THE INFLUENCE OF INDIRECT DISTRIBUTION CHANNELS ON RETAILER RESTOCKING DECISIONS OF HAIR PRODUCTS IN SELECTED RETAIL OUTLETS WITHIN NAIROBI CENTRAL BUSINESS DISTRICT

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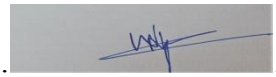
DECLARATION

This is my original work and has not been presented for a degree award or published in this or any other institution of higher learning.

Signature ……  ……Date 30/11/2020……

Obondi Wendy Anyango D65/12302/2018

This research project is submitted for the award of the Degree of Master of Science in Marketing with my approval as the University supervisor.

Signature…  ……. Date 30/11/2020…….

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DEDICATION

To my family for the unconditional love, inspiration, encouragement and unending support throughout my academic journey.

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ABSTRACT

Retailer restocking decision is a key strategy in marketing that ensures customers access good a and services yet still faces challenges associated with distribution channels. Distribution channels are characterized by intermediary activity which impacts operational and administrative activities along the channel. Retailers form part of the distribution channel, and in most cases are end of the chain. The study examines hair products retailers in an effort to understand their decision making process in selecting products for restocking. The objective of this study was to determine the influence of indirect distribution channels on retailer restocking decisions of hair products in selected retail outlets.[[The study was anchored on commitment trust theory and contrast theory and employed descriptive cross sectional survey design. The population of the study comprised of 211 hair product retail outlets within central business district of Nairobi county .A sample of 80 shop attendants was conveniently drawn from this population. Primary data was collected using self-administered questionnaire with both open and close ended items using a lickert type scale. Data was analyzed where descriptive statistics was computed for all variables using frequencies, percentages, arithmetic mean and standard deviation. Inferential statistics was analyzed using linear and multiple regressions. The study established that indirect distribution channels had statistical significant influence on retailer restocking decision. Of the three levels of indirect distribution channels, one level channel was most significant as displayed in aspects of operational costs, channel flexibility, product movement as well as the size of retail outlet. The study further reveals the relevance of interaction of contrast theory and commitment-trust theory in understanding retailer restocking decision making. The study highlights the effect of number of intermediaries on price differentiation, bulk breaking and value addition on retailer decision making. The study recommends strategies to create a competitive business environment where retailers can benefit from regular updates on prevailing level of intermediaries within the distribution channel. This study recommends further research to establish the influence of pricing at each intermediary level on retailer restocking decision.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Distribution channels are key factors in the linkage from production of goods and services to the ultimate consumer and therefore determine effectiveness with which they are delivered and eventually availed to consumers (Affran & Asare, 2019). Existing evidence from across the globe indicate that distribution channels play a significant role in building ties between manufactured goods and their consumers (Adesoga & James,2019).This therefore means that it is through distribution channels that goods and services will not only reach the consumers but also provide them with opportunity to choose and make repeated purchases. Distribution channels can be direct or indirect and either ensures optimal operational efficiency in the processes (Kotler, 2011). Though direct distribution channels from the manufacturer to the consumer are an ideal situation, in reality, within the current market trend, indirect distribution channels are inevitable. The study focused on the influence of indirect distribution channels on retailer restocking decisions of hair products which are part of a larger cosmetic industry.

This study is grounded on commitment-trust theory and Contrast theory. The commitment-trust theory suggests that good relationships with retailers enhances trust in the organization's commitment in satisfying their needs and therefore conduct repeat purchasing (Hunt & Morgan, 1994). Restocking therefore is dependent on consumers' biological drives that are fulfilled through purchase of desired hair product. On the other hand, the Contrast Theory explains that a retailer decides to restock a product as a result of the alteration of consumer perception of another brand (Raab, Ajami, Gargeya & Goddard, 2008). These theories will be used to examine the relationship between indirect distribution channels and retailer restocking decision

In developed countries like the United Kingdom, distribution channel strategies such as density of retail outlets and levels of distribution are used to improve restocking enhanced by providing better quality hair products (Reuters, 2019). This is done through collective responsibility of the hair manufacturing firms and retailers to ensure hair products get to the consumer who prefer to purchase known brands.

In Kenya, most industries that produce hair products tend to invest heavily on branding where there is an apparent correspondence in market performance characterized by high rate in brand switching and low customer loyalty. (World cosmetics, 2007).Therefore it is important to understand how indirect distribution channels influence retailers restocking decisions of hair products. Thus most retailers need to be aware of the triggers in customer buying behavior that will help in utilize appropriate indirect channels to improve selling strategies and meet customer expectations. This study would provide information on the influence of indirect distribution channels on retailer restocking decisions.

1.1.1 Indirect Distribution Channels

Indirect distribution channels are defined as independent entities (who include intermediaries notably; wholesalers, suppliers, agents and retailers) that facilitate the movement of goods from the producer to the consumer (Szopa & Pekala, 2012). According Eggert et al (2012) the involvement of indirect distributors represents a share in the operational risk that incurs overall cost due to extended logistical factor. None the less indirect channels are a reality with both benefits and risks. Etimet al. (2018) suggests that indirect channels are characterized by the number of intermediary levels found in the supply chain made-up of; sales agents, wholesalers and retailers. This study will examine three indirect distribution channels that include; one level, two level and three level distribution channel and how they influence retailer restocking decision.

The one level indirect distribution channel is the shortest and is a feature that involves a single intermediary (Szopa & Pekala, 2012). This type of distribution channels is more common for industrial goods that require a single intermediary to ensure reach to the end customer (Szopa & Pekala, 2012). On the other hand, two level indirect distribution channels involves two-intermediaries such as wholesalers, agents and retailers that form the primary supply chain that moves goods from production to end user (Eggert *et al*., 2012).The three level indirect distribution channel is the longest channel with significant amount of players, where goods from the manufacturers move from the factory to the agent then to the wholesaler and finally to the retailer Redaelliet *al.* (2015).The more intermediaries in the distribution channel, the higher the likelihood of increased prices of products for end consumer due to operational costs along the distribution channel is attributed to independent logistical obligations for each independent intermediary. Szopa and Pekala (2012) The cumulative effect of intermediaries within the indirect channel on consumer decision, presents producers with valid concerns in regards to what aspects of product distribution processes impact on consumer purchase decision (Nyaga, 2014). Since manufacturers are tasked to optimize the efficiency of distribution channels utilized by their partners who are responsible in delivering the products/services to the consumer, it is important to determine the influence of indirect distribution channels on retailer restocking decisions. The study thus sought to examine the influence of indirect distribution channels on retailer restocking preference and decisions.

1.1.2 Retailer restocking decision

Retailer restocking is the choice retailers make to choose a particular brand of products in replenishing stock in their retail shelf spaces (Lam et al., 2010). Further, Hübner and Schaal (2017) defined restocking decision as consistent choice for particular product brand through continued

repurchasing overtime. Chan and Mansori (2016) state that repeated purchasing is the pinnacle of brand loyalty as it signifies long-held trust and value amongst consumers. There are three dimensions of retailer stocking namely; shelf-space planning, order frequency and replenishing costs. Shelf-space planning refers to the physical partitions in retail outlets and stores that are used to display products for easy picking, selection or sorting by the customers.

Bianchi-Aguiar, et al.(2018) view shelf-spaces as a strategic assets for marketing as they offer a dimensional view of different brands within a retail outlet thus driving desire amongst consumers. Likewise, Hübner and Schaal (2017) argue that shelf space planning is subject to different determinants such as brand popularity, existing shelf-space and engagements with wholesalers, producers and suppliers. On the other hand, Flamandet al.(2018) note that order frequency refers to the level of repetition in bulk purchases of fast-moving consumer goods from producers or wholesaler. Products on demand and are frequent use by consumers often require complementary planning in ordering from the indirect distribution channel (Hübner & Schaal, 2017). Additionally, the frequency of ordering is critical as it informs the retailer's restocking decision as it impacts on general sales and distribution efficiency.

According to Bianchi-Aguiar, *et al.* (2018) the backroom operations in the store and warehouses bring on significant supply chain costs which is known as replenishment costs that facilitate movement of goods from storage to the shelf-display. Retailers acknowledge replenishment costs as a key determinant in the final pricing. Repeated purchase by end consumers is directly reflected in retail stock options. This implies that retailers are more certain when settling on brand stocking based on existing demand factor. Lam et al. (2010) holds that repetitive purchasing offers consistent level of market predictability as loyal consumers forms the main determinant in brand

popularity. Ultimately, retailer stocking options should therefore reflect market demand informed by the variants of brands on front shelves in retail outlets.

