INFLUENCE OF DISTRIBUTION STRATEGIES ON THE COMPETITIVE ADVANTAGE OF ALCOHOLIC BEVERAGE COMPANIES IN NAIROBI COUNTY, KENYA

ELIZABETH KANINI KITETU

D65/72596/2014

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER OF SCIENCE IN MARKETING, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER, 2018

DECLARATION

I, the undersigned hereby affirm that this research project is my original work and has not been previously presented in part or in totality to any other institution of learning for the award of any degree or examination.

Signed ………………………………………… Date ……………………

Name: Elizabeth Kanini Kitetu Registration number: D65/72596/2014

This Research project has been submitted with my approval as the University supervisor.

Signed ………………………………………… Date …………………………………

Professor J. M. Munyoki,

Associate Professor of Marketing

Department of Business Administration,

University of Nairobi.

ACKNOWLEDGEMENTS

I would wish to thank my husband Luke Gathua Ngenye for his encouragement and support; I wouldn't have made it this far without him.

I would wish to express my sincere gratitude to my supervisor Prof Munyoki for his guidance; selfless dedication and encouragement in making this project a reality. I also wish to acknowledge the contribution of the rest of the University of Nairobi fraternity especially the library staff, department chairman and moderators to the success of this research project.

Most important of all I extend my gratitude to the Almighty God for giving me the courage.

Thank you all

DEDICATION

I dedicate this Project to husband Luke and to my daughters Maria and Abby for their understanding and unconditional support during the study period

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ABSTRACT

In the 21st century where the world is becoming more and more competitive companies, will need to come up with strategies on how to meet the customers' needs and wants, penetrate the new emerging markets and stay head of their competitors. Population growth in Kenya has resulted into increase in middle class hence high consumption of alcohol. The objective of the study was to determine the distribution strategies that ensure competitive advantage in Alcoholic beverage companies Nairobi County. The study was anchored on three theories namely; Resource based theory, Bargaining theory and Agency theory. The objectives of the study was to establish the distribution strategies adopted and influence of these strategies on competitive advantage by alcoholic beverage companies in Nairobi County. The study adopted descriptive, cross-sectional design. The population of the study was 22 alcoholic beverage companies in Nairobi county Kenya. Data was collected from managers in sales and marketing department of the alcoholic beverage companies. Analysis was done using simple regression and correlation analysis. It was established that the main strategies used were retailers, wholesalers, agents and brokers and firms also prefer selling directly to consumers. The study also found that combination of channels is an important strategy most alcoholic beverages companies use. Franchising is however used to small extent and there is more opportunities for companies to focus on this strategy. The study confirmed that there is significant influence of distribution strategies on competitive advantage of alcoholic beverage companies in Nairobi. The study therefore recommended that there is need to increase the capacity of wholesalers and distributors to handle their products and at same time encourage consumers to purchase their products from them so as to effectively manage their distribution strategies.

CHAPTER ONE: INTRODUCTION

1.1Background of the study

In the 21st century where the world is becoming more and more competitive, companies will need to come up with strategies on how to meet the customers' needs and wants, penetrate the new emerging markets and stay head of their competitors. (Kotler, 2012) explains that change in demographic, economics, technology and social–cultural environment is at an accelerated rate. On the other hand, Capron and Holland, (2011) argue that the increased number of global and local players has resulted to customers being more educated and demanding companies to rethink their strategies. Distribution is an important element in marketing activities and organizations have to consider distribution strategies in their strategic plan. Distribution strategy is the selection, implementation and management which cannot be met only through shopping habit and needs but also to ensure there is efficiently of product delivery to the clients on time. The seller must be sure of the distribution conflicts that take place such as double marginalization.

This study was guided by three theories; Resource based theory, Bargaining theory and Agency theory. Resource based theory explains that for a firm to have superior performance it is determined by how the resources are allocated to create competence in the organization's activities (Johnson & Scholes 2012). Agency theory is a theory that can be defined as an individual act on behalf of the organization and it occurs when the owner of the business contacts someone or group of persons known as agent to carry out day to day activity on behalf of the company, Ketchen & Giunipero (2004). El-Ansary (1972) explains that bargaining theory is an important characteristic between the manufacturer and the retailers when coming up with an agreement on how to do business together.

According to National Authority for Campaign against Drug and Alcohol Abuse (NACADA, 2016), about15 million Kenyans consume alcohol. The growth of population in Kenya has resulted into increase in middle class hence high consumption of alcohol. Although the growing alcoholic beverage industry is affected by factors such as taxation, poor distribution points, stiff competition, inflation and government regulations that result into low market share (Euro Monitor international, 2014). Alcoholic beverage companies are forced to improve their products to focus their need on meeting the specific need of the customer segment.

The alcoholic beverage industry in Kenya is one of the fastest industries which has grown rapidly over the last few years. There has being new entrants in the alcoholic beverage industry by international brands which fuels the country economy hence boosting the gross domestic product resulting to high employment rate among the youth(Research and Markets Business Report ,2015).The industry contributes to about half of the total excise duty collection. The industry is able to segment the Kenyan customers by coming up with products that fit different target groups depending on their income. The local brands are going at lower prices than imported brands so that to have high market share.

1.1.1 Distribution strategy

Holey et al (2010) describes distribution strategy as how products are delivered to end customers. Stern (2015) defines distribution strategy as unified and integrated plan that give a firm a strategic advantage in terms of distribution of products to customers in the challenging environment. Similarly, Kumar (2010) argues that distribution system is a group of independent business that consist of manufacturers, wholesalers and retailers who are designed to deliver the right product at the correct time to customers .Distribution strategy is the process of coming up with a plan that will ensure products and services are delivered to customers when, where and in what form they are required. The distribution process can be done using various channels that are available for the company.

Distribution plays an important role in availing products to consumers where they are so that to meet there needs and wants, therefore distribution plays a key role in the success of a firm and development of an economy. As the environment become more competitive and dynamic making companies to fight for marketing channels such as retailers and wholesalers making manufacturing to be more intense (Mururi , 2009). A distribution strategy plays an important role in the launch of a new product in the market for the acceptance of the product by determining the availability of the product to customers. For a company to have an effective distribution strategy it should ensure it has enough resources and labor for the allocation of different distribution points. It is important for organizations that want to succeed in the market to come up with proper distribution strategies that will assist in achieving marketing objectives (Thompson & Soper, 2010).

The introduction of internet in business has resulted into growth of more opportunities making business to consider it in distribution strategies (Webb, 2010). As a result, many organizations are adopting new technologies when designing distribution strategies (Gorsch, 2011). To come up with the right distribution strategy firms must understand their goals in business and what will be achieved through the distribution strategy. Firms are involved in distribution strategy in order to increase their market share, sales volume and expand their market territory. Neehams (2010) argues that for organization to come up with several distribution strategies it should be able to address the distribution scope, level of channels, franchise and strategic alliance that will make sure the organization achieves its objectives.

1.1.2 Competitive Advantage

Eden and Ackermann (2010) explain that competitive advantage takes place when an organization develops attributes that allow it better output performance than the competitor. The attributes can include highly trained and skilled manpower, natural resources and new technologies. Porter (2014) defined competitive advantage as what makes a product, service or organization superior in the market hence customers choose it. On the other hand, Moses (2010), defined competitive advantage as a condition that allows companies or countries to produce products and services at a lower cost of equal value. Competitive advantage is an important tool that enables companies to generate more sales and have higher market share. It ensures the survival of the company or product, service.

Competitive advantage is more than providing customer satisfaction but the ability of identifying the competitors, assessing their objective, strategies weakness and strength. The company should be able to develop better competing market strategies than their competitor and position themselves strongly in the mind of the customer (Kotler & Armstrong, 2012). Huggins (2011) expounds that there are various strategies for competitive advantage; differentiation Focus, differentiation and cost focus. Differentiation focus aims to differentiate itself within a small target of market segments. The Company is able to offer different products and services from their competitors within the specified group of customers. On the other hand cost focus strategy, implies that companies are able to compete in terms of cost leadership to serve a particular market niche by targeting the smallest buyers in that industry. This strategy is associated to operate in large scale businesses that offer standards products and services with little differentiation. Cost leadership can offer discount to maximize sales.

