also, in such a facility, there may be an element of customizing or final assembly before distribution to the retailer. Green and Krieger (1993) the retailers are becoming fewer, and they are more time and cost-efficient. Wal-Mart epitomizes the trend toward fewer but extremely efficient retailers who have led the way in terms of supply chain management efficiency.

2.4 Indirect Distribution Channels

Here intermediaries/middlemen are involved in between the producers and the ultimate consumers. These intermediaries perform numerous channel functions. Middlemen either own the product at some point or actively aids in the transfer of ownership. Often but not always, a middleman takes physical possession of the products.

Villas-Boas (1998) Industrial goods manufacturers tend to use direct selling and often deliver direct to the user/customer, although in some cases wholesalers or 'factors' are used. Consumer goods manufacturers tend to use a network of marketing intermediaries because of the dispersion and large numbers of potential customers. Most often, manufacturers will sell to wholesalers who, in turn, break bulk, add on a mark-up and sell to retailers (Vishal and Basiliere, 2007). However, with the increased size and power of the large food multiples, manufacturers sell direct to them and they perform their own wholesaling function. Whether selling through retail chains, or wholesalers then retailers, the important point is that the manufacturer relies on these middlemen for ultimate marketing success, as it is these intermediaries who have the responsibility of taking the product to the ultimate consumer.

2.4.1 Franchising Marketing Strategy

According to Griffith and Ryan (1996), this is a business arrangement where the franchiser of a business concept grants other (the franchisees) the licensed right to own and operate a business based on the franchiser's business concept using its trademark. Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). Kotler and Armstrong (2003) define a franchise as a contractual association between a manufacturer, wholesaler or service organization (franchiser) and independent business people (franchisee) who buy the right to own and operate one or more units in the franchise system.

Franchise systems are normally based on some unique product or service, method of doing business, trade name, goodwill or patent that the franchiser has developed. Thompson and Strickland (1993) Franchises play a particularly active role. Service providers range from hypermarkets, department stores, supermarkets and convenience stores to "mom and pop shops", in other words from large-scale to small-scale operations, from high-value and low-value provision, from high to low turnovers, and from modern to traditional and informal suppliers. The companies use product-franchising method where it grants franchisees the right to produce and sell its products. Through this strategy the companies, have been able to penetrate the market, limit its overheads and gain access to ready market, as well as creating employment opportunity to the host country. According to Needham et al (2002), Franchising is a form of licensing in which the franchiser provides a total marketing programme, which involves the brand name, product, method of operation and management training and advice.

McVey (1960) in designing a distribution system, a manufacturer must make a policy choice between selling directly to customers and employing salespeople and using intermediaries i.e. selling through agents, wholesalers and retailers. Richard (2005) initially, the decision is usually based on cost factors: Distribution costs are largely a function of: the number of potential customers in the market; how concentrated or dispersed they are; how much each will buy in a given period; costs associated with the practical side of the distributive operation.

2.4.2 Vertical Marketing Strategy

This relatively recent development integrates the channel with the original supplier - producer, wholesalers and retailers working in one unified system (Aaker, 1992). This may arise because one member of the chain owns the other elements (often called `corporate systems integration'); a supplier owning its own retail outlets, this being 'forward' integration. It is perhaps more likely that a retailer will own its own suppliers, this being 'backward' integration. (For example, MFI, the furniture retailer, owns Hygena which makes its kitchen and bedroom units.) The integration can also be by franchise (such as that offered by McDonald's hamburgers and Benetton clothes) or simple co-operation (in the way that Marks & Spencer co-operates with its suppliers). Alderson (1965) vertical integration is a strategy, which is best, pursued at the mature stage of the market (or product). At earlier stages it can actually reduce profits. It is arguable that it also diverts attention from the real business of the organization. Bucklin (1965) Suppliers rarely excel in retail operations and, in theory; retailers should focus on their sales outlets rather than on manufacturing facilities (Marks & Spencer, for example, very deliberately provides considerable amounts of technical assistance to its suppliers, but does not own them).

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

2.4.3 Multiple Channel Strategy

Kotler (2001) asserts that this a strategy where a firm uses two or more distribution channels to reach one or more customer segments. In this strategy, markets must be segmented so that each segment is given a product or service its needs. This strategy includes complementary channels strategy where each channel handles a different non-competing product or serving non competing market segment and competitive channel strategy where the same product is sold via two different and competing channels to capture a large share of the market. Companies have applied this strategy in trying to reach its customers for instance; it sells its cosmetic directly to its wholesalers as well as through value-added resellers. Buy doing these companies increases its market coverage, lower channel costs and also increase more customized selling. A number of alternate 'channels' of distribution may be available: Selling direct, such as via mail order, Internet and telephone sales, Agent, who typically sells direct on behalf of the producer ,Distributor (also called wholesaler), who sells to retailers and Retailer (also called dealer), who sells to end customers (Cateora and Graham, 1996). Majumder (1996) in large markets (such as larger countries) a second level, a wholesaler for example, is now mainly used to extend distribution to the large number of small, neighbourhood retailers. In Japan the chain of distribution is often complex and further levels are used, even for the simplest of consumer goods.

In designing a channel, a firm knows what roles has to be assigned to distribution within the market mix (William, 1994), whether direct or indirect distribution is better and which type of middlemen will be used. Next, the company must decide on the intensity of distribution that is how many middlemen will be used at the wholesale and retail levels of distribution. A manufacturer can often achieve intensive retail coverage, selective or exclusive.

According to McCarthy et al (1990), offering customers a good product at a reasonable price is important to a successful marketing strategy, but it's not the whole story, managers must also think about place, i.e. making products available in the right quantities. This direct structure eliminates the challenges of designing an appropriate channel structure in terms of length, intensity and type of intermediaries at each level. However all of target market issues associated with channel design must be faced. These include where to locate the facilities, how large the facilities should be meet demand and whether sufficient numbers of customers will be within range of service, as well as when, how and who will use the service (Rosen bloom, 1995).

2.4.4 Intensive Distribution Strategy

Products, when viewed by consumers in their totality, are seen as a bundle of attributes or satisfactions including possession utilities and time and place utilities. Richard (2005) Producers of convenience goods and certain raw materials aim to stock their products in as many outlets as possible (i.e. an intensive distribution strategy). The dominant factor in the marketing of such products is their place utility Richard (2005). Producers of convenience goods such as pens, confectionery and cigarettes try to enlist every possible retail outlet, ranging from multiples to independent corner shops, to create maximum brand exposure and maximum convenience to customers. With such products, every exposure to the customer is an opportunity to buy, and the image of the outlet used is of less significant factor in the customer's mind than the impression of the product. Cosmetic companies also use intensive distribution strategy to distribute its products. The company places the cosmetic products to as many outlets as possible to increase their market coverage and sales. Most of the company's products are sold through supermarkets, retail shops, and wholesalers and through distributors and even goes out of its way to attract even the tiniest retailers (Belch and Belch, 2004).