Chan and Mansori (2016) observe that loyalty to brand is a result of quality, value and efficiencies that consumers derive from using particular brand. This supports Lam et al. (2010) submissions on the social connection in aspects of value and quality that drives consumer's loyalty to a particular brand which then informs repeated purchases. The current study seeks to explore on front-shelves restocking of hair product retailers in relation to product distribution by manufacturers.

1.1.3 Hair Product Retailers in Nairobi Central Business District

In the past decade hair industry in Kenya has experienced exponential growth characterized by increase demand for skin-care and hair-care products. Hair care retail is an emerging cosmetic subsector, which has seen many entrepreneurs tap into the growing industry by opening up hair products retail outlets in Nairobi CBD (Kabale, 2019). Demand for beauty appeal especially among women has been cited as the leading driver in the growth of the hair-care and the general cosmetic sector. There is an increase in the number of the hair cosmetic products designed for the male consumers that has resulted in new entrants into the competitive industry. The proximity of Nairobi CBD, with many local hair care manufacturers coupled with huge market, has been the driving force for hair care retail subsector within Nairobi (Gathirua, 2013).

Currently over 100 hair product retail outlets are located within Nairobi CBD and serve individual customers, hair salons, beauty parlors and barber shops. The size of the retail outlets vary within the CBD. The larger retail outlets have an outlook of a supermarket where the customer can freely walk and choose desired product from the shelves and also have their questions answered by the various attendants stationed at the aisles. On the other hand, smaller outlets resemble a kiosk where

there is only one shop attendant to sell you a product on inquiry. The subject of hair care retail has not attracted much attention from scholars yet it is a first growing industry. The study will seek to explore the influence of indirect distribution channels on retailer restocking decision of hair products in selected outlets.

1.2 Research Problem

Retailer restocking as a key strategy in ensures customers have timely access to desired hair products and to achieve this, the distribution channels both direct and indirect need to be seamless (Pant et al., 2012). However, evidence shows that hair product which is a sub sector of the general cosmetic industry though well-established still faces marketing challenges (Amberg & Fogarassy, 2019; Matić & Puh, 2016). Indeed studies on retailer decision making appear biased towards customers experience, sales performance, harmonization of marketing elements, non-economic relationship between suppliers and end users and branding (Tih, *et al* ,2008; Al Bhadi ,2018; Rambocas *et al*. ,2015;Anđelkovićet *etal*. 2017;Dadzie, Winston & Hinson, 2015;Mpinga & Lombard, 2017 ;Nyaga, 2014 and Njambi and Katuse 2013). There is an apparent need to examine the relationship between indirect distribution channels and retailer distribution channels.

Indirect direct distribution channels have remained popular partly driven by the attribute of product value addition and enhanced consumer experience gained across the channel as the underlying driving factors (Affran & Asare, 2019). Pant et al. (2012) presented an elaborate assessment on the value of indirect channels for hair care products in driving consumer perceptions and subsequently purchase decisions. In addition, Matić and Puh (2016) proved the desire for hair product has led consumers towards preference for brands combining attributes of quality and access convenience. The area of indirect channels influence on restocking decisions by retailers in hair care subsector is less researched, thus informing the desire to pursue current study.

Global studies on distribution channels appear to focus on fast moving consumer goods, sales growth, harmonization of marketing variable and market performance(Tih, *et al* ,2008; Al Bhadi ,2018; Rambocas *et al*. ,2015;Anđelkovićet *etal*.2017).In a study in China ,Gao, Melero and Sese (2019), employed content analysis methodology to investigate the drivers towards integration of distribution channels within customer's journey. The study revealed that consistency and customer experience were the main determinants of the distribution channel choice. In a similar study, Fürst, Leimbach and Prigge (2017) employed multi-informant survey to investigate organizational approach towards multi-distribution channels differentiation and its effect on sales performance. The study found that multi-channel differentiation was valuable as it prevented likelihood of channel conflicts and drive consistency

In Ghana, Dadzie, Winston &Hinson (2015) undertook a cross sectional survey to investigate the relationship between competing marketing channels and supply chain management practices. The findings indicate that there was less emphasis given to logistic channel management with a bias towards product and elements of market mix. The findings of the study suggest that integration of logistics and channel management is vital for competitive market performance. Similarly Mpinga & Lombard,(2017) undertook a study in South Africa to validate the relationship between supply factor and buyer satisfaction. The study adopted a cross-sectional survey and found that buyer-supplier relationship was influenced by trust and commitment. The outcome from these studies suggests the need to explore the indirect channels between manufactures and retailers.

In Kenya, Nyaga (2014), utilized a descriptive approach to examine factors that influence the distribution of fast moving consumer products and found that competition, quality of goods had significant effect on product distribution amongst wholesalers and retailers. Similarly, Njambi and Katuse (2013) employed descriptive survey method to examine the relationship between

distribution efficiency and competitive advantage in fast-moving consumer goods. The study established a positive influence of efficient third party logistics in goods delivery and increased consumer experience. On the other hand, Mangala and Moronge (2019) adopted exploratory survey to determine the relationship of logistics management practices on performance of oil marketing companies. The findings linked effective logistical planning as a critical competitive element illustrating the value of efficient cross-wide distribution channels.

Conclusively, studies on indirect distribution channels and retailer restocking decisions on cosmetic products are few yet it wields an important role in a fast growing industry. Retailers are a rich source for communicating consumer feedback and serve in the frontline role for stocking variety of product brands. It's therefore clear that role of retailers in the distribution channel for hair products is less researched. What is the influence of indirect distribution channels on retailer restocking decision of hair products within Nairobi central Business district?

1.3 Research Objectives

The purpose of this study was to establish the influence of indirect distribution channels on retailer restocking decision of hair products in selected retail outlets within Nairobi central business district.

1.4 Value of the Study

This finding of this study provides additional knowledge on theories related to the relationship between indirect distribution channels and retailer restocking decision. This is expected to expand or inform decision making within the business and marketing environment.

In addition, the findings and recommendations of the study could be helpful to marketers and retailers in the hair product industry to understand the dynamics of indirect distribution channels

and therefore make informed decisions in restocking and marketing. They could gain insight into the role of building robust and dynamic indirect distribution channels that can optimize efficiency of the supply chain thus minimizing operational costs while optimizing overall bottom line.

The findings of the study will provide data and information that will be useful for marketing Policy makers in the regulating of hair industry and improve business environment for the players in the industry. This will enable entrant of more retailers which will cumulatively increase employment and tax collections for growing the economy.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This Chapter presents literature related to the influence of indirect distribution channels on retailer restocking decisions. It also focuses on contrast theory and commitment trust theory upon which it was grounded. The research gaps arising from the empirical review is presented.

2.2 Theoretical Review

This study reviewed existing theories on distribution channels and examined how they relate to objective of the study.

2.2.1 Commitment-Trust Theory

The commitment-trust propagated by Morgan and Hunt (1994) is anchored on the context of relational connection in which long term bonds between businesses and customers enable lasting partnerships. Relational approach advanced in this model was based on business continuity, existing confidence, belief and desire to offer reliability and consistency beneath just profits and sales. According to Youssef et al. (2018), building both commitment and trust between a business and customers enables continuity in business operations as it translates to loyalty amongst the customers.

Athaide, Zhang and Klink (2019) stated that the existence of loyal customer base was crucial in market penetration as it's driven by the goodwill, trust and commitment that are already in existence. Similarly, Cheng et al. (2019) affirmed that business customer relationships are equivalent to intangible equity that enables long-term market survival and existence of a business.

These submissions are consistent with the views by Athaideet et al. (2019) who identified the value of business customer relationship for the long-term business success.

The commitment trust model upholds two level associations driven by voluntary bond that shows confidence, belief and desire amongst customers who frequently seek services from a business due to unique benefits they receive. The commitment trust theory is widely accepted across the Business Studies as a driver to development of competitive advantage amongst various players. This is supported by Chenget al. (2019) who acknowledged the role of trust and commitment in building a sustainable business. The commitment trust theory is relevant in current study as it upholds the role of indirect distribution channel towards influencing retailer decisions. This is evident in relational bonds between retailers and their customers since retailers will always seek to offer best value to retain their customer base. Equally in deciding on restocking choices, their core customers will largely play an influential role on restocking decision.

2.2.2 Contrast Theory

The Contrast theory propagated by (Cardozzo, 1965) reiterates that consumer who purchases a product that does not meet their expectations tend to amplify the differences between received and expected product. Similarly, (Oliver &DeSarbo, 1988) echos that the theory depicts that when a product performance is deemed to be poor, it will be rated much lower than in reality. Expectations from a product causes the consumer to react either favorably or unfavorably react to the experience. In this argument, it follows that disconfirmation that are negative results in poor evaluation of the product, while disconfirmation that is positive results in product being highly praised (Oliver, 1997).