Differentiation strategy is usually used around many characteristics in terms of product quality, brand image, firm reputation, customer service, durability and reliability to make sure the firm attain competitive advantage (Porter, 2011). A firm that implements differentiation strategy can create barrier potential entrants by offering better quality product, advertising hence resulting into brand loyalty. Magretta (2012) explains that measurement of competitive advantage can be analyzed using past performance indicators. For instance the market share, product cost, gross margin, financial performance (profit, sales growth and return of investment). Non-financial performance can be level of customer satisfaction and employee growth.

1.1.3 Alcoholic Beverage Companies in Kenya

Deutsch Bank Market Research (2015) highlights Kenya as the third country in Africa in terms of the largest consumers of alcohol after Nigeria and South Africa. The research was based on international beer maker Diageo's that showed Kenya's alcohol market share was at 17%. As the Kenyan economy continue to grow due to increased foreign investment and stable political leadership that has resulted to development of youth entrepreneurship. Many entrepreneurs are taking part in the alcoholic beverage industry through being retailers to the company.

Euro monitor international, (2014), highlights that East Africa breweries has dominated the Kenyan beer industry by controlling about 83% of the beer market. Due to the increased competition in the recent years micro brewers and macro brewers are taking advantage of the expanding market. Although alcoholic beverage companies are facing challenges of stiff competition in the market in terms of quality, increased operation costs and distribution of products to ensure continuity of leadership in profit remain a great challenge (Kiereini, 2011). Keroche brewery is the only local Kenyan company that has been identified as one of the major competitors of East Africa breweries ltd. The firm has expanded its distribution points in the last five years in different parts of the country hence increasing its market share to 20% from 5% (Nderitu, 2014). East Africa Breweries limited (EABL) continue to lead the Kenyan market by 27% followed by Keroche at 20%, UDV Kenya limited at 14% , London distillers Kenya limited at 11 % and finally Kenya wine agencies at 11 % (Euro monitor international, 2014).

Alcoholic drinks in Kenya are dominated by international brands. This is due to high brand awareness done by these companies and the distribution networks that they have making them to have greater shelf space compared to domestic alcoholic brands. Kenya wines agencies limited (KWAL) which is a Kenyan owned company dominates the Kenyan market in terms of local wine manufacturers (Hervani, 2011). KWAL has partnered with a South African owned company Distell to distribute their wine brands in Kenya. Some of the local brand wines include Kibao vodka, Simba cane, and Yatta cane. The company is facing stiff competition from the giant Heineken lager beer hence reducing profit margin. Another challenge facing the alcoholic industry in Kenya is advertisement campaigns that advocate Kenyans to adopt health lifestyle also reduce the consumption of alcoholic beverages (Bowen, 2012).

1.2 Research Problem

Within a competitive environment it has become difficult for business to penetrate the market without having a proper distribution strategy. Globalization and deregulation has created competition rivalry, motivating the manufacturers to re-think their distribution strategies to address the challenges and opportunities that exist in distribution (Zentes, 2017). As a channel of direct contact with end customers and retailers it is critical to consider the distribution strategies used by companies. Chaffey (2009) found that competition has become intense making companies to fight for space for distribution of products in the market. When an organization has successful distribution strategy on operation it enhances performance and customer satisfaction. In order to have successful distribution strategy it is important retailers and other players to be involved so that to ensure efficient and effective delivery of products. Organizations should be able to examine macro environment such as social- cultural, political, technology and physical variables when implementing distribution strategy.

Alcoholic beverage companies in Kenya play an important role towards economic growth through employment to the youth and source of tax to the government. After liberalization of Kenyan economy, many alcoholic beverages companies have increased hence resulting into stiff competition reducing market share for key players affecting the profit (Research & Markets Business Report, 2015). The Kenyan market has witnessed international brands such as Officer's choice whisky and Budweiser setting up shops in Kenya to meet the demand for its target segment. The increase of middle class in country has created the need for product in which alcohol is one of the products and influencing global brands to set their distribution point in country. According to Needham (2010) companies should develop strategies that will ensure they meet customer's satisfaction. Distribution strategies have given the leading manufacturers an advantage against small players thus small players need to be keen and relook their distribution strategies to catch up with their competition.

Several studies have been done on branding practices and competitive advantage locally and internationally. Internationally, Mei and Gene, (2010) established that multiple distribution channel strategy usually perform worse than single distribution in terms of efficiency and profit. It was also revealed that agent turnover is negatively related to cost efficiency, technical efficiency and customers have high customer loyalty to single distribution than multiple distributions. On the other hand Asiameh (2013) established that distribution strategy depends on the target market that the company is operating on and the environment. The emergence of internet and information technology communication affects distribution. Similarly Roope and Sakari (2015) products are distributed through intermediaries in various countries hence assisting businesses to grow. New distribution methods should be considered when coming up with distribution strategies. It is important to consider the environment in which the customers live when coming up with distribution strategies.

Locally, Owour (2008) found that companies use wholesalers, agents and retailers to distribute their products and it is influenced by the ability of the distributor to serve all the customers within an area. On the other hand Nyaga (2012) established that competitive advantage is enhanced by offering unique resources, quality services and products. Differentiation strategies are some of the most important factors in distribution strategy. Distribution strategy results into increase coverage especially in international markets. Similarly Mwanza and Ingari (2015) found that intensive distribution makes customers to benefit through convenience of products hence affecting competitive advantage. Direct distribution strategy is used more compared to indirect and intensive distribution strategies. This is because customers always appreciate giving out profits to producers directly compared to retailers. Wanza (2017) established that there is positive relationship between distribution strategies adopted and product uptake. Some of the factors to consider when coming up with distribution strategy are the nature of the product and customer characteristics.

From the several studies discussed most studies on distribution strategies. On the other hand, few studies were done on both distribution strategies and competitive advantage. In the context of Alcoholic beverages companies in Kenya Owour (2007) addressed wines and alcoholic spirits manufacturers and importers in Kenya. This study sought to determine the influence of distribution strategies on the competitive advantage of alcoholic beverage companies in Nairobi County. The study addressed a research question. What is the influence of distribution strategies on the competitive advantage of Alcoholic beverage companies Nairobi County?

1.3 Objectives of the Study

i. To establish the distribution strategies adopted by alcoholic beverage companies in Nairobi County.
ii. To determine the influence of distribution strategies on competitive advantage of the alcoholic beverage companies in Nairobi county Kenya.

1.4 Value of the Study

This study will contribute to the theory of resource based by determining how to develop competitive strategies depending on the limited resources of the firm. It will also contribute to agency theory by explaining how to build strong relationship with intermediaries, managers and owner of the business. This study will also be an important to source to literature of distribution strategies and competitive advantage making academicians and scholars to use it for academic assignments and research projects.

Researchers can also use the data from the study to come up with a topic for further research.

The study will assist the policy makers obtain knowledge about alcoholic beverage companies in Kenya and how they respond to distribution strategies. This will assist them to come up with guidance on how to design appropriate policies that can be used to regulate the Kenya alcoholic industry. The study will also assist the government to have idea of the emerging trends in the Fast moving consumer good (FMCG) industry and how they can offer quality products. Therefore this information will be important to the government to be used in developing strategies that ensure alcoholic beverage industries offer better products and how distribution should be done.

The study will be of great importance to various stakeholders in the beverage sector. It will be able to provide information on how distribution strategies assist to achieve competitive advantage. This will be able to expand their knowledge on how marketing should be done in alcoholic beverage sector and assist to identify areas of further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on reviewing the existing and relevant literature on distribution strategy and competitive advantage by alcoholic beverage companies in Nairobi County Kenya. The accessible literature gives the basis of the research and consists of the broad outline of distribution strategy, competitive advantage and empirical review. The chapter will also expound in the research gaps that exist on distribution strategies and competitive advantage.

2.2 Theoretical Review

Theoretical literature review explores presented concepts and theories in distribution strategy and competitive advantage that will be of relevance to alcoholic beverage companies in Nairobi County Kenya. These theories will include resource based theory, bargaining theory and agency theory the as discussed below.

2.2.1 Resource Based Theory

According to Johnson & Scholes (2012) for a firm to have superior performance it is determined by how the resources are allocated to create competence in the organization activities. For an organization to have competitive advantage in the market they have to exploit unique resources and have competencies that there competitors find it difficult to imitate. Firms have to analysis there internal strength or attributes (Barney, 1995). Practices is all about matching the firm resources and capabilities and comparing it to the opportunities that come from the external environment.