2.4.5 Exclusive Distribution Strategy

Some product producers deliberately limit the number of intermediaries handling their products. They may wish to develop a high quality brand image (Louis, 2006). Exclusive distribution to recognized official distributors can enhance the prestige of the product. McVey (1960) Exclusive (or solus) distribution is a policy of granting dealers exclusive rights to distribute in a certain geographical area. It is often used in conjunction with a policy of exclusive dealing, where the manufacturer requires the dealer not to carry competing lines. Car manufacturers have such arrangements with their dealers. With the arrangement goes a stipulation by the manufacturer that the distributor is able to uphold appropriate repair, service and warranty handling facilities. By granting exclusive distribution, the manufacturer gains more control over intermediaries regarding price, credit and promotional policies, greater loyalty and more determined selling of the company's products.

2.4.6 Selective Distribution Strategy

Kogan (2008) Selective distribution is a policy that lies somewhere between the extremes just described. The manufacturing firm may not have the resources to adequately service or influence the policies of all the intermediaries who are willing to carry a particular product. Instead of spreading its marketing effort over the whole range of possible outlets, it concentrates on the most promising of outlets. Griffith and Ryan (1996) Channel members should have certain facilities in order to store and market products effectively, for example, frozen food products require that intermediaries have adequate deep freeze display facilities. Specialised resources may be necessary, for example, certain ethical pharmaceutical products require that intermediaries are capable of offering advice as to the use and limitations of the product, so such products might be restricted to pharmacies (Griffith and Ryan, 1996). The product may have a carefully cultivated brand image that could be damaged by being stocked in limited line discount outlets where products are displayed in a functional way to reduce overheads and the final price. Selective distribution is used where the facilities, resources or image of the outlet can have a direct impact on customers' impressions of the product. An example here is 'up market' brands of perfume.

2.5 Factors Affecting Choice of Distribution Channel

Marketing channels not only link a producer to its buyers, but also provide the means through which a firm implements various elements of its marketing strategy. The final choice of a firms marketing channel depends on several factors that often interact with each other.

Ansoff (1987) asserts that the type and nature of the product influence the number and type of middlemen to be chosen for distributing the product. Products of low unit value and common use are generally sold through middlemen, as they cannot bear the cost of direct selling. On the other hand, expensive consumer goods and industrial products are sold directly by the producers. Perishable products like vegetables, fruits and bakery items have relatively short channels, as they cannot withstand repeated handling. Goods, which are subject to frequent changes in fashion and style, are generally distributed through short channels, as the producer has to maintain close and continuous touch with the market. Heavy and bulky products are distributed directly to minimize handling costs. Coal, bricks, stones, etc., are some examples. Custom-made and non-standardized products usually pass through short channels due to the need for direct contact between the producer and the consumers while standardized and mass-made goods can be distributed through middlemen.

Rappoport (1998) Industrial products requiring demonstration, installation and after sale services are often sold directly. The consumer products of technical nature are generally sold through retailers. An entrepreneur producing a wide range of products may find it economical to set up its own retail outlets. On the other hand, firms with one or two products find it profitable to distribute through wholesalers and retailers. A new product needs greater promotional effort and few middlemen may like to handle it. As the product gains acceptance in the market, more middlemen may be employed for its distribution

According to Aaker (1992), the nature of the market is a key factor influencing the choice of channels of distribution. If the product is meant for industrial users, the channel of distribution will be a short one. This is because industrial users buy in a large quantity and the producer can easily establish a direct contact with them. But in case for goods meant for consumers, retailers may have to be included in the channels of distribution. When the number of potential customers is small or the market is geographically located in a limited area, direct selling is easy and economical. In case of large number of customers, use of wholesalers and retailers becomes necessary. Direct selling is convenient and economical where customers place order in big lots as in case of industrial goods. But where the product is sold in mall quantities, middlemen are used to distribute such products. A manufacturer may use different channels for different types of buyers. He may sell directly to big retail stores and may use wholesalers to sell to small retailers. The customer buying habits like the time he is willing to spend, the desire for credit, the preference of personal attention and one stop shopping significantly affects the choice of distribution channels.

According to Drucker (1990), the cost and efficiency of distribution depend largely upon the nature and type of middlemen. When middlemen as desired are not available, an entrepreneur may have to establish his own distribution network. Non-availability of middlemen may arise when they are handling competitive products, as they do not like to handle more brands. Middlemen who do not like a firm's marketing policies may refuse to handle its products. For instance, some wholesalers and retailers demand sole selling rights or a guarantee against fall in prices. Use of those middlemen is profitable who provide financing, storage, promotion and aftersale services. An entrepreneur generally prefers a dealer who offers the greatest potential volume of sales. Choice of a channel should be made after comparing the costs of distribution through alternative channels. After deciding the number of middlemen, an entrepreneur has to select the particular dealers through whom he will distribute his products (Cateora and Graham, 1996).

Kotler (2000) asserts that company characteristics also play an important role in deciding the channels of distribution. For example the company size and financial situation determine which marketing roles it can handle itself and which it can give to the intermediaries. A company marketing strategy based on speedy customer delivery affect the function that the company wants its intermediaries to perform, the number of its outlets and the choice of its transportation methods. Donnelly (1992) adds that firm's human and technological capabilities greatly affect channel choice. Firms that are unable to employ a sales force might use manufacturer's agents or selling agents to reach the buyers. If a firm has multiple products for a particular target market might prefer using direct selling methods. Some manufacturers prefer to keep as much control as possible over policies surrounding their products. The degree of control achieved by the seller is proportionate to the directness of the channel (Donnelly and Peter, 1992).

When designing its channels, a company must also consider its competitors channels. In some cases, a company may want to compete in or near the same outlets that carry competitor products. Thus, food products want to be displayed next to the competitor brands. In other cases companies want to avoid the channels used by competitors e.g. Avon decided not to compete with other cosmetic products and instead set up a profitable door-to-door selling programme.

Finally, environmental factors such as economic conditions and legal factors affect channel design decisions. For example in a depressed economy, producers want to distribute their goods in the most economical ways, using shorter channels and dropping unneeded services that add to the final price of the goods. Donnely (1992) further says that rising employment levels among women discourages door to door selling as that are rarely found at home. Deregulation of the financial services industry and the advances in technology also greatly affects this channel choice.

2.6 Summary of the Literature Review

The increasingly global marketplace and the Internet have dramatically changed the way both small and large manufacturers sell and distribute their products. In a vast and densely populated country like Kenya one needs an effective distribution system that provides market coverage and is economical. The choice of a channel depends upon the nature of the product e.g. for low priced consumer products like soap a vast network is needed but for industrial goods a direct channel or a very short channel might be appropriate. Distribution represents a complex, specialized, sophisticated and coordinated supply chain in developed countries and increasingly in many developing countries (Rapoport, 1998). The distribution sector includes commission agents, wholesalers and retailers who act as enablers of trade.