The contrast theory presents a framework in which indirect distribution channels are aligned with the manufacturer goals to offer good quality hair products in a timely and efficient manner.

According to Chan and Mansori (2016), consumer purchase decision is heavily influenced by the consumer perception of a particular brand over a given set of alternatives. The contrast theory outlines the component altering consumer perceptions about a product given that distribution channels is a key attributes used to determine consumer's expectations. Chan and Mansori (2016) documented that unique attributes were also critical in brand popularity which was also critical in swaying the consumer perceptions to the advantage of the popular brands and thus informing retailer restocking decision.

Further, Chen and Lai (2010) noted that effective mechanisms for product distribution, enhanced dual effect on swaying consumer purchase decisions and developing trust in particular brand, which ultimately can grow into brand loyalty which informs retailer restocking decision

The contrast theory is relevant in this study as it as it presents a framework in which retailers can deploy to guide them in making decisions relating to product restocking and gaining good returns even with changing dynamics across both ends of the distribution network.

2.3 Dimensions of Indirect Distribution Channels

Indirect distribution channels encompass independent entities (who include intermediaries notably; wholesalers, suppliers, agents and retailers) that facilitate the movement of goods from the producer to the consumer (Szopa &Pekala, 2012). The involvement of independent distributors depicts a role in sharing the operational risk while incurring more overall cost due to extended logistical factor (Eggert, Henseler & Hollmann, 2012). The current study examines three independent distribution channels that include; one level, two level and three level distribution channel. One level distribution channel is the shortest distribution channels as it involves only a single intermediary (Szopa & Pekala, 2012). This type of distribution channels is more common for industrial goods that have require just a single intermediary to ensure they reach the end

customer. The value of one level channel is the ability to undertake bulk breaking and efficiency creation which makes it easier for the consumers to access the goods much easier. One level channel can involve, producers/manufacturers partnering with large scale retailers like super-markets, electronics dealers, auto-mobile dealers etc.

On the other hand with two level distribution channels, two-intermediaries form the primary supply chain in which goods move from production to the end user (Eggert *et al.,* 2012). These intermediaries include; wholesalers/agents and retailers who make final sale to the consumers. The wholesalers purchase products directly from producers and subsequently sale them in reduced or divided portions to retailers who then sale smaller potions in small units of the products to consumers. Two level distribution channels is the most common route for consumer goods, such as groceries, food items which change hand with more than one intermediary.

In three level distribution channel, goods from the manufacturers moved from the factors to the agent then to the wholesaler and finally to the retailer. Three level distribution channel is definitely the longest channel with significant amount of players in between. According to Redaelli et al. (2015), as more intermediaries take part in the distribution channel, the higher the likelihood of increased prices of products for end user. This is also consistent with Szopa and Pekala (2012) who acknowledged proportionate increase in distributed operational costs along the distribution channel attributed to independent logistical obligations for each independent intermediary. Retailers who deal directly with the consumers are the last intermediaries who assign much moderate prices to products and subsequently accrue marginal gains

2.4 Empirical Review and knowledge gaps

A study by Anđelković, Barac and Radosavljević (2017) examined the effectiveness of distribution channels with primary focus of retailers across Serbia. The study employed quantitative analysis

of sales revenue data derived from retail operational sales reports for major leading retailers in Serbia. Linear regression model was utilized in examining underlying association between sales performance of retailers and operational effectiveness of distribution channels. Findings showed independence of sales models from distribution mechanisms, which highlighted the value of channel diversity amongst consumers in sourcing for products. Anđelkovićet al. (2017) concluded that profit factor attributed to operational effectiveness of the distribution channels was still low even in coordinated approach amongst all intermediaries. Technological investment in distribution channels was viewed positively towards redistributing value to consumers and in-turn enhance the retail experience.

Safari, Razali and Mustaffa (2019) undertook an analysis into the international exportation sector focusing in Jackfruit exports from Malaysia into United Arab Emirates (UAE). The study employed multiple techniques including both qualitative (which focused on first hand interviews and focused group for fruit growers, distributors, wholesalers and exporters) and quantitative techniques which utilized global export data on fruit sales and distributions. The role of intermediaries, who include exporters and distribution agents was evident in international distribution channels and were found to account for a significant level of channel costs. The study found that effectiveness of international indirect distribution channel accounted for significant influence in the overall cost of single units in the retail shelves. With perishable products, the channels efficiency and overall quality of the distributions systems is crucial in offering the consumers best value from the retail stores. The study by Safari et al. (2019) fails to correlate the attributable cost element in perishable goods logistics in relation to other durable goods/products such as the cosmetic products.

Al Bhadi (2018) in Oman carried out a study that examined the relationship between marketing mix and competitive advantage on SME's. To understand industry dynamics on marketing mix from the perspective of stakeholders the study utilized descriptive analysis focusing on SME owners and their perspective. The study looked into marketing mix with focus on its critical factors including place, product, price and promotion and how it played in enhancing competitiveness. The findings highlight association between marketing mix factors with significant moderation of distribution channel as detailed in place and product. Retailers are subjects of marketing mix outcome with prospect of gaining competitiveness which in time translates into market share and loyal customer base. This study however is limited in detailing how indirect distribution channels can derive enhanced operational efficiency to boost the competitiveness of supply chain agents such as retailers.

A study by Tih, Ahmad and Jani (2008) investigated the distribution channels utilized in moving tropical fruits across the Dutch market. The study utilized interview model to gather data from channel members included importers, wholesalers and retailers across Netherlands. Data was analyzed using content technique where findings study showed that, multi-channel factor plays huge role towards moderating export and import operations. Products quality in this case, fruits were found to be a critical market segmentation factor that influenced consumer choices. The multi-level indirect chain showed that, all channel members were privy to the value quality played towards influencing consumer fruit purchase decisions. Tih et al. (ibid) conclusions support the relevance of distribution channels dynamics in determining stocking options which is also driven by consumer market segments and preferences.

Van Baal (2014) carried out investigations into the cross-channel outcomes attributed to retailer multi-channel operation. The study sought to examine whether retailers were strategically

positioned towards harmonizing marketing variables in cross channel retailing. The model employed utilized cross-sectional survey of multi-channel distribution levels, focusing on retailer effect on customer purchasing decisions. The survey sought to examine, overall ripple effect attributed to indirect channels employed by retailers in facilitating movement of goods and services across channels. Findings showed existence of cross-channel influence derived from one level of retailer operations. Effect such as parallel channel sales growth was found which translated to associative increased market competition. The study however, was limited in explaining the role of distribution channels towards informing retailer operational decisions.

A study by Cao and Li (2014) investigated whether multi-channel integration wielded an effect towards boosting retailer's sales growth. Cross-sectional survey methodology was employed utilizing both qualitative and quantitative analytical dimensions amongst publicly traded US retail firms. The findings indicated that the growth of retailer sales was positively affected by cross channel intergration. These findings were attributed to the fact that channel integration boosted scope of available products for which diverse tastes and preferences amongst consumers are well catered for. The study conclusions supported broad collaboration for different channels, with keen interest focused on gains for enhancing consumer convenience which in turn contributed to enhancing sales performance.

Rambocas *et al*. (2015) carried out a study examining both direct and indirect channel governance structures and its effect on export performance. Factor analysis technique was utilized in analyzing questionnaire data which was implemented with a satisfaction scale method. The study focused on crane services buyers on a global market. The findings presented substantial outcome divergence in business performance amongst crane exporters utilizing direct and indirect channels. Exporters utilizing international indirect channels were found to record higher business performance in

comparison to those utilizing direct distribution networks. The study concluded that the differential factor in performance was attributed to the fact that, direct channels required more operational resources and capacity which contributed to higher operational costs. For exporters with indirect channels that included agents and retailers in foreign markets, were found to benefit from easy market entry with consumer networks already in place. The study however fails to examine the moderating factor of retailer partnerships and restocking decisions.

In Kenya, Chesesio and Makokha (2016) conducted a study on the relationship between distribution channels and performance of supply chain within industrial milk processing firms. The study employed descriptive survey design with departmental employees at Cooperative Creameries Limited in Eldoret taking part in the study. The study established that product brand efficiency influenced its demand at the market which contributed towards activating the supply chain. Effective supply chain was directly associated with the perceived product quality and efficiency which impacted on the choices made by consumers. The findings however fail to demonstrate, whether product brand efficiency influence the retailers decisions for distribution channel and restocking options.