Thompson and Gamble (2014) argue that for firm to have competitiveness in the market it should have strong resources which include human, physical, and financial and organization assets that are used to develop, manufacture and deliver products. Each firm has different resources and capabilities. The resource based view is not about the same thing as other firms do for profitability but exploiting opportunities that are untouched by other firms. Barney (2011) argues that there is relationship between firm resources and competitive advantage. Firm resources can make a firm to have competitive advantage if it is of value by satisfying the needs and wants of the customers compared to other alternatives. The resources should be able to drive profits, and sustain the business over time and unique making it difficult to imitate.

2.2.2 Bargaining theory

Bargaining theory is branch of game theory that deals with the analysis of bargaining problems in which one party bargain over certain products (Edgeworth, 1881). Bargaining theory is able to explain the outcome of a contract curve. Nash (1953) came up with a model that would predict the outcome of bargaining theory based on the information of each bargainer's preferences which can result into disagreement. Bargaining theory explains the relationship that exists between the manufacturer and the retailer in terms of bargaining of terms and conditions on how to stock the manufacturer product. It is important the two parties two negotiate on how they will do business together. This theory is important in explaining on what manufacturers consider when negotiating with retailers in terms of location, store reputation and other characteristics. It is important for manufacturers and the retailers to agree on the retail prices before stocking their products.

Bargaining theory is about deciding how an individual can divide gain from joint action which is coordinated to increase the size of pie. For instance the exchange of products in trade creates gains which result into revising territorial status quo in a peacefully manner than doing it in a costly manner by use of force which may result into fight and destruction of properties. There can be gain from bargaining theory if there is cooperation between the two parties making each party to maximize share of the gains. Non cooperative approach focus on setting in which negotiations is supposed to take place in which there should be bargaining strategies that result into outcome.

2.2.3 The agency Theory

The theory of agency theory was proposed by Ross and Mitnick in the late 1970s who came up with the idea after borrowing from the discipline of economics, psychology and sociology (Ross 1973). The theory explains how an individual or an organization acts on behalf of a certain organization. The relationship occurs when the principles of certain business contract another person or company to act as the owner commonly known as the agent who assists to carry the day to day activities. In the case of distribution the agency relationship comes between the supplier and the buyer. In agency theory the principle delegates duties to the agent to perform them on his behalf. This theory is relevant to distribution strategy since organizations need intermediaries to act as the agent of the organization by stocking the product for them (Mitnick, 2000). It is important for any organization to consider agency theory in there distribution strategy since it provides opportunities on how to avoid risks. It is also assist in monitoring all the activities that take place in distribution channel hence minimizing cost and increases profitability and revenue earning.

2.3 Distribution strategy and competitive advantage

Firms should make sure their products reach every customer through distribution process which should be well planned and managed. On the other hand, Neehams, (2010) argues that for organization to come up with several distribution strategies it should be able to address the distribution scope, level of channels, franchise and strategic alliance that will make sure the organization achieves its objectives. Companies use intermediaries or middlemen to make their products available to the customers. Some of the intermediaries include wholesalers, large scale retailers and brokers. The channel level of distribution is determined by the number of intermediaries. Needham (2010) distribution channel involve many steps in which the steps vary depending on how the company is dealing with the customers or the products of the organization. Brassinglon and Fcttitt, (2011) identified various levels of distribution channels.

Zero level channel or direct channel is where by the company does not use intermediaries. The company produces the products and sells directly to the customers. The organization has full control of the distribution channel. According to Stanton (2010), organizations can sell using e-mails or through the internet. On the other hand Brussington and Pettitt, (2011) argues that producers can also use door to door policy to sell their product. Organizations open their own retail outlets where consumers can purchase the products. The disadvantage of using direct distribution channel is that the company cannot compete within a wide geographical area hence less supply of the product resulting into low market share.

In single distribution channel level, the company uses only one intermediary. According to Stanton (2010) most agricultural producers use this channel to a large extent whereby large retailers buy directly from the manufacturer. The factor influencing this type of distribution is when fresh agricultural products cannot withstand long channel of distribution. Muiruri (2010) open -air single market is one of the major single levels of distribution channel mainly used for agricultural product to reach customers on time.

Two level channel strategies is where by a company uses two intermediaries. According to Stanton et al (2010) this is a traditional channel for consumer goods and it is common in consumer markets where retailers do not have sufficient purchasing power to buy from the manufacturer. When coming up with this strategy it is important to consider the nature of the product and convenience to customers. In three levels channel is where by the company decide to use wholesalers, retailers, and agents to make sure the product reach the customer on time. It is mostly used by the international companies who want to dominate the local markets.

According to Kotler et al (2012) distribution scope strategy is mainly used by marketers to define the target customers they want to reach with their product. There are three strategies of scope distribution mainly, intensive distribution, selective distribution and exclusive distribution.

Intensive distribution is whereby the manufacturer tries to gain exposure through distributing the product to various wholesalers and retailers as many as possible. For one to consider this strategy it is determined by the nature of the products (Kotlcr, 2012). Products that require intensive distribution should be convenience and be able to meet the customer needs and wants (Peter & Donnelly, 1992). In intensive distribution manufacturers find it to be more profitable since they can saturate the market. Adcock (2011), intensive distribution is all about maximizing the number of outlets by stocking firm's products.

In selective distribution, the firms limit the number of intermediaries by selecting the best outlets to stock there products, based on the services offered by the intermediary such as reputation, and general management by the intermediaries. Peter and Donnelly (2009) expound that if firms allow outlets to stock their products that have poor reputation it results to their brand being lowered in the market. Firms usually follow distribution policies before allowing intermediaries to stock their products. Selective distribution is usually used where the choice of outlets is usually relevant to the buyer. Selective organization enables the organization to protect their image and create good relationship with the channel members. Selective distribution is usually applicable to shopping products where a customer can make comparison of products to get appropriate product (Adcock et. al 2011).

Exclusive distribution is whereby the firm uses only one licensed outlet to sell their products within a geographical region. Stanton et al (2011) producers usually adopt exclusive distribution strategy when it is essential for the retailer to carry a large inventory so that to reduce competition. The reason for introducing exclusive distribution is to specialize in one line that may result into increase of sales hence profits for the organization. Exclusive distribution strategy is usually used by the high-priced manufacturers who generally upscale merchandise products such as cars or jewelry.

Multiple channel strategy is where two or more different channels are employed at the same time for the distribution of the products to achieve effective distribution (Pride & Ferrell 2011). On the other hand, Kotler and Armstrong (2011) argue that multiple channels are also known as hybrid strategy where a single firm sets up two or more distribution channels to reach more customer segments. Needham et al (2010) identified two types of multi-channels namely, complementary and competitive. Complementary distribution deals with complementary products while competitive deal with products that are similar at the same channel level. Producers should not have a single channel when different levels can be mixed at the same time to achieve high sales volume.

Bankowitz (2009) said franchising is a contractual between to companies that is franchisor the parent company and the franchisee the individual company that allows the franchisee to operate business under their established name or logo with specific rules. The franchiser provides knowledge to the franchisee and financial support. Ramu (2010), there are various types of franchises such as management franchise, distribution franchise and product franchise. The advantage of franchising is that the two firms share risk and take share profits together depending on the agreement terms.

Strategic alliance is formed when two or more organizations come together to share common interest. Strategic alliance goes under many labels such as close relationship, relational governance, vertical quasi integration and committed relationship (Coughlan 2002). Distribution alliance needs commitment between two organizations to build a strong relationship. In strategic alliance organizations must be willing to sacrifice and maintain their relationships with customers. This makes the organization to get for opportunities hence increase in market share.

Owour (2008) argues that companies use distribution strategies but not exhaustively. Manufacturers and importers of alcoholic beverages need to diversify their distribution channels by franchising with other firms that can assist in distribution of alcoholic drinks to various regions. This will ensure effective distribution than operating as single entity. Most wine and spirit manufacturers use retailers as there distribution channel and sometimes wholesalers who sale to retailers. When coming up with distribution strategies companies consider factors as such as the size of the area where the product will be sold, how much the distributor is willing to pay, legal requirement for distribution of the products, economic condition of the area, the channel to used. Mwikali (2009) established factors that significantly affect KWAL distribution are economic, competition and poor public image. Managerial challenges, social –cultural, technological and legal have less impact on the distribution strategies. Companies should segment their market for easier distribution and allocate more resources to improve their public awareness.

