DISTRIBUTION STRATEGIES PURSUED BY FOOD PROCESSING FIRMS IN NAIROBI

BY

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DECLARATION

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

Signed: ______________ Date 01/11/2007

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

Signature: ______________ Date 02/11/07

Mrs. Margaret Ombok

University Project Supervisor

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DEDICATION

To my wife Alice, and daughters Abigail and Debrah for their love and company.

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First acknowledgement to the Almighty God, through whom all things hold together. Through him all things were made, without him nothing was made that has been made (John 1.3).

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ABSTRACT

The purpose of this study was to determine the distribution strategies pursued by food manufacturing companies with particular focus in Nairobi. The objectives of the study were to establish the distribution strategies pursued by food manufacturing companies in Nairobi and to determine the factors influencing the choice of distribution strategies pursued by food processing firms in Nairobi.

A descriptive research design was adopted in this study. The population of interest was all food processing firms in Nairobi. A census study was carried out because of the relatively small population of 45 firms. Primary data was collected using semi-structures questionnaires. The questionnaires were addressed and then posted to the marketing managers or those in equivalent positions. A self addressed and stamped envelope was enclosed for the respondent. Follow up was made by calls and personal visits by the researcher.

A total of 30 out of 45 firms responded giving a response rate of 67 per cent. The primary data was analysed using descriptive statistics which included frequencies, percentages, mean scores and standard deviations. Food processing firms pursue different distribution strategies which include distribution intensity, distribute scope, multi-channel and franchising. 93 per cent of the firms directly distribute their products to retailers and 94 per cent of the firms distribute to wholesalers.

Factors which influence the choice of distribution strategy to a very large extent are company objectives, followed by companies past experience with distributors, then ability of the distributors to pay for product, and lastly size of the area covered by the distributor. Factors which influenced the choice of distribution strategy to a small extent were political temperature of the area served, environmental regulation in the area served and product volume or weight. It is recommended that food manufacturing companies should redefine their distribution strategies to enhance their competitiveness. The major limitation of the study was difficulty in getting all the sent out questionnaires. It was suggested that the study be replicated in other sectors of the economy and other countries.

CHAPTER ONE
INTRODUCTION

1.1 Background

Since the turn of the millennium, the demographic, economic, natural, technological, political-legal and socio cultural environment have been changing at an accelerated rate (Kotler, 2001). The increasing numbers of local and global players coupled with more educated, inquisitive and demanding customers have all resulted into intensified competition (Capron and Holland, 1999). Pezzullo (1998) notes that competition has called for companies to come up with strategies that not only defend their market share but to also make them stand out from the competition. According to Needham et. al (1999), distribution is a vital part of marketing and several distribution strategic decisions must be made for the organization to excel in this area and stay a head of the competition. In his study of distribution strategies pursued by Health Management Organizations in Kenya, Alumula (2004) noted that all firms employed distribution strategies.

Peck et. al (1990) observes that time-based competition has enabled knowledgeable customers to buy products and services from anywhere in the world. Consumers have thus become exposed to many products of all qualities, makes and origin. They therefore seek the best available products to satisfy their specific needs. Coping with the increasingly competitive environment has called on firms to rethink their strategies. Key strategies include marketing strategies which revolves round the marketing mix. According to McCarthy et. al (1990), offering customers a good product at a reasonable price is important in achieving successful marketing strategy, but this is not enough, managers must also think about place, making products available, in the right quantities and location when customers need them. The movement of goods and services to points where they are actually required is an important aspect of an economic system of a country and an organization. Distribution system is a key external resource, which normally takes years to build, and it is not easily changed (Kotler, 2001). Kotler (2000) observes that distribution ranks in importance with key internal resources such as manufacturing, research, engineering and field sales personnel and facilities.

1.1.1 Distribution strategies

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

Assael (1993) defines distribution system as a group of independent business composed of manufacturers, wholesalers and retailers designed to deliver the right set of products to consumers at the right place and time. According to Needham et. al (1999), distribution is the process of making goods and services available to consumers when, where and in the form required. Distribution includes the process of moving goods and services to the places where they are wanted using channels through which the products are made available (Needham et. al, 1999).

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

1.1.2 Food processing companies in Kenya

Kenya has a relatively well-developed agro-processing industry with products ranging from meat and dairy products, canned vegetables, fish oils and fats, grain millet products, bakery products, sugar and confectionary (G. O. K. 2006). Food processing businesses in Kenya range from small family-owned informal businesses to large formal businesses listed on the Nairobi Stock Exchange and subsidiaries of foreign or multinational businesses. Major multinationals have established operations in Kenya as foreign companies or as joint ventures. Large firms processing meat and dairy products increased from 14 in 2001 to 18 in 2005, those processing canned vegetables, fish oils and fats increased from 18 in 2001 to 21 in 2005, grain millers increased from 13 in 2001 to 16 in 2005, large firms processing bakery products increased from 21 in 2001 to 24 in 2005, large firms processing sugar and confectionery remained 14 between 2001 and 2005, there are also 75 miscellaneous food firms (G. O. K. 2006). The growth of firms realized between 2001 and 2005 in this industry means that this is a growing industry with many potential new entrants, it also means that there is an increasing competition resulting to existing firms loosing market share as well as experiencing a drop in profitability.

According to the year 2006 statistical abstract, firms dealing in meat and dairy products employed 7, 925 people in 2005, firms dealing with canned vegetable, fish, oil and fats employed 8, 564 people in 2005, grain millers employed 5, 818, bakers had 2, 070 employees in 2005, firms dealing in sugar and confectionary had 16, 504 in 2005 while miscellaneous food processors had 30, 302 employees in 2005. The industry therefore provided employment to a total of 71, 183 people in 2005 and this is an important contribution to the development of this nation of Kenya (G. O. K. 2006).

In terms of value addition to the nation of Kenya, meat and dairy products added a value of Kshs. 6,063,000,000 in 2005, canned vegetables, fish oils and fats added Kshs. 4,773,000,000, grain millers added Kshs. 11,692,000,000 in 2005, bakery products added Kshs. 3,019,000,000, sugar and confectionary added Kshs. 3,329,000 in 2005 while miscellaneous food firms added Kshs. 2,585,000,000 in 2005. The industry as whole added a total value of Kshs. 31,461,000,000 to the economy which is a big contribution to its development (G. O. K. 2006).

Other benefits of food processing include toxin removal, preservation, improving flavor, easing marketing and distribution tasks, and increasing food consistency. In addition, it increases seasonal availability of many foods, enables transportation of delicate perishable foods across long distances, and makes many kinds of foods safe to eat by removing the micro-organisms. Modern supermarkets would not be feasible without modern food processing techniques. Long voyages of goods and services would also not be possible without the input of food manufacturing firms. Modern food processing also improves the quality of life for allergics, diabetics, and other people who cannot consume some common food elements. Food processing also adds extra nutrients.

1.2 Statement of the problem

Food processing companies play important role of availing food products to the Kenyan consumers, providing revenue to the government through taxes and employment to Kenyans. With the liberalization of Kenya's economy, the number of food processing companies has increased. This has resulted to increased competition leading to reduced market share of key players as well as profits, for example Unga limited has been having problems for the past few years as a result of heightened competition within the industry, Unilever (K) limited has also lost its long standing brand, Kimbo to an emerging strong competitor, BIDCO Oil Company. If the food processing companies in Kenya have to survive in an increasingly competitive environment, they have to redesign marketing strategies that are tailored to the needs of the customers and offer supper value. This would involve among others developing distribution strategies that would ensure they reach customers at the time, place and form required (Needham et. al, 1999).