A descriptive survey by (2014) examined the factors which influence distribution of fast-moving consumer goods using 120 distributors specializing in Eveready East Africa brands in Kenya. The findings depict skewed competition, pricing, brand promotions and demand forecasting are critical drivers of distribution channels. Though existence of skewed competition attributed to cheap imports was seen as distressful to the market forces its actual impact on the distribution channels and retailers decision for stocking were not fully examined.

Empirical evidence indicates that most on indirect channels and retail restocking decision has centered on the restocking cost element. Ultimately restocking is subject to storage quality,

easiness to accessibility. These factors wield significant influence on the unit cost that retailers assign to products with intent to accrue maximum margins. However, literature analyzed from past studies has does not offers a clear connection between indirect distribution channels and restocking decisions amongst retailers.

The study by Anđelkovićet *etal.* (2017) offers a comprehensive insight into the scope of distribution channels towards optimization of retail efficiencies and offering consumer's convenience and value. The study however fails to offer any connection between efficient distribution channels, whether direct or indirect and restocking decisions by retailers in cosmetics industry.Al Bhadi (2018) in a study that focused on marketing mix role towards boosting competitive advantage, confirmed the effect of marketing mix factors including product, place, price and promotions having significant moderating association on the small medium enterprises (SME) competitive advantage. The study however failed to demonstrate the connection between marketing mix elements as moderators of indirect channels towards restocking decisions made by SME retailers. Additionally the study fails to capture the hair product segment of SME and retail operational choices on product restocking. The study by Tihet al.(2008) submitted evidence on the relevance of indirect distribution channels towards in retailer operations, with quality factor cited as critical influence of retailer stocking decisions. The study however focused exclusively on tropical fruits distribution channels, thus limited in explaining whether similar trends can be observed for the cosmetics industry.

The study by Van Baal (2014) found associative effect across channels both positive and negative attributed to retailer distribution channel activities. The study showed corresponding outcome in results across parallel distribution channels. This however fails to answer whether indirect channels exert an influence on the retailer restocking decisions. Cao & Li (2014) demonstrated the

positive returns in embracing distribution channels integration in boosting sales growth, but failed to demonstrate how such integration can be realized amongst retailers in hair product industry. The study by Rambocaset al. (2015) focuses on international distribution networks for crane services presenting a divergent view on direct and indirect channels on general business performance. The study fails to demonstrate how indirect networks influence operational decisions by retailer in regard to restocking and further it centers on crane export services which cannot effectively explain the dynamics in Hair product sector.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that includes research design, population of the study, sampling procedure, research tools, data collection procedure, and data analysis.

3.2 Research Design

Research design is defined as the way a study is designed, that is, the method used to conduct the field survey (Creswell & Clark, 2017). This study adopted cross sectional survey design. Cross sectional survey research design allowed the population to be investigated by selecting samples which were analyzed to describe occurrences and provided numerical description of events as they were(Oso & Onen,2005).

3.3 Population of the Study

The population targeted for the study included hair product retail outlets within Nairobi Central Business district (CBD). Retail attendants at these selected outlets formed the main target population of study. Since the study focused on retailer restocking, retail outlets that distribute cosmetics products presented sufficient information on retailer thought process in arriving at restocking decisions. Data from Nairobi Trade and Business registration for Nairobi County estimate that, around 400 cosmetic retail outlets are located within Nairobi Central Business District (KNBS, 2019).

3.4 Sampling Procedure

Sampling Procedure is a technique used to identify and select entities (Cooper & Schindler, 2014). Saunders and Lewis (2012), suggest that the selection of sample size must follow right procedures

to ensure a representative number of respondents. The study employed statistical formula proposed by Taro Yamane for sample size calculation. Similarly, Kothari *et al*. (2010) emphasize that the sample size refers to actual respondents to be to interviewed or survey.

To

This implies that for a selected sample to be representative, need for clarity and definition on the characteristics of the population, sample size and method of selection be appropriate. This study adopted the statistical formula by Yamane (1967) to determine sample size. The target population for the study was 400 retail outlets located within Nairobi Central Business District (CBD).Sampling was applied as follows;

$$n = \frac{N}{1+Ne^2}$$

Where, n = sample size,

N = target Population

e^2 = probability error (derived from the confidence interval, 10% = 0.01).

$$n = \frac{400}{1+400\ (0.1)^2}$$

$$n = \frac{400}{1+400\ (0.01)}$$

$$n = \frac{400}{1+4} = \frac{400}{5} = 80.$$

The study sample size is 80 retail outlets.

3.5 Data Collection

Data was collected using a self-administered was given to respondents and collected afterwards. The questionnaire was structured into four sections. Section a contained biodata that include the

respondents age, academic qualifications, years of experience and specialization. Section B contained aspects of one level distribution channel such as operational costs, store management and customer feedback. Section C contained aspects of two level distribution channel that included market size, geographical location of the manufactured, value addition to product and price limitation. Section D includes product packaging, breaking bulk, efficiency in delivery and geographical limitations.

3.6 Data Analysis

Data analysis was a systematic process where the questionnaires was initially checked for completeness and those duly filled and considered fit were coded. Thereafter the statistical package for social sciences (SPSS) version, 20 was used to anayze it. Statistical analysis employed were both descriptive and inferential.

Descriptive statistics used Frequencies, percentages, mean scores and standard deviation. Linear regression analysis was used to test the causal relationship between indirect distribution channels and retailer restocking decision making which were the variables of study. The regression model adopted in this study is displayed as;

$$Y = X_0 \beta_0 + X_1\beta_1 + X_2\beta_2 + X_3\beta_3 + \acute{\varepsilon}$$

Where:

Y = Retailer Restocking decision.

$\beta_{0\text{-}3}$ = Beta coefficients for indirect distribution channel factors.

X_1 = one level distribution channel

X_2 = two level distribution channel

X_3 = three level distribution channel

$\acute{\varepsilon}$ = error term

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis of field data on the role of indirect distribution channels on the retailer restocking decision in the hair product industry. The subsections contained in this section include; response rate, demographic data, descriptive data and inferential analysis on indirect distribution channels and retailer restocking decisions for hair products within Nairobi Central Business District.

4.2 Response Rate

A total of 80 questionnaires were handed out, with 65 questionnaires successfully returned in time for the data analysis exercise. This represents a response rate of 81% for the willing participants who are hair product retailers within Nairobi Central Business District. Mugenda and Mugenda (2008) proposed that response rate of 70% is sufficient to provide accurate data that represents the whole target population. Therefore the 65 responses formed the dataset for the study, thus N = 65.

The results presented in table 4.1 highlights the response rate for the field survey exercise.

Table 4.1: Response Rate

Feedback on Questionnaires	**Frequency**	**Percentage**
Responded	65	81%
Non-Response	15	19%
TOTAL	**80**	**100%**

Source: Researcher

4.3 Demographic Analysis

The demographic analysis was undertaken in regard to distribution by age, education level and distribution of hair product specialization.

4.3.1 Respondents Distribution by Age

Majority of the respondents, 25 (38.4%) indicated to between 31 -35 years. In adidition, 20 (30.8%) of the respondents stated to be in the age category of 36 – 40 years. Further, 13 (20%) of the respondents stated to be between 18 – 30 years. Also, 4 (6.2%) of the respondents indicated to be over 46 years of age. Finally, 3(4.6%) stated that they belongto the 41 – 45 years age group. The results establish existence of age diversity in the hair retailer sector. This implies, that hair retail sector is driven by clusters of people from all ages.

The results in table 4.2 present the respondents distribution by age.

Table 4.2 Age Distribution

Category	Frequency	Percentage
18 - 30 years	13	20 %
31 - 35 years	25	38.4%
36 - 40 years	20	30.8%
41 - 45 years	3	4.6%
Over 46 years	4	6.2%
Total	**65**	**100%**

4.3.2 Respondents Distribution by Education Level

The results in table 4.3 present the computed record of respondent's distribution according to education level.

Table 4.3 Education Level

Category	Frequency	Percent
Secondary School Certificate	2	3.1%
Certificate	9	13.8%
Diploma	29	44.6%
Degree	25	38.5%
TOTAL	**65**	**100.0%**

4.3.3 Distribution of Respondents by Hair Products Specialization

Majority of the residents, 29 (44.6%) indicated to have attained a Diploma. The results also show that; 25 (38.5%) of the respondents have attained an undergraduate degree, whereas, 9 (13.8%) of the respondents indicated to have attained a certificate. Finally, a marginal 2 (3.1%) of the respondents indicated to have attained a secondary school certificate. The results computed indicate that high percentage of hair retailers have attained decent levels of academic qualification. This implies that academic attainment and decent levels of competency are critical in operating sustainable hair retail outlet.

