INFLUENCE OF DISTRIBUTORS ON PERFORMANCE OF MANUFACTURER OF FAST MOVING CONSUMER GOODS (FMCGs) IN KENYA

BY

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DECLARATION

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

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DEDICATION

This work is dedicated to my loving wife Maureen, sons Nate and Raphael who offered me moral support throughout the process of conducting this study and to my late parents, Nathan Ogonda Odero and Rhoda Awuor for teaching me the values of education at an early stage in life. God bless you abundantly.

ABSTRACT

Fast moving consumer goods (FMCGs) are convenience products that are typically purchased on a regular basis.Currently there are many FMCG manufacturers in the market which has resulted in reduction of the market shares of manufacturers as well as profits. There is pressure on manufacturers to ensure that they get their product mix right or risk losing market share. According to IMR (2004), before there was more pull on the consumer side than push from the manufacturer’s side but today the reverse is the case. Initially, most manufacturers used wholesalers, selling products over the counter but due to competition and market dynamics, some manufacturers use distributors who perform additional functions like demand stimulation, providing market information, sorting and physical distribution. This study sought to determine the influence of distributors on performance of manufacturers of fast moving consumer goods in Kenya. The study adopted a descriptive research design since the study intends to gather quantitative and qualitative data. The study considered this design appropriate since it will facilitate gathering of reliable and accurate data that will clearly establish the influence of distributors on performance of manufacturers fast moving consumer goods in Kenya. The population of interest was 40 FMCGs manufacturers in located in Nairobi City County Nairobi where most of the established FMCGs manufacturers in Kenya are based. The study had a sample size of 40 respondents who were served with the questionnaire. Primary data that will be quantitative and qualitative in nature will be collected for this study. A semi-structured questionnaire developed in line with the research objectives was used to collect data from the respondents. Quantitative data collected was analysed using descriptive statistics namely percentages, means, standard deviations and frequencies. Further regression analysis was used to determine the effect of distibutors on performance. Content analysis was used to analyse qualitative data. The study established that distributors play an important role in the performance of a company. The study also found that distributors provide both market and competitor intelligence to the manufacturer. The study further established that distributors help in the market share growth since they have route plans for market coverage and enhance product availability in the outlets within their demarcated areas. The study recommends that policy makers in government, to ensure good road networks to minimise the logistics costs for distributors thus ensuring efficient movement of trucks to outlets. This lowers the cost of goods to the final consumer thus raising living standards. The study further recommends that manufacturers to recruit distributors to achieve both numeric and weighted distribution of their products and hence enhancing all their performance parameters. The study was limited to Nairobi City County though there are some established FMCG companies in other towns in Kenya which were not investigated.

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ABBREVIATIONS AND ACRONYMS

EPS	Earning Per Share
FIFO	First in First Out
FEFO	First Expiry First Out
FMCG	Fast Moving Consumer Goods
GPS	Global Positioning Systems
GRA	Grey Relational Analysis
MNC	Multinational Corporations
OCF	Operation Cash Flows
ROI	Return on Investment
ROS	Return on Sales
SN	Stock Norms
TOC	Theory of Constraints
VMS	Vertical Marketing System

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Distribution plays a critical role in the success of organization of all types including local, transnational and global. Some major reason among others includes 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, 2008). This calls for marketing systems to constantly look for ways to lower the overall cost of distribution channels while striving to improve relationships between channel members.

In the 4 P's of marketing mix, place (distribution) determines where the product will be sold and how it will get there (Kotler, 2010). Griffith and Ryan (2012) hold that distribution channels evolved through the utilization of national resources contained within an area of trade. The need to move 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 utilised to move a product and its title from production to consumption. Every business that manufactures or moves tangible products from place to place faces a similar set of demands from customers, suppliers, investors, competition, regulatory bodies and industry analysts: to deliver products faster, reduce inventory, lower operating costs, and deal with increasingly complex orders and competition. These requirements often conflict with each other, creating trade off and opportunity costs throughout the supply chain.

Distribution costs on the other hand are not uniform across markets. Fast Moving Consumer Goods (FMCGs) companies are using location and network efficiency as a competitive weapon to drive down overall operating costs and create value in the supply chain. Performance of the distribution network as a whole and of its component facilities is scrutinized closely to find hidden opportunities. These companies recognize that the facility strategy must be robust enough to handle current demand, while remaining flexible enough to react to changing market conditions and avoid business risk.

1.1.1 The Concept of Distribution

Distribution is where intermediaries, such as wholesalers and retailers, breaking the bulk and create an assortment of products to offer customers (Kotler, 2011). Distributors facilitate or help the flow of the transaction by physically moving product, information, or funds through the distribution channel. 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, 2008).

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A channel of distribution comprises a set of institutions which perform all of the activities utilised to move a product and its title from production to consumption. 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 (Churchill and Peter, 2009). There have also been some innovations in the distribution of services. Outlets such as estate agencies and building society offices are crowding out traditional grocers from major shopping areas (Majumder, 2012).

Distribution systems provide a standard of living for customers by moving products from producers to users in the most cost efficient manner as possible. The main functions of a distribution system are ordering, warehousing and physical movement of the product from producers to end users. In the 4 P's of marketing mix, (Place) distribution determines where the product will be sold and how it will get there (Kotler, 2011). In order to sustain the growth of the international marketplace and the integration of the world's economic activities, it is vital to conduct efficient and cost-effective distribution (Ross, 2006).

1.1.2 The Concept of Distributors

Distributors are participants in a supply channel, the distributor usually a wholesaler who sells to dealers and dealers usually retailers who sell directly to the public (Dent, 2008). The distributor terminology is most common in the distribution of machinery and mechanical goods thus in automobiles, trucks, farm and construction equipment, yard and garden goods (green goods), appliances (white goods), electronics, and also in the sale of industrial equipment (Bello & Lohtia, 2015). Distributors maintain parts inventories and the dealers provide service functions to the ultimate consumers. Relationships among manufacturer and distributors are typically contractual in nature. Distributors and in turn dealers participate in incentive programs offered by the manufacturers such as subsidized advertising programs, bonuses, and special discounts. Distributors have rights to use the manufacturer's trademarks and logos but not as their own (Zaheer, 2010).

Distributor relationships to manufacturers have many features in common with franchises. Indeed, state laws governing franchises may have clauses that directly relate to distributors and dealers (Zaheer, 2010). But the franchise concept is fundamentally different from the distributor-dealer model. Traditional distributors never pay an up-front fee to the manufacturer for the privilege of selling the producer's goods but may be contractually required to buy some minimum amount of goods (Zaheer, 2010). Distributors may be relatively strong or relatively weak against the manufacturer, but in all cases they bring something to the table, namely an established market already developed. It is not unusual for strong distributors and dealers to carry the goods of competing manufacturers, although, in most cases, one of the brands will be dominant, the other serving a smaller customer base (Brown & Herring, 2015).

The overarching function of a distributor is argued to be a one-stop shop where it facilitates a portfolio of represented manufacturer products to customers. Moreover, a distributor generally has two main functions towards the manufacturer: as a demand generator and as a supply fulfiller (Dent, 2008). Firms use distributors when they have limited knowledge of the targeted market and how that market may grow. The decision to use a distributor, therefore, is characterized by uncertainty from a manufacturer perspective (Eriksson, Hohenthal, & Lindbergh, 2006). Other reasons firms use distributors include the relatively low fixed costs involved in initiating a distributor agreement (Bello & Lohtia, 2015); the distributor‘s familiarity with local legislation and politics (Zaheer, 2010); the potential to create synergies with other products within the distributor‘s product portfolio and the distributor‘s understanding of the local culture.