The distribution strategy must be carefully integrated with all components of the marketing program.

The nature of the product whether it is bulky or perishable for instance as well as the cost and efficiency of the distributors are some other factors that have to be kept in mind while selecting a channel. Hence, distribution strategies need to be reviewed from time to time to fill any gap between existing and desired distribution services. Reviewing market environments also allows for alternative strategies to expand market share. Studies carried out on distribution by Nyanga (2000), Odondi (2001) and Muiruri (1998) focused on distribution for fast moving consumers' products and the problems facing them. Masese (2001) conducted a study on factors considered important by large supermarkets in selecting their suppliers of merchandise and the findings of the study were financial stability, adoption of new technology and merchandise suitability and conformity to specifications and delivery time. Thus the study aims at determining the strategies adopted by cosmetic companies in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study was a descriptive design. According to Uma Sekaran (2003), a descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest. This study aimed to determine the distribution strategies used by cosmetic companies in Kenya and the factors that influence their adoption, which fits into this design.

3.2 Population

According to Kenya Association of Manufacturers (KAM), there are a total of 10 cosmetic companies in Kenya. Given the small number of the firms a census was carried out for this study.

3.3 Data Collection Method

Primary data was collected using a semi-structured questionnaire. The questionnaire was personally delivered to marketing managers of the various cosmetic companies under the study and later collected. The questionnaire was divided into two sections. Section A contained aspects of bio data of the company while section B contained questions on distribution strategies adopted by cosmetic companies in Kenya and factors that influence their adoption.

3.4 Operational Dimensions of Distribution Strategy

Distribution can be done using direct and indirect channels. Direct channels involve face-to-face, telephone and Internet. Indirect methods involve franchises, selective, intensive, exclusive, vertical and multiple channel methods. These variables were operationalised as follows and a likert scale was used to determine the extent of application of these strategies.

1: Operational Dimensions of Distribution Strategy

ATIONAL DIMENSIONS OF DISTRIBUTION STRATEGY			
sions of distribution	**Extended definitions**	**Relevant issues**	**Relevant questions**
	Personal Selling	Use of sales vans	
		Face to face within premises	
		Face to face outside the premises	
		Product demonstrations	
		High quality products	
		Unique features	
		Need for high product information	10 (i-ix)
	Internet	Using technology in selling of products	
		Payments through the internet	
		Online catalogues and promotions	11 (i-iv)
		Delivery by courier	
	Telephone	Contact customers through the phone	
		Direct contact with the customers	
		Inbound calling	
		Outbound calling	12 (i-iii)
		Personal contacts	
		Wild calling	
	Trade Shows	Organized by the industry	
		Use of booths	
		Once or twice a year	
		Display products in this booth	13 (i-iv)
		Targets both existing and new customers	
		Organized to last a few days	
	Franchising	Trade mark lease	
		Use of third parties	
		Receive form of license fees	14 (i-iv)
		Little control of the production process	
	Intensity Selective distribution	Concentrates on few promising outlets	
		Limited control over distributors	15 (i-iii)
		Cultivated brand image.	
	Exclusive distribution	Uses one Or limited number of Dealers.	
		Wants to develop high quality brand image.	
		Does the dealer sell competing products	16 (i-iv)
		Have high dealer control	
		Low geographic coverage	
	Intensive	Sell to as many outlets as possible	

	distribution		
		Maintains high place utility	
		Big geographical coverage	17 (i-iv)
		No control over the outlets	
		Brand image is insignificant	
	Vertical Integration	Loose collections of independent distributors	
		Each distributor seeks to maximize his own profits	
		No channel member has control over others	
		The company owns a member of distribution channel	18 (i-v)
		There is contractual agreements with channel members	
	Multiple Channels	Use more that one distribution channels	
		These channels are competing channels	19 (i-v)
		Little control over channel members	
		Large market coverage	
		Main objective is to lower distribution costs	

3.5 Data Analysis Method

The data collected was analyzed using SPSS software. The bio data is analyzed through determination of percentages and frequencies. The second section of the questionnaire is analyzed using mean and standard deviation.

The scores "Not at all" and "Small extent" represented distribution strategies adopted by companies to reach the target market that are regarded as "Not applicable", equivalent to 1 to 2.5 on the continuous likert scale ($1\leq NA\leq 2.5$). The scores of 'moderate extent' represented distribution strategies adopted by companies to reach the target market that were regarded as moderately applicable. This was equivalent to 2.6 to 3.5 on the likert scale ($2.6\leq MA\leq 3.5$). The score of "very great extent" and "great extent" represented distribution strategies adopted by companies to reach the target market that regarded as largely applied (LA). This was equivalent to 3.6 to 5.0 on the Likert Scale ($3.6\leq LA\leq 5.0$).

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents analysis and findings of the research that was carried out to determine the distribution strategies adopted by cosmetic companies and factors affecting adoption of these strategies. Findings in this chapter have tried to fulfill the objectives of this study. The total number of respondents that were involved in the study was 10, where survey was done through administered questionnaire.

4.2 Company's Profile

The profile of the respondents i.e. number of employees, distribution of branches, constitution of a marketing department and number of years of operation were analyzed in order to get insight of the general categories of respondent companies.

4.2.1 Number of Employees

This section of the study was done in accordance to the quest of understanding the relativity of the number of employees hired by various cosmetic companies. After study the tabulated report was accomplished.

