ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF CHANNEL MANAGEMENT PRACTICE AND CHALLENGES IN THE CASE OF AMBALAY RAEY TRADE & INDUSTRIAL P.L.C

By:
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JULY 2019
ADDIS ABABA, ETHIOPIA

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Belay Gizachew

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Abstract

Channel management is one of the major factors that enable import industry to do what improve? Improve their business performance. Successful Import Company has best practice channel management. Ambalay Raey Trade & Industrial PLC has low business performance. One of the main reasons is poor channel management practices. The main objective of this thesis is to study existing channel management practice and challenges of the company, and recommend improvement direction. To achieve this objective, a literature survey has been conducted through descriptive research approach to get empirical knowledge. The selections of the respondents were carried out by senses survey of the 200 channel members. The existing supply channel management practices of the company have been assessed using questionnaire, interview and secondary data. The data was analyzed by using descriptive statistics and presented in tables. The major findings indicate that, most of the channel management practices are poorly applied which represented with group mean value of 2.8. Based on both questionnaire and interview analysis the case company has poor incentive, poor information sharing practice and product availability and delivery problem. Channel conflict and power and control of the company are the major challenges of the case company's channel management which prohibits the success of channel relationship. To improve the existing channel management practices of the company, improvement directions are forwarded based on the analysis results.

Key words: Channel management, Practice of channel management, Challenges of channel management, Channel relationship.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A distribution channel are the structure of intra- company organization unit and extra company agents, wholesalers and retailers through which a commodity, product or service is marketed. (American marketing association (1990) Marketing channel management refers to the process of analyzing, planning, organizing, and controlling a firm's marketing channels (Stern, and Ansary, 1996).The marketing channel by performing a variety of distribution tasks plays a significant role in the flow of products from producers to consumers and on company profitability. Thus, manufacturers are increasingly concerned about the level of performance their channel institutions (Rosenblom (1987).

Marketing channels have conventionally been viewed as a network of dissimilar but interdependent institutions that have coalesced together for purposes of trade. Marketing channel scholars have long promulgated the need for coordinating and integrating channel activities with other departments of a firm. Coordination in an inter organizational setting of marketing channels includes relaying information on new channel policies or communicating the launch of sales promotion programs to its channel members. Such efforts are undertaken to ensure that all channel participants are cognizant of the manufacturer's marketing activities with respect to channel members. Despite the differing goals of independent channel participants, coordination of the channel is necessary to reduce the redundancy of work effort and the inefficient allocation of distribution tasks among channel members (Rosenbloom, 1999)

There are also other variables such as communication, commitment, profitability of relationship, and cooperation (Dwyer and Oh 1987), which play the role of determinants of relationship. It is evident that despite these major findings in research trust, commitment, cooperation, and profitability, it does play a major role in ensuring and

sustaining long-term relationships. Although the literature review will explain the different dimensions of relationship and other relevant concepts and findings in detail but so far, the background of research points out the area of channel member satisfaction richly enough to be investigated in real life Ambalayraey trade and Industrial P.L.C

The research were identify the factors affecting these relationships which lead to long-term cooperation marketing channel challenge comprises of two major processes first is to design the right channel i.e. to match the demand and supply side of the channels in order to meet the end user demand at the minimum possible costs. Secondly the implementation process requires understanding each channel's source of power and dependence, understanding conflict etc. Most of the research in this area suggests that a channel member's satisfaction increases with long term orientation and continuity, (Bolton, 1998, Gansnsan, 1994 and Selnes, 1998) and reduces conflict (Genasen, 1993, Hunt and Nevin, 1974, Lusch, 1977 and Gutierrez et al, 2005). This means that organizations which aim to do business in a profitable manner today, must not only remain focused on the subject of customer satisfaction but also on its channel domain i.e. its channel members.

Channel management practice is a recent phenomenon in Ethiopia market. The relationship between distributions channels are transactional relationship which in a short term relationship that lack cooperation coordination of channel activities. Thus lack of cooperation and coordination between the channel members make the distribution system performance poor and costy.