Studies on distribution strategies by Muiruri (1989), Chepkoit (1992), Odondi (2001) and Alumula (2004) focused on the physical distribution problems facing Nairobi city open air vegetable and fruit sellers, distribution of Sugar by Kenya National Trading Corporation, physical distribution strategies and the firms' sales performance, a case of dairy processing firms in Nairobi, distribution strategies used by health management organizations in Kenya respectively. In his study, Chepkoit (1992) found that there was an imbalance in the way sugar is being distributed within the rural and urban areas. Odondi (2001) concluded in her study that distribution strategies do affect sales and market share performance of dairy processors. According to Alumula (2004), Health Management Organizations were using various distribution strategies to reach their target market. Even though the above studies have importance contributions in the field of distribution, the findings of these studies cannot be applied to food processing companies because different industry settings and study themes.

The role food processing companies' play in this country makes it necessary that they adopt distribution strategies that will ensure that their products reach their target markets. It is however not known as to which distribution strategies have been adopted by food processing firms. The proposed study therefore seeks to bridge the missing information gap by providing responses to the following research questions;

i. Which distribution strategies have food processing firms in Nairobi adopted?

ii. Which factors influence the choice of distribution strategies pursued by food processing firms in Nairobi?

1.3 Objective of the study

The objectives of this study are to;

i. Establish the distribution strategies pursued by food manufacturing companies in Nairobi.

ii. Determine factors influencing the choice of distribution strategies pursued by food companies in Nairobi.

1.4 Importance of the study

The study is expected to be beneficial to the following;

i. The food processing companies. Effective and efficient distribution will help lower their distribution cost and meet the customer's expectations; it will also lower the cost of company products in the market hence stimulating consumption of company products which promotes market share growth and profitability.

ii. Other manufacturers. Insight into the findings of this study will provide tips on which distribution strategies are appropriate in helping them achieve their marketing objectives.

iii. The scholars. The study will shed light and add knowledge to the concept and practice of distribution in Kenya. It will also act as a source of reference.

CHAPTER TWO
LITERATURE REVIEW

2.1 The concept of strategy

Drucker (1954) was among the earliest authors to address the strategy issue. He viewed strategy as defining the business of a company. Chandler (1962) added to the view taken by Drucker (1954) and defined strategy as the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Chandler (1962) considered strategy as a means of establishing the purpose of a company by specifying its long-term goals and objectives, action plans and resource allocation patterns to achieve set goals and objectives. Andrews (1971) defined strategy as the pattern of major objectives, purposes or goals and essential policies and plans for achieving the organizations objectives. Porter (1980) argued that strategy is the central vehicle for achieving competitive advantage in the market place. The aim of strategy is to establish a sustainable and profitable position against the forces that determine industry competition. Chaffe (1985) viewed strategy as an organization's attraction of individuals in a social contract or a collection of cooperative agreements. Strategy here is seen as a guideline that helps enhance or elicit cooperation from various stakeholders of a company. Such cooperation is essential for achieving company success. Gluek and Juach (1984) viewed strategy as a company's response to the external environment given the resources the company possesses. Mintzberg (1987) viewed strategy as a plan, a ploy, a pattern, a position and a perspective.

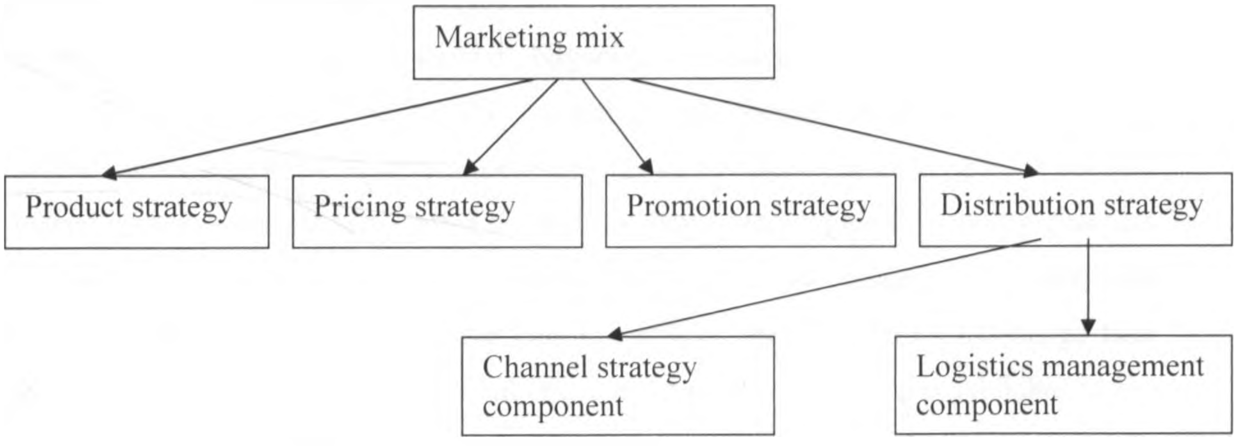
The multiplicity of definitions of strategy suggests that it is a multidimensional concept. No one definition can be said to capture explicitly all the dimensions of strategy. As Mintzberg (1987) argues, in some ways these definitions compete in the sense that they can substitute each other. As such, their complementary nature provides additional insights that facilitate our understanding of strategy. Strategy can therefore be seen as a coherent, unifying and integrative pattern of decisions meant to determine and reveal the organizational intention both in the short and long term (Hax and Majluf, 1998).

2.2 The concept of distribution

Distribution is the process of managing the product from the producer to the consumer/ user (Dibb and Simkin, 2001). Assael (1993) defines distribution system as a group of independent business composed of manufacturers, wholesalers and retailers designed to deliver the right set of products to consumers at the right place and time. Cravens, Hills and Woodruff (1996), view distribution to have two major components, the distribution channels and physical distribution. According to Needham et. al (1999), distribution is the process of making goods and services available to those who wants to buy them. Rosenbloom (1995) views distribution to be divided into channel strategy component and logistics management component which are closely related and work together to achieve objectives. Tangus (1981) observed that optimal distribution plan not only minimize cost but also improves the quality of services and the image of an organization to the public.

Rosenbloom (1998) argues that channel strategy is concerned with the entire process of setting up and operating the contractual organization that is responsible for meeting the firms' distribution objectives. He pointed out that channel strategy must always be formulated before logistics management can be considered. Figure 2.1 is showing marketing mix strategic variables with distribution variable divided into marketing channel and logistics component (physical distribution).

Figure 2.1: Marketing mix strategic variables.



Rosenbloom Bert (1995), **Marketing channels,** 5th Edition, Chicago Press, pg 13.

2.3 Distribution channels

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

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

2.4 Distribution strategies

As competition become fierce, retailers and wholesalers are getting wood more aggressively than before. Trade loyalty from channel members is going down and channel members are demanding higher margins, Majumdar (1996). Randall (1994) argues that every manufacturer needs a way of getting his or her products to the final buyer. He observes that distribution process is essential and must be planned and managed. Needham et. al (1999) suggest that organizations must come up with several distribution strategies which includes levels of channels, distribution scope, multiple channels, franchises and channel control strategies among others to be able to achieve their marketing objectives. Alumula (2004) found that the most used distribution strategy by the Health Management Organizations was increasing the number of locations and outlets and reducing waiting time for patience while the least used strategy was mobile clinics.

2.4.1 Channel level strategies

According to Kibera and Waruingi (1998), distribution involves the use of market intermediaries or middlemen to make products and services available where and when consumers or users want them. The intermediaries include agents, wholesalers, large scale retailers, retailers and brokers. The number of intermediaries used determines the channel levels. Needham et. al (1995) observe that distribution may involve a single step or any number of steps. The chosen step varies according to whether the organization is dealing with consumer or organizational goods (Brassington and Pettitt, 1997). Needham et. al (1995) identified the levels of distributions discussed in the following paragraphs.

Zero-level channel is where there are no intermediaries, Needham et. al (1995). Selling is done directly from the producer to the consumer, it is also called direct marketing, Needham et al (1995). Kibera and Waruinge (1998) observe that under zero channels, producers open up their own retailing outlets where consumers buy the merchandise. Brassington and Pettitt (1997) observe that producers may use door-to-door selling. Stanton (1994) argues that producers can sell using e-mail under this arrangement.