On the other hand, Mei and Gene (2010) argue that multiple distribution channel strategy usually performs worse than single distribution in terms of efficiency and profit. It was also revealed that agent turnover is negatively related to cost efficiency, technical efficiency and customers have high customer loyalty to single distribution than multiple distributions. On the other hand Nyaga (2012) argues that for organizations have competitive advantage in the market they have to adopt distribution strategies which should be effective. Nestle company has being able to increase the distribution of their product line to various parts of the country hence availability of the product to the consumer. Direct distribution to key accounts has led to reduced time delivery and the route markets are well defined. When coming up with distribution strategy it is important to consider the location, clientele and government policies. Firms should adopt distribution strategies that match the product and operational market.

Asiameh et al (2013) established that distribution strategy depends on the target market that the company is operating on and the environment. The emergence of internet and information technology communication affects distribution. Mwanza and Ingari (2015) established that direct distribution strategy has positive relationship towards competitive advantage and this gives an opportunity to customers to appreciate the company for bring the product close to them. Most companies use direct distribution strategy compared intensive and indirect distribution strategies. Indirect distribution and intensive distribution affects competitive advantage in a moderate extent. Intensive distribution enables customers to enjoy conveniences of the products hence reducing the transportation cost. Companies should have direct distribution channel as source of competitive advantage and companies use intensive distribution to ensure impulsive purchase among customers. For a company to have competitive advantage it is important to analyze its distribution strategies before implementing it.

Roope and Sakari (2015) argue that products are distributed through intermediaries in various countries hence assisting businesses to grow. New distribution methods should be considered when coming up with distribution strategies. It is important to consider the environment in which the customers live when coming up with distribution strategies. Wanza (2017) argue that there is a positive relationship between distribution strategies and micro insurance products. Managers should consider distribution strategies when making decisions on micro insurance industry considering factors such as the product nature, cost, and nature of organization, customers and environmental factors. There is significant relationship when selecting distribution strategies considering needs and motivation of the customers. Micro insurance industries need to conduct consumer survey to understand their needs and it should be time to time in order to keep with the rapid changing environment. Technology is one of the factors micro insurance needs to consider when coming up with distribution strategies due to high usage of smartphones, social media and internet among consumers.

For a firm to achieve a competitive advantage it must offer superior values to customers that entails quality product that customers are willing to pay for the premium that is charged meeting the customer's needs. Barney (2011) argue that competitive strategy consists of both defensive and offensive moves. Defensive move involves any activity the company is involved in to give it a competitive advantage such as of the exclusive contracts with supplies or patents. An offensive move is where by the organization are involved in activities that strengthen its competitive position for instance offering products features, have more distribution channels, having intensive promotions and offering better prices than competitors.

For company to have competitive edge over its rivals it must secure its customers and work against competitive forces in the market. Competitive advantage comes from the competence of the staff that yields into long term benefit to the organization. According to Boyd (2012) core competence is defined as an area that a person is an expert in it resulting into better work flow activity and productivity. Core competence has three characteristics which include increasing perceived benefits to customers, accessing a wide range of the market and making it hard for competitors to imitate. Porter (2011) argue that in formulating competitive advantage it involves considering four key factors namely strength, weaknesses, threats, and opportunities that determine the success of the company. The company strength and weaknesses consist of the assets and skills relative to the competitors that include technological, brand identification and financial resources

When values, strength and weaknesses are combined it determines internal limits to competitive advantage that a company can successfully adopt. Internal limits can be determined by broader environment and the industry in which industry threats and opportunities define the competitive environment. Opportunities and threats are external to the company. Threat includes new entrant of a cheap substitutes into the market while opportunity could be a new emerging market, government policies and political environment that favor the company. Eden (2010) argue that for company to have competitive strategy it should position itself in the market where it can defend itself against competitive forces that do not favor them. Competitive forces in the industry determine the profitability of the company and the intensity of the industry competition.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides information on the applied research process for the project. This includes research design, target population. It also includes research instruments, data collections procedures, data analysis techniques.

3.2 Research Design

The study adopted a descriptive cross-sectional survey as it describes the data and the varied characteristics of the population being studied. It was cross sectional in that data was collected at one point in time. Kothari, (2014) defines research design as structured conditions suitable for both collection and data analysis. Kothari (2014) added that a research design in a research study is economical as well as aligned with the research purpose.

This design was used because large samples are realistic and gave statistically significant results even when analyzed using several variables. Surveys are important since they give a good description of a large population. The design was able to answer questions such as when, who, where and how enabling the respondents to respondent freely. Descriptive research design method will assist in gathering information that will assist to determine the distribution strategy adopted by alcoholic beverage companies in Nairobi County Kenya and also the influence of distribution strategy on competitive advantage of the alcoholic beverage companies in Nairobi county Kenya.

3.3 Population of the Study

Cooper and Schindler (2013) define a population as the elements in a particular group that the researcher is interested in studying. Kothari (2014) defines population as the total number of individuals or respondents in an environment that the researcher wants to study. A target population is the specific population about which information is gathered. The target population for this study was all alcoholic beverage companies in Nairobi County Kenya. This target population provides data that gave answers to the research questions raised by the researcher on how distribution strategies influences competitive advantage.

According to the Kenya Association of Manufacturers report (2016) there are 22 alcoholic beverage companies in Nairobi county Kenya as shown on Appendix 2, hence the study adopted a census survey. Mugenda and Mugenda (2003) explain that a population should have some observable characteristics, to which the researcher intends to generate the results of the study. This definition assumes that the population is not homogeneous. This is true since the different companies under study have adopted different distribution strategies.

3.4 Data Collection

The respondents in this study was sales managers or equivalent sales managers are best positioned to give necessary information on the distribution strategies as a source of competitive advantage for the company since they are involved in route to market strategies and decision making. According to Kombo & Tromp (2012), a questionnaire is more favorable as it is convenient and facilitates quick and easy way to derive information. The researcher issued out 22 questionnaires to different alcoholic beverage companies in Nairobi since it is one manager per company.

This study used primary data. Primary data was collected by use of a questionnaire which was semi-structured. The questionnaire had both open and close ended questions. It was structured into three parts; the first section holds the demographic information of the respondents while the second part gave the distribution strategies and lastly section three addressed competitive advantage. The research used one questionnaire per company .The researcher had an introductory letter from the University to be able to collect data and personally deliver questionnaires to the respective respondents for them to fill and then pick the questionnaires later.

3.5 Data Analysis

Questionnaires were edited for consistency to be termed complete. Data was cleaned up through editing, tabulation and coding to detect any anomalies in the responses as well as input specific numerical values on the responses for further analysis. The study used higher level statistics for the purposes of analysis. That is simple regression and correlation analysis. The multiple linear regressions model was used is shown below:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5$$

Where: Y is Competitive Advantage; β_0 is the model's constant while β_1 to β_4 are the regression coefficients; X_1 is Channel level strategy; X_2 is Distribution scope; X_3 is Multiple channel strategy; X_5 is Franchising variables.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the analysis of the data collected and discusses the research findings on the influence of distribution strategies on the competitive advantage of alcoholic beverage companies in Nairobi County. The specific objectives were to establish the distribution strategies adopted by alcoholic beverage companies in Nairobi County and determine the influence of distribution strategies on competitive advantage of the alcoholic beverage companies in Nairobi county Kenya

4.1.1 Response Rate

Among the 22 companies targeted, 20 completed and returned the questionnaires giving a respondent rate of 90.90%. Mugenda and Mugenda (2004) assert that a response rate of more than 50% is adequate for analysis. Babbie (2004) also asserts that a 60% return rate is good and a 70% return rate is very good. Information from the questionnaires was adequate for analysis.

4.2 Demographic information of the respondents

The research sought to identify demographic characteristics of the respondents which included their gender, age, education, religion, income and marital status. The findings and interpretation is represented in the following subsections.

4.2.1 Highest level of education of Respondents

The Respondents were asked to indicate their highest level of education. The results are as shown in Table 4.1

Table 4.1 Level of education of Respondents

Level of Education	**Frequency**	**Percent**
Post Graduate	4	20.0
University	9	45.0
Tertiary	7	35.0
Total	**20**	**100.0**

From Table 4.1, 20.0% of the respondents were found to possess post graduate degrees were 45.0% and 35.0% had tertiary level of education. It is evident that slight majority of the respondents were having university degree. This shows that most managers are well educated and have proper knowledge of distribution strategies used by their companies.