With a marketing background the researcher is interested that to accessing the company's channel management practice and identifying the determinant factors and challenges that lead to long term cooperation among channel members so as to improve their relationship with a marketing background the researcher is interested to their relationship.

1.2 Statement of the Problem

Relationship marketing is to establish, maintain and enhance relationships with the customers and other partners at a profit so that objectives of the parties involved are met"

(Gronroos; 1989). This definition hints about the importance of relationships between marketing channels/ partners. As in the definition it is clear, that marketing is not only about the end-users (target market) but it is also about managing and developing relationships with channel partner and supply chain members.

Importance of relationships in a marketing channel contextis evident from many researcher's view points and findings. Essentially, it is hard to imagine a business-to-business transaction without the existence of a business relationship. A firm engage in a relationship with another because it needs the other firm to achieve desired goals of market expansion, profits, beating competition etc(Andaleeb, 1996), and nevertheless, it is important to focus on the long-term relationship because of its proposition for entrance into new or existing target markets, generation of repeat purchase by the target customers, creation of exit barriers, and the view that it benefits all parties involved in a healthy and satisfied relationships.

By understanding the linkage between channel types (according to the transactional forms i.e. conventional, administered, and corporate marketing channels) and relation among channel members, each channel member can develop more realistic expectations about the advantage and disadvantage of being in different type of channels (Brown, 1981) It is apparent how important channels are in the field of business today reflects the level of development of an economy. Most of the companies have achieved growth, increased economic returns, and responded well to its competition by reconfiguring existing channels (Weyner, 1995). It is also suggested that distribution channels play a significant role in shaping marketing and sales Performance measurement and management systems (Lonning and Besson, 2002). By understanding a firm's channel, one is in a better position to understand the sales and marketing performance of its organization and compare it with others.

Different areas in the marketing channels have been researched and analyzed, because, channels can be referred to as super organizations, (Reve and Stern, 1979).This term means that channels have the characteristics of complex social organizations, even though they are comprised of collectivities rather than individuals. In empirical research

in marketing the major emphasis has been on the understanding of inter channel power and conflict and uncovering the relationship between use of power and generation of the conflict. (Reve and Stern, 1979).

It would be appropriate to mention here that marketing channel challenge comprises of two major processes first is to design the right channel i.e. to match the demand and supply side of the channels in order to meet the end user demand at the minimum possible costs. Secondly the implementation process requires understanding each channel's source of power and dependence, understanding conflict etc.

One of the factors that affect the success of channel relationship is relationship stability: relationship stability is a result of inter-firm strategic development stages .The most element of relationship is, which is proposed and verified in most of the channel a study is defined as trust: the extent to which a firm believes that its exchange partner   is honest and/or benevolent or some variant thereof. Relationship commitment; the channel member's willingness to continue the relationship (Dwyer et al, 1987)

A Company under this investigation on this research is engaged in a distribution of FMCG, specifically hygienic and Personal care products to the Ethiopian market. The company's distribution objective is to capture more market share through multi-channel distribution system. Ambalay's distribution system composed of direct sales to Institution & Government offices and indirect distribution through Regional Agents, wholesalers and retailers. This need great cooperation and integration of channel members practice; this can be achieved through establishing maintain and enhance a long–term business relationship with the channel members.

Ambalay understand the importance of establishing, maintaining and enhancing long-term business relationship with its channel members to achieve company's objective of capturing more market share. The company designed loyalty program and it present the program by organizing gathering event with its selected 100 key channel members. The objective of the loyalty program was to establish a long-term business relationship so as to coordinate and integrate channel activities.

Even if the loyalty program provide different incentives, such as loyalty discount, priority on delivery and extended credit facility with expected performance from the channel members, such as providing constant shelf space, on store promotion and providing customers information in practice these didn't lead to successful channel relationship. The Loyalty program failed to bring the desired strong business relationship, instead the Company's relationship with its channel members goes on the transactional relationship, which is temporal that will not lead to cooperation for the long period.