Factors influencing the choice of are the nature of products and the organizations desire to have total control of the channels of distribution, Needham et. al. (1995).

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

Third level channel is where there are two middlemen, Kibera and Waruingi (1998). Stanton et. al (1998) observe that this is the traditional channel for consumer goods. According to Brassington and Pettitt (1997), adding a wholesaler level can be significant where small manufacturers and small retailers are involved. Needham et. al (1995) observe that two level channel are still common in consumer markets since many retailers are not sufficiently large and do not have purchasing power to buy directly from the manufacturer. The nature of products is an important factor in the choice of this channel level, convenience goods are mostly distributed using this channel level (Kibera and Waruingi, 1998).

Brassington and Pettitt (1997) observe that the fourth level channel is the largest and most indirect channel. Kibera and Waruinge (1998) argue that this level carries the agent, wholesaler, retailer and consumer and tend to be dominant in international transactions.

2.4.2 Distribution scope strategy

Marketers should define the target customers they want to reach; this implies that they need to define the scope of distribution they want to pursue. According to Peter and Donnelly (1992) and Kibera and Waruingi (1998), there are many alternatives as far as distribution scope is concerned. These strategies include intensive distribution, selective distribution and exclusive distribution.

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

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

Brassington and Pettitt (1997) observe that under exclusive arrangement, only one outlet covers a relatively large geographic area. Stanton et. al (1994) argue that producers often adopt an exclusive distribution strategy when it is essential that the retailer carry a large inventory. Adcock et. al (2001) observe that exclusive distributions receive the benefit of exclusivity that reduces competition. Needham et. al (1999) observe that though some market coverage may be lost by exclusivity of such an arrangement, the image and prestige of the product is maintained. Retail paint stores are an example of such distribution arrangement (Peter and Donnelly, 1992). Kibera and Waruingi (1998) observe that the rationale behind exclusive distribution is that specialization in one line may greatly increase sales and profits, particularly if a premium price is obtained through exclusive distribution. Retail selling strategy typically used by manufacturers of high-priced, generally upscale merchandise, such as cars or jewelry, whereby manufacturers grant certain dealers exclusive territorial rights to sell the product. The retailer benefits from the lack of competition, and the manufacturer benefits from a greater sales commitment on the part of the retailer. Additionally, exclusive distribution gives the manufacturer greater control over the way the product is merchandised.

2.4.3 Multiple Channel Strategy

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

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

2.4.4 Channel control strategy

In selecting channels of distribution, the seller must make decisions concerning the degree of control desired over the marketing of the firm's products, Peter and Donnelly (1992). Some manufacturers prefer to keep as much control as possible over the policies surrounding their product. Ordinarily, the degree of control achieved by the seller is proportionate to the directness of the channel. A company whose market is concentrated geographically may for instance own its own fleet of trucks and operate a wholly owned delivery system. When more indirect controls are used, the manufacturer must surrender some control over the marketing of the firm's product. However attempts are commonly made to maintain a degree of control through some other indirect means, such as sharing promotional expenditures, providing sales training, or other operational aids, such as accounting systems, inventory systems, or marketing research data on the dealers trading area.

According to Baker (1992), members of a distribution channel are autonomous and independent organizations which are pursuing their own individual objectives. Where these objectives are not congruent, a channel system can be conceived as a competitive unit in and of itself, Peter and Donnelly (1992). To avoid this kind of conflict, channel members superimpose their goods over other members and assume control over the channel, Baker (1992). The success that a product has is determined largely by the effectiveness and efficiency by which human, material, and monetary resources have been mobilized through out the entire inter firm network, Peter and Donnelly (1992). Baker (1992) observes that in many cases competition between members lead to inefficiencies and lost profit opportunities. To avoid this, an alternate, more co-operative form of organization emerged in recent years and has been designated the vertical market system (VMS).

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

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

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

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

2.4.5 Franchising as a distribution strategy

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

2.5 Chapter Summary

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

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

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

3.2 Population

The population of interest in this study consisted of all food processing companies in Nairobi. This population was chosen because Nairobi has a high presence of food processing companies. According to the Kenya Association of Manufacturers, there are 71 food manufacturing firms in Kenya as at 31st December 2006 (see appendix 3). Out of the 71 food manufacturing companies in Kenya, 45 are in Nairobi (see appendix 4). Because of the relatively small number of food processing firms in Nairobi, a census survey study was conducted.

3.3 Data collection

Primary data was collected using a semi-structured questionnaire (see appendix 2). One respondent in a marketing position or equivalent in each of the food processing companies was studied in each of the food processing company. An initial call was first made to establish who was playing the marketing role in the organization. The questionnaire was then addressed to the respondents and posted in a post office with a self addressed and stamped envelope enclosed for the respondents to enclose filled questionnaires. The questionnaire was divided into three sections. Section one contained questions on the food processing company's bio data, section two contained questions on the firm's distribution strategies while section three contained questions on factors influencing the choice of distribution strategies.

3.4 Operational dimensions of distribution strategies by food companies in Kenya

The dimensions of distribution strategies were operationalised on the table 3.1 below. Measurements were done using a five point likert scale.

Table 3.1 Operation dimension of distribution strategies

Broad dimensions of distribution strategies	Expanded dimensions	Relevant issues in distribution strategies	Relevant questions
Channel level Strategies	Zero level	Use of no intermediary	11
	One level	Use of only one intermediary	11
	Two level	Use of two intermediaries	11
	Three level	Use of three intermediaries	11
Distribution scope strategy	Intensive distribution	Exposure through many channels of marketing.	13
	Selective distribution	Limit the use intermediaries to few	13
	Exclusive distribution	Give exclusive rights to specific intermediaries in a geographic region	13
Multiple channel strategy	Complementary channel	Sell non-competing products	15
	Competitive channel	Sell competing products	15
Franchise	Franchising	Licensing channel members under franchise name.	16
Channel control strategy	Corporate vertical marketing system	Do channel members playing the roles of a wholesaler, retailer and an agent all at the same time?	17
	Administered vertical marketing	Is there an influential channel?	17
	The contractual marketing system	Is the relationship of channel members formalized?	17
Factors influencing choice of distribution strategies	In order to determine the factors influencing the choice of distribution strategies, options will be given for the respondents to choose from.		18

3.5 Data analysis

Descriptive statistics was used to analyse data. Section one was analysed using frequencies and percentages to summarise food processing companies' bio data. Section two and three were analysed using percentages, frequencies, mean score and standard deviation. Presentation of data took the form of tables.

CHAPTER FOUR
DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter contains analysis and findings from the study with the possible interpretations. The chapter is divided into three sections. The first section analyses the general information of the food processing firms in Nairobi. The second section analyses the distribution strategies pursued by food manufacturing companies in Nairobi while the third section analyses the factors influencing the choice of distribution strategies pursued by food processing firms in Nairobi. Out of the 45 food manufacturing firms targeted, 30 responded giving a response rate of 67 per cent. A response rate of 67 per cent is considered adequate for the study.

4.2 The General information on food manufacturing firms in Nairobi

The general information about manufacturing firms in Nairobi was captured to give the firms background information. The information sought includes ownership, number of branches, existence of a marketing department, number of staff in the marketing department and products offered.

4.2.1 Ownership

Respondents were asked to indicate the ownership structure of their firms in terms of origin. The findings are presented in Table 4.1.

Table 4.1: Company ownership

Company ownership	**Frequency**	**Percent**
Foreign owned	1	3
Locally owned	21	70
Joint	3	10
Multinational subsidiary	5	17
Total	**30**	**100**

Source: Primary data

As shown in Table 4.1, 70 per cent of the food manufacturing firms are locally owned, 17 per cent are multinational, 10 per cent are jointly owned locally and by foreigners while only 3 per cent are foreign owned. The presence of multinational subsidiary and foreign owned firms supports the fact that competition does not only exists in the locally alone but also in the global arena.