4.2.2 Length of Service

The Respondents were asked to indicate length of continuous service with the company. The results are as shown in Table 4.2.

Table 4.2 Length of Service of Respondents

Years	**Frequency**	**Percent**
Less than five years	3	15.0
5 - 10 years	13	65.0
Over 10 years	4	20.0
Total	20	100.0

The findings revealed that 15.0% of the of the respondents having been working continuously for less than five years, 65.0% for between 5 and 10 years while 20% for over 10 years. Majority of the respondents have been working for over five years and this shows the wealth of experience in distribution. Most managers have worked with the companies between 5 and 10 years thus have a better understanding of the distribution strategies.

4.2.3 Number of Employees

The respondents were asked to indicate the number of employees in their company. The results are as shown in Table 4.3

Table 4.3 Number of Employees

Age	Frequency	Percent
Less than 100	5	25.0
100-199	12	60.0
Above 200	3	15.0
Total	20	100

The results revealed that 60% of the firms had between 100 and 199 employees while less than 100 employees were 25% and over 200 employees were 15%. It is evident that majority of firms have between 100 and 199 employees. The number of employees indicates the size of the company and that it is a source of employment to many people.

4.2.4 Length of Operation

The study sought to establish the duration that the company been operating in Nairobi. The results are as shown in Table 4.4

Table 4.4 Length of Operation

Years	Frequency	Percent
Less than five years	1	5.0
5 - 10 years	10	50.0
Over 10 years	9	45.0
Total	20	100.0

The results show that half of the companies have been operating in Nairobi for between 5 and 10 years while over 10 years were 45% of the companies. Only one of the companies was found to be operating for less than five years. This implies that most of the companies have been operating for over five years. It is important because most managers have gained knowledge and experience on distribution strategies used by the company.

4.2.5 Company Ownership

The respondents were asked to indicate the ownership of the company. The results are as shown in Table 4.5

Table 4.5 Ownership

Ownership type	**Frequency**	**Percent**
Foreign owned	1	5.0
Locally owned	13	65.0
Joint	2	10.0
Parastatal	1	5.0
Multinational Subsidiary	3	15.0
Total	20	100.0

The findings show one of the company was foreign owned while also one of them was a parastatal. Two of the companies were under joint ownership while three of them were Multinational Subsidiary. The rest of the companies, 65.0% were locally owned. According to Euro monitor International (2014) in India, the research found that distribution of alcoholic drinks was highly regulated in most of states with the government owning all the licensed wine shops in states like Tamil Nadu.

4.2.6 Number of Distribution Centers in Nairobi

The respondents were asked to indicate how many distribution centers they have in Nairobi. The results are as shown in Table 4.6.

Table 4.6 Number of Distribution Centers

Distributors	Frequency	Percent
Less Than Five	4	15.0
5-10	7	25.0
More than ten	13	60.0
Total	**10**	**100.0**

All the companies were found to have distribution centres in Nairobi. The findings revealed that 15% of the firm had less than five distributers while 25% were between 5 and 10 and lastly 60% had more than ten. It is evident that all companies relied on distributors to move their product to the consumers.

4.3 Distribution Strategies

This section was aimed at findings out distribution strategies adopted by alcoholic beverage companies in Nairobi County so as to achieve competitive advantage. This included channel level strategy, distribution scope, multiple channel strategy and franchising. The results are presented as follows.

4.3.1 Type of distributors

To determine the types of distributors, respondents were given 11 statements and they were asked to indicate the level of extent they agree with the statement. This was measured by a five-point Likert scale. The range was from 'no use at all,' (1), to 'very large extent (5). The score of (1) has been taken to represent 'not used at all" and to be equivalent to mean score of 0 to 1.4 on the Likert. The scores (2) have been taken to represent "to small extent" and to be equivalent to a mean score of 1.4 to 2.4. The scores

(3) represent “moderate extent” and taken to be equivalent to mean score of 2.5 to 3.4. The scores (4) represent “large extent” and taken to be equivalent to mean score of 3.4 to 4.4. And the scores (5) have been taken to represent “very large extent” and to be equivalent to mean score of 4.5 to 5.0. A standard deviation of > 0.9 implies a significant difference in the respondents' response. The results of the analysis arc presented in Table 4.5

Table 4.7 Descriptive statistics on the Types of Distributors

Types of Distributors	**N**	**Mean**	**Standard Dev.**
Sells directly to consumers	20	1.55	.550
Sells to retailers directly	20	2.80	.768
Sells to wholesaler who then sells to retailers	20	3.95	.605
Use an agent only	20	2.05	.759
Use of wholesalers only	20	3.15	.489
Use of retailers only	20	1.70	.657
Use of Brokers only	20	1.85	.671
Sells both directly and through retailers only	20	3.10	.968
Sells to retailers, wholesalers and directly to consumers	20	4.00	.649
Sells to retailers, wholesalers, agents and brokers	20	4.10	.788
Sells to retailers, wholesalers, brokers and directly to consumers	20	3.75	.999
Overall		**2.97**	**0.718**

From Table 4.7, companies sold their product directly to consumers at small extent (Mean=1.55 and standard deviation of 0.550). However, they sold their products directly to retailers at moderate extent (Mean=2.80, SD=0.768). The companies sold to wholesaler who then sells to retailers' at large extent as shown by mean of 3.85 and standard deviation of 0.605.

On the other hand, the companies used agent only to small extent as shown by mean of 2.05 and standard deviation of 0.759. However, they use wholesalers only at moderate extent as shown by a mean of 3.15 (SD=0.489) while retailers and brokers only were used at small extent as shown by a mean of 1.70 (0.657) and 1.85 (SD=0.671) respectively.

The companies sold moderately to both directly and through retailers only as shown by a mean of 3.10(SD=0.968) indicating there is significant difference in responses. On the other hand, they sold their products at a large extent to retailers, wholesalers and directly to consumers as shown by a mean of 4.0 (SD=0.649). Similarly, they sold their products at large extent to retailers, wholesalers, agents and brokers as shown by mean of 4.10 (SD=0.788). Lastly, with significant difference in the response (SD=0.999), companies in Nairobi sold their products at large extent to retailers, wholesalers, brokers and directly to consumers as shown by a mean of 3.75. From the above table, the main types of distributors used by firm's retailers, wholesalers, agents and brokers and lastly firms also prefer selling through retailers, wholesalers and directly to consumers since they have a mean above four which is good in a Likert scale.

4.3.2 Distribution scope

The study sought to find out the scope of company's activities. The results are as show in Table 4.8

Table 4.8: Distribution scope

Scope	Frequency	Percentage
Local Town	1	5.0
Regional	8	40.0
Countrywide	11	55.0
International	0	0.0

According to Table 4.8, the study shows that; 55 percent of the respondent companies distributed their products countrywide while 40 percent distributed regionally (Uganda, Tanzania, and South Sudan etc.). Only 5 percent distributed their products locally. None of the products was distributed internationally. The scope of distribution important in that is ensures products are easily available to customers when needed.

4.3.3 Number of distributors

The study sought to find out the number of distributors per region used by their company. The respondents were given 10 statements and they were asked to indicate the level of extent they agree with the statement. This was measured by a five-point Likert scale. The range was from ‘no use at all,’ (1), to ‘very large extent (5). The results are as shown in Table 4.9

Table 4.9: Number of Distributors

Number of distributor- distribution Scope	N	Mean	Standard Dev.
Use of no distributors at all	20	1.25	.444
Use only one distributor	20	1.70	.470
Use of few distributor (less than 10)	20	3.65	.875
Use of large number of distributor (1-10)	20	4.60	.598
Use of no wholesalers	20	1.40	.598
Use of few wholesalers (less than10)	20	1.90	.553
Use of large number of wholesalers(more than10)	20	3.80	.768
Use of no retailers	20	1.80	.696
Use of few retailers (less than10)	20	2.05	.510
Use of large number of retailers (more than 10)	20	3.45	.686

From Table 4.9, use of no distributors at all was at no use at all as indicated by a mean of 1.25 and standard deviation of 0.444. Use of only one distributor was at small extent as shown by a mean of 1.70 (SD=0.470). Use of few distributors (less than 10) was at large extent as indicated by a mean of 3.65 (SD=0.875) while use of large number of distributors (more than10) was at very large extent as shown by a mean of 4.60 (SD=0.598). Use of no wholesalers was no use at all as shown by mean of 1.40 (SD=0.598) and use of few wholesalers (less than10) was at small extent as shown by a mean of 1.90 and standard deviation of 0.553. On the other hand, use of large number of wholesalers (more than10) was at large extent as indicated by a mean of 3.80 (SD=0.768). Use of no retailers was at small extent as shown by a mean of 1.80 (SD=0.696) while use of use of few retailers (less than10) was also at small extent as shown by a mean of 2.05 (SD=0.510). Lastly, Use of large number of retailers (more than 10) was at moderate extent as shown by a mean of 3.45 and standard deviation of 0.686.