Table 2: Distribution Of Employees In Cosmetic Companies

No. of employees	Frequency	Percentage
100-600	6	60
Over 600	4	40
Total	10	100

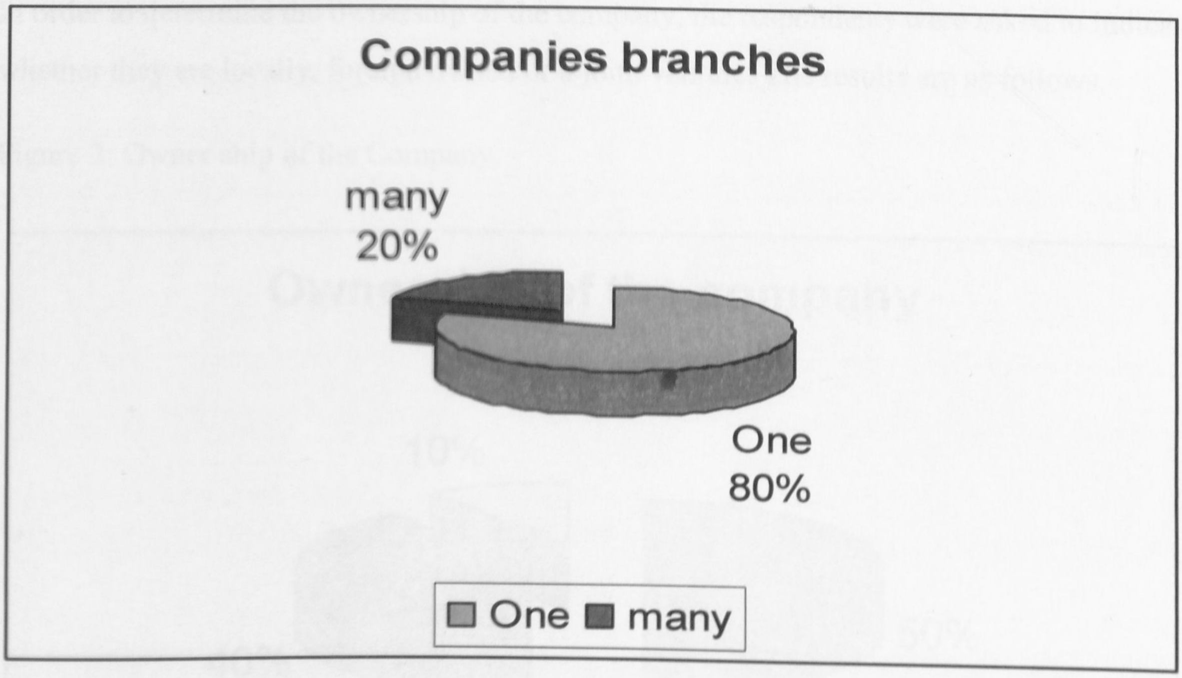
Source: Research Data Findings

As can be affirmed from the analysis above; all of the cosmetic companies have more than 100 employees in their firms. The study revealed majority of the firms, 60% have between 100 and 600 employees. The rest 40% has number of employees exceeding 600.

4.2.2 Distribution of Companies Branches in the Country

The respondents were asked to indicate whether they have established branches and how many they were countrywide. Thus, after the study the following was assessed.

Figure 1: Distribution of Companies' Branches in the Country.



Source: Research data findings

From this section of the study above, it was found out that most companies had limited number of branches countrywide; majority of companies surveyed had only one branch.

4.2.3 Marketing Departments

The objective here was to get insights further on whether the firms had marketing departments. This was done in the line of getting a better understanding of the various company-marketing strategies.

Table 3: Marketing Departments

Have marketing department.	Frequency	Percentage
Yes	9	90.0
No	1	10.00
Total	10	100.00

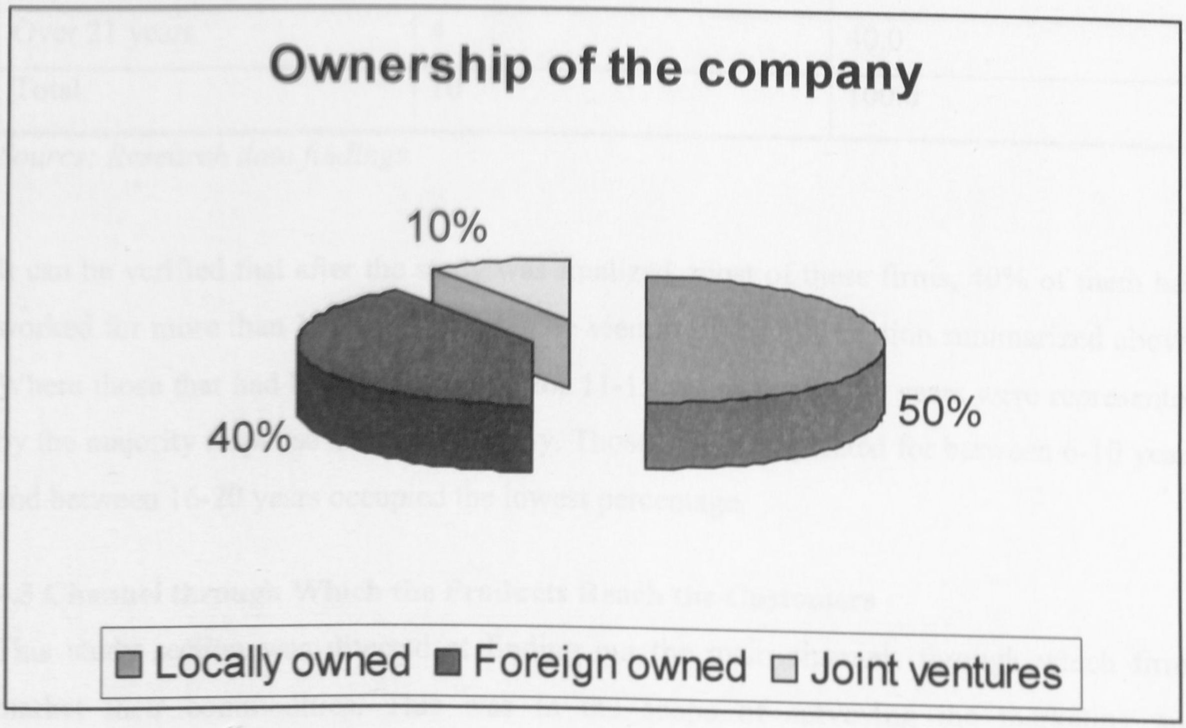
Source: Research data findings

It was surveyed that most or almost all firms had a marketing department. Ninety percent of the respondents agreed on this.

4.2.4 Ownership of the Company

In order to determine the ownership of the company, the respondents were asked to indicate whether they are locally, foreign owned or a joint venture. The results are as follows.

Figure 2: Owner ship of the Company.



Source: Research Data Findings

According to the information analyzed above, it is apparent that, most companies are locally owned. Fifty percent of the surveyed respondents agreed on this. The least 10% of the companies surveyed were joint ventures.

4.2.5 Number of Years Company has been in Operation

This category of the research was done with the aim of finding out the number of years the firms had been in operation. Through study, the following information was obtained.

Table 4: Number of Years Company has been in Operation

Years	Frequency	Percentage
6-10	1	10.0
11-15	4	40.0
16-20	1	10.0
Over 21 years	4	40.0
Total	10	100.0

Source: Research data findings

It can be verified that after the study was finalized, most of these firms, 40% of them had worked for more than 11 years. This can be seen from the information summarized above. Where those that had been in operation for 11-15 yrs and over 21, years were represented by the majority response 40% respectively. Those that had operated for between 6-10 years and between 16-20 years occupied the lowest percentage.

4.3 Channel through Which the Products Reach the Customers

This study section was directed at finding out the main channels through which firms market their commodities. This was in the scope of surveying the marketing and distribution strategies adopted by various cosmetic firms.