4.2.2 Number of branches

The study aimed to establish the number of branches that the respondent organizations have within the country, respondents were therefore asked to state the number of branches their organizations have in the country. The findings are presented in Table 4.2.

Table 4.2: Number of branches

Number of branch offices in Kenya	Frequency	Percent
No Branch	2	7
1 branch	20	67
2 branches	1	3
3 branches	2	7
4 branches	2	7
6 branches	1	3
8 branches	1	3
35 branches	1	3
Total	**30**	**100**

Source: Primary data

A total of 67 per cent of the food manufacturing firms have one branch, 7 per cent have no branch, 7 per cent have 3 branches and another 7 per cent have 4 branches. 3 per cent had 35 branches. This means that majority of the food manufacturing firms fall in the category of small and medium scale firms. One food company is large enough to have 35 branches. The finding shows the intensity of competition within the food manufacturing industry in Kenya.

4.2.3 Existence of a marketing department

All (100%) of the respondent organizations have marketing department. This points out to the fact that marketing has become an important function in the food processing firms perhaps due to the increasing competitive landscape.

4.2.4 Number of marketing staff

An analysis on the number of staff in the marketing departments of the food processing firms show that six staff in the marketing department is the most frequent number with a frequency of 5 (17%). The result of this analysis is contained in Table 4.3.

Table 4.3: Number of Marketing Staff

Number of Staff in the Marketing Department	Frequency	Percent
1 staff	2	7
3 staff	2	7
4 staff	4	13
5 staff	4	13
6 staff	5	17
7 staff	3	10
9 staff	3	10
11 staff	2	7
12 staff	1	3
13 staff	1	3
20 staff	1	3
25 staff	1	3
Non Response	1	3
Total	**30**	**100**

Source: Primary data

According to the findings contained in Table 4.3, 79 per cent of the respondents have less than 10 marketing staff. Only two firms had 20 marketing staff and above with the highest (a foreign multinational) having 25 marketing staff. All the firms had at least a staff in the marketing department. Two of the respondent firms had one staff each in the marketing department.

4.2.5 Products offered

An analysis of the most processed food staff shows that (30%) of the respondent firms have maize floor as a product of their food processing, this makes maize floor the most favourite food products by the firms. The findings are contained in Table 4.4.

Table 4.4: Products offered

Products offered in the market	Frequency	Percent
Maize flour	9	30
Baking flour	7	23
Bread	4	13
Pastry products	1	3
Animal feeds	2	7
Juices	1	3
Mineral water	1	3
Beer	1	3
Wines and spirits	2	7
Non Response	2	7
Total	**30**	**100**

Source: Primary data

Mineral water, Beer and Juices were produced by only one firm each. The percentage of firms which produced wheat floor were 23 per cent and bread at 13 per cent, the least produced are Juices, Mineral water and Beer with each at 7 per cent. This means that maize and wheat floor is in higher demand in the local consumer market than other products.

4.3 Distribution strategies pursued by food manufacturing companies

The first objective of the study aimed at determining the various distribution strategies pursued by the food processing firms in Nairobi. The distribution strategies practiced included distribution scope, distribution channels, distribution channels, distribution intensity and franchising.

Respondents were asked to indicate the extent to which a number of distribution strategies were pursued. The range was from 'no extent,' (1), to 'very large extent' (5).

The score of '1' has been taken to represent 'no extent' and to be equivalent to mean score of 0 to 1.0 on the Likert scale. The scores '2' have been taken to represent 'small extent' and to be equivalent to a mean score of 1.1 to 2.0. The scores '3' represent 'moderate extent' and taken to be equivalent to mean score of 2.1 to 3.0. The scores '4' represent 'large extent' and taken to be equivalent to mean score of 3.1 to 4.0 and the scores '5' have been taken to represent 'very large extent' and to be equivalent to mean score of 4.1 to 5.0. A standard deviation of > 1 implies a significant difference in the respondents' response.

4.3.1 Areas where firms sell their products

Respondents were asked to provide information concerning where the firm sells its products. The findings are contained in Table 4.5.

Table 4.5: Where firms sell their products

Where the products are sold	Frequency	Percent
Local town	3	10
Regional	5	17
Country wide	11	37
International	10	33
Non Response	1	3
Total	**30**	**100**

Source: Primary data

The Table above shows that 37 percent sell their products nationally, 33 per cent sell internationally, 17 per cent within some regions of the country and 10 per cent sell within Nairobi. This portray that different firms have different capabilities that determines their area of market coverage.

4.3.2 Distribution channels

The results of the analysis of the use of distribution channels as a strategy are presented in Table 4.6.

Table 4.6: Distribution channels

Distribution channels	Mean	Std. Deviation
Sell directly to customers	1.619	0.973
Sell to retailers directly	4.067	1.363
Sell to wholesalers who sell to retailers	3.967	1.098
Use an agent, wholesaler, retailers and brokers	3.500	1.333

Source: Primary data

From the analysis, retailers are used for distribution by the food manufacturers to a very large extent (mean score of 4.067). Wholesalers, agents and brokers are used to large extent. Direct sales to customers are used to a small extent (mean score of 1.619). There were significant differences in respondent's responses in use retailers, wholesalers, agents and brokers with a standard deviation of more than 1.000. There was however no significant different in respondence response regarding selling directly to customers (mean score of 0.973).

4.3.3 Distribution intensity

The results of the analysis on distribution intensity as a strategy are presented in Table 4.7.

Table 4.7: Distribution intensity

Distribution intensity	Mean	Std. Deviation
Use of many distributors	4.000	1.558
Use few distributors	2.107	1.663
Use only one distributors in a region	1.143	0.591
Use more than two distributors	4.517	0.986

Source: Primary data

As shown in Table 4.7, more than two distributors are used to a very large extent (mean score of 4.517). Distributors are used to a large extent (mean score of 4.000). Few distributors are used to a moderate extent (mean score of 2.107) while one distributor is used to a small extent (mean score of 1.143). There were significant differences in respondent's responses in use of many distributors and few distributors.

4.3.4 Use of Competitive channels

Respondents were asked to indicate the extent to which their firms use competitive channels as strategy. The findings are contained in the Table 4.8.

Table 4.8: Use of competitive channels

Channels (distributors) selling the same products	Frequency	Percent
No extent	4	13
To a small extent	9	30
To moderate extent	9	30
To a large extent	4	13
To a very large extent	2	7
Non Response	2	7
Total	**30**	**100**

Source: Primary data

From the findings, 80 per cent of the firms use competitive channels. This means that each and every firm is trying to adopt strategies that can enable it stand out from the competition.

4.3.5 Use of Franchise

Respondents were asked to indicate the extent to which their firms use franchise to sell their products. The findings of this analysis are contained in Table 4.9.

Table 4.9: Use of Franchise

Use of franchise as a distribution strategy	Frequency	Percent
No extent	23	77
To a small extent	4	13
To a large extent	2	7
To a very large extent	1	3
Total	**30**	**100**

Source: Primary data

From the Table 4.9, only 23 per cent of the firms use a franchise to sell products while the remaining 77 per cent do not. This means that franchise is not a popular strategy of distribution among the food manufacturing companies.

4.4 Factors influencing the choice of distribution strategies

The second objective of the study aimed at determining the factors that influence the choice of distribution strategies by food manufacturing firms. Respondents were asked to indicate the extent to which a number of factors influenced their choice of distribution strategies. The researcher classified the factors into market factors, product factors, intermediary factors, environmental factors and company factors.

The extent of influence of each of the factors was measured in a way of a five-point liker scale. The range was from 'no extent,' (1), to 'very large extent' (5). The score of '1' has been taken to represent 'no extent' and to be equivalent to mean score of 0 to 1.0 on the Likert. The scores '2' have been taken to represent 'small extent' and to be equivalent to a mean score of 1.1 to 2.0. The scores '3' represent 'moderate extent' and taken to be equivalent to mean score of 2.1 to 3.0. The scores '4' represent 'large extent' and taken to be equivalent to mean score of 3.1 to 4.0 and the scores '5' have been taken to represent 'very large extent' and to be equivalent to mean score of 4.1 to 5.0. A standard deviation of > 1 implies a significant difference in the respondents' response. The results of the analysis are presented in Table 4.10, 4.11, 4.12 and 4.13.