Besides functioning as a sale apparatus, the distributor may conduct market research, train sales people, invest in promotions, and provide technical services. Customers tend to gain from a distributor set-up as opposed to direct exporting because they can turn to a distributor within the specific industrial sector for direct support. Hence, this allows long-term relationships to be established with distributors, which are argued to function as an extension of the exporter (Brown & Herring, 2015).

1.1.3 Organizational Performance

Firm's performance is the measure of standard or prescribed indicators of effectiveness, efficiency, and environmental responsibility such as, cycle time, productivity, waste reduction, and regulatory compliance. Performance also refers to the metrics relating to how a particular request is handled, or the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it. It is the outcome of all the organization's operations and strategies (Venkatraman and Ramanujam, 2011). It is also the extent to which an individual meets the expectations regarding how he should function or behave in a particular context, situation, job or circumstance. Oakland (2009) is of the view that performance is what people do in relation to organizational roles.

Performance measurement systems provide the foundation to develop strategic plans, assess an organization's completion of objectives, and remunerate mangers (Alderfer, 2013). Although assessment of performance in the marketing literature is still very important, it is also complicated (Andersen and Segars, 2011). While consensual measurement of performance promotes scholarly investigations and can clarify managerial decisions, marketers have not been able to find clear, current and reliable measures of performance on which marketing merit could be judged (Manogran, 2011). The performance of institutions is usually measured using a combination of financial ratios analysis, benchmarking, measuring performance against budget or a mix of these methodologies. The common assumption, which underpins much of the financial performance research and discussion, is that increasing financial performance will lead to improved functions and activities of the organizations.

With organizations operating in very volatile environments, the management's concern is how to achieve organizational performance. Organizational performance involves recurring activities to establish organizational goals, monitor progress towards the goals, and make adjustments towards achieve those goals more effectively and efficiently (Carter, 2007). The question is why some organizations perform better than others.

1.1.4 Fast Moving Consumer Goods

Fast Moving Consumer Goods consists of food as well as non-food items like; health drinks, biscuits, chocolates, aerated drinks, napkins, toiletries and hair care sanitary (Vikapia, 2005). According to Perpetuity Research & Consultancy International (2014), fast moving consumer goods is used by those connected with retailing to describe price sensitive goods that are packaged and branded, consumables and for mass use. The report further states that, fast moving consumer goods are convenience products that are typically purchased on a regular basis such as toiletries and detergents.

A subset of FMCGs is Fast Moving Consumer Electronics which include innovative electronic products such as mobile phones, MP3 players, digital cameras, Global Positioning Systems (GPS) and Laptops. Every family spends a large portion of their monthly budget on FMCG products. Contribution of FMCG sector in every economy is significant. Now, due to globalization, every economy is facing tough competition.

Entries of MNCs and cheaper import have made the situation more difficult. To carry out the business in this sector has become very difficult. Every company has to spend a large portion of their budget on promotional efforts (Vikapia, 2005).

1.1.5 Fast Moving Consumer Goods Manufacturers in Kenya

According to Unilever data monitor magazine (2005), due to liberalization, the manufacturing sector is characterized by several players, increased competition, regulatory changes, changing consumers styles and expectations, availability of a wide variety of substitutes, shorter distribution channels as manufacturers gain direct access to most markets, increased costs of advertising and distribution outlets demand higher rebates. The industry faces increased competition from imported substitutes both in price and quality (Bello, *et al*, 2012).

According to the Unilever Data Monitor magazine (2005), Unilever Company has suffered setbacks because of its inability to cope with increased competitiveness in key markets. For example, hair care products in the US and Japan suffered decline in sales and volumes as a result of intense competition. Declining prices coupled with rising demand for discounts from the trade partners put pressure on margins. The magazine further states that in some emerging markets like Kenya, Unilever is losing the price advantage it once had and enjoyed in home and personal care products to companies such as Reckitt and Benckiser and Procter and Gamble.

According to the Journal of International Marketing Research (2005), major multinationals dealing with fast moving consumer goods have established operations in Kenya as foreign companies or joint venture with Kenyan shareholding to supply the domestic neighboring markets. These include Nestle, Unilever, Cadbury, Coca-Cola and Wrigley. International Market Research (2005) further states that food and beverages make up over half of Kenya's export mainly to the neighboring countries. Traditional suppliers from European Union are the main source of Kenya imports supplying over 32 per cent of the FMCGs.

FMCG manufacturers' use push and pull strategies to influence wholesalers and retailers to stock their products thus pushing the product through the channel to the final consumer. They may offer intermediaries higher margins for carrying a particular product, allowances for retail advertising, quantity discounts, contests and bonuses to reward retailers and wholesalers for higher sales, in-store promotions and displays to make it easier for the retailer to sell a product (Assael, 2003)

1.2 Research Problem

To reach the final consumers, products need to be distributed, and thus the channel of distribution becomes of utmost importance. Markets are becoming increasingly international resulting in many companies being located further away from their buyers and final customers. Whatever distribution channel an organization chooses, priority is designed to help manage the campaign and monitor profitability (Gupta & Khanka, 2013). Changes in consumer buying habits and motives, changes in the marketing mix, changes in the availability of middlemen, changes in resources, changes in competition, and finally changes in all the environmental factors call for a modification or a redesign of a company's channel structure.

FMCGs manufacturers play a significant role in the Kenyan economy. They are major employers of the Kenyan population. Central Bureau of Statistics (2014) estimates indicate that in the year 2009 the entire Kenyan manufacturing sector employed 4.7 million individuals equivalent to 68 percent of all persons engaged in the economy. Currently there are many players in the market which has resulted in reduction of the market shares of companies as well as profits (McCarthy *et al*, 1996). There is pressure on manufacturers to ensure that they get their product mix right or risk losing market share (Soderbom, 2011). According to IMR (2004), before there was more pull on the consumer side than push from the manufacturer's side but today the reverse is the case. The customer now has a choice (Shnaars, 2011), therefore the need for manufacturers and retailers of FMCGs to embark on effective distribution techniques in order to improve their performance on a long term basis.

Empirical studies done internationally and locally include; Bertrand *et al.* (2010) investigated the indicators of distributor performance. The study found that urban distributors had more client and performed more sales than rural distributors. Woodside (2012) investigated characteristics of distributor performance in terms of new products. The study revealed that the share of total business the new product is an important factor showing distributor performance. Gaur *et al.* (2009) examine the performance of retailer firms and found that retailer with long-term stock return on assets, high sales growth and high growth margin return on inventory. Mbanga-Msweli (2011) examined distributor performance in network organizations and found that organizational commitment and customer profile directly affect performance.

Wasamba (2008) did a study on the strategies used by manufacturers of FMCG to motivate channel members among supermarkets in Kenya. Mageto (2009) did a study on the relationship between distribution performance and supply chain responsiveness among supermarkets in Nairobi. Wasonga, (2011) carried out research to determine what influences the consumer perception regarding the Kenyan FMCGs in East Africa Community. The study found out that the consumers pay close attention to quality and price and they felt that the goods from Kenya are of high quality. Kagure (2010) did a research on the analysis of evaluating sales promotion effectiveness in the fast moving consumer goods industry in Kenya. The objective was to establish how firms allocated marketing budgets, what objectives they sought to achieve through sales promotion as well as whether and how these firms in Kenya evaluated the effectiveness of sales promotion as a marketing strategy and the challenges faced in the process. Another finding from the study was that a big proportion (89%) of all FMCG companies engages distributors. A conclusion deduced from this finding was that the firms acknowledged the importance of distributor.