Among the active210 key channel members there has been observed a frequent switching of regional representatives and supermarket chains. The channel relationship is unstable. Even from the active key account channel members only few of them are committed to the relationship. While most of the channel member's commitment decreased through time. Due to those reasons their performance is unsatisfactory.

As a management practitioner this necessitates an investigation of Ambalay's channel management practice. To address the above problems both the channel design and implementation process has to be investigated so as to achieve a successful, stable, committed and trustful channel relationship.

The possible causes of the problem may arise either on the planning stage of the program failure to consult the channel member or employer implementation, if the problem is not assured and addressed on time more channel members will switch four distributing company's product by assessing and understanding the channel interact the company can improve the channel management

The purpose of this study is to assess the channel management practice of AmbalayRaey Trade and Industrial Private Limited Company. Resulting from the above problem statement; the main task is to answer the following research questions.

1.3 Basic Research Questions

1. *What is the existing practice of channel management at Ambalay?*

2. *What are the challenges of channel management at Ambalay?*

3. *What are the success factors of channel relationship?*

4. *How can Ambalay improve its channel relationship?*

1.4 Objective of the Study

The objective of this study is to understand the factors that contribute for successful channel relationship and long term cooperation among its channel members and with the help of these relationships and cooperation it is obvious that the company will be benefited from these relationship and cooperation.

1.4.1 General Objective

To assess channel management practice and challenges in the case of AmbalayReay Trade and Industrial Private Limited Company.

1.4.2 Specific Objective

1. *To assess Ambaly's existing channel management practice.*

2. *To identify the challenges of channel management at Ambalay.*

3. *To identify success factors of channel relationship.*

4. *To find out how Ambalay can improve its channel relationship.*

1.5 Limitation

Channel management is a wide area of research, thus for the purpose of clarity; this research takes the perspective of channel relationship. This means the thesis was focused on the channel management implementation part.

This thesis is limited to the key channel members (Regional agents, distributors and Retailers) and some non-key channel members who are located in Addis Ababa and identified as potential channel member by the Marketing manager of the Ambalay. Small groceries and pharmacies   are excluded from this thesis, because of the need of huge

financial and time resources.

1.6 Significance of the Study

The study will help Ambalay and Its channel members in understanding the factors that will help them to improve their business relationship which lead to cooperation among its channel members. By identifying the challenges of channel management practice determinant factors of successful business relationship both the company and its channel members will be benefited from the finding.

And the researcher will gain practical on marketing knowledge in real practice, and for other researcher who is interested to go further on the issue.

1.7 Organization of the Study

Chapter One: introduction, introduces readers to the problem area being investigated, provides the rational for conducting the study and presents the research purpose and research questions. Chapter Two contains the review of related literature and research related to the problem being investigated. Chapter Three: contains the analysis and interpretation of the data collected. Chapter Four: Will contains a summary of the finding, conclusions drawn from the findings and recommendation presented

1.8 Scope of the Study

Channel management is a wide area of research, thus for the purpose of clarity; this research takes the perspective of channel relationship. This means the thesis was focused on the channel management implementation part.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Marketing Channels

A channel is the route, path, or conduit through which products or things of value flow, as they move from the manufacturer to the ultimate user of the product" (Stern L, El-Ansary A, Coughlan AT; 1996). Channels are generally defined as a set of interdependent organizations involved in the process of making product or service available for use or consumption (Stern et al, 2006). It is apparent how important channels are in the field of business today reflects the level of development of an economy. Much is researched about the marketing channel in last three decades. This is mainly because the topic of marketing channels has become exciting in recent years with an increase in new and successful channels and this increase is even more stable due to advances in communication and information technology. Most of the companies have achieved growth, increased economic returns, and responded well to its competition by reconfiguring existing channels (Weyner, 1995). By understanding a firm's channel, one is in a better position to understand the sales and marketing performance of its organization and compare it with others.