Table 5: Channel through Which the Products Reach the Customers

Channel of Distribution	Frequency	Percentage
Company-Consumer	0	0
Company-Broker or agent-Customer	10	100.0

Source: Research Data Findings

From the survey that was conducted among the ten firms, it was found out that all firms use the channel; Cosmetic firm – Broker or agent –Customer. A hundred percent of the respective cosmetic firms surveyed revealed this.

4.4 Extent to Which Aspects of Personal Selling Are Used In Distribution

Given the idea that almost all firms that have commodities to market, there is a specific mode used to reach the consumers, The idea of study in this section is to find out the extent to which the firms were using the various aspects of personal selling to reach their consumers.

Table 6: Extent to Which Aspects of Personal Selling Are Used In Distribution

Aspects of personal selling	Mean	Std. Deviation
Perceive need to pass product information to consumers	3.40	1.075
Position firms product as of high quality	2.60	1.350
Do product demonstration to consumers	2.50	.972
Sell through wild customer prospecting	2.20	2.20
Face to face Selling through third parties	2.10	.994
Perceive the firm products to have unique features	1.70	.949
Van selling	1.40	.516
Face to face selling using firms people	1.20	.422
Sell to consumers within firm's premises	1.20	.422

Source: Research data findings

The above table shows that the perceived need to pass product information and the need to position the company's products as of high quality was highly adopted. The two aspects had a mean of 3.40 and 2.60 respectively. Product demonstrations follow closely as an aspect also adopted with a mean of 2.60. However, face to face selling using firms' sales people and selling to consumers within firm's premises were not applicable or rather used to a small extent and each had a mean of 1.20.

4.5 Extent to Which Aspects of Technology Are Used In Distribution

This section of the survey sought to find out the extent to which the firms use technology in the given strategies to distribute their products. The findings were as follow:

Table 7: Extent to Which Aspects of Technology Are Used In Distribution

Aspects of technology	Mean	Std. Deviation
Use of technology in distribution	1.30	.483
Customer payment through the internet	1.00	.000
Online catalogues and promotions	1.00	.000
Delivery of products to consumers through courier	1.00	.000

Source: Research data findings

In this category, it was apparent from the concluded survey that use of technology is very slightly used in the product distribution. It had a mean score of 1.30. Payment through the Internet, online catalogues and promotions and use of couriers in delivering products to the consumers all were not used at all. The three aspects of distribution had a mean score of 1.00 each.

4.6 Extent to Which Aspects of Telephone Are Used In Distribution

This sub study sought to investigate the extent to which firms use telephone in the process of distributing their products to the consumers. The results are as follows.

Table 8: Extent to Which Aspects of Telephone Are Used In Distribution

Aspects of telephone	Mean	Std. Deviation
Customers contact the company through the phone	1.80	.789
Contact customers through phone	1.00	.000
Customer telephone prospecting	1.00	.000

Source: Research data findings

Contacting customers and customer prospecting through telephone were the least used both with a mean score of 1.00 while a customer contacting the company via telephone was slightly adopted with a mean score of 1.80.

4.7 Extent to Which Aspects of Trade Shows Are Used In Distribution

The respondents were asked to indicate the extent to which they use trade shows as channels of distribution of which the results are analyzed as follows.

Table 9: Extent to Which Aspects of Trade Shows Are Used In Distribution

Aspects of trade shows	Mean	Std. Deviation
Target both new and existing customers	2.40	1.506
Use of trade shows	1.90	1.101
Use booths to display products	1.80	1.135
Take part in shows that takes place once or twice per year	1.70	1.252
Take part in shows that last for few days	1.60	1.075

Source: Research data findings

From the results targeting of both new and existing customers was adopted while use of trade shows and booths to display products were moderately used. Targeting of new and existing customers had a mean of 2.40 while use of trade shows and display booths had a mean score of 1.90and 1.80 respectively. However shows that take place once or twice per year or last few days were not commonly used as they had a mean score of 1.70 and 1.60 respectively.

4.8 Extent to Which Aspects of Franchising Are Used In Distribution

In order to determine the extent of use of various aspects of franchising in distribution, the respondents were required to respond to the following:

Table 10: Extent to Which Aspects of Franchising Are Used In Distribution

Aspects of distribution strategy	Mean	Std. Deviation
Use third parties in distribution	2.60	1.430
Little control of distribution	2.30	.949
Lease trade mark	1.00	.000
Use third parties in production	1.00	.000

Source: Research data findings

Use of third parties in distribution was highly adopted whereby there was little control of the distribution process. The two aspects had a mean score of 2.60 and 2.30 while leasing of trade mark and use of third parties in production was the least used with a mean score of 1.00 each.

4.9 Extent to Which Aspects of Selective Distribution Are Used

This section was directed at investigating the extent to which firms use selective intensity in distribution. They gave opinions, which are tabulated as follows.

Table 11: Extent to Which Aspects of Selective Distribution Are Used

Aspects of selective distribution	Mean	Std. Deviation
Want to cultivate brand image of company products	2.70	1.059
Limited control of product distribution	2.30	.949
Concentrate on few selected outlets	1.20	.422

Source: Research data findings

As tabulated in the table above, it is apparent that, the desire to cultivate brand image of the products was adopted in a moderate extent with a mean of 2.70. Concentrating on few-selected outlets was not applicable or rather used to a small extent with a mean of 1.20.

4.10 Extent to Which Aspects of Exclusive Distribution Are Used

This was another category of study that sought to find out the extent to which the respective firms related their distribution of products and the quality of the products. Through study, the findings below came into limelight.

Table 12: Extent to Which Aspects of Exclusive Distribution Are Used

Aspects of exclusive distribution	Mean	Std. Deviation
Our product have a high quality brand image	2.90	1.101
There is big control of dealer activities	1.60	.843
Dealer does not sell competing products	1.30	.675
Use of only one dealer to distribute products	1.20	.422

Source: Research data findings

As the above section of study got summarized as shown above, it can be seen that, in relation to distribution of the firm's products, the products had a high quality brand image translating to a moderate extent with a mean of 2.90.

The other dealer control and product quality of the products such as the use of only one dealer to distribute products, dealer not sell competing products and the big control of dealer activities were not applicable or rather used to a small extent with a mean of 1.20, 1.30 and 1.60 in that order.

4.11 Extent To Which Aspects Of Intensive Distribution Are Used

The respondents were required to state the extent to which they apply various distribution variables in relation to intensive distribution to reach the ultimate consumer. The following is what came out.