From the above studies it is evident that all the manufacturers of FMCGs engaged distributors in the distribution of the product but it is not clear on the influence of distributors on performance of fast moving consumer goods. This study sought to fill the existing research gap by answering the following research question: What is the influence of distributors on performance of fast moving consumer goods in Kenya?

1.3 Research Objective

The objective of the study was to establish the influence of distributors on performance of manufacturer of fast moving consumer goods.

1.4 Value of the Study

Researchers and scholars can use this information to add to their understanding of product distribution channels in manufacturing firms in Kenya. The study will provide foundation and material for further related research. It will also introduce new comparative knowledge for managers to deal with challenges arising from the choice of product distribution channel.

The study will assist the management of manufacturing companies to address the shortcomings in the distribution of their fast moving consumer products to the supermarkets, large and small groceries/dukas (General Trade), and challenges experienced in the implementation of distribution strategies, and provide guidance in the up scaling of its distribution for increased sales levels. This study is based on the premise that the passage of time and the very numerous and significant changes in the business environment have led to totally different distribution systems by companies.

Policy makers such as the government will find the study invaluable in the implementation of policies aimed at streamlining supply and distribution activities in various sectors within the country. The policy makers will also obtain knowledge on the distribution of fast moving consumer goods, the dynamics and the responses that are appropriate and specific for various industries in Kenya, they will therefore obtain guidance from this study in designing appropriate policies that will ensure the effective implementation of relevant policies.

1.5 Chapter Summary

This chapter reviews the introduction to the study on the influence of distributors in the performance of manufacturer of fast moving consumer goods in kenya.The areas of discussion are as follows; background of the study , research problem ,research objective and value of the study. The next chapter covers literature review.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review relevant to the study specifically theoretical foundation. The chapter discusses other works that give insight on the influence of distributors on performance of fast moving consumer goods.

2.2 Theoretical Foundation

This study is based on the theory of Constraints, Transaction Utility theory as well as the Bargaining Theory of Distribution Channels.

2.2.1 Theory of Constraints (TOC)

This theory was propounded by Goldratt (1986) who argues that stock should be set according to average replenishment time; average demand within replenishment time; fluctuations of demand within replenishment time; fluctuations in replenishment time; loss caused by shortage; customer tolerance time; cost of holding stock. Stock Norms (SN) can be set and the min-max principle can be used, as soon as the stock level falls below a predefined minimum level, an order is placed to replenish the stock up to the maximum level. The method seeks to reduce transportation costs. We should use the sales data and should factor variables affecting demand like trade promotion, consumer promotion and seasonality affecting demand. The TOC involves dynamically sticking to the system defined Stock Norms to reduce the stock pressures on supply chain and cutting down of operating expenses and, at the same time, contributing to an increase in the ROI (Kotler, 2013). This study uses the theory of constraints in distribution of FMCGs; replenish their stock which in turn influences performance of fast moving consumer goods.

2.2.2 Transaction Utility theory

Transaction Utility theory was propounded by Thaler (1983) to explain that the value derived by a customer from an exchange consists of two drivers: Acquisition utilities and Transaction utilities. Acquisition utility represents the economic gain or loss from the transaction. Whereas transaction utility is associated with purchase or (sale) and represents the pleasure (or displeasure) of the financial deal per se and is a function of the difference between the selling price and the reference price. Choice of a format has been studied from several dimensions including the cost and effort as well as the nonmonetary values. However, the studies that present the complete picture and combine the aspects of the tangible as well as intangible values derived out of the shopping process are limited (Shaw & Haynes, 2014).

Transaction utility theory will be used in this study to explain the value derived by a customer from an exchange which consists of two drivers' acquisition utilities and transaction utilities. Distributors aid in the exchange of goods between the manufacturer and consumers. Thus this study uses the transaction utility theory to explain the influence of distributors on performance of fast moving consumer goods.

2.2.3 Bargaining Theory of Distribution Channels

This theory was propounded by Ganesh and Miguel (2003), who argue that the critical factor in channel relationships between manufacturers and retailers is the relative bargaining power of both parties. In this article, the authors develop a framework to examine bargaining between channel members and demonstrate that the bargaining process actually affects the degree of coordination and that two-part tariffs will not be part of the market contract even in a simple one manufacturer-one retailer channel. To establish the institutional and theoretical bases for these results, the authors relax the conventional assumption that the product being exchanged is completely specifiable in a contract. They show that the institution of bargaining has force, and it affects channel coordination when the complexity of non-specific ability of the product exchange is present (Shaw & Haynes, 2014). Bargaining Theory of Distribution Channels will be used in this study explain how distributor of fast moving consumer goods helps in the distribution and thus leading to performance of fast moving consumer goods.

2.3 Functions of a Distributor

The distributor is a middleman that helps a company on one of their international or domestic markets. The distributor usually has exclusive sales right on a specific market and they work closely with the manufacturer (Chopra, 2011). The arrangement between the parties is commonly continuous over a long period of time. By using a distributor the manufacturer still has some control over prices, marketing, service and other functions. One benefit of the collaboration is that the manufacturer doesn’t have any fixed cost to be responsible of, which they would have if they entered the market on their own (Ghosh, Amit, Benoy, Gardner and Thach, 2014). Another basic explanation of a distributor could be described as a firm that bonds a manufacturer to its customers and in its strictest form should; “purchase goods from his supplier for stock, actively promote and sell this stock to users, provide advice and service as appropriate for the product he sells, invoice and collect money from his customers (Ghauri, Pervez and Philip, 2010).

It has become common for companies to use intermediaries to get their products out to customers. This could be done through a distribution channel, by an interdependent organization that makes the product available for the public. The usage of distributors has increased over the last 30 years and this is because of various reasons. One reason is the increasing demand of rapid service by customers, to be able to respond quickly to the market needs. Research explains how it previously was seen as a positive outcome to reduce the number of business contacts/intermediaries. Now they advocate that the more choices and contacts the better. Relational exchanges have become necessary for the companies’ survival, and in an increasing competitive environment companies constantly seek collaborative relationships to build long-term alliances (Mudambi and Aggarwal, 2013).

In order to succeed in new markets, suppliers must, due to the increase of distributors in industrial sales channels, develop strong relationships with them. This becomes even more important if the manufacturer is targeting markets in different countries, since the service standards may vary in different countries. Another important reason for using distributors is the reduction of trade barriers. Ford *et al* (2014) have given some reasons for the increased use of distributors such as the number of customers and the size of them has increased over the years, along with customers becoming more geographically widespread. By using a distributor in a foreign country, the company moves closer to the market and costumers. Another benefit could be that problems easier could be recognized and a more rapid solution can be carried out (Wu, Fang, Sinkovics, Cavusgil and Roath, 2007).

To quickly learn and adapt to local markets can be seen as a competitive advantage, a strategy to decrease the possibility of duplication by rivals. Local market knowledge is one of the fundamental benefits by having a foreign distributor. They possess critical market intelligence on customer expectations, local requirements etc (Ghauri, Pervez and Philip, 2010). The information about the foreign markets is also highly dependent on the distributor's willingness to support and cooperate, which means that a good relationship of trust is becoming more important. There are three ways to conquer barriers of cultural distances; trust, knowledge sharing and contract-based relationship.

Trust is considered to be the most effective way to distributor opportunism (Chopra, 2011). The success is also dependent on the manufactures experience with new markets and their flexibility to operate under different circumstances. Findings show that it is equally important for manufacturers on a regularly basis absorb local know-how from their distributors. "It will be helpful for the exchange parties in the international relationship to provide specific programs such as joint training sessions and culture-related education in order to facilitate the transfer of tacit knowledge and bridge the gaps between international channel partners (Mudambi and Aggarwal, 2013).