From the above table most firms prefer to large number of wholesalers while other firms prefer using few distributers and lastly some firms use few retailers since it is cost saving and time.

4.3.4 Combinations of the channels used by Company

Some companies use more than one channel of distribution to get their products to the target market. Therefore, if a firm uses more than one of the channels, the respondents were asked to indicate the combinations of the channels used by their company. The results are as shown in Table 4.10

Table 4.10: Combinations of the channels used

Combinations of the channels used	Frequency	Percentage
Sells directly to consumers	2	10
Sells to retailer directly	4	20
Sells to wholesaler who then sells to retailers	5	25
Use more than two distributors	9	45

From Table 4.10, only 10% of the companies sold directly to consumers while 20%of them sold to retailer directly. On the other hand, 25% sold to wholesaler who then sells to retailers while 45% of the companies in Nairobi used more than two distributors.

4.3.5 Channels exclusivity

The study sought to find out the extent to which distributors sold their products exclusively. The respondents were given two statements and they were asked to indicate the level of extent they agree with the statement. This was measured by a five-point Likert scale. The range was from ‘no use at all,’ (1), to ‘very large extent (5). The results are as shown in Table 4.3.5

Table 4.11: Channels exclusivity

Channels exclusivity	N	Mean	Standard Dev.
Channels (distributors) selling the one company’s products)	20	1.75	.716
Channels (distributors) selling different company’s products	20	4.60	.503

From Table 4.11, Channels (distributors) selling the one company’s products) was at small extent as shown by a mean of 1.75 with standard deviation 0.716. On the hand, Channels (distributors) selling different company’s products was at very large extent as shown a mean of 4.60 and standard deviation of 0.503.

4.3.6 Franchise as distribution strategy

Franchise is a means by which a producer of products or services achieves direct channel of distribution by providing the franchisers knowledge, manufacturing and marketing technique for a financial return. The respondents were asked to indicate the level of extent they agree on franchise distribution strategy. This was measured by a five-point Likert scale. The range was from ‘no use at all,’ (1), to ‘very large extent (5). It is evident that franchise as distribution strategy was used at small extent as shown by a mean of 1.75 with a standard deviation of 0.716

4.4 Competitive Advantage

This section aimed at findings out competitive advantage respondents' company gets in using distribution strategies. This was measured by a five-point Likert scale. The range was from 'no use at all,' (1), to 'very large extent (5). The score of (1) has been taken to represent 'not used at all" and to be equivalent to mean score of 0 to 1.4 on the likert. The scores (2) have been taken to represent "to small extent" and to be equivalent to a mean score of 1.4 to 2.4. The scores (3) represent "moderate extent" and taken to be equivalent to mean score of 2.5 to 3.4. The scores (4) represent "large extent" and taken to be equivalent to mean score of 3.4 to 4.4. And the scores (5) have been taken to represent "very large extent" and to be equivalent to mean score of 4.5 to 5.0. A standard deviation of > 0.9 implies a significant difference in the respondents' response. The results of the analysis arc presented in Table 4.12

Table 4.12: Competitive advantage

Competitive advantage gained	**N**	**Mean**	**Standard Dev.**
Increased fulfillment of business objectives	20	3.60	1.188
Good profit margin	20	3.25	1.293
Increased market share	20	3.50	.889
Sustained good performance	20	3.60	.881
Attracting new customers	20	3.85	.587
Retaining existing customers	20	4.15	.671
Increase in sales volume	20	3.90	.641
Overall	**30**	**3.69**	**0.879**

From Table 4.4, as a result of distribution strategies, companies gained increased fulfillment of business objectives at large extent as shown by a mean of 3.60 with significant deviation as indicated by 1.188. The results further revealed that companies have gained moderate profit margin as shown by a mean of 3.25 with significant difference in responses as shown by 1.293. There has been increased in market sure due to distribution strategies as show by a mean of 3.50 (SD=0.889).

The results also revealed that they have sustained good performance to a large extent as indicated by a mean of 3.60 (SD=0.881) due to adoption of distribution strategies. The strategies (distribution) has resulted to attracting new customers at large extent as shown by a mean of 3.85 (SD=0.587) and at the same time retaining existing customers as shown by a mean of 4.15(SD=0.671). Lastly, distribution strategies have resulted to increase in sales volume at large extent as shown by a mean of 3.90 with standard deviation of 0.641.

4.5 Regression and Correlation analysis

4.5.1 Regression Analysis

Regression analysis was used to establish the variance accounted for by one variable in predicting another variable. Multiple Linear Regression analysis was conducted to find the proportion in the dependent variable (competitive advantage) which can be predicted from the independent variable (distribution strategies). This was used to establish using R^2 which is the coefficient of determination.

4.5.2 Model Summary

From the Table 4.14, it can be observed that R was 0.876 and R^2=0.767 at 0.005 level of significance. There is a strong relationship between distribution strategies and competitive advantage as shown by R=0.876. The results also indicated that 76.7% of variation in competitive advantage is explained by the predictors in the model, while 23.3% variation is unexplained due to other factors that are not in the model.

Table 4.14 Model Summary

Model	R	R^2	Adjusted R Square	Std. Error of the Estimate
1	.876[a]	.767	.684	.419

Predictors: (Constant), Types of Distributors, Number of distributors, Combinations of channels, Channels exclusivity, Franchise

4.5.3 Goodness of Fit of the Model

Further analysis of ANOVA as shown in Table 4.15 showed that F (5, 19) =9.207 was significant at 95% level of confidence. This postulates that the model used was fit to explain the relationship between the distribution strategies and competitive advantage. Significance explains the usefulness of regression model at 95% level of confidence in which p-value of the F test is less than alpha ($0 < .05$) hence it was concluded that distribution strategies is significant predicator of competitive advantage.

Table 4.15: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.090	5	1.618	9.207	.000[b]
	Residual	2.460	14	.176		
	Total	10.550	19			

4.5.4 Model Regression Coefficients

The presented in Table 4.16 shows unstandardized coefficients, standardized coefficients, t statistic and significant values.

Table 4.16: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B (β)	Std. Error	Beta (β)		
1	(Constant)	.179	.756		.236	.817
	Types of Distributors	.149	.239	.165	.623	.543
	Number of distributors	.247	.159	.272	1.554	.012
	Combinations of channels,	.239	.125	.305	1.906	.037
	Channels exclusivity	.200	.273	.126	.733	.476
	Franchise	.289	.156	.145	1.857	.074
a. Dependent Variable: Competitive Advantage						

From Table 4.16, all the variables carried positive predictive power although there was variation in significance level. The results also show that types of distributors had a positive and significant effect on competitive advantage (β = 0.165, p=0.543). From above equation it meant that when other variables are controlled, a unit change in the types of distributors would result to competitive advantage change significantly by 0.165 units in the same direction. However, number of distributors had a positive and significant effect on competitive advantage (β = 0.272, p=0.012). From regression equation it implied that when other variables are controlled, a unit change in the number of distributors would result to competitive advantage change significantly by 0.272 units in the same direction. Similarly, combination of channels had a positive and significant effect on competitive advantage (β = 0.305, p=0.037). From regression equation it implied that when other variables are controlled, a unit change in the combination of channels would result to competitive advantage change significantly by 0.305 units in the same direction. Channel exclusivity had a positive and insignificant effect on competitive advantage (β = 0.126, p=0.074). From regression equation, it means that when other variables are controlled, a unit change in the franchise distribution would result to competitive advantage change significantly by 0.126 units in the same direction. The regression equation was as follows:

$Y = 0.179 + 0.165X_1 + 0.272X_2 + 0.305X_3 + 0.126X_4 + 0.145X_5$

Where:

Y =Competitive advantage

β0 = model's constant

X1= Types of Distributors

X2= Number of distributors

X3= Combinations of channels

X_4 = Channels exclusivity

$X_{5=}$ Franchise

The overall model show that distribution strategies influence competitive advantage with a p-value of <0.005 except the type of distributors which is at 0.543 and each variable positively predicated competitive advantage. However, only number of distributors and combination of channel were significant in predicting competitive advantage.