4.4.1 Market factors

Respondents were asked to indicate the extent to which some market factors influence their choice of distribution strategies. The results are presented in Table 4.10.

Table 4.10

Market factors	Mean	Std. Deviation
The size of the area covered by the distributor	4.333	1.061
Concentration or dispersion of customers in an area	3.967	0.964
Quantity and frequency of customer purchases	3.833	0.913

Source: Primary data

From Table 4.19 above, the size of the area covered by the distributor influenced their extent of choice by the food processing firms to a very large extent (mean score of

4.333), concentration or dispersion of customers and quantity and frequency of customer purchases to a large extent (mean scores of 3.967 and 3.833 respectively). There were significant differences in respondent's responses in the size of the area covered by distributor (1.061)

4.4.2 Product factors

In order to establish product factors that influence distribution strategies, respondents were asked to indicate the extent to which some market product factors affect their choice of distribution strategies. The results are contained in Table 4.11.

Table 4.11: Product factors

Product factors	Mean	Std. Deviation
Product perishability	3.033	1.586
Product type (Food or non-food product)	2.500	1.503
Product volume or weight	1.800	1.157
Whether product is for consumption or for industrial use	1.933	1.337

Source: Primary data

From Table 4.11, product perishability influenced their choice of distribution strategy to a large extent (3.033), Product type to a moderate extent (2.500), product volume or weight and product consumption or industrial use for to a small extent (mean scores of 1.800 and 1.933 respectively). There are significant differences in respondents' responses in all the product variables (all have a standard deviation with a value more than 1.000).

4.4.3 Intermediary factors

On intermediary factors which influenced their choice of distribution strategies, the ability of the distributor was top on the list. The findings are presented in Table 4.12.

Table 4.12: Intermediary factors

Intermediary factors	Mean	Std. Deviation
People served by distributors	2.966	1.052
Ability of the distributor to pay for products	4.483	1.153
Additional services provided by the consumer	2.633	1.098
Availability of distributor	3.867	1.042
Competency of distributors staff especially sales staff	3.207	1.013
Number of customers served by the distributor	3.600	1.037

Source: Primary data

The ability of the distributor to pay for products influence the choice of distribution strategy used to a very large extent (mean score of 4.483). Availability of distributors, number customers served and competency of distributors' sales staff to large extent (mean score of 3.867, 3.600 respectively and 3.207 respectively). People served by distributors and additional services provided by the producer to moderate extent (mean score of 2.966 and 2.633 respectively). There were significant differences in respondents' responses in all intermediary variables (all have a standard deviation of more than 1.000).

4.4.4 Environmental factors

An analysis on how environmental factors affect the choice of distribution strategies show that economic conditions and legal requirements influence the choice of strategy to a large extent (mean scores of 3.655 and 3.400 respectively). The findings are presented in Table 4.13.

Table 4.13: Environmental factors

Environmental factors	Mean	Std. Deviation
Political temperature of the area served	1.233	0.817
Changes in social lifestyle of people served	2.069	1.280
Distributors technological capability i.e. in ICT	2.034	1.267
Environmental regulations in the area served	1.448	0.985
Legal requirement in relation to product distributed	3.400	1.499
Economic conditions of the area served	3.655	0.897

Source: Primary data

Changes in consumer's social lifestyle and distributors' technological capability influence the choice of distribution strategies to a moderate extent (mean scores of 2.069 and 2.034 respectively). Political temperature and environmental regulations influences the choice of distribution strategy to a small extent (mean scores of 1.448 and 1.233 respectively). There are significant differences in respondents' responses in changes in social lifestyle of people served, distributors' technological capability i.e. in ICT, and legal requirement in relation to product distributed (They had a standard deviation of 1.280, 1.267, and 1.499 respectively). There were no significant differences on respondence response on political temperature, economic conditions and environmental regulations of the area served (a standard deviation of 0.817, 0.897 and 0.985 respectively).

4.4.5 Company factors

Respondents were asked to indicate the specific company variables that affect their choice of distribution strategies in their firms. Table 4.14 contains the details of the findings.

Table 4.14: Company factors

Company factors	Mean	Std. Deviation
Company objectives	4.655	0.814
Company location in relation to the customers served	3.310	1.228
Number and types of product requirements by customers	3.233	1.194
The companies past experiences with distributors	4.552	0.985
Desired degree of distributors control	2.759	1.023

Source: Primary data

As shown in Table 4.14, company objectives and companies past experiences distributors influence the choice of distribution strategy to a very large extent (mean score of 4.655 and 4.552 respectively). Company location and types products requirements influences the choice of distribution strategy to a large extent (mean score of 3.310 and 3.233 respectively while desired degree of distributors control influenced the choice of distribution strategy to a moderate extent (2.759). There are significant differences in respondents' responses in company location in relation to the customers served, number and types of product requirements by customers, desired degree of distributors' control.

4.5 Chapter Summary

The results of the analysis shows that factors which influence the choice of distribution strategy to a very large extent are company objectives, followed by companies past experience with distributors, then ability of the distributors to pay for product, and lastly size of the area covered by the distributor with a mean score of 4.655, 4.552, 4.483 and 4.333 respectively. Factors which influenced the choice of distribution to a small extent were political temperature of the area served, environmental regulations in the area served, product volume or weight and whether product is for consumption or for industrial use with a mean score of 1.233, 1.448, 1.800 and 1.933 respectively.

There were significant differences in a number of factors from among the food manufacturing firms with the highest being product perishability with a standard deviation of 1.586 and the lowest being company objectives with a standard deviation of 0.814.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides inferences from the study by discussing the findings gathered from the analysis as well as conclusions reached. This chapter contains five sections. Section 5.1 presents the introduction. Section 5.2 contains the discussions. Section 5.3 contains conclusion. Section 5.4 contains recommendations of the study. Section 5.5 contains limitations of the study while section 5.6 contains suggestion for future research.

5.2 Discussion

The aim of the study was to establish the distribution strategies pursued by food manufacturing firms in Nairobi and to determine factors influencing the choice of distribution strategies. From the analysis, 70 per cent of the food manufacturing firms are locally owned, 17 per cent are multinational, 10 per cent are jointly owned locally and by foreigners while only 3 per cent are foreign owned. This confirms the presence of competition at the local and global level and concurs with the views of Kotler (2001), Pezzullo (1998), Peck et. al (1990) and Alumula (2004) on competition.

The study also shows that 67 per cent of the food manufacturing firms have one branch, 7 per cent have no branch, 7 per cent have 3 branches and another 7 per cent have 4 branches. 3 per cent had 35 branches. This means that majority of the food manufacturing firms fall in the category of small and medium scale firms, a finding which in agreement with the National Statistical Abstract figures of 2006 (G. O. K. 2006).

Another finding is that one of the firms is large enough to have 35 branches. This communicates the intensity of competition within the food manufacturing industry in Kenya. All the firms interviewed had marketing department. Needham et. al (1999) underscores the importance of a distribution strategy to be a crucial tool in helping the marketing departments in achieving their marketing objectives. It also came from the study that 79 per cent of the respondents have less than 10 marketing staff with majority having 6 staff. Only two firms had 20 marketing staff and above with the highest having 25 marketing staff.

The study shows that the firms pursue different distribution strategies. Randall (1994) view that every manufacturer who needs efficient and effective way of getting his or her products to the consumer must embrace the use of distribution strategies is very much in line with the finding of the study. On distribution scope. 37 percent sell their products nationally, 33 per cent sell internationally, 17 per cent within some regions of the country and 10 per cent sell within Nairobi. This portray that different firms have different capabilities this determine their width of coverage. Donnelly (1992) and Kibera and Waruinge (1998) affirms that many firms use many alternatives to achieve the distribution objective in their marketing effort.