2.4 Characteristic of Distributors

Distributors are intermediaries, such as wholesalers and retailers who breaking bulk and create an assortment of products to offer customers. Distributors facilitate or help the flow of the transaction by physically moving product, information, or funds through the distribution channel. Distribution systems thus provide a standard of living for customers by moving products from producers to users in the most cost efficient manner as possible. This calls for marketing systems to constantly look for ways to lower the overall cost of distribution channels while striving to improve relationships between channel members. The main functions of a distribution system are ordering, warehousing and physical movement of the product from producers to end users (Kotler, 2013).

Retailing provides a combination of goods and services to their customers. Retail outlets channel has been characterized as a service with high degree of labour intensity, and low degree of interaction and customization (Tan, Lyman & Wisner, 2012). Examples of retailers in Kenya include the supermarkets, kiosks (very small convenience stores), hawkers, butcheries, fuel stations, bookshops, hotels, chemists, banks, ordinary shops, auto dealers, cloth stores, jewelry stores, gift shops, shoe stores, furniture stores, music stores and hair salons among others (Kagira & Kimani, 2010). While the traditional marketing emphasis in retail outlets channel has been on product quality (goods), growing research in service quality has made many retailers to understand the importance of service quality in their retail offerings (Bougoure & Lee, 2009).

2.5 Evaluation of Distributor Performance

Performance is a product, a service or an idea which is done to accomplish the task and objective which are fulfilled according to the criteria of the predetermined task (Pugh, 2011). As for the performance measurement, it means selecting and using the quantitative scales of capacities, processes and outcomes to fulfillment products, services or transactions (Perrin *et al.*, 2009). The field of distributorship is the one of fast growing ones in recent years and there intense competition has occurred.

In order to be afloat in this competition, distributors need to keep pace with new developments, improvements and variations. This is the reason why it is important to evaluate performance and set a course and strategy for making financial condition better from the point of distributors. For evaluation performance distributors should follow some guidelines, according to Export Assistance Center (2009), this guideline compares ratios of organization sales with competitor sales, match sales against past performance, check against market-survey targets, watch inventory turnover ratios, compare notes with retailers on your distributor’s sales efforts, check local media for effectiveness of advertising and compare short-term and long-range effectiveness of distributor’s activities.

2.6 Distributors and Organization Performance

Increasing competition is a real aspect within the FMCGs manufacturing sector. With many of these firms being required to do more and more with the same or less, every choice they make impacts on the business survival. They are constantly required to accelerate the human performance of their distribution effort to ensure goods are pushed through the supply chain in as short time as possible. The distribution performance of these firms is of utmost concern to both sales people and the finance executives. Distributor performance determines the bottom line of the company. Aligning a company's distribution plans to the company's objectives presents one of the sure ways of optimizing sales performance.

The relationship between distribution and organization effectiveness is controversial and the nature of the impact is inconclusive. While some authors believed that the impact of distribution on organization effectiveness is minimal and non-significant (Dekimpe, Hanssens and Silva-Risso 2009; Srinivasan *et al.* 2010), others believe that the impact is high and significant (Boddewyn and Leardi; 2009; Odunlami and Ogunsiji, 2011). Organizational effectiveness in this study is defined by distribution volume and profitability. Some of the recent studies include Pauwels *et al* (2002) which examined the permanent impact of distributor on accumulative annual sales for the two product categories which include storable and perishable products. Their findings show that perishable and storable product categories lack permanent effects of distributor. Furthermore, it is revealed that effects of distributor are long lived and persist for more than 2 years for both product categories. The research results prove the common concept that distributor impact on organization performance.

Syeda, *et al* (2012) explore the short term and long term impact of distributor in Pakistani companies from two diverse industries, i.e. Beverage Industry (Shezan International Ltd) and Foam Manufacturing Industry (Diamond Supreme Foam) by regressing mean of brand loyalty on mean perception about distributors obtained through financial analysis and consumer survey respectively, using a sample of 200 consumers. The authors used time series models and OLS estimation. Their results reveal the presence of various extraneous factors impacting the effectiveness of distributor.

2.7 Chapter Summary

This chapter reviews the existing literature relevant to the study and in specific the theoretical foundations, functions of a distributor,characteristics of distributors,evaluation of distributor performance , distributor and organization performance. The next chapter reviews research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in the collection, measurement and analysis of data. Specifically the following subsections are included; research design, population of the study, data collection methods and the data analysis.

3.2 Research Design

Creswell (2010) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. Research design is the basic plan that indicates an overview of the activities that are necessary to execute the research project (Mugenda & Mugenda, 2008). The study adopted a descriptive research design since the study intended to gather quantitative and qualitative data. The study considered this design appropriate since facilitated gathering of reliable and accurate data that clearly established the influence of distributors on performance of fast moving consumer goods in Kenya.

3.3 Population of the Study

According to Kombo & Tromp (2008) target population is a well-defined or specified set of people, group of things, households, firms, services, elements or events which are being investigated. Target population should suit a certain specification, which the research is studying and the population should be homogenous. The population of interest was 40 FMCGs manufacturers in located in Nairobi County, (Kenya Manufacturers and Exporters, 2014). Nairobi City County was chosen because most of the established FMCGs manufacturers in Kenya are found in Nairobi (Appendix II). Owing to the small number of FMCGs manufacturers, the study adopted a sample survey from where one respondent (Sales Manager) was selected from each organization. The study had a sample size of 40 respondents who were served with the questionnaire.

3.4 Data Collection Methods

Primary data that was quantitative and qualitative in nature was collected for this study. A semi-structured questionnaire developed in line with the research objectives was used to collect data from the respondents. The semi-structured questionnaire was divided into two major sections. The data was collected from the sales manager or their equivalent. The questionnaire was administered through drop and pick later method.

3.6 Data Analysis

Before processing the data, the completed questionnaires were edited for completeness and consistency . Quantitative data collected was analyzed using descriptive statistics namely percentages, means, standard deviations and frequencies. Further correlation analysis and regression analysis was used to determine the effect of distibutors on performance. Content analysis was used to analyze qualitative data.

3.7 Chapter Summary

This chapter has described the research methodology used in this study including the population, sampling design and size, data collection and analysis method. In the data analysis and presentation, both qualitative and quantitative methods of analysis were used. The population consisted of FMCG manufactures in Nairobi City County. The data was collected using a structured questionnaire designed by the researcher and analyzed by the use of SPSS (version 22). The next chapter reviews data analysis, findings and discussion.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents and the findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size of 40 respondents from which 34 filled in and returned the questionnaires making a response rate of 85 percent. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to Mugenda and Mugenda (1999), a response rate of 50 percent is adequate for analysis and reporting; a rate of 60 percent is good and a response rate of 70 percent and over is excellent. Based on the assertion, the response rate was considered to excellent.

4.2 Demographic Information

The study sought to determine some demographic information about the respondents. The respondents were requested to indicate their positions in the organization, the company's length of operation and the type of ownership of the companies.

4.2.1 Respondents' Position in the Organization

The study sought to determine the respondents' position in the organization. The findings are contained in Table 4.1.

Table 4.1: Position in the Organization

Level	Frequency	Percent
Senior management	4	11.8
Middle level manager	22	64.7
Low level staff	8	23.5
Total	**34**	**100.0**

The findings revealed that majority of the respondents as shown by 64.7% indicated that they are middle level managers, 23.5% of the respondents indicated that they were low level staff while 11.8% of the respondents were senior managers. This is an indication that the respondents were from different management levels and hence will give credible information related to this study.