4.5.2 Correlation Analysis

Correlation analysis was used to test the strength of the relationship between distribution strategies and competitive advantage. The correlation coefficient (r) results are presented as shown in Table 4.17 using Pearson correlation analysis, which computes the direction (Positive/negative) and the strength (Ranges from -1 to +1) of the relationship between two continues or ratio/scale variables. The significant value adopted for all the correlations was set at a p value of 0.05, implying that all the results on this correlation were treated at a confidence interval of 95%.

Table 4.17: Correlation Analysis

		TD	NB	CC	CE	F
TD=Types of Distributors	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	20				
NB=Number of distributors	Pearson Correlation	.590**	1			
	Sig. (2-tailed)	.01				
	N	20	20			
CC=Combinations of channels	Pearson Correlation	.523*	.431*	1		
	Sig. (2-tailed)	.05	.05			
	N	20	20	20		
CE=Channels exclusivity	Pearson Correlation	.583**	.464*	.141*	1	
	Sig. (2-tailed)	.01	.05	.05		
	N	20	20	20	20	
F=Franchise	Pearson Correlation	.650**	.173*	.324**	.215*	1
	Sig. (2-tailed)	.01	.05	.01	.05	
	N	20	20	20	20	20
CA=Competitive Advantage	Pearson Correlation	.783**	.620**	.638**	.466*	.625**
	Sig. (2-tailed)	.01	.01	.01	.05	.01
	N	20	20	20	20	20

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

From the above Table 4.17, there is positive correlation between types of distributors and competitive advantage at Pearson's correlation coefficient of r=0.783 and significance level of 0.01. Similarly, number of distributors has positive relationship with competitive advantage at r=0.620 and significance level of 0.01. Similarly, results were obtained between combination of channels and competitive advantage with Pearson's correlation coefficient of 0.638 and level of significance being 0.01. On the other hand, channel exclusivity had insignificant positive relationship with competitive advantage at a Pearson's correlation coefficient of 0.466 and level of significance of 0.05. Finally, franchising has significant relationship with competitive advantage at a Pearson's correlation of 0.466 and p-value of 0.05.

4.7 Discussion of Findings

In general the study was to investigate the influence of distribution strategies on the competitive advantage of alcoholic beverage companies in Nairobi County. From the general objective, the following two specific objectives were derived; establish the distribution strategies adopted by alcoholic beverage companies in Nairobi County and determine the influence of distribution strategies on competitive advantage of the alcoholic beverage companies in Nairobi county Kenya. The result revealed that various types of distributors were used in the distribution strategies by alcoholic beverage companies in Nairobi county Kenya. They included consumers, retailers, wholesalers, agents and brokers. Roope and Sakari (2015) asserted that products are distributed through intermediaries in various countries hence assisting businesses to grow.

However, most of companies used a combination of distributors to achieve their objectives in the markets. Retailers and wholesalers were dominants actors in the channels implying that companies in Nairobi County preferred to sell their products through wholesalers and retailers unlike consumers, agents and brokers. Few companies sold their products directly to consumers. This does not agree with Mwanza and Ingari (2015) established that direct distribution strategy has positive relationship towards competitive advantage and this gives an opportunity to customers to appreciate the company for bring the product close to them.

The distribution scope was so wide and this was evident whereby only one of the distributors sold the product within local town but majority of them sold outside Nairobi

County as well as outside Kenya in countries such as Uganda, South Sudan and Tanzania among others. This implies that for them to serve these markets effectively, they need to adopt robust distribution channels. This agrees with Nyaga (2012) who indicated that Nestle company has being able to increase the distribution of their product line to various parts of the country hence availability of the product to the consumer.

Each of the company at least had a distributor meaning distributors were key in the distribution strategies adopted by alcoholic beverage companies in Nairobi county Kenya. Majority of the companies had distributors more than 10 at large extent as compared to retailers and wholesalers. Kihanya (2015) found that liquor trade in the Nyeri Sub-County is well developed with major players in the alcohol value chain represented through depots, distributors, wholesalers, retailers, restaurants, on bars and wines and spirits. However, they were more wholesalers as compared to retailers suggesting that alcoholic beverage companies in Nairobi reduced the transportation cost by supplying their products to distributors who later move them to wholesalers and retailers and finally to consumers. This concurs with Ndungu (2012) who indicated that distribution strategy system normally reduces costs of goods sold from the vendor because merchandise is ordered and sent to the distribution center in large quantities.

The findings also revealed that these distributors handled products from different companies and few of them exclusively handled products from one company. In terms of competitive advantage, these companies to use their distribution strategies efficiently to maintain their market share and at same time attract new customers through superior products. To a small extent, there was used of franchising as distribution strategy implying that few companies were contract by other companies' especially foreign companies to produce and sell their products in Kenya. Therefore, there is need for alcoholic beverage companies in Nairobi to adopt this distribution strategy. Mwanza et al (2015) found that in Nyeri Township, there are four depots distributing various brands for two leading local manufacturers and one foreign manufacturer. Another study by Owuor (2008) indicated that distribution strategies adopted by wines and alcoholic spirits manufacturers and importers. However, they need to diversification through franchising besides selling through distributors and wholesalers.

Inferential result indicated that there is significant influence of distribution strategies on competitive advantage of alcoholic beverage companies in Nairobi. This suggested that improvement in distribution strategies would results to increase in competitive advantage of these companies. It also suggested that distribution strategies are a significant predicator of competitive advantage. These finding agreed with Mutie (2014) who found out distribution strategy systems have influence on the competitive advantage of commercial banks in Kenya. Similar results were obtained by Wanza (2017) who fund that there is a positive relationship between distribution strategies and micro insurance products.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarized the analysis in chapter four and underlined the key findings. It also drew conclusions and recommendations from the finding. Limitations of the study and suggestions for further studies were outlined.

5.2 Summary of the Finding

The objective of the study was to establish the distribution strategies adopted by alcoholic beverage companies in Nairobi County and to determine the influence of distribution strategies on competitive advantage of the alcoholic beverage companies in Nairobi county Kenya. It was observed that alcoholic beverage companies in Nairobi county Kenya used various distribution strategies. The companies used various types of distributors such as consumers, retailers, wholesalers, agents and brokers. Selling directly to consumers was done at small extent as compared to retailers and wholesalers. Retailers only were at small extent as compared to wholesalers only. The companies were to sell their product at large extent through retailers, wholesalers and directly to consumers and retailers, wholesalers, agents and brokers and retailers, wholesalers, brokers and directly to consumers.

The results revealed that distribution scope covered local town, countrywide and regionally. However, most of the companies had their distribution covering regional and countrywide. There was variance in the number of distributors. It was evident that some companies did not use retailers and wholesalers in their distribution strategies. However, large number of retailers, wholesalers and distributors were used. Most of the firms used more than 10 distributors' at large extent. Only 10% of the companies sold directly to consumers with all the companies indicating that they used more than two distributors. Other combinations were selling to retailer directly and through wholesalers to retailers. There was no channel exclusivity as most of distributors sold different company's products. To a small extent, companies were found to use franchise as distribution strategy.

The competitive advantage was found to have large extent. However, the strategies were used to retain existing customers at larger extent, Increase sales volume and attracting new customers. However, the strategies increase profit margin at moderate extent. Pearson correlation results indicated that there was significant relationship between distribution strategies and competitive advantage of the companies. Specifically, there was significant strong positive relationship between types of distributors and competitive advantage while moderate relationship was established between number of distributors, combination of channels & franchising distribution and competitive advantage. On the other hand, there was weak relationship between channel exclusivity and competitive advantage. Multiple linear Regression analysis indicated that up to 76.7% R Square=0.767) of variation in competitive advantage is significantly account for by distribution strategies. This implies that distribution channel is a significant influence of competitive advantage. Regression coefficient further revealed that each of the distribution strategies used in this study had positive predictive power. However, only number of distributors and combination of channels significantly predicted competitive advantage of the companies.