The results in Table 4.4 present respondents area of specialization.

Table 4.4 Cosmetic Products Specialization

Category	Frequency	Percent
Hair care cosmetic products	37	56.9%
Skin Care Cosmetic Products	16	24.6%
Hybrid hair products	12	18.5%
TOTAL	**65**	**100.0%**

Majority of the respondents, 37 (56.9%) indicated to specialize in hair care cosmetic products, whereas 16 (24.6%) indicated to specialize in skin care cosmetics and finally, 12(18.5%) of the respondents indicated to specialize in hybrid cosmetic products. The results show that over 80% of the cosmetic retailers focus in one line of specialization for trading. This implies that concentration in one sub-sector of cosmetics industry has more prospects of success in operational performance.

4.3.4 Distribution of Respondents by Work Experience

Majority of respondents, 35 (53.8%) have a work experience between 6 – 10 years. Further, the results indicate that; 17 (26.2%) of the respondents have a work experience of between 11 – 15 years, 9(13.8%) of the respondents stated that they have work experience of below 5 years. The results also recorded a tie o 2 (3.1%) for respondents with 16 – 20 years of experience and over 20 years of experience.

The results in Table 4.5 present the computed distribution of respondents' duration of occupation as shop attendants

Table 4.5 Respondents Work Experience

Category	Frequency	Percent
Below 5 years	9	13.8%
6 - 10 years	35	53.8%
11 - 15 years	17	26.2%
16 - 20 years	2	3.1%
Over 20 years	2	3.1%
Total	**65**	**100.0%**

4.4 Descriptive analysis of the Indirect Distribution Channels on Retailer Restocking Decisions

The study performed descriptive analysis to determine the influence of indirect distribution channels on the retailer restocking decisions.

The analysis of indirect distribution factors notably; one-level, two-level and three-level distribution channels was undertaken using measures of central tendencies namely; mean and standard deviation

4.4.1 One-level distribution Channel and Retailer Restocking Decisions

The one level distribution channel was one of the indicators of indirect distribution channels and analysis was done to determine its influence on retailer restocking decisions.

The results in Table 4.6 highlight the respondent's views on the influence of one-level distribution channel on the retailer restocking decision of hair products. A scale of 1 to 5 was used where; 1 = strongly disagree, 2= disagree, 3= neutral, 4 = agree and 5=strongly agree. The respondents agreed (mean= 4.34, SD = 0.619) that one-level distribution channel enables faster movement of goods from the factory floor to the consumers. The respondents strongly agreed (mean = 4.63, SD= 0.575) that the existence of fewer intermediaries in one-level distribution channel incurs lower operational costs thus making it cheaper.

Table 4.6 One-level distribution channel Mean & Standard Deviation

One-Level distribution Channel Factors	N	Mean	Std. Deviation
One-level distribution channel enables faster movement of goods from the factory floor to the consumers	65	4.34	.619
The existence of fewer intermediaries in one-level distribution channel incurs lower operational costs thus making it cheaper	65	4.63	.575
Shorter distribution channels have fewer operational processes incurring few bureaucratic phases thus making it simpler and easier.	65	4.22	.545
One-level distribution channel requires fewer technical personnel tasked in moving goods from factory to the consumer end which makes it more efficient.	65	4.15	.507
One-level distribution channel enhances efficiency in storage management and space utilization as goods move directly from the factory shop floor to the consumer doorstep.	65	4.23	.656
Minimal inspection during movement of goods guarantees good quality products.	65	4.09	.678
One level distribution channel enables effective delivery of feedback from customers to the manufacturers due to direct interaction enabled by shorter distribution channel.	65	4.65	.482
One level channel minimizes the amount of wastage that occurs during the distribution process of hair products due to fewer handling processes.	65	4.28	.516

Further, the results show that, the respondents agree that shorter distribution channels have fewer operational processes incurring few bureaucratic phases thus making it simpler and easier, with a mean of 4.22 (SD= 0.545). The respondents also indicated to agree that one-level distribution channel requires fewer technical personnel tasked in moving goods from factory to the consumer end which makes it more efficient, with a mean of 4.15 (SD = 0.507). Most of the respondents agreed (mean= 4.23, SD = 0.656) that one-level distribution channel enhances efficiency in storage management and space utilization as goods move directly from the factory shop floor to the consumer doorstep.

In addition, the results indicated that majority of the respondents (mean = 4.09, SD = 0.678) agreed that minimal inspection during movement of goods guarantees good quality products. The results also indicate that respondent strongly agreed (mean = 4.65, SD = 0.482) that one level distribution channel enables effective delivery of feedback from customers to the manufacturers due to direct interaction enabled by shorter distribution channel. Finally, the respondents expressed an agreement that one level channel minimizes the amount of wastage that occurs during the distribution process of hair products due to fewer handling processes, with a mean of 4.28 (SD = 0.516)

4.4.2 Two-Level distribution Channels

The study sought to determine the effect of two-level distribution channel on retailer restocking decisions.

The results in Table 4.7 indicate the respondent's views on the influence of distribution channel on retailer restocking decision. A likert scale of 1-5 where; 1 = strongly disagree, 2= disagree, 3= neutral, 4 = agree and 5=strongly agree was used. The results demonstrate that majority of the respondents were in agreement (mean = 4.23, standard deviation = 0.553) that two level

distribution channels require higher operational spread to enable faster movement of goods/products from the factory to consumers.

Table 4.7 Two-level Distribution Channel Factors Mean & Standard Deviation

Factors for two-level distribution channel	N	Mean	Std. Deviation
Two level distribution channels require higher operational spread to enable faster movement of goods/products from the factory to consumers.	65	4.23	.553
Coordination factor determines efficacy in goods movement across two level distribution channels.	65	4.62	.517
Increased intermediaries in the two level distribution channel create a better framework for sharing risk for all goods/products in transit cargo limiting chances of accrued losses	65	4.11	.710
Existence of more intermediaries in two-level distribution channel increases likelihood of value addition for the products at each level due to desire for more margins amongst the intermediaries	65	4.08	.735
Two-level distribution channel undertake bulk-breaking at different levels which increases convenience for retailers and consumers in purchasing goods/products in small portions	65	4.60	.581
Two-level distribution channel attracts price differentiation among the intermediaries which results in boosting business competitiveness and diversity for retailers and consumers.	65	4.51	.607

Further, the results indicate the respondents strongly agreed (mean = 4.62, SD=0.517) that coordination factor determines efficacy in goods movement across two level distribution channels.

Most respondents (mean=4.11, SD = 0.710)agreed that increased intermediaries in the two level distribution channels create a better framework for spreading risk for all goods/products in transit cargo limiting chances of accrued losses.

The results also show that respondents agreed that existence of more intermediaries in two-level distribution channel increases likelihood of value addition for the products at each level due to desire for more margins amongst the intermediaries (mean= 4.08, SD = 0.735). In addition, respondents indicated to strongly agree (mean=4.60, SD = 0.581) that two-level distribution channel undertake bulk-breaking at different levels which increases convenience for retailers and consumers in purchasing goods/products in small portions. Finally, the results show that respondents strongly agreed (mean = 4.51, SD = 0.607) that two-level distribution channel attracts price differentiation among the intermediaries which results in boosting business competitiveness and diversity for retailers and consumer.

4.4.3 Three level distribution channel

The study determined the effect of three-level distribution channels on retailer restocking decision.

The results in Table 4.8 present the view of respondents on the influence of three-level distribution network on retailer restocking decisions. A likert scale of 1-5 where; 1 = strongly disagree, 2= disagree, 3= neutral, 4 = agree and 5=strongly agree was used. The results indicate that respondents agree that three level distribution channels is commonly used to cover larger market that has retailers and consumers spread across, with a mean of 4.28 (standard deviation = 0.600).

Table 4.8 Three-level Distribution Channel Factors Mean & Standard Deviation

Factors for three-level distribution channels	N	Mean	Std. Deviation
Three level distribution channels is commonly used to cover larger market that has retailers and consumers spread across.	65	4.28	.600
Three-level channel attracts competition amongst intermediaries which enhances efficiency and increased value for products delivered to retailers and consumers.	65	4.45	.791
Three-level distribution channel involves many intermediaries who assist in breaking barriers such as geographic and transportation limitations thus going extra step to give retailers and consumer convenience.	65	4.52	.589
Three level channels attract significant intermediary competition in aspect of price-differentiation which results in better prices for retailers.	65	4.29	.522
Intermediaries in a three level distribution channel means more options for retailer which gives retailers more power in selecting better quality products from a variety of intermediaries.	65	4.63	.486

Respondents also agreed that three-level channel attracts competition amongst intermediaries which enhances efficiency and increased value for products delivered to retailers and consumers (mean =4.45, SD= 0.791). Further, the results show that the respondents strongly agreed (mean= 4.52, SD= 0.589), that three-level distribution channel involves many intermediaries who assist in breaking barriers such as geographic and transportation limitations thus going extra step to give retailers and consumer convenience.