4.2.2 Age of the Organization

The study sought to determine the company's length of operation. The findings are shown in Figure 4.1.

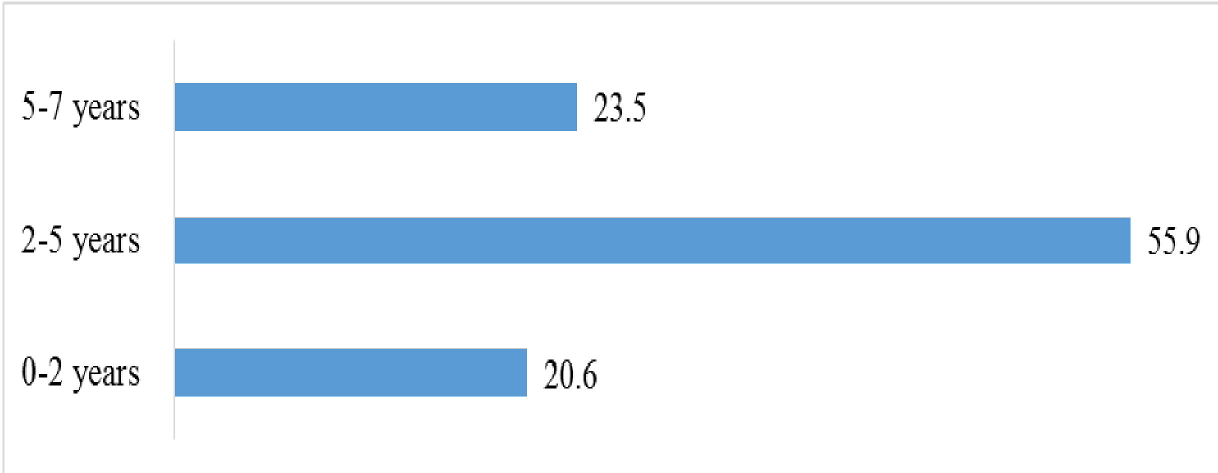

Figure 4.1: Company's Length of Operation

From the findings, majority of the respondents as shown by 55.9% indicated that their companies had been in operation for between 2 and 5 years, 23.5% of the respondents indicated between 5 and 7 years while 20.6% of the respondents indicated 0 to 2 years. These findings depict that the companies involved in the study had been in operation for a long period for the respondents to understand the influence of distributors on performance of these companies.

4.2.3 Type of Ownership of the Organization

The respondents were requested to indicate whether their companies were multinationals or local. The findings are contained in Table 4.2.

Table 4.2: Type of Ownership of the Organization

Type of Ownership	Frequency	Percent
Local	14	41.2
Multinational	20	58.8
Total	**34**	**100**

The findings revealed that majority (58.8%) of the respondents indicated that their companies were multinational whereas 41.2% of the respondents indicated that their companies were local. This indicated that both multinational and local companies were involved in this study and therefore the findings of the study will not be biased on the type of ownership of the company.

4.3 Functions of a Distributor

The study sought to determine from the respondents their level of agreement with some statements relating to functions of a distributor. The responses were captured using Likert Scale of 1 to 5 to interpret the results of the study. If the mean was found to be close to 1, the study regarded the statement strongly disagreed, if the mean was found close to 2, the study regarded the statement as disagreed, if the mean was close to 3, the study regarded the statement as moderately agreed to, if the mean was close to 4, the study regarded the statement agreed and if the mean was close to 5, the study regarded the statement strongly agreed to.

4.3.1 Demand Stimulation Function

The respondents were requested to indicate their level of agreement with some statements relating to demand stimulation functions of a distributor. The findings are contained in Table 4.3.

Table 4.3: Statements Relating to Demand Stimulation Function

Statement	**Strongly Disagree**	**Disagree**	**Moderate**	**Agree**	**Strongly Agree**	**Mean**	**Std Deviation**
Demand Stimulator							
Through the distributor, the manufacturers are able to stimulate demand for product	0	2	3	18	11	4.118	0.974
Distributors help to create demand for the manufacturer product	2	2	4	18	8	3.824	0.878
Distributors help the manufacturer to know which product has high demand in the market	0	3	6	16	9	3.912	0.798
Distributors are easily recognized with the product which helps to create it demand	1	1	5	15	12	4.059	0.885
Demand offer discounts on manufacturer product which leads to increased demand	0	3	4	17	10	3.718	0.804
Average of Average						3.926	

On the function of a distributor as a demand stimulator, majority of the respondents agreed that through the distributor, the manufacturers are able to stimulate demand for product, as shown by a mean of 4.118; distributors are easily recognized with the product which helps to create its demand, as shown by a mean of 4.059; distributors help the manufacturer to know which product has high demand in the market, as shown by a mean of 3.912; distributors help to create demand for the manufacturer product, as shown by a mean of 3.824; and that demand offer discounts on manufacturer product which leads to increased demand, as shown by a mean of 3.718. The findings concur with those of Mudambi and Aggarwal (2013) that the usage of distributors has increased over the last 30 years and this is because of various reasons. One reason is the increasing demand of rapid service by customers, to be able to respond quickly to the market needs.

4.3.2 Market Information Function

The respondents were requested to indicate their level of agreement with some statements relating to market information functions of a distributor. The findings are contained in Table 4.4.

Table 4.4: Statements Relating to Market Information Function

Statement	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
Market Information							
Distributors help the manufacturer to gather market information on the product.	3	1	3	18	9	3.853	0.915
Distributors enable the company to be able to respond quickly to the market needs.	2	3	7	15	7	3.647	0.695
Distributors help the manufacturer gather information on competitor prices and activities.	0	3	5	17	9	3.941	0.847
Through distributors the manufacturer is able to gather information on the market trends.	1	0	4	15	14	4.206	0.993
Distributors offer information on new product in the market by competitors	0	3	6	16	9	3.912	0.958
Average of Average						3.912	

On whether distributors play a role in marketing information, majority of the respondents agreed that through distributors the manufacturer is able to gather information on the market trends, as shown by a mean of 4.206; distributors help the manufacturer to gather information on competitor prices and activities, as shown by a mean of 3.941; distributors offer information on new product in the market by competitors, as shown by a mean of 3.912; distributors help the manufacturer to gather market information on the product, as shown by a mean of 3.853; and that distributors enable the manufacturer to be able to respond quickly to the market needs, as shown by a mean of 3.647. These findings were found to be in line with those of Ghauri, Pervez and Philip (2010) who noted that local market knowledge is one of the fundamental benefits by having a foreign distributor since these distributors possess critical market intelligence on customer expectations, local requirements etc. They further noted that the information about the foreign markets is also highly dependent on the distributor’s willingness to support and cooperate, which means that a good relationship of trust is becoming more important.

4.3.3 Sorting Function

The respondents were further requested to indicate their level of agreement with some statements relating to sorting functions of a distributor. The findings are contained in Table 4.5.

Table 4.5: Statements Relating to Sorting Function

Statement	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
Sorting							
Distributors are important if the manufacturer is targeting markets customers in different geographical regions	2	4	9	16	3	4.212	0.724
Distributor prioritizes selling the manufacturer product compared to competing and substitute products.	0	2	4	19	9	4.029	0.954
Distributor help the manufacturer in listing the right products in the right outlets	1	3	7	15	8	3.765	0.721
Distributor breaks bulk in order to sell to a wide range of outlets	0	4	8	16	6	3.706	0.730
Average of Average						3.928	

On sorting, majority of the respondents agreed that distributors are important if the manufacturer is targeting markets customers in different geographical regions, as shown by a mean of 4.212; distributor prioritizes selling the manufacturer product compared to competing and substitute products, as shown by a mean of 4.029; distributor help the manufacturer in listing the right products in the right outlets, as shown by a mean of 3.765; and that distributor breaks bulk in order to sell to a wide range of outlets, as shown by a mean of 3.706.