Retailers are used to a very large extent (mean score of 4.067). Wholesalers, agents and brokers are used to large extent. Direct sales to customers are used to a small extent (mean score of 1.619). Brassington and Pettitt (1997) observed that large retailers buy directly from manufacturers. More than two distributors are used to a very large extent (mean score of 4.517). Distributors are used to a large extent (mean score of 4.000). Few distributors are used to a moderate extent (mean score of 2.107) while one distributor is used to a small extent (mean score of 1.143). According to Kibera and Waruingi (1998), intensive distribution is traditionally used for fast moving consumer goods and that most convenient goods require intensive distribution. The study also reveals that 80 per cent of the firms use competitive channels. According to the study findings, 77 per cent of the firms do not use franchise totally. This means that franchise is not a popular way of distribution among the food manufacturing companies.

The results of the analysis indicate that factors which influence the choice of distribution strategy to a very large extent are company objectives, followed by companies past experience with distributors, then ability of the distributors to pay for product, and lastly size of the area covered by the distributor with a mean score of 4.655, 4.552, 4.483 and 4.333 respectively. Factors which influenced the choice of distribution to a small extent were political temperature of the area served, environmental regulations in the area served, product volume or weight and whether product is for consumption or for industrial use with a mean score of 1.233, 1.448, 1.800 and 1.933 respectively.

There were significant differences in a number of variables from among the food manufacturing companies with the highest being product perishability with a standard deviation of 1.586 and the lowest being company objectives with a standard deviation of 0.814.

5.3 Conclusion

There are a number of things that can be concluded from this study, they relate to the general information pertaining to the generation background of the food manufacturing firms, distribution strategies pursued by the firms to factors influencing the choice distribution strategies.

It can be concluded that most of the food manufacturing firms fall under small and medium scale enterprises, meaning that they still have small capacity compared more experienced and resourced global players. It can also be concluded that the food manufacturing firms pursue several distribution strategies which include, distribution scope, intensity of distribution, different channel structure and multi-channels. Franchising is the least used distribution strategy.

From the analysis, it can be concluded that the choice of distribution strategy is influenced to a very large extent by company objectives, followed by companies past experience with distributors, then ability of the distributors to pay for product, and lastly size of the area covered by the distributor. The choice of distribution strategy is influenced to a small extent by political temperature of the area served, environmental regulations in the area served, product volume or weight and whether product is for consumption or for industrial use.

5.4 Recommendations

On the basis of the result of this study, it is recommended that food manufacturing companies in Nairobi in particular and Kenya in general should redefine their distribution strategies to make them more focused and appropriate for achieving competitive edge. The firms should also explore new ways of distributing their products to the consumers. Each strategy should be carefully considered because each contributes differently towards achieving sustainable competitive advantage in the increasingly dynamic and competitive environment.

5.5 Limitation of the study

The study was done in Nairobi, thus my not reflect the true situation in other towns and parts of Kenya. The response rate of 67% might have reduced the accuracy of research findings. Some respondents did not fill and return the questionnaire leading to a reduced response rate. Lastly, some respondents did not provide all the information thus depriving the study of some required data.

5.6 Suggestion for future research

This study was done in Nairobi only. The study should therefore be replicated in the whole country of Kenya and other countries of the world. Future studies could include other sectors or industries that have not been studied.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

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August 2007

The Marketing Manager

...

...

NAIROBI.

Dear Sir/Madam,

REF: REQUEST FOR RESEARCH DATA

I am a Master of Business Administration (M.B.A.) student at the University of Nairobi. I am required to submit as part of my course work assessment a research project report on "**Distribution strategies pursued by food manufacturing firms in Nairobi**".

Your company has been selected to participate in the study. I would appreciate if you assist me in answering in full the herewith-attached questionnaire for the purposes of this research. I further request that you enclose the answered questionnaire in the self-addressed and stamped envelope enclosed here with and post. Where need be, I will be willing to avail myself for further explanation or collection of the questionnaire. Please be assured that all your responses shall be kept strictly anonymous and confidential and shall only be used for academic purposes and destroyed after data analysis is done. A copy of the research findings shall be availed to you if you so wish after completion of the study. Thank you in advance.

Oluoch Kennedy Otieno
M.B.A. Student (Researcher)
University of Nairobi

Mrs. Margaret Ombok
Project Supervisor
University of Nairobi

APPENDIX 2: QUESTIONNAIRE

SECTION ONE: COMPANY DATA

1. Name of the organization________________________________

2. Year of establishment________________________________

3. Position in the company ________________________________

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

   Foreign owned. [ ]

   Locally owned [ ]

   Joint [ ]

   Parastatal [ ]

   Multinational Subsidiary [ ]

5. How many branch offices do you have in Kenya? ________________

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

   (a) Yes [ ] (b) [ ]

7. Number of staff in the marketing department________________

8. Where is your head office located? ________________________

9. Which products does your company offer in the market? Please list.

   (a)________________________________

   (b)________________________________

   (c)________________________________

   (d)________________________________

   (e)________________________________

   (f)________________________________

   (g)________________________________

   (h)________________________________

   (i)________________________________

   (j)________________________________

10. What brands of food does your company offer in the market? Please list them

(a)____

(b)____

(c)____

(d)____

(e)____

(f)____

(g)____

SECTION TWO (DISTRIBUTION)

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

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

	5	4	3	2	1
(a) Sells directly to consumers	[ ]	[ ]	[ ]	[ ]	[ ]
(b) Sells to retailer directly	[ ]	[ ]	[ ]	[ ]	[ ]
(c) Sells to wholesaler who the sells to retailers	[ ]	[ ]	[ ]	[ ]	[ ]
(d) Use an agent, wholesaler, retailers and brokers	[ ]	[ ]	[ ]	[ ]	[ ]

12. Within which area do you sell your products?

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

13. Indicate the extent to which your company practices the following types of distribution by ticking an appropriate box on a scale of 1-5 where;

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

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

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

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

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

	5	4	3	2	1
(a) Channels (distributors) selling the same products	[ ]	[ ]	[ ]	[ ]	[ ]
(b) Channels (distributors) selling different products	[ ]	[ ]	[ ]	[ ]	[ ]

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

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

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

a) We have a channel member who play roles at many levels [ ]
b) Our channel system has channel leaders [ ]
c) Our channel members cooperate among themselves [ ]

SECTION THREE: FACTORS INFLUENCING CHOICE OF DISTRIBUTION STRATEGY

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

Variables	**1**	**2**	**3**	**4**	**5**
The size of the area where you distribute your products					
Concentration or dispersion of customers in an area					
Quantity and frequency of customer purchases					
Product perishability					
Product type (Food or non-food product)					
Product volume or weight					
Whether product is for consumption or for industrial use					
Nature of customers served by distributors					
Ability of the distributor to pay for products					
Additional services provided by the distributor					
Availability of distributor					
Competency of distributors staff especially sales staff					
Number of customers served by the distributor					
Political temperature of the area served					
Changes in social lifestyle of people served					
Distributors technological capability i.e. in ICT					
Environmental regulations in the area served					
Legal requirement in relation to product distributed					
Economic conditions of the area served					
Company objectives					
Company location in relation to the customers served					
Number and types of product requirements by customers					
The companies past experiences with consumers					
Desired degree of distributors control					