Table 13: Extent to Which Aspects of Intensive Distribution Are Used

Aspects of intensive distribution	Mean	Std. Deviation
Sell to many outlets	4.50	.527
Products have wide geographical distribution	4.50	.527
There is little or no control of our distributors	3.60	.843
Brand image of our products is insignificant	2.90	1.197

Source: Research data findings

In relation to the distribution strategies of various firms it was found out that, to a very large extent the firm sold products to many outlets and also to a very large extent products had a wide geographical distribution with a mean of 4.50 each. Insignificance of brand image products was in a moderate extent with a mean of 2.90

4.12 Extent to Which Aspects of Vertical Integration Are Used In Distribution

In the distribution strategies adopted by cosmetic firms, the study here aimed at sourcing information on the extent to which vertical integration was used in the distribution of products.

Table 14: Extent to Which Aspects of Vertical Integration Are Used In Distribution

Aspects of vertical integration	Mean	Std. Deviation
No channel member to control over each other	3.40	.966
Each channel members seeks to maximize profits	2.80	.919
Contractual agreement with channel members	1.00	.000
The company owns channel member	1.00	.000

Source: Research data findings

From the above table, it can be assessed that to a moderate extent, with a mean of 3.40, there was no channel member control over each other. Meanwhile, to a moderate extent each channel member sought to maximize own profits. Contractual agreements with channel members or ownership of the channel members were not applicable or rather used to a small extent with a mean of 1.00 each.

4.13 Extent to Which Aspects of Multiple Channels Are Used In Distribution

The respondents were required to indicate the extent to which they used certain distribution variables in relation to using multiple channels to distribute their products.

Table 15: Extent to Which Aspects of Multiple Channels Are Used In Distribution

Aspects of multiple channels	Mean	Std. Deviation
Our products have wide market coverage	4.60	.516
These channels are competing channels	4.20	.422
Use more than one distribution channels	4.10	.568
Our main objective is to lower distribution costs	3.50	.707
There is very little control over channel members	3.30	.483

Source: Research data findings

As was found out, to a very large extent products had wide market coverage and the channels were competing channels with means of 4.60 and 4.20 respectively.

In a moderate extent there was very little control over channel members and also the main objective being to lower distribution costs. These constituted means of 3.30 and 3.50 in that order.

4.14 Extent to Which Various Factors Affect Choice of Distribution Channel

In this last section of study on the distribution strategies adopted by various firms to market their products, Concern was directed at finding out from the survey of cosmetic firms, the factors affecting their choice of the distribution channels. Armed with some factors that face firms in their choices of the distribution channel, the study collected the data tabulated below.

Table 16: Extent to Which Various Factors Affect Choice of Distribution Channel

Factors affecting choice of distribution channel	Mean	Std. Deviation
Level of distribution we needed for the company's products	4.70	.483
Cost of distribution	4.10	.738
The level of resources at the company's disposal	3.70	.949
Product information requirements	3.10	.876
Degree of control to have on distribution of our products	2.90	.316

Source: Research data findings

This final section of the study was geared towards getting a better understanding on the extent to which the stated factors were affecting particular firms in their choice of the distribution channel. As indicated above the survey came up with the above data from the responses of the firms.

From the above analysis, the level of distribution needed for the company's products greatly affected the choice of distribution followed by cost of distribution with a mean score of 4.70 and 4.10 respectively. The degree of control was the least determinant in the choice of distribution channel with a mean score of 2.90.

CHAPTER FIVE: SUMMARY AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings, conclusions and recommendations into the distribution strategies adopted by cosmetic companies and factors affecting adoption of these strategies.

5.2 Summary of the Findings

The objectives of the study were to find out the distribution strategies adopted by cosmetic companies and factors affecting adoption of these strategies. It was found out that most companies had limited number of branches countrywide; majority of companies surveyed had only one branch which mainly serves as the head office and a central point of operation It was also found out that most firms have well established marketing departments. The firms also have a large number of employees. Majority of the firms have between one hundred and six hundred personel in their employment.

It was also found out that, most firms are locally owned as opposed to foreign owned or joint ownership. Most firms probed seems to have operated for many years with half of them having operated for well over sixteen years while the rest have been in operation for between six and fifteen years.

Further study also revealed that, all firms don't sell their products directly to the consumers but there is always an agent or broker to provide a distribution link between the company and its consumers. Most firms also agreed that there was need to pass product information to their customers, position their products as of high quality as well as carry out product demonstration to the consumers. However most firms did not perceive their products to have unique features. The study also revealed that personal selling aspects such as van selling directly to consumers, face to face selling using firm's employees as well as selling to the consumers within the company's premises were not adopted.

The study also revealed that technology was not adequately used in distribution. Use of Internet, online catalogues and promotions as well as delivery directly to consumers through courier seemed to be highly unused. Use of telephone in customer prospecting was marginally used as well as contacting customers through telephone.Further study also showed that, most of these cosmetic firms, do not or to a small extent do engage in trade shows, display products in booths, and take part in shows that take place once in a year or last for few days. In the same line of study, it came into view that most of the firms, do not lease trade marks to third parties, do not use third parties in production, use third parties in distribution, and that they have little control over distribution process.

The study further shows that majority of the cosmetic firms sell their products to as many outlets as possible enabling the firms to have a wide distribution of their products while accepting that they have little control of the distributor activities. The study revealed that of these channel partners, each channel member has no control over each other while each member seeks to maximize on their profits. Contractual agreements with channel members are not adopted while firms do not own these channel members. However, it was also noted that, majority of the cosmetics firms, use more than one competing distribution channels. The firms admitted that there is little control over channel members, and that most of these firms objective was lowering distribution costs.

Finally, on the choice of the distribution channels, cost of distribution, level of resources at firms' disposal, and level of the distribution needed for the products were the main factors considered in making the firms choice of distribution strategy while the control of the distribution seems to be the least factor taken into consideration in the choice of this channel of distribution.

5.3 Conclusions

From the study, it can be concluded that, most of the firms are yet to embrace strategic marketing and distribution ways in order to sell their products and subsequently leap marginal profits. The choice of good distribution channel is paramount in ensuring high returns and easy distribution of the products to the consumers. Besides, firms should adopt modern technology in improving their distribution of the products. This technology may involve use of phones, Internet, online catalogues, and use of couriers to deliver products to consumers. If this is entirely embraced, it can result into vast returns. Internet is one of the most modern ways of product distribution where customers can get a lot of information, order and even make payments for products to await delivery of the same.

However, participation in trade shows, more control on distribution and production, concentrating on many selected outlets, having right control over dealers in competitive products, and having wide geographical distribution of products may see to it improved and buoyancy distribution channel.

More over, having contractual agreement with the channel members and having more distribution channels may help in lowering distribution cost. Lastly, before choice of distribution channel to be undertaken, factors such as: cost of distribution, resources available and level of distribution needed for the products should be considered before choosing the most appropriate distribution channel.

5.4 Limitations of the Study

The survey should not have been conducted on the firms only, as consumers could also have been taken into view to get a two-way satisfactory survey response. The study was a census study and predetermined questions were used. This may have limited the respondents from bringing out other relevant issues, which the researcher may not have mentioned.