4.3.4 Physical Distribution Function

The respondents were also requested to indicate their level of agreement with some statements relating to physical distribution functions of a distributor. The findings are contained in Table 4.6.

Table 4.6: Statements Relating to Physical Distribution Function

Statement	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
Physical Distribution							
Distributor has a predetermined daily route plan	1	2	9	19	3	3.618	0.897
Distributor ensures there is minimal stock out situations in outlets within the demarcated area.	3	1	3	18	9	3.853	0.915
Distributor achieves both numerical and weighted distribution objectives.	2	3	7	15	7	3.647	0.695
Distributor has invested adequately in the distribution infrastructure.	0	3	5	17	9	3.941	0.847
Distributor adequately and frequently covers the demarcated area.	2	2	4	18	8	3.824	0.878
Distributor has an active sales crew engaged in pre-sales activities.	0	3	5	16	10	3.991	0.847
Average of Average						3.812	

On statements relating to physical distribution, majority of the respondents agreed that the distributor has an active sales crew engaged in pre-sales activities, as shown by a mean of 3.991; distributor has invested adequately in the distribution infrastructure, as shown by a mean of 3.941; distributor ensures there is minimal stock out situations in outlets within the demarcated area, as shown by a mean of 3.853; distributor adequately and frequently covers the demarcated area, as shown by a mean of 3.824; distributor achieves both numerical and weighted distribution objectives, as shown by a mean of 3.647; and that distributor has a predetermined daily route plan, as shown by a mean of 3.618. These findings were found to be consistent with the findings of Ford *et al* (2014) who noted that use of distributors reduces trade barriers. They also gave some reasons for the increased use of distributors such as the number of customers and the size of them has increased over the years, along with customers becoming more geographically widespread. By using a distributor in a foreign country, the manufacturer moves closer to the market and costumers, hence improving the performance of that company.

4.3.5 Warehousing Function

The respondents were also requested to indicate their level of agreement with some statements relating to warehousing functions of a distributor. . The findings are contained in Table 4.7.

Table 4.7: Statements Relating to Warehousing Function

Statement	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
Warehousing							
Distributor has recommended warehouse	1	2	7	14	10	3.882	0.751
Distributor practices FIFO and FEFO	4	2	3	17	8	3.676	0.833
Distributor keeps the recommended floor stock of products	3	2	7	16	6	3.588	0.733
The manufacturer adequately compensates the distributor in case of price drops	1	2	5	17	9	3.912	0.852
Average of Average						3.765	

On warehousing, majority of the respondents agreed that their company adequately compensates the distributor in case of price drops, as shown by a mean of 3.912; distributor has recommended warehouse, as shown by a mean of 3.882; distributor practices FIFO and FEFO, as shown by a mean of 3.676; and that distributor keeps the recommended floor stock of products, as shown by a mean of 3.588.

4.4 FMCGs Performance

The study sought to establish from the respondents the extent to which the use of a distributor influences the performance of their organization. . The findings are contained in Table 4.8.

Table 4.8: Extent to which a Distributor Influences Performance

Statement	**Not at all**	**Less Extent**	**Moderate**	**Great Extent**	**Very great extent**	**Mean**	**Std deviation**
Market share	3	1	2	15	13	4.000	0.950
Profitabity	0	4	8	16	6	3.706	0.730
Return on assets	2	2	4	18	8	3.824	0.878
Return on investment	0	3	5	16	10	3.991	0.847
Average of average						3.880	

From the study findings, majority of the respondents agreed that use of a distributor influences the following aspects on a manufacturer to a great extent: market share, as shown by a mean of 4.000; return on investment, as shown by a mean of 3.991; return on assets, as shown by a mean of 3.824; as well as the manufacturer's profitability, as shown by a mean of 3.706. These findings were found to be consistent with those of Pauwels *et al* (2002) who noted that the distributor enable the company to be able to respond quickly to the market needs and hence increase their market share. Similarly, the findings concur with Mudambi and Aggarwal (2013) who asserted that through the distributor, the manufacturers are able to stimulate demand for product which increases the profitability of the company.

The study requested the respondents to indicate their level of agreement with some statements relating to influence of distributors on performance of manufacturer of Fast Moving Consumer Goods (FMCGs) in Kenya. . The findings are contained in Table 4.9.

Table 4.9: Statements Relating to Influence of a Distributor

Statement	**Strongly Disagree**	**Disagree**	**Moderate**	**Agree**	**Strongly Agree**	**Mean**	**Std Deviation**
Distributors enhance organization performance through numeric distribution and weighted distribution	3	1	3	18	9	3.853	0.915
Through the distributor the organization is able to improve performance through distribution of all it product	3	2	7	16	6	3.588	0.733
Distributors help the organization in recruitment of new outlets	0	3	6	16	9	3.912	0.798
Distributors help in distribution of stock out products	1	1	5	15	12	4.059	0.885
Efficient distribution of goods and services positively influence a company’s performance	1	2	9	19	3	3.618	0.897
Average of Average						3.806	

Majority of the respondents agreed that distributors help in distribution of stock out products, as shown by a mean of 4.059; distributors help the organization in recruitment of new outlets, as shown by a mean of 3.912; distributors enhance organization performance through numeric distribution and weighted distribution, as shown by a mean of 3.853; efficient distribution of goods and services positively influence a company's performance, as shown by a mean of 3.618; and that through the distributor the organization is able to improve performance through distribution of all it product, as shown by a mean of 3.853. These findings concur with Syeda *et al* (2012) who explored the short term and long term impact of distributor and found out that distributor performance determines the bottom line of the company. Aligning a company's distribution plans to the company's objectives presents one of the sure ways of optimizing sales performance and that efficient distribution of goods and services positively influence a company's performance.

4.5 Regression Analysis on the Influence of Distributors on Performance

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864[a]	.746	.732	.07182

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in table 4.10, the value of adjusted R squared was 0.732 an indication that there was variation of 73.2% on performance of fast moving consumer goods due to changes in distributors' behavior at 95% confidence interval. This shows that 73.2% changes on performance of fast moving consumer goods could be accounted for by changes distributor behavior. R is the correlation coefficient which shows the relationship between the study variables. From the findings, the study found that there was a strong positive relationship between the study variables as shown by 0.864.

Table 4.11: Analysis Of Variance

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.546	33	0.6529	9.673	.004[b]
	Residual	0.0675	1	0.0675		
	Total	**21.6135**	**34**			

From the ANOVA statistics as shown in Table 4.11, the processed data, which is the population parameters, had a significance level of 0.04 which shows that the data is ideal for making a conclusions on the population's parameter as the value of significance (p-value) is less than 5%. The calculated value was greater than the critical value (4.17<9.673) an indication that distributor behavior significantly affects the performance of fast moving consumer goods. The significance value was less than 0.05, an indication that the model was statistically significant.

Table 4. 12: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	1.635	0.564		2.899	.002
	Distributor Behavior	0.543	0.198	.134	2.742	.004

From the data in the above Table 4.12 the established regression equation was performance of fast moving consumer goods = 1.635 + 0.543 Distributor Behavior. From the above regression equation it was revealed that holding distributor behavior to a constant zero, performance of fast moving consumer goods would be at 1.635 and a unit increase in distributor behavior will result in an increase in performance by a factor of 0.543.