5.3 Conclusion of the Study

From the findings, the following conclusion can be made. It is evident that alcoholic beverage companies in Nairobi county Kenya have achieved competitive advantage due to the distribution strategies update for their product. In regard to first objective, the study concluded that various types of distributors have been used by these companies in their distribution strategies.

This was necessitated by the scope of distribution as most companies had scope that covered outside Nairobi County and outside Kenya. Therefore, selling directly to consumers was least adopted because it increase distribution cost and at same does not give other actors (retailers, wholesalers, agents, brokers and distributors) within the distribution channel opportunity to market products through branding. Therefore, they sold their product through these middlemen with varying number of actors within the channel so as to bring products close to the consumers.

There was high extent of channel combination; however, more wholesalers were used as compared to retailers due to overhead costs of dealing with many middlemen. There was no channel exclusivity as most of the distributors sold products from different companies.

Franchising as a distribution channel was used marginally meaning there is need to exploit advantages associated with this distribution strategy.

Basing on the second objective, the study concluded that distribution strategies influence competitive advantage of the alcoholic beverage companies in Nairobi county Kenya. Increase in distribution strategies would results to increase in competitive advantage. Therefore, distribution strategies are significant predictor of competitive advantage. Companies used more than one distributor to cover this large scope with majority of companies having more than 10 distributors. This implies that, companies are able to expand their market share by attracting new customers and at the same time increase their profits. The get maximum of the distribution strategies, the companies used combination of channels which involved retailers, wholesalers and distributors. Moving products through this strategy was found to retain existing customers and therefore sustained good performance.

5.4 Recommendation of the study

The study found that even though the companies used various distribution strategies, they did not use them exhaustively. Specifically there was underutilization of franchising distribution strategy therefore the study recommended that alcoholic beverage companies in Nairobi county Kenya should diversify their distribution strategies. For instance by franchising the organizations are assured of effective distribution of their products as what they could not do as a single entity is possible when they come together.

The study established that there was channel exclusivity implying that distributors stocked products various companies which pose significant competition in the market. Therefore, the study recommended that alcoholic beverage companies in Nairobi County should design and implement innovative strategies of in their distribution channels. They should always maintain certified high quality goods and services in order to promote customer loyalty thus maximizing on sales turnover.

The study also concluded that companies used a combination of distributions to a large extent which has resulted to increase their competitive advantage in the market. The study therefore recommended that there is need to increase the capacity of wholesalers and distributors to handle their products and at same time encourage consumers to purchase their products from them to effectively manage their distribution strategies.

5.5 Limitations of the study

The study was limited in depth and scope due to the resource and time constraints. The study sample therefore concentrated on alcoholic beverage companies in Nairobi county Kenya in order to meet the project deadlines. Thus it did not cover outlets operating in the other cities and major towns in the country which could have given a more balanced view of the responses. Therefore, the results may not to be applicable across the country.

The researcher also faced major difficulties in reaching the respondent companies. This forced her to visit them after working hours or during weekends which created suspicion in terms of the purpose of the research and the respondents' security. There were also delays due the unwillingness of the respondents to fill the questionnaires promptly. The challenge was minimized by assuring the respondents of the confidentiality of the information they gave.

5.6 Recommendations for Further Research

The study confined itself to alcoholic beverage companies in Nairobi county Kenya and the findings might not be generalized to other sectors. It is therefore recommended for further research on the same in other sectors of the economy so as ascertain whether there is an effect of distribution strategies on competitive advantage in other sectors.

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APPENDICES

Appendix I: Questionnaire

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions.

Section A: Demographic Characteristics of Respondents

1. Name of the alcohol company (Optional)..

2. What is your position in the company...?

3. What is your highest level of education?

a) Post graduate level ( ) b) University ( ) c) Tertiary College ( ) d) Secondary ( )

4. Length of continuous service with the company?

a) Less than five years ( ) b) 5 - 10 years ( ) c) Over 10 years ( )

5. How many employees are there in your company?

a) Less than 100 ( ) b) 100 – 199 ( ) c) Above 200 ( )

6. For how long has the company been operating in Nairobi.......?

a) Less than five years ( ) b) 5 - 10 years ( ) c) Over 10 years ( )

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

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

8. How many distribution centers do you have in Nairobi? __________

None () Less than 5 ( ) More than 10 ( )

SECTION TWO (DISTRIBUTION STRATEGIES)

9. Indicate the extent to which your firm uses the following types of distributors on a scale of where;

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

Please tick against the answer which best reflect your views;

	Types of Distributors-channels	1	2	3	4	5
1	Sells directly to consumers					
2	Sells to retailers directly					
3	Sells to wholesaler who then sells to retailers					
4	Use an agent only					
5	Use of wholesalers only					
6	Use of retailers only					
7	Use of Brokers only					
8	Sells both directly and through retailers only					
9	Sells to retailers, wholesalers and directly to consumers					
10	Sells to retailers, wholesalers, agents and brokers					
11	Sells to retailers, wholesalers, brokers and directly to consumers					

10. What is the scope of your company's activities?

(a) Local town [ ] (b) Regional [ ] (c) Country wide [ ] (d) International [ ]

11. Indicate the number of distributors per region used by your company by ticking an appropriate box on a scale of 1-5 where;

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

Please tick against the answer which best reflect your views;

Number of distributors-distribution scope	1	2	3	4	5
Use of no distributors at all	1				
Use only one distributors	2				
Use of few distributors (less than 10)	3				
Use of large number of distributors (more than10)	4				
Use of no wholesalers	5				
Use of few wholesalers (less than10)	6				
Use of large number of wholesalers(more than10)	7				
Use of no retailers	8				
Use of few retailers (less than10)	9				
Use of large number of retailers (more than 10)	10				

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

Combinations of the channels used by your company	
Sells directly to consumers	
Sells to retailer directly	
Sells to wholesaler who then sells to retailers	
Use more than two distributors	

13. To what extent do your distributors sell your products exclusively? Please indicate by ticking the appropriate box below on a scale of 1-5 where;

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

Please tick against the answer which best reflect your views;

Channels exclusivity multiple franchise	1	2	3	4	5
Channels (distributors) selling the one company's products|	1	2	3	4	5
Channels (distributors) selling different company's products	1	2	3	4	5

14. Franchise is a means by which a producer of products or services achieves u direct channel of distribution by providing the franchisers knowledge, manufacturing and marketing technique for a financial return. To what extent do you use franchise as a distribution strategy?

Types of Distribution	1	2	3	4	5
To what extent do you use franchise as distribution strategy					

SECTION C. Competitive Advantage

15. Please mark the appropriate box that indicates to what extent of competitive advantage your company gets in using distribution strategies, Where;

Not at all= (1) Small extent = (2) moderate extent= (3) greater extent= (4) very great extent = (5)

Please tick against the answer which best reflect your views;

Competitive advantage gained	1	2	3	4	5
Increased fulfillment of business objectives	1	2	3	4	5
Good profit margin	1	2	3	4	5
Increased market share	1	2	3	4	5
Sustained good performance	1	2	3	4	5
Attracting new customers	1	2	3	4	5
Retaining existing customers	1	2	3	4	5
Increase in sales volume	1	2	3	4	5

Please state any additional competitive advantage your company has gained from the distribution strategies applied;

____

____

THANK YOU FOR YOUR COOPERATION

Appendix II: List of Alcoholic Beverage companies in Nairobi County Kenya

Name of company:

1. Africa Spirit Co. Ltd
2. BilFlex Industries
3. Crywan Enterprises Ltd
4. Elle Kenya Ltd
5. FRM Packers(E.A) LTD
6. Honeywell Industry
7. Julijo Investment Ltd
8. Kedstar Investment
9. Kenya Breweries Ltd
10. Kenya Gin Manufact. Ltd
11. Kenya Wine Agencies Ltd
12. London Distillers (k) Ltd
13. Lumat Company Ltd
14. Lyniber Suppliers Ltd
15. Mibbs Ventures
16. Patialla Distillers(K) Ltd
17. Rhino Beverages LTD
18. Sangilia Wine Manuf. LTD
19. The Comrade Invest. Co.LTD
20. UDV (K) Ltd
21. Wholesome Beverages Ltd
22. Zheng Hong (K) LTD

Source;

ALCOHOLIC BEVERAGES MANUFACTURERS LICENSED BY KENYA REVENUE AUTHORITY IN THE YEAR 2016 IN NAIROBI COUNTY