APPENDIX THREE: LIST OF FOOD PROCESSING COMPANIES IN KENYA

No	Company Name	Street Name	Box No	Code	Town	Main Phone	Main Email
1	Agro Chemical & Food Co. Ltd	God Nyithindo Location	18		Muhorini	(057) 51622	acfc@net2000ke.com
2	Alpha Fine Foods Ltd	Road 'A' off Enterprise	10271	27	Nairobi	(020) 533355, 531952	affl@alphanairobi.com
3	Alpha Knits Limited	Ruiru Town	47018	1	Ruiru	(067) 54722	info@alphaknits.com
4	Aquamist Ltd	Rhapta Road, Westlands	66856		Nairobi	(020) 4447244,	info@aquamistwater.com
5	Belfast Millers Ltd	Bamburi Road	18453	28	Nairobi	020-558488	belmillfeeds@wananchi.com
6	Bidco Oil Refineries Limited	Thika	239	66	Thika	(067) 282-1000, 30102	vimal@bidco-oil.com
7	Bio Foods Products Limited	Mombasa Rd	27623	31	Nairobi	(020) 350604/663,	info@biofoods.co.ke
8	Broadway Bakery Ltd	Factory Road, Thika	25	66	Nairobi	067-30605	broadway@africaonline.co.ke
9	Brookside Dairy Limited	Off Thika Road	236	22	Ruiru	067-54010/2/3	maziwa@brookside.co.ke
10	C.Czarnikow Sugar(EA) ltd	Second Ngong Avenue	10517	1	Nairobi	(020) 2710312-4	jtaylor@czarnikow.com
11	Cadbury Kenya Ltd	Olkalau Road,	45466	1	Nairobi	(020) 530001-9	admin@cadbury.co.ke
12	Candy Kenya Ltd	Off Mombasa Road	5204	31	Nairobi	020-552722	sales@candykenya.com
13	Carlton Products (EA) Ltd	Funzi Road	78105	32	Nairobi	(020) 553603/7/30	rajk@carltonproducts.com
14	Chemelil Sugar Company Ltd	Awasi-Nandi Road	1649		Kisumu	057-41406/7	chemelil@swiftkisumu.com
15	Coca-Cola East Africa Ltd	Old Mutual Building	30134	1	Nairobi	(020) 3253000, 2712271	mkariuki@afr.ko.com
16	Confec Industries (E.A) Ltd	Sotik Road	6208	26	Nairobi	020-557849/52	kidocandy@yahoo.com
17	Corn Products Kenya Ltd	Parklands Road	11889	27	Nairobi	(020) 3628000	cornprod@africaonline.co.ke
18	Crown Foods Ltd	Enterprise Road	27634	31	Nairobi	(020) 6960000	keringet@water.co.ke
19	Del Monte Kenya Ltd	Oloi Tip Tip Rd,Thika	147	66	Thika	(067) 21601	Nanasi@delmonte.co.ke
20	East African Sea Food Ltd	Road A Off Enterprise	10271	27	Nairobi	(020) -533355/531002	srinivas@alphanairobi.com
21	Excel Chemicals Ltd	Old Mombasa Road	18807		Nairobi	(020) 350061, 821222	suresh@excel.co.ke
22	Farmers Choice Ltd	Kahawa West	47791	1	Nairobi	(020) 810416/9/811722	sausage@farmerschoice.co.ke
23	Giloil Company Limited	Giggil Road, Nairobi	78011	32	Nairobi	020-544571	gillgroup@nbi.ispkenya.com
24	Global Allied Industries Ltd	Lunga Lunga Road	78277	32	Nairobi	(020) 555167/148/944	houseofmanji@dawda.net
25	Global Beverages Ltd	North Airport Road	13796	61	Nairobi	020-3752973	
26	Grain Bulk Handlers	Biera road ,Mombasa	80469	717	Mombasa	(041) 2230183-5/	gbh@grainbulk.com
27	Highlands Canners Ltd		64182		Nairobi	(020) 8564040/8	kenexim@swiftkenya.com
28	Highlands Mineral Water Co. Ltd	Ihururu Road, Nyeri	9	96	Nyeri	(061) 2032381	hmwater@iconnect.co.ke
29	Jambo Biscuits (K) Ltd	Kampala Road	78681	32	Nairobi	(020) 533861/3/4/5	info@britania.co.ke
30	James Finlay Kenya Ltd	Kericho JFK Inlet Road	71	721	Kericho	(052) 20155/9	finance@finlays.co.ke
31	Jetlak Foods Ltd	Off Kiambu Road , Ruiru	461	22	Ruiru	(067) -54724/ 55624	MAIL@JETLAK.COM
32	Kapa Oil Refineries Ltd	Main Mombasa Road	18492	28	Nairobi	(020) 6420000	info@kapa-oil.com
33	Kenafric Industries Limited	Off Baba Dogo Road	39257	58	Nairobi	(020) 8562100-7	admin@kenafricind.com
34	Kenblest Limited	Off Garissa Road, Thika	16	66	Nairobi	067-21198	bread@kenblest.com
35	Kensalt Ltd	Off Refinery Rd, Msa	81665	635	Mombasa	041-433110	kensalt@wananchi.com
36	Kenya Breweries Ltd	Off Thika Road, Nairobi	30161		Nairobi	(020) 8644000, 8563701	kbl@kenyabreweries.co.ke

37	Kenya Nut Company Ltd	WoodVale Grove	52727	2	Nairobi	(020) 4448123,4448365	kenyanut@africaonline.co.ke
38	Kenya Sweets Ltd	Bandari Road, Nairobi	40733	2	Nairobi	(020) 530297, 530578	kenyasweets@wananchi.com
39	Kenya Tea Packers Ltd	Kericho-Nakuru Road	413	721	Kericho	(052) 20530/1, 30312	ketepa@ketepa.com
40	Keroche Industries Ltd	Naivasha	6	163	Naivasha	(050) 50325	keroche@kenyaweb.com
41	Kibos Sugar & Allied Industries	Milimani-Nheru Road	3115	719	Kibos	(057) 2021843/7	kibossugar@eac.cc
42	Kisii Bottlers Limited	Off Kisii-Keroka Road	3456		Kisii	(058) 31984/5/6	kisiibottlers@swiftkisumu.com
43	London Distillers (K) Ltd	Dunga Road, Nairobi	57387	2	Nairobi	020-531007-10	ldk@londondistillers.com
44	Mayfair Holdings Ltd	Off Nkurumah Road	1064		Kisumu	057-40256/7	imperial@africaonline.co.ke
45	Milly Fruit Processors Ltd	Mombasa-Malindi Rd	90522	717	Mombasa	041-5486357	ca@millyfruits.com
46	Mini Bakeries (Nbi) Ltd	Kangundo Rd, Nairobi	17592		Nairobi	(020) 783374	mrsupa@swiftkenya.com
47	Mombasa Maize Millers Ltd	Mwangeka Street	87074	717	Mombasa	(041) 2494611-6	mmtaifa@africaonline.co.ke
48	Mombasa Salt Works Limited	Off Refinery Road	84411	717	Mombasa	(041) 3435453/3435425	info@mws.co.ke
49	Mumias Sugar Company Ltd	Mumias	P. Bag		Mumias	(056) 641620, 641621	msc@mumias-sugar.com
50	Nairobi Bottlers Ltd	Addis Ababa Road	18034	28	Nairobi	(020) 532476/9	jkkimani@ccsabco.co.za
51	Nairobi Flour Mills Ltd	Homa Bay Road,	46395	1	Nairobi	020-556608	jimbi@wananchi.com
52	Nestle Foods Kenya Ltd	Pate Road	30265	1	Nairobi	020-532569/78	sospeter.kioko@ke.nestle.com
53	Patco Industries Limited	Lunga Lunga Road,	44100	1	Nairobi	020-532901	patco@africaonline.com
54	Pembe Flour Mills Ltd	Lunga Lunga Road,	17955	28	Nairobi	020-551933/48/53	pembe@wananchi.com
55	Premier Flour Mills Ltd	Mogadishu Road	59307	2	Nairobi	020-531313/5/6	admin@premier-group.co.ke
56	Premier Food Industries Ltd	Baba Dogo Road	41476	2	Nairobi	(020) 8561919/8561714	pfil@peptang.com
57	Proctor & Allan (E.A.) Ltd	Lusaka Road,	18218	28	Nairobi	(020) 556361/5/24	proctor@proctor-allan.com
58	Pwani Oil Products Ltd	Wahunzi Street,	81927	717	Mombasa	(041) 2495565/2493137	info@pwanioilproducts.com
59	Rafiki Millers Ltd	Off Mombasa Road,	45298	1	Nairobi	(020) -533438/559592 /	info@rafikimillers.com
60	Rift Valley Bottlers Ltd	Somali Road, Eldoret	51	258	Eldoret	(053) 2032001/2/4	info@riftvalleybottlers.co.ke
61	Softa Bottling Co. Ltd	Enterprise Road	47343		Nairobi	(020) 650020/3/4,	info@kuguru.com
62	Spin Knit Dairy Ltd	Markson's Plaza		0	Nairobi	(020) 3752511/2/3	nbodairy@spinknit.com
63	Super Bakery Ltd	Bandari Road, Nairobi	10600		Nairobi	(020) 552591	super@form-net.com
64	Swan Millers Ltd	Sabuni Road, Kisumu	499		Kisumu	(057) 40464	millers@swan.co.ke
65	Unga Group Ltd	Commercial Street	30386	1	Nairobi	(020) 532471, 533586,	information@unga.com
66	Unilever Kenya Ltd	Commercial Street,	30062	1	Nairobi	(020) 6922000,532505	UKL.Info@unilever.com
67	United Millers Ltd	Obote Road, Kisumu	620		Kisumu	(057) 41610/41227	united_ke@africaonline.co.ke
68	Uzuri Foods Ltd	Malakisi Road	53366	2	Nairobi	(020) 534200/1/2/3	golden@uzurifoods.com
69	Valley Bakery Ltd	Nakuru-Nairobi Rd	3341	150	Nakuru	(051) 850414,851776	bread@tosti.co.ke
70	West Kenya sugar company ltd	South Kabras,	2101		Kakamega	(056) 31457	sugar@africaonline.co.ke
71	Wrigley Company (E.A.) Ltd	Bamburi Road,	30767	1	Nairobi	(020) 532033/74, 532152	infokenya@wrigley.com