4.6 Discussion of Research Findings

4.6.1 Functions of a Distributor

The study sought to determine from the respondents their level of agreement with some statements relating to functions of a distributor. The study revealed that on the function of a distributor as a demand stimulator, majority of the respondents agreed that through the distributor, the manufacturers are able to stimulate demand for product, distributors are easily recognized with the product which helps to create it demand, distributors help the organization to know which product has high demand in the market, distributors help to create demand for the organization product, and that demand offer discounts on manufacturer product which leads to increased demand. The findings concur with those of Mudambi and Aggarwal (2013) that the usage of distributors has increased over the last 30 years and this is because of various reasons. One reason is the increasing demand of rapid service by customers, to be able to respond quickly to the market needs.

On whether distributors play a role in marketing information, majority of the respondents agreed that through distributors the organization is able to gather information on the market trends, distributors help the organization gather information on competitor prices, distributors offer information on new product in the market by competitors, distributors help the organization to gather market information on the product and that middlemen distributors enable the company to be able to respond quickly to the market needs. These findings were found to be in line with those of Ghauri, Pervez and Philip (2010) who noted that local market knowledge is one of the fundamental benefits by having a foreign distributor since these distributors possess critical market intelligence on customer expectations, local requirements etc. They further noted that the information about the foreign markets is also highly dependent on the distributor’s willingness to support and cooperate, which means that a good relationship of trust is becoming more important.

On sorting, majority of the respondents agreed that distributors are important if the manufacturer is targeting markets customers in different geographical regions, distributor prioritizes selling the manufacturer product compared to competing and substitute products, distributor help the organization in listing the right products in the right outlets and that distributor breaks bulk in order to sell to a wide range of outlets.

On statements relating to physical distribution, majority of the respondents agreed that the distributor has an active sales crew engaged in pre-sales activities, distributor has invested adequately in the distribution infrastructure, distributor ensures there is minimal stock out situations in outlets within the demarcated area, distributor adequately and frequently covers the demarcated area, distributor achieves both numerical and weighted distribution objectives and that distributor has a predetermined daily route plan. These findings were found to be consistent with the findings of Ford *et al* (2014) who noted that use of distributors reduces trade barriers. They also gave some reasons for the increased use of distributors such as the number of customers and the size of them has increased over the years, along with customers becoming more geographically widespread. By using a distributor in a foreign country, the company moves closer to the market and costumers, hence improving the performance of that company.

On warehousing, majority of the respondents agreed that their company adequately compensates the distributor in case of price drops, distributor has recommended warehouse, distributor practices FIFO and FEFO and that distributor keeps the recommended floor stock of products.

4.6.2 FMCGs Performance

The study sought to establish from the respondents the extent to which the use of a distributor influences the performance of their organization. The study revealed that the use of a distributor influences the following aspects on an organization to a great extent: market share, return on investment, return on assets, as well as the company's profitability. The study further unfolded that distributors help in distribution of stock out products, help the organization in recruitment of new outlets, enhance organization performance through numeric distribution and weighted distribution, efficient distribution of goods and services positively influence a company's performance and that through the distributor, the organization is able to improve performance through distribution of all it product. These findings concur with Syeda *et al* (2012) who explored the short term and long term impact of distributor and found out that distributor performance determines the bottom line of the company. Aligning a company's distribution plans to the company's objectives presents one of the sure ways of optimizing sales performance and that efficient distribution of goods and services positively influence a company's performance.

4.7 Chapter Summary

This chapter discussed the interpretation and presentation of the findings obtained from the field. Descriptive and inferential statistics were used to discuss the findings of the study. The researcher sought to determine demographic information about the respondents and determine the extent to which the functions of a distributor influenced the performance of the FMCGs manufacturer. This chapter also looked at the regression analysis on the influence of distributors on FMCGs manufactures performance and finally discussed findings.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following conclusion and recommendations were made. The responses were based on the objective of the study.

5.2 Summary of the Findings

5.2.1 Functions of a Distributor

On the function of a distributor as a demand stimulator, majority of the respondents agreed that through the distributor, the manufacturers are able to stimulate demand for product, distributors are easily recognized with the product which helps to create its demand, distributors help the manufacturer know which product has high demand in the market, distributors help to create demand for the manufacturer product, and that distributors offer discounts on manufacturer product which leads to increased demand.

On whether distributors play a role in marketing information, majority of the respondents agreed that through distributors the manufacturer is able to gather information on the market trends, distributors help the manufacturer to gather information on competitor prices and activities, distributors offer information on new product in the market by competitors, distributors help the manufacturer to gather market information on the product and that distributors enable the company to be able to respond quickly to the market needs.

On sorting, majority of the respondents agreed that distributors are important if the manufacturer is targeting markets customers in different geographical regions, distributor prioritizes selling the manufacturer product compared to competing and substitute products, distributor help the manufacturer in listing the right products in the right outlets and that distributor breaks bulk in order to sell to a wide range of outlets.

On statements relating to physical distribution, majority of the respondents agreed that the distributor has an active sales crew engaged in pre-sales activities, distributor has invested adequately in the distribution infrastructure, distributor ensures there is minimal stock out situations in outlets within the demarcated area, distributor adequately and frequently covers the demarcated area, distributor achieves both numerical and weighted distribution objectives and that distributor has a predetermined daily route plan.

On warehousing, majority of the respondents agreed that their company adequately compensates the distributor in case of price drops, distributor has recommended warehouse, distributor practices FIFO and FEFO and that distributor keeps the recommended floor stock of products.

5.2.2 FMCGs Performance

The study revealed that the use of a distributor influences the following aspects on an organization to a great extent: market share, return on investment, return on assets, as well as the manufacturer's profitability. The study further unfolded that distributors help in distribution of stock out products, help the manufacturer in recruitment of new outlets, enhance manufacturer performance through numeric distribution and weighted distribution, efficient distribution of goods and services positively influence a manufacturer's performance and that through the distributor, the manufacturer is able to improve performance through distribution of all it product.

5.3 Conclusion

From the study findings, the study concludes that distributors play an important role in the performance of a manufacturer. The study also concludes that distributors of a manufacturer come into handy when it comes to providing market and competitor intelligence, demand stimulation, sorting products enhancing availability of all stock keeping units in the outlets, warehousing and physically distributing products . The study draws further conclusions that distributors performing all the above functions enhance the manufacturer's market share growth, profitability, return on assets, and return on investment. Therefore, unlike a traditional wholesaler who sells products over the counter, a manufacturer who recruits a distributor to cover a demarcated area with a daily route plan, proper distribution infrastructure will achieve a higher numeric and weighted distribution thus a higher performance of the manufacturer of FMCGs.

5.4 Recommendations for Policy and Practice

The study recommends that companies should consider increasing the number of their distributors since they are in a position to increase their numeric and weighted distribution therefore improving all their performance parameters. The manufacturers of FMCG should formulate strategies of motivating and developing the distibutors to function better as middlemen.

Policy makers like government agencies should develop road networks to lower the cost of logistics to the distributor and enable eventual interior markets penetration. The study recommends government should also develop policies to be used as a basis for contractual engagement between foreign multinationals and local distributors. The study also recommends that Competition Authority of Kenya to formulate policies that level the market playground so that local FMCG manufacturers can compete fairly with the local manufacturers have few distributors due to their scale of operation and low margins.

5.5 Limitations of the Study

The study had limitation in getting all the respondents to be sales managers or senior managers who handle distribution as initially intended due to their tight schedule. All the respondents were employees of the FMCG manufacturer; therefore they might have withheld vital information.