Respondents also agreed that three level channels attract significant intermediary competition in aspect of price-differentiation which results in better prices for retailers, with a mean of 4.29 and standard deviation of 0.522. Finally, the respondents strongly agreed (mean = 4.63, SD = 0.486) that intermediaries in a three level distribution channel means more options for retailer which gives retailers more power in selecting better quality products from a variety of intermediaries.

4.5 Regression Analysis

Regression analysis was undertaken to assess the association between indirect distribution channels and retailer restocking decision. This was used to find out the causal relationship between the two variables and predict it.

4.5.1 One-Level Distribution versus Retailer Restocking

Table 4.9 presents the model summary of the regression analysis for one-level distribution channel versus retailer restocking decision.

Table 4.9 Model Summary for One-level distribution versus Retailer Restocking

Model	r	r^2	Adjusted r^2	Std. Error of the Estimate
1	.655[a]	0.429	0.411	.27960

a. Predictors: (Constant), One-level distribution channel

The test deduces an R-value=0.655 and R-Square value=0.429. This result implies a strong positive correlation exists between one-level distribution channel and retailer restocking decision. Also, the result imply that, one-level distribution channels account for 42.9% of variability in retailer restocking decision for hair products, with 56.1% of variability attributed to factors external to the one-level distribution channel.

Table 4.10, presents the Analysis of Variance (ANOVA) results for the regression test between one-level distribution channels versus retailer restocking decision.

Table 4.10 ANOVA for One-level distribution versus Retailer Restocking

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.015	1	6.015	45.193	.002[b]
	Residual	4.925	63	.078		
	Total	10.940	64			

a. Dependent Variable: Retailer restocking decision

b. Predictors: (Constant), One-level distribution channel

The test deduces, F-statistic of, F (1, 63) = 45.193 and p-value = 0.002 ($p < 0.01$). The results imply that, there exists sufficient difference between means of independent variable one-level distribution channel and dependent variable retailer restocking decision. Also, the results imply that there exists a significant statistical association ($p=0.002$, $p<0.01$) between one-level distribution channel and retailer restocking decision which is significant at 0.01 significance level.

The results in Table 4.10, present the Analysis of Variance (ANOVA) results for the regression test between one-level distribution channels versus retailer restocking decision. The test deduces, F-statistic of, F (1, 63) = 45.193 and p-value = 0.002 ($p < 0.01$). The results imply that, there exists sufficient difference between means of independent variable one-level distribution channel and dependent variable retailer restocking decision. Also, the results imply that there exists a significant statistical association ($p=0.002$, $p<0.01$) between one-level distribution channel and retailer restocking decision which is significant at 0.01 significance level.

The results in table 4.11 present the coefficients outcome for linear regression test between one-level distribution channels versus retailer restocking decision.

Table 4.11 Coefficients for One-level distribution versus retailer restocking

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		Beta	Std. Error	Beta		
1	(Constant)	4.049	.766		5.287	.000
	One-level distribution channel	.378	.177	.055	.439	.002

a. Dependent Variable: Retailer restocking decision

The test deduce; beta-constant =4.049, beta one-level distribution=0.378 and p-value = 0.002 ($p<0.05$).

The equation for the study is $Y = \beta_0X_0 + \beta_1X_1 + \acute{\varepsilon}$; where Y= retailer restocking decision, β_0X_0 = constant,β_1= beta-coefficient for one-level distribution,X_1 = one-level distribution and $\acute{\varepsilon}$ = error term.

The equation deduced by the test therefore is:

Retailer restocking decision = 4.049 + 0.378* + 0.177 for one-level distribution

From the deduced equation, the results imply that for every unit change registered in one-level distribution channel will trigger a change equivalent to 0.378 units in retailer restocking decision.

4.5.2 Two-Level Distribution versus Retailer Restocking

The second inferential test was a linear regression test with predictor variable being two-level distribution channel whereas the predicted variable is the retailer restocking decision.

Table 4.12, presents the model summary for the regression test, registering R-value = 0.559 and R-square value = 0.312.

Table 4.12 Model Summary for Two-level Distribution versus Retailer Restocking Decision

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.559	.312	.305	.27649

a. Predictors: (Constant), Two-level distribution channel

This result implies that a positive correlation exists between two-level distribution channels and retailer restocking decisions. Also, the results imply that, two-level distribution channel account for 31.3% of variability in retailer restocking decisions, with 68.7% of variability attributed to factors external to two-level distribution channel.

The results in table 4.13, presents the ANOVA results where the test deduces, F-statistic value, $F(1,63) = 31.624$ and p-value=0.007 ($P < 0.05$).

Table 4.13 ANOVA for Two-level Distribution versus Retailer Restocking Decision

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.124	1	2.124	31.624	.007[b]
	Residual	4.816	63	.176		
	Total	6.940	64			

a. Dependent Variable: Retailer restocking decision

b. Predictors: (Constant), Two-level distribution channel

The results imply that there exists a significant statistical association between two-level distribution channel and retailer restocking decision of hair products and is significant at 0.01 significance level.

Table 4.14, presents the results of the coefficients output for the linear regression test between two-level distribution channel and retailer restocking.

Table 4.14: Coefficients for Two-level Distribution versus Retailer Restocking Decision

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.663	.568		6.453	.000
	Two-level distribution channel	.165	.130	.159	1.274	.007

a. Dependent Variable: Retailer restocking decision

The test deduces; beta-constant = 3.663 (p=0.000, p<0.01) and beta two-level channel = 0.165 (p=0.007, p<0.01).

Therefore the equation deduced:

Retailer restocking decision = 3.663 + 0.165*two-level

The results imply that for every unit change recorded in two-level distribution channels will trigger a 0.165 units change in retailer restocking decision of hair products.

4.5.3 Three-level distribution channel versus retailer restocking decision

The third inferential test was a linear regression test between three-level distribution channels versus retailer restocking decision.

The results in table 4.15 show the Model summary for the test which records, R-value = 0.612 and R-Square value = 0.374.

Table 4.15 Model Summary for Three-level distribution versus retailer restocking

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.612[a]	.374	.359	.28001

a. Predictors: (Constant), Three-level distribution channel

The computed results imply that there exists a strong positive correlation between three-level distribution versus retailer restocking decision of hair products. Also, the results imply that, three-level distribution channels accounts for 37.4% in variability on the retailer restocking decision, whereas 62.6% of variability is attributed to factors external to the three-level distribution channel.

Table 4.16 present the results on analysis of variance for the test which deduced, F (1, 63) = 25.010 and p-value = 0.003 ($p < 0.05$).

Table 4.16 ANOVA for Three-level distribution versus retailer restocking

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.001	1	6.001	25.010	.003[b]
	Residual	4.939	63	.078		
	Total	10.940	64			

a. Dependent Variable: Retailer restocking decision

b. Predictors: (Constant), Three-level distribution channel

First, the computed results indicate existence of sufficient variances between means of two-level distribution and retailer restocking decision. Secondly, the results imply that there exists statistical association between three-level distribution channel and retailer restocking decision and is significant at 0.01 significance level.

Table 4.17 present the coefficients outputs for the test, deducing; beta-constant=4.323 and beta-coefficient for three level distribution channel = 0.114 ($p = 0.003$, $p< 0.01$).

Table 4.17 Coefficients for Three-level distribution versus retailer restocking

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.323	.631		6.854	.000
	Three-level distribution channel	.114	.142	.012	.098	.003

a. Dependent Variable: Retailer restocking decision

The results deduce model equation for the test as follows:

Retailer restocking decision = 4.323 + 0.114*three-level distribution.

The model equation imply that, for every unit change recorded in three-level distribution channel, contributes to a 0.114 units change in retailer restocking decision.

4.6 Multiple Regression Analysis

The study performed a multiple regression test, where a linear regression analysis was performed to try and understand the functional relationship between the three indicators of the independent variable, notably; one-level distribution channel, two-level distribution channel and three-level distribution channel versus retailer restocking decisions. This was also to determine which of the three levels had more positive effect on retailer restocking decision

The results in Table 4.18 highlight the model summary for the multivariate regression test which has deduced; R-value = 0.816 and R-Square value= 0.665.