APPENDIX FOUR: LIST OF FOOD PROCESSING COMPANIES IN NAIROBI

No	Company Name	Street Name	Box No.	Code	Town	Main Phone	Main Email
1	Alpha Fine Foods Ltd	Road 'A' off Enterprise	10271	27	Nairobi	(020) 533355, 531952	affl@alphanairobi.com
2	Aquamist Ltd	Rhapta Road, Westlands	66856		Nairobi	(020) 4447244,	info@aquamistwater.com
3	Belfast Millers Ltd	Bamburi Road	18453	28	Nairobi	020-558488	belmillfeeds@wananchi.com
4	Bio Foods Products Limited	Mombasa Rd	27623	31	Nairobi	(020) 3503595/6/7	info@biofoods.co.ke
5	Broadway Bakery Ltd	Factory Road, Thika	25	66	Nairobi	067-30605	broadway@africaonline.co.ke
6	C. Czarnikow Sugar(EA) ltd	Second Ngong Avenue	10517	1	Nairobi	(020) 2710312-4	jtaylor@czarnikow.com
7	Cadbury Kenya Ltd	Olkalau Road,	45466	1	Nairobi	(020) 530001-9	admin@cadbury.co.ke
8	Candy Kenya Ltd	Off Mombasa Road	5204	31	Nairobi	020-552722	sales@candykenya.com
9	Carlton Products (EA) Ltd	Funzi Road	78105	32	Nairobi	(020) 553603/7/30	rajk@carltonproducts.com
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13	Crown Foods Ltd	Enterprise Road	27634	31	Nairobi	(020) 6960000	keringet@water.co.ke
14	East African Sea Food Ltd	Road A Off Enterprise	10271	27	Nairobi	(020) -533355/531002	srinivas@alphanairobi.com
15	Excel Chemicals Ltd	Old Mombasa Road	18807		Nairobi	(020) 350061, 821222	suresh@excel.co.ke
16	Farmers Choice Ltd	Kahawa West	47791	1	Nairobi	(020) 810416/9/811722	sausage@farmerschoice.co.ke
17	Giloil Company Limited	Giggil Road, Nairobi	78011	32	Nairobi	020-544571	gillgroup@nbi.ispkenya.com
18	Global Allied Industries Ltd	Lunga Lunga Road	78277	32	Nairobi	(020) 555167/148/944	houseofmanji@dawda.net
19	Global Beverages Ltd	North Airport Road	13796	61	Nairobi	020-3752973	
20	Highlands Canners Ltd		64182		Nairobi	(020) 8564040/8	kenexim@swiftkenya.com
21	Jambo Biscuits (K) Ltd	Kampala Road	78681	32	Nairobi	(020) 533861/3/4/5	info@britania.co.ke
22	Kapa Oil Refineries Ltd	Main Mombasa Road	18492	28	Nairobi	(020) 6420000	info@kapa-oil.com
23	Kenafric Industries Limited	Off Baba Dogo Road	39257	58	Nairobi	(020) 8562100-7	admin@kenafricind.com
24	Kenblest Limited	Off Garissa Road, Thika	16	66	Nairobi	067-21198	bread@kenblest.com
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26	Kenya Nut Company Ltd	WoodVale Grove	52727	2	Nairobi	(020) 4448123,4448365	kenyanut@africaonline.co.ke
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28	London Distillers (K) Ltd	Dunga Road, Nairobi	57387	2	Nairobi	020-531007-10	ldk@londondistillers.com
29	Mini Bakeries (Nbi) Ltd	Kangundo Rd, Nairobi	17592		Nairobi	(020) 783374	mrsupa@swiftkenya.com
30	Nairobi Bottlers Ltd	Addis Ababa Road	18034	28	Nairobi	(020) 532476/9	jkkimani@ccsabco.co.za
31	Nairobi Flour Mills Ltd	Homa Bay Road,	46395	1	Nairobi	020-556608	jimbi@wananchi.com
32	Nestle Foods Kenya Ltd	Pate Road	30265	1	Nairobi	020-532569/78	sospeter.kioko@ke.nestle.com
33	Patco Industries Limited	Lunga Lunga Road,	44100	1	Nairobi	020-532901	patco@africaonline.com
34	Pembe Flour Mills Ltd	Lunga Lunga Road,	17955	28	Nairobi	020-551933/48/53	pembe@wananchi.com
35	Premier Flour Mills Ltd	Mogadishu Road	59307	2	Nairobi	020-531313/5/6	admin@premier-group.co.ke
36	Premier Food Industries Ltd	Baba Dogo Road	41476	2	Nairobi	(020) 8561919/8561714	pfil@peptang.com

37	Proctor & Allan (E.A.) Ltd	Lusaka Road,	18218	28	Nairobi	(020) 556361/5/24	proctor@proctor-allan.com
38	Rafiki Millers Ltd	Off Mombasa Road,	45298	1	Nairobi	(020) -533438/559592 /	info@rafikimillers.com
39	Softa Bottling Co. Ltd	Enterprise Road	47343		Nairobi	(020) 650020/3/4,	info@kuguru.com
40	Spin Knit Dairy Ltd	Markson's Plaza		0	Nairobi	(020) 3752511/2/3	nbodairy@spinknit.com
41	Super Bakery Ltd	Bandari Road, Nairobi	10600		Nairobi	(020) 552591	super@form-net.com
42	Unga Group Ltd	Commercial Street	30386	1	Nairobi	(020) 532471, 533586,	information@unga.com
43	Unilever Kenya Ltd	Commercial Street,	30062	1	Nairobi	(020) 6922000,532505	UKL.Info@unilever.com
44	Uzuri Foods Ltd	Malakisi Road	53366	2	Nairobi	(020) 534200/1/2/3	golden@uzurifoods.com
45	Wrigley Company (E.A.) Ltd	Bamburi Road,	30767	1	Nairobi	(020) 532033/74, 532152	infokenya@wrigley.com