5.6 Suggestions for Further Research

The FMCGs industry is large and continues to grow. The study was limited to manufacturers in Nairobi City County yet there are others established FMCGs manufacturers in other key towns in Kenya, facing different macro-economic environment. The study therefore recommends a study on obstructive distribution parameters facing manufacturers of FMCG in all key towns in Kenya. It’s worth noting that for FMCGs, distribution is paramount to success of its manufacturer and each key town in Kenya has its own unique market challenges and opportunities.

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APPENDICES

Appendix I: Questionnaire

Section A: General Information of the Organization

1. Name of the company ____ (Optional)
2. Position in the organization?

   Senior management [ ]

   Middle level manager [ ]

   Low level staff [ ]

3. How long has your company been in operation?

   0-2 years [ ] 2-5 years [ ] 5-7 years [ ] over 7 years []

4. Kindly indicate the ownership of your organization?

   Multinational [ ] Local [ ]

5. What are the products offered by your organization?

   ……………………………………………………………………………………

   ……………………………………………………………………………………

6. How many distributors does your company have in Nairobi City County?

   ……………………………………………………………………………………

   ……………………………………………………………………………………

Section B: Function of a Distributor

7. Kindly indicate your level of agreement with the following statements relating to function of distributor? 1=strongly agree, 1=agree, 3=neutral, 4=disagree, 5=strongly disagree.

Statement	**1**	**2**	**3**	**4**	**5**
Demand Stimulator					
Through the distributor the manufacturers are able to stimulate demand for product					
Distributors help to create demand for the manufacturer ‘s product					
Distributors help the organization to know which product has high demand in the market					
Distributors are easily recognized with the product which helps to create it demand					
Demand offer discounts on manufacturer product which leads to increased demand					
Market Information					
Distributors help the manufacturer to gather market information on the product					
Distributors enable the manufacturer to be able to respond quickly to the market needs					
Distributors help the manufacturer to gather information on competitor prices and activities					
Through distributors the manufacturer is able to gather information on the market trends					
Distributors offer information on new product in the market by competitors					

Sorting					
Distributors are important if the manufacturer is targeting markets customers in different geographical regions					
Distributor prioritizes selling the manufacturer product compared to competing and substitute products.					
Distributor help the manufacturer in listing the right products in the right outlets					
Distributor breaks bulk in order to sell to a wide range of outlets					
Physical Distribution					
Distributor has a predetermined daily route plan					
Distributor ensures there is minimal stock out situations in outlets within the demarcated area.					
Distributor achieves both numerical and weighted distribution objectives.					
Distributor has invested adequately in the distribution infrastructure.					
Distributor adequately and frequently covers the demarcated area.					
Distributor has an active sales crew engaged in pre-sales activities.					
Warehousing					
Distributor has recommended warehouse					
Distributor practices FIFO and FEFO					
Distributor keeps the recommended floor stock of products					
The manufacturer adequately compensates the distributor in case of price drops					

Section C: FMCGs Performance

8. To what extent does use of distributor influence the performance of your organization?

	Very great extent	Great extent	Moderate	Less extent	Not at all
Market share					
Profitabity					
Return on assets					
Return on investment					

9. Kindly indicate your level of agreement with the following statements relating to influence of distributors on performance of manufacturer of Fast Moving Consumer Goods (FMCGs) in Kenya. 1=strongly agree, 1=agree, 3=neutral, 4=disagree, 5=strongly disagree.

Statement	**1**	**2**	**3**	**4**	**5**
Distributors enhance manufacturer performance through numeric distribution and weighted distribution					
Through the distributor the manufacturer is able to improve performance through distribution of all it product					
Distributors help the manufacturer in recruitment of new outlets					
Distributors help in distribution of stock out products					
Efficient distribution of goods and services positively influence a manufacturer's performance					

10. In your own opinion, how else do you think distributor performance affects the performance of your company?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

Thank You for Your Cooperation

Appendix II: List of Fast Moving Consumer Good Companies in Kenya

1. African Spirits Ltd.
2. Alpha Fine Foods Ltd.
3. Alpine Coolers Ltd.
4. Aquamist Limited
5. Associated Paper and Stationery
6. Basco Products (K) Ltd.
7. Bayer East Africa Ltd.
8. Beiersdorf East Africa Ltd.
9. Belfast Millers Ltd.
10. Beta Healthcare International
11. Beverages Services (K) Ltd.
12. Bio Food Product Ltd.
13. Bobmil Industries Ltd.
14. BAT (K) Ltd.
15. C. Dormans Ltd.
16. Cadbury Kenya Ltd.
17. Candy Kenya Ltd.
18. Chandaria Industries Limited
19. Coca-Cola East Africa Ltd.
20. Colour Labels Ltd.
21. Colour Print Ltd.
22. Cosmos Limited
23. Crown Paints (Kenya) Ltd.
24. Dawa Limited
25. Dodhia Packaging Ltd.
26. East African Breweries Ltd.
27. East African Sea Food Ltd.
28. East African Seed Co. Ltd.
29. Edible Oil Products
30. Ennsvalley Bakery Ltd.
31. Eslon Plastics of Kenya Ltd.
32. Eveready Batteries East Africa
33. Farmers Choice Ltd.
34. Galaxy Paints & Coating Co.
35. Giloil Company Limited
36. GlaxoSmithkline Kenya Ltd.
37. Haco Tiger Brands East Africa
38. Highlands Canners Ltd.
39. Interconsumer Products Ltd.
40. Jambo Biscuits (K) Ltd.
41. Johnson Diversy East Africa Ltd.
42. Kapa Oil Refineries Ltd.

43. Kartasi Industries Ltd.
44. Kenafric Industries Limited
45. Kenpoly Manufacturers Limited
46. Kenya Stationers Ltd.
47. Kenya Sweets Ltd.
48. Kenya Wine Agencies Limited
49. Kevian Kenya Ltd.
50. Kuguru Food Complex Ltd.
51. Kwality Candies & Sweets Ltd.
52. London Distillers (K) Ltd.
53. L'Oreal East Africa Ltd.
54. Manji Food Industries Ltd.
55. Mastermind Tobacco (K) Ltd.
56. Match Masters Ltd.
57. Mini Bakeries (Nbi) Ltd.
58. Nairobi Bottlers Ltd.
59. Nairobi Flour Mills Ltd.
60. Nestle Foods Kenya Ltd.
61. Paperbags Limited
62. Pembe Flour Mills Ltd.
63. Premier Floor Mills Ltd.
64. Premier Foods Industries Ltd.
65. Procter & Gamble East Africa
66. Proctor & Allan (E.A.) Ltd.
67. PZ Cussons EA Ltd.
68. Rafiki Millers Ltd.
69. Ramco Printing Works Ltd.
70. Rubber Products Ltd.
71. Sadolin Paints (E.A.) Ltd.
72. Sameer Agriculture & Livestock (Kenya) Ltd.
73. SC Johnson and Son Kenya
74. SoilexProsolve Ltd.
75. Spin Knit Ltd.
76. SupaBrite Ltd.
77. Tri-Clover Industries (K) Ltd.
78. Tropikal Brand (Afrika) Ltd.
79. Trufoods Ltd.
80. Twiga Stationers & Printers Ltd.
81. Unga Group Ltd.
82. UniliverEast and Southern Africa
83. Vaja's Manufacturers Ltd.
84. Wanji Food Industries Limited
85. Wrigley Company (E.A.) Ltd.

Source: (KAM) Kenya Manufacturers & Exporters Directory, 2014