Table 4.18: Model Summary for Combined Independent variables VS Retailer Restocking

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816[a]	.665	.653	.28058

a. Predictors: (Constant), Three-level distribution channel , Two-level distribution channel, One-level distribution channel

This results implies that, a strong positive correlation (R = 0.816) exists between independent indirect distribution which include; one-level, two-level and three-level distribution channels and retailer restocking decisions. Further, the results imply that indirect distribution factors account for 66.5% of variability on retailer restocking decisions, with 33.5% of variability attributed to factors external to indirect distribution channels.

The results in Table 4.19 highlight ANOVA output for the multivariate regression test reporting; $F(3,61) = 49.584$ and p-value=0.007 ($p < 0.05$).

Table 4.19: Anova for Combined Independent variables VS Retailer Restocking

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.138	3	1.046	49.584	.007[b]
	Residual	4.802	61	.079		
	Total	4.940	64			

a. Dependent Variable: Retailer restocking decision

b. **Predictors: (Constant), Three-level distribution channel , Two-level distribution channel, One-level distribution channel**

This result implies existence of differentiated average means for all the test variables thus certifying the fitness of this model. Further, the results indicates that there exists a statistical association between independent variables one-level, two-level and three-level distribution channels and retailer restocking decisions which is significant at 0.05, significance level.

The results in Table 4.20 highlight the coefficient outputs for the multivariate regression test of independent indirect distribution channels versus retailer distribution channels.

Table 4.20: Coefficients for Combined Independent variables vs Retailer Restocking

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.465	1.012		3.423	.001
	One-level distribution channel	.274	.183	.053	.407	.000
	Two-level distribution channel	.166	.133	.160	1.250	.006
	Three-level distribution channel	.129	.148	.106	.197	.004

a. Dependent Variable: Retailer restocking decision

The test deduces the following; Beta Constant ($\beta_0 X_0$) = 3.465, p-value = 0.001 ($p < 0.05$), beta coefficient one-level channel distribution $\beta_1 = 0.274$ p-value = 0.000 ($p < 0.05$), beta coefficient two-level channel distribution $\beta_2 = 0.166$ p-value = 0.006 ($p < 0.05$), and beta coefficient three-level distribution channel $\beta_3 = 0.129$ p-value = 0.004 ($p < 0.05$).

The regression equation for the study:

Y (retailer restocking decisions) $= \beta_0 X_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$

Therefore;

Retailer restocking decision = 3.465 + 0.274*one-level distribution channel + 0.166*two-level distribution channel + 0.129*three-level distribution channel

This implies that the β coefficient of one level distribution channel was 0.274 had most significant relationship with retailer restocking decision

4.7 Discussion of Findings

The study established that one-level distribution channel centered on the single tier intermediary who formed the main bridge between the manufacturers and the retailers. Single intermediary in the one-level was found to boost faster products movements due to the fact that the channel was significantly shorter. This model was found to favor large volume of goods movements from the manufacturer shop floor to the retailer's storage. The finding showed that hair product retailers who utilized one-level channel in their distribution were large volume buyers who sale from retail centers that attract huge traffic of customers thus the need for bigger storage spaces. For small scale hair products retailers, they are less likely to opt for a shorter channel as the stock replenishment capacity is limited. This finding is consistent with submission by Szopa and Pekala (2012) who found one-level channel to facilitate faster goods movement of industrial goods that are transported in large volumes. Similarly the findings support Brown and Dant (2014) who acknowledged that one-level channel formed critical route for movement of specific product brands in large volumes.

The study established that two-level distribution channel extended two layers of intermediaries which attracted diverse channel activities. The channel activities in two-level channel were largely

centered on aspects of product volume and characteristics transformation. The finding show that existence of two level intermediaries boosted the prospects of small scale retailers access supplies in smaller portions as per their restocking needs. This finding is consistent with the submissions of Eggert et al. (2012) who found that two-level channels extended the length of the distribution channel but was beneficial in aspects of product type and size diversity. This finding show that retailers in hair industry running small scale businesses were better positioned. This was attributed to the fact that, value addition and bulk breaking was possible. This was found to be the route in which hair product retailers with small shops were able to buy diverse set of product brands for stocking.

The study established that three level channel was the longest and very costly to each intermediary due to the prospect of changing product prices across the different levels. The study found that in three level channels, goods moved to longer distances and more intermediaries play a role in determining the cost-per unit price of every product. These findings were in line with studies by Safari et al.(2019) and Tih et al. (2008) who found that the longer the distribution channel increased the cost per unit of goods as each intermediary seeks to accrue margins. The study found the three level channels to be compatible for cosmetic retailers who sold products that were imported from overseas. This meant that the distance across each intermediary include likelihood of cross border transit. For hair product retailers in three level channels, the aspect of price differentiation was critical in choice for particular products as each intermediary seeks to secure a section of the market through competitive pricing even if the products move a longer distance in the distribution channel.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions and recommendations. The discussions and conclusions presented were guided by the objective of the research and informed by the data findings, analysis and interpretation. From the conclusion made, the recommendation of the study to policy are presented. Along with the limitation of the study, proposed future research areas are presented.

5.2 Summary of the Findings

The objective of this study was to examine the influence of indirect distribution channels on retailer restocking decisions of hair products. This was undertaken using a study population comprising of shop attendants within retail outlets in Nairobi County. This was accomplished through cross-sectional survey where a data collection instrument was a structured self-administered questionnaire.

The study established a strong positive correlation($r=0.816$) between indirect distribution channel and retailer decision on hair products restocking which accounts for 66.5% of variability on retailer restocking decisions. In particular, one level distribution channel had most significant statistical relationship($\beta=0.274$) in which various aspects were found to wield an outcome on the retailer preference for restocking based on; flexibility and speed in products movement, operational costs incurred in movement of goods and the level of technical knowhow for the personnel involved in the movement of goods. The study also established that aspects of operational efficiency in

movement of goods from manufacturer shop-floor to the retailer warehouse influenced retailer preference for restocking.

The study established that one-level distribution channel incurs lowest level of channel interruption for goods in transit. Minimal interruption attributed to the existence of only one intermediary in the channel is vital in ensuring products quality is preserved through to retailer's shelf-space. The study establishes that preservation product quality at shelf-space display significantly influenced the retailer restocking options. In addition, the study found that one-channel distribution incurred no loopholes for wastage, boosted by effectiveness in monitoring the movement of the products through the single intermediary. The attribute was attractive to hair retailers who value point-to-point monitoring of product shipment, and thus influencing their decision on product restocking.

The study established that two-level distribution channel wielded significant influenced on hair retailers decisions for products restocking. Two-level channel, involves two intermediaries operating at different sections of the channels which results on increased operational spread. The study found that increased intermediary activity resulted on increased level of coordination efficacy which was necessary for timely transit of goods movement from the manufacturer to the retailer's shelf-space.

Further, the study established that two level distribution channel made it possible for bulk breaking and value addition. Bulk-breaking of hair products by intermediaries in the two-level channel, made it possible for the retailers to make purchases for smaller portions of products depending on their shelf-space capacity. Also, the study found that two-level channel made it possible for the price differentiation of different product brands as at every intermediary sets price quotes in line with the margins they project to generate.

The study establishes that three level distribution channel impacts on hair retailers restocking decisions with the geographic element of market scope being the determining factor. Existence of three levels of intermediaries who are all responsible in the movement of the product from manufacturer shop-floor to the retailer shelf-space is directly proportional to market distance. The study makes a finding that three level channel assists in breaking transportation barriers, which can also be cross border, as different intermediaries play crucial roles towards the distribution of products to retailers warehouse or storage in a distant location. Different role of channel intermediaries make it possible for the products to change custody in different distances and different places. Retailers who rely on three level channel base product option on accessibility as intermediaries only avail product brands that are available and easy to move over long distance.

The study makes a finding that; three level distribution channels positively affects movement of the hair products that are easy to bull-break. Bulk-breaking makes it possible for the channels intermediaries to push for sales amongst different buyers. Also, the study makes a finding that three-level distribution channel positively affect price differentiation which is critical in retailer choices for products for shelf-space display. Price-differentiation also comes with bulk breaking as the packages sold in small portions make it possible to assign different prices at each level of channel intermediary. This factor also impacts the retailer pricing of hair goods as will be based on the expected margins to be generated.

The study concludes that one-level distribution channels are optimally effective in the delivery of large consignment of goods at a go. As such, retailers who utilize distribution channel with only one intermediary, make product decision based on the product volumes that can be secured in a single large shipment. The study also concludes that, hair retailers who run large shops that are centrally located will always go for a one-level distribution channel. This also shows that, one-

level distribution in hair, the retailers undertake the roles of bulk-breaking and after sale services to consumers, therefore choice of products when it comes to restocking is often influenced by flexibility in undertaking those tasks. In addition, a one-level distribution channel is favorable for retailers who operated in large shopping malls which attract huge traffic of consumers. Finally, the study concludes that convenience in shipment of hair products, from the factory shop-floor to the retailer's warehouse forms the biggest determinant in retailer restocking decision.