5.5 Recommendations

Most of the firms are yet to embrace strategic distribution ways in order to improve sales. This is so if the firm wishes to survive in a competitive and turbulent environment. Business organizations need to develop better and long lasting relationships with their customers. This can only be foresee if the firms redefine their distribution strategies in terms of use of modern technology, adequate and good choice of the right distribution channel that is low in cost. Moreover, level of resources, and level of distribution channel should be looked into to help firms in planning for the right channel that will be profitable.

5.6 Recommendations for Further Study

Future studies should be carried out to investigate other factors that hinder most firms or companies from developing more and far reaching distribution strategies as a way of marketing their products. Key interest should be paid on speculating why most firms have not yet embraced the modern technology, which is much efficient and reliable means through which bountiful distribution of products can be achieved.

REFERENCES

Aaker, D. (1992). *Strategic marketing management*, John Willey: New York

Abdullah, H. K. (2001) "An empirical investigation of the strategic marketing practices of the soft drinks industry in Kenya", *Unpublished MBA project of the University Of Nairobi, Nairobi, Kenya.*

Alderson, W. (1965) *Dynamic marketing behavior. A functionalist theory of marketing.* Richard D. Irwin: Homewood, III.

Alumina, G. M. (2004). "Distribution strategies used by health maintenance organizations in Kenya", *Unpublished MBA Project of the University of Nairobi, Nairobi, Kenya.*

Ansoff, H. I. (1987). *Corporate strategy*. McGraw-Hill: New York

Belch, G. E. and Belch M. A. (2004), *An integrated marketing communications perspective*, Adverting and promotion 6th Edition. John Willey: New York.

Bucklin, L. (1965). "Postponement, speculation and the structure of distribution channels". *Journal of Marketing Research, Vol. 2, February, pp. 26-31.*

Cateora, P and Graham J. L., (1996). *International marketing*, Irwin: Boston.

Chandler, A. (1977). *The visible hand. The managerial revolution in American business.* Harvard University Press: Cambridge.

Churchill, G. and Peter, L. (1999). *Marketing creating value for customers*, Irwin: Illinois

Cravens, Hills, and Woodruff P. (1996). *Marketing management*, Richard D: Irwin, Inc.

Day, G. S. and Wensley, R. (1988). "Assessing advantage: a framework for diagnosing competitive superiority", *Journal of Marketing. Vol. 52 No. April. Pg 1-20.*

Devlin, J. F. (1995). "Technology and innovation in retail banking distribution", *The International Journal of Bank Marketing*, Vol. 13 No.4, pp.19-25.

Drucker, P. (1990). "The Emerging Theory of Manufacturing". *Harvard Business Review*, May-June, pp. 94-102.

Etzel, M; Walker B. and Stanton, W. (2003). *Marketing*, Irwin McGraw Hill: Boston

Green, E. P. and Krieger, A. (1993). *Conjoint analysis with product-positioning applications*, in EL, Chap. 10.

Griffith, D. A. and Ryan, J. K. (1996). "Natural channels in global marketing", *Journal of Marketing Practice*, 1, (4), 52-53

Guirdham, A.C. (1972*), Marketing of consumer goods*, 5th edition, Engle Wood Cliffs: New Jersey.

Gupta, C. B. and Khanka, L. (2003). *Entrepreneurship and small business management*, Sultan Chand and Sons: Delhi.

Gupta, C.B., (2002). *Business organization and management*, Sultan Chand and Sons: Delhi

Hewlett, G. (2002), "Modeling consumer choice of distribution channels: an Illustration from financial service." *International Journal of marketing Vol. 20, pp 161-173.*

Johnson, G. & Scholes, K. (2001) *exploring corporate strategy* 4th Edition Prentice Hall international.

Kirzner, I. (1973) *Competition and Entrepreneurship*. The University of Chicago Press: Chicago.

Kotler, P. (1991) *Marketing management*, Prentice-Hall, 7th Edition. Engle Wood Cliffs: New Jersey.

Kotler, P. (2003), *Marketing management*, 11th Edition, Pearson Education (Singapore) PteLtd: Delhi India.

Kotler, P. (2001), *Marketing management: analysis, planning and control*, Prentice Hall, Engle Wood Cliffs: New Jersey.

Kotler, P. (1988), *Marketing management, analysis, planning, implementation and control*. Prentice Hall, Englewood Cliffs: New Jersey.

Lancaster, G. and Massing ham, L. (1988) *Essentials of marketing*, McGraw-Hill:Boston.

Libin, G., (2006), *Consumer Behavior*, 8th Edition pp. 480-502 Inc. Eaglewood cliffs.

Lilien, G. L., Kotler, P. and Moorthy, K. S. (1992) *marketing models,* Prentice Hall. (LKM).

Louis, W. (2006). *Marketing channels*, Prentice-Hall, 7th Edition.

Majumder, R. (1996). *Marketing strategies*, Allied Publishers, New Delhi
Marketing, January, pp. 61-64.

McCarthy, E. and Perreault, W. (1991). *Essentials of marketing*, Irwin: Boston.

McVey, P. (1960) "Are Channels of Distribution What the Textbooks Say?". *Journal of marketing*, January, pp. 45-46

Mintzberg, H. (1990). "The design school: Reconsidering the basic premises of strategic management", *Strategic management Journal* 11: 171-195.

Morgan, J. (2006), "Get a Detailed Picture of the Cosmetics Industry in Kenya", Publication: Business Wire.

Ng'ang'a, P. K. (2000). "Factors influencing the choice of product distribution channels for manufacturing firms. *Case of Thika Town*". *Unpublished MBA Project, University of Nairobi, Nairobi, Kenya.*

Paliwoda, S. and Thomas, M. (1998). *International marketing*, Heinemann: Oxford.

Pearce, J. A. and Robinson R. B. (2003). *Strategic management; strategy formulation, implementation and control*, Irwin, Homewood: Illinois, 8th edition.

Prahalad, C. K. and Hamel, G. (1990). "The Core Competence of the Corporation", *Harvard Business Review*, 1990 - May-June.

Rapoport, C. (1998). "Distribution center eases hassle of selling Western goods in China", *Journal of Commerce Special, Vol 34. April 7.*

Schumpeter, J. A. (1942). *Capitalism, socialism and democracy*, Harper and Row: New York

Singh, B. P. and Chhabra, T. N., (2003). *Modern Business Organization*, Kitab Mahal: Delhi, Latest Edition.

Taneja, S. and Gupta, S. L. (2001). *Entrepreneur development*: *New venture creation*, Galgotia Publishing Company: India.