The study concludes that two-level distribution channel is popular with retailers who explore options for product value addition along the channel. Retailers who utilize two-level channels; explore product options in regard to the likelihood of the prospect for undertaking value addition. Value addition in two-level distribution channel, involves package customization, bulk-breaking and provision of customer services. The study concludes that, retailer's decision on restocking through two-level channel is driven by the prospect of enhancing the state of the product with intention to add value amongst the buyers. Such a model to be effective, the price element at the manufacturer and wholesale stage factors the retailer's ability to bulk-break and undertake value addition which can be costly. Finally, the study concludes that price variation amongst various hair products manufacturers influence retailer restocking option in two-level distribution as it impacts directly on retailer margins.

The study concludes that three-level distribution channel is more effective in the distribution of hair products that require transportation to over remote and far-flung locations. As such retailer's choice for hair products is dependent on the ability to secure product supplies from producers with reliable capacity for distribution in wider geographic scope and markets. In addition, the study concludes that, three level distribution channels is common for imported hair products due to the nature of intermediaries who exists in the upper level of the distribution network. The study also

concludes that, three level distribution channels is often composed of many players distributing different hair product brands across the channel. As such the retailer restocking options are significantly determined by the levels of price differentiation for different hair products availed by intermediaries along the three-level distribution channel.

5.4 Recommendations of the study

Given that Retailer restocking decision is a key strategy in marketing that ensures customers access goods and services, this study has significant recommendations for marketing Policy, manufactures, retailers and consumers. The study has demonstrated the statistical strong positive correlation between indirect distribution channels and retailer restocking decision. In particular it highlights that price differentiation, bulk breaking, value addition and after sales service are essential aspects on retailer restocking decision and recommends marketing strategies to regulate them. This study therefore provides a framework for policy makers to review marketing strategies to ensure competitive business environment.

Evidence from this study points out that prioritization of direct coordination between hair products manufacturers and retailers is central to the levels of operational success recorded within the distribution channel. Hair product manufacturers are better placed in facilitating channel transport in effort to eliminate disruptions attributed to distribution channel dynamics that could influence retailer product preferences.

It is also apparent that boosting transit efficiency will ensure optimal operational success across channel as each intermediary operates optimally to ensure positive product choice by the retailer when deciding on restocking options.

The study further recommends regular retailer sensitization on prevailing number of intermediaries within the distribution channels to minimize price per unit that retailers purchase. This will make it possible for hair product retailers to set competitive prices in the market.

5.5 Suggestions for Further Studies

These study findings contribute to the growing literature on marketing and in particular on indirect distribution channels as they relate to retailer restocking decisions. These findings suggest the need to explore comprehensive factors within the distribution channels so as to provide information that would create a platform to address marketing strategies.

Further, the study suggests exploration on the influence of intermediaries on retailer restocking of certain brands. This would allow for the analysis why certain brands are readily available and have a high uptake. Another area for further studies would to determine whether price changes at every intermediary level of the distribution channel influence the retailer's choice for the product restocking.

The focus of the study was on retail outlets located Nairobi central district however further studies should explore if there are similar experiences in the peri- urban and rural areas since hair products as part of the larger cosmetic industry is a dynamic growing global market.

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APPENDICES

APPENDIX I: QUESTIONNAIRE
SECTION A: BACKGROUND INFORMATION

1. Age Distribution

i. 18 – 30 years ☐
ii. 31 – 35 years ☐
iii. 36 – 40 years ☐
iv. 41 – 45 years ☐
v. Over 46 years ☐

2. Education Qualification

i. Secondary School Certificate ☐
ii. Certificate ☐
iii. Diploma ☐
iv. Degree ☐

3. Area of Specialization

i. Hair care cosmetics products ☐
ii. Skin Care Cosmetic producs ☐
iii. Hybrid cosmetic products ☐

4. How long have you worked as a shop attendant here

i. Below 5 years ☐
ii. 6 – 10 years ☐

iii. 11 – 15 years ☐

iv. 16 – 20 years ☐

v. Over 20 years ☐

In the subsequent sections, kindly indicate how much you agree/disagree with the following statements on a scale of 1 to 5 as per the table below:

Level of Agreement				
(1)	(2)	(3)	(4)	(5)
Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree

SECTION B: ONE-LEVEL DISTRIBUTION CHANNEL						
Please indicate the extent to which you agree with the following statements on the influence of one-level distribution channel on retailer restocking decision.						
No.	**STATEMENTS**	**RATING**				
		(1)	**(2)**	**(3)**	**(4)**	**(5)**
1.	One-level distribution channel enables faster movement of goods from the factory floor to the consumers					
2.	The existence of fewer intermediaries in one-level distribution channel incurs lower operational costs thus making it cheaper					

3.	Shorter distribution channels have fewer operational processes incurring few bureaucratic phases thus making it simpler and easier.					
4.	One-level distribution channel requires fewer technical personnel tasked in moving goods from factory to the consumer end which makes it more efficient.					
5.	One-level distribution channel enhances efficiency in storage management and space utilization as goods move directly from the factory shop floor to the consumer doorstep.					
6.	Minimal inspection during movement of goods guarantees good quality products.					
7.	One level distribution channel enables effective delivery of feedback from customers to the manufacturers due to direct interaction enabled by shorter distribution channel.					
8.	One level channel minimizes the amount of wastage that occurs during the distribution process of hair products due to fewer handling processes.					

SECTION C: TWO-LEVEL DISTRIBUTION CHANNEL						
Please indicate the extent to which you agree with the following statements on the influence of two-level distribution channel on retailer restocking decision.						
No.	**STATEMENTS**	**RATING**				
		(1)	**(2)**	**(3)**	**(4)**	**(5)**
1.	Two level distribution channels require higher operational spread to enable faster movement of goods/products from the factory to consumers.					
2.	Coordination factor determines efficacy in goods movement across two level distribution channels.					
3.	Increased intermediaries in the two level distribution channel create a better framework for sharing risk for all goods/products in transit cargo limiting chances of accrued losses					
4.	Existence of more intermediaries in two-level distribution channel increases likelihood of value addition for the products at each level due to desire for more margins amongst the intermediaries					
5.	Two-level distribution channel undertake bulk-breaking at different levels which increases convenience for retailers and consumers in purchasing goods/products in small portions					
6.	Two-level distribution channel attracts price differentiation among the intermediaries which results in boosting business competitiveness and diversity for retailers and consumers.					

SECTION D: THREE-LEVEL DISTRIBUTION CHANNEL						
Please indicate the extent to which you agree with the following statements on the influence of three-level distribution channel on retailer restocking decision						
No.	**STATEMENTS**	**RATING**				
		(1)	**(2)**	**(3)**	**(4)**	**(5)**
1.	Three level distribution channels is commonly used to cover larger market that has retailers and consumers spread across.					
2.	Three-level channel attracts competition amongst intermediaries which enhances efficiency and increased value for products delivered to retailers and consumers.					
3.	Three-level distribution channel involves many intermediaries who assist in breaking barriers such as geographic and transportation limitations thus going extra step to give retailers and consumer convenience.					
4.	Three level channels attracts significant intermediary competition in aspect of price-differentiation which results in better prices for retailers.					
5.	Intermediaries in a three level distribution channel means more options for retailer which gives retailers more power in selecting better quality products from a variety of intermediaries.					

SECTION E: RETAILER RESTOCKING DECISION						
Please indicate the extent to which you agree with the following statement on the retailer restocking decisions.						
No.	**STATEMENTS**	**RATING**				
		(1)	**(2)**	**(3)**	**(4)**	**(5)**
1.	Efficiency in delivery of products in correct quantities and within agreed time period determines retailer decision for stocking particular products and utilizing a particular channel.					
2.	Price factor based on expected returns that retailers accrue from sales determines retailer choice for a distribution channel and product brand.					
3.	Capacity for bulk-breaking of products/goods into desired portions by retailers determines retailer for a distribution channel and product brand.					
4.	Effectiveness in attending to retailer requirements in aspect of product packaging and quantification determine retailer choice for a distribution channel and product brand.					
5.	Willingness and capacity that exists to overcome geographic limitation in effort to reach retailer location influences choice for distribution channel.					

6.	Product quality and frequency in accessibility determines retailer decision for selecting a distribution channel and product brand.					

Thank you