Tero, A. and Erkki, M. (1979). "Marketing strategy formulation: Pure versus Mixed Strategies", *The Journal of the operational research society*, Vol. 30, No. 12, pp. 1097-1101.

Thompson, A. and Strickland, A. J. (1993). *Strategic management*; *concepts and cases*, Irwin: New York.

Urban, G. and Hauser, J. (1993). *Design and marketing of new products,* 2nd Edition. Prentice-Hall: Englewood Cliffs, Chap. 9 and 10.

Villas-Boas, J. M. (1998). "Product Line Design for a Distribution Channel", *Marketing Science*, 17, 156-169.

Vishal, T. and Basiliere, P. (2007). *Distribution strategy will be key to one's success in India*, Gartner Inc:India.

Yoshino, M. Y and Rangan, U. (1995). "Strategic Alliances". *Harvard Business School Press*, Boston Massachusetts.

APPENDICES

Appendix 1: Introduction Letter

Letter to Respondents.

The University of Nairobi
School of Business
Department of Business Administration
P.O.Box 30197
NAIROBI.

Dear Respondent,

RE: COLLECTION OF RESARCH INFORMATION

I am a postgraduate student at the University of Nairobi, School of Business. As part of course requirements, i am undertaking a research study on the distribution strategies adopted by cosmetic companies in Kenya and the factors influencing their adoption.

You are one of the respondents selected for this study and kindly request that you provide the required information by filling the presented questionnaire.

This information is purely for academic purposes and will be treated with great confidence and in no instance will you be mentioned in the report.

Your assistance and co-operation in this will be highly appreciated.

Yours faithfully

John Gitonga
MBA Student

Mrs. Margaret Ombok
Project Supervisor.

Appendix 2: Questionnaire

GENERAL INFORMATION

1 Name of the Cosmetic Company……………………………………………………………

2 Designation of the respondent………………………………………………………………

3 Number of employees ……………………………………………………………………

4 How many branches, offices do you have country wide…………………………

5 Do you have a marketing department ……………………………………………………

6 What is the ownership of the company

- Locally owned [ ]
- Foreign owned [ ]
- Joint Ventures [ ]
- Others specify.-________________________

7 Number of years the company has been in operation in Kenya

- Less than 6 Years [ ]
- 6 -10 [ ]
- 11 – 15 [ ]
- 16 – 20 [ ]
- Over 21 Years [ ]

SECTION B:

8. The following are some of the ways products reach the ultimate customer. Indicate the ones you use in your organization.

Cosmetic Firm → Customer……………………………………………………[ ]

Cosmetic Firm → Broker or Agent → Customer…….[ ]

Cosmetic Firm → Franchise Service → Customer…….[ ]

All of the above strategies ……………………………………………………………… [ ]

9. The following are some of the marketing distribution strategies adopted by companies to reach their target market. On a scale of 1-5 indicate the extent to which your company uses these strategies.

5=Very Large Extent 4=To a Large extent 3=Moderate extent 2=Small Extent 1=Not at All.

10. In reaching the ultimate consumer to what extent does your firm use the following?	**5**	**4**	**3**	**2**	**1**
i. Sale vans					
ii. Face to face selling using your firms sales people					
iii. Face to face selling through contracted personnel (3rd Parties)					
iv. Sell to consumers within firms premises					
v. Do product demonstrations to consumers					
vi. Position firms products as of high quality					
vii. Sell through wild customer prospecting					
viii. Perceive the firms products to have unique features					
ix. Perceive the need to pass product info to the consumers					

11. Indicate the extent to which your firm uses the following	**5**	**4**	**3**	**2**	**1**
i. Technology as a means to sell products					
ii. Customer's payments through the internet.					
iii. Online catalogues and promotions					
iv. Delivery of products to consumers through courier					

12. To what extent does your firm use the following to reach the consumers?	**5**	**4**	**3**	**2**	**1**
i. Contacting customers through the phone (Outbound)					
ii. Customers contact us through the phone.(in bound)					

iii. Customer telephone prospecting					

13. To what extent has your company been involved in the following activities?	5	4	3	2	1
i. Participate in trade shows organized by the industry					
ii. Use booths to display our products					
iii. Target booth new and existing customers					
iv. Take part in shows that take place once or twice per year.					
V. Take part in shows that lasts for few days					

14. Indicate the extent to which your firm uses the following.	5	4	3	2	1
i. Lease trade mark to third parties					
ii. Use of third parties in production.					
iii. Use of third parties in distribution					
Iv Little control of distribution process					

15. To what extent do the following statements relate to your distribution operations?	5	4	3	2	1
i. Concentrate on few selected outlet					
ii. Have limited control of our product distribution.					
iii. Want to cultivate a brand image for our products.					

16. The following statements are in relation to distribution of your products. Indicate the extent to which they relate to your distribution and quality of your products.	5	4	3	2	1
i. Use of only one dealer to distribute our products					
ii. The dealer does not sell competing products					
iii. We have big control of dealer activities					

iv. Our product have a high quality brand image					

17. **Indicate the extent to which the following statements apply to your firm's products and distribution.**	**5**	**4**	**3**	**2**	**1**
i. Sell to as many outlets as possible					
ii. Our products have wide geographical distribution					
iii. We have little or no control of our distributors.					
Iv .Brand image of your products is insignificant.					

18. **Indicate the extent to which your firm relates to the channel members based on the following statements.**	**5**	**4**	**3**	**2**	**1**
i. There is contractual agreement with channel members					
ii. The company owns a channel member					
iii .Each channel member seeks to maximize own profits					
iv. No channel member has control over each other.					

19. The following statements relate to the channel members .Indicate the extent to which they relate to your firms products and channel members.	**5**	**4**	**3**	**2**	**1**
I. Use more than one distribution channels					
ii. These channels are competing channels					
iii. There is little control over channel members					
iv. Our products have wide market coverage					
v. Our main objective is to lower distribution costs.					

SECTION C:

20. In this section, please tick the appropriate section that best reflects the degree to which the following variables affect the choice of your distribution strategy

5 strongly Agree, 4= agree, 3= moderately agree, 2= disagree, 1= Not at all

20. In selecting the distribution channels for your firm, to what extent do the following factors affect your choice.	**5**	**4**	**3**	**2**	**1**
I. Costs of distribution					
ii. Degree of control to have on distribution of our products					
iii. The level of resources at our disposal					
iii. Level of distribution we need for the products.					
iv. Product informational requirements.					

THANK YOU FOR YOUR TIME

Appendix 3: List of Cosmetic Companies

Kenya Association of Manufacturers (2008)

1. Unilever Kenya
2. Sara Lee
3. PZ Cussons East Africa
4. Beiersdorf EA Ltd
5. Flame Tree Brands
6. Buy line Industries
7. Oasis Ltd
8. Interconsumer Ltd
9. United Chemical Industries.
10. Tri-Clover Industries.