The major areas of research in marketing channels so far have been much diversified. Different areas in the marketing channels have been researched and analyzed, because, channels can be referred to as super organizations, (Reve and Stern, 1979). This term means that channels have the characteristics of complex social organizations, even though they are comprised of collectivities rather than individuals. In empirical research in marketing the major emphasis has been on the understanding of inter channel power and conflict and uncovering the relationship between use of power and generation of the conflict. (Reve and Stern,1979). Power may be defined as the ability of channel member A to get another channel member B to do something it otherwise would not have done, while conflict can be defined as a behavior of a channel member that is in opposition to its channel counterpart (Reve, and Stern, 2006) .Apart from power and conflict,

relationship between channel members has attained increasing attention since 1980s. (Weng et al, 2006). In order to clarify if an exchange between organizations is a relationship or not, one should first know the contractual terms under which the exchange is being conducted. Secondly by knowing the behavior within the exchange process over extended period of time and lastly understand the participant's explanation of the reason of why they under took the observed actions (Blois, 1997). Further, relationship stability is a result of inter-firm strategic relationship development stages (Macavoy et al, 1998).

One of the main elements of relationship, which is proposed and verified in most channel studies, is and defined as trust; the extent to which a firm believes that its exchange partner is honest and/or benevolent or some variant thereof. It would be appropriate to mention here that marketing channel challenge comprises of two major processes first is to design the right channel i.e. to match the demand and supply side of the channels in order to meet the end user demand at the minimum possible costs. Secondly the implementation process requires understanding each channel's source of power and dependence, understanding conflict etc. So this research scope is more inclined towards the second major process as it will address the issue of channel relationship which is thought to facilitate improved moral and cooperation among channel members (Hunst and Navin, 1974) and lower dysfunctional conflict (Lusch; 1976).

Coming to another concept, it is said that marketing channel management refers to the process of analyzing, planning, organizing, and controlling a firm's marketing channels (Stern, and Ansary, 1996). As discussed in numerous articles and textbooks, there are seven major areas are:

1) Formulating channel strategy,

2) Designing marketing channels,

3) Selecting channel members,

4) Motivating channel members,

5) Coordinating channel strategy with channel members,

6) Assessing channel member performance,

7) Managing channel conflict (Rosenbloom, 1987)

All seven areas are critical to superior market performance and long-term customer loyalty (Mehta, Rosenbloom, and Anderson, 2000)..

As a result of above mentioned research findings and constructs it can be said that there has been a lot of research in the area of marketing channels, out of which only some of the major advancements in the field of our interest has been mentioned above briefly. It becomes clear that area of marketing channel of the organizations is of utmost importance mainly not only due to the need of business, but also for attaining and maintaining competitive advantage.

2.1.1 Function of Channel Members

Channel members contribute to the distribution system by performing the following points (Armstrong and Kotler, 2010).

- Sorting: separating out heterogeneous deliveries in to homogeneous one.

- Accumulation: arranging small production batches in to amount big enough to be worth shipping.

- Allocation: Breaking down large shipments in to small amount.

- Assorting: combing collection of products that will appeal to groups of users.

2.1.2 Number of Channel Level

There are many variations in respect of the Markrting channel structure however, the below structure will be deemed as appropriate in the business environment, the following channel structures is stated in most marketing channel authors. In the first row of the structure there is no Intermediaries while the last one is multi-layer channel structure.

Figure 1: Typical range of channels of distribution adapted from Armstrong and Kotler (2010

Manufacturer	Manufacturer	Manufacturer	Manufacturer
			↓
			Agents/brokers Facilitators
		↓	↓
		Wholesalers	Wholesalers
	↓	↓	↓
	Retailers	Retailers	Retailers
↓	↓	↓	↓
Customer Consumer	Customer Consumer	Customer Consumer	Customer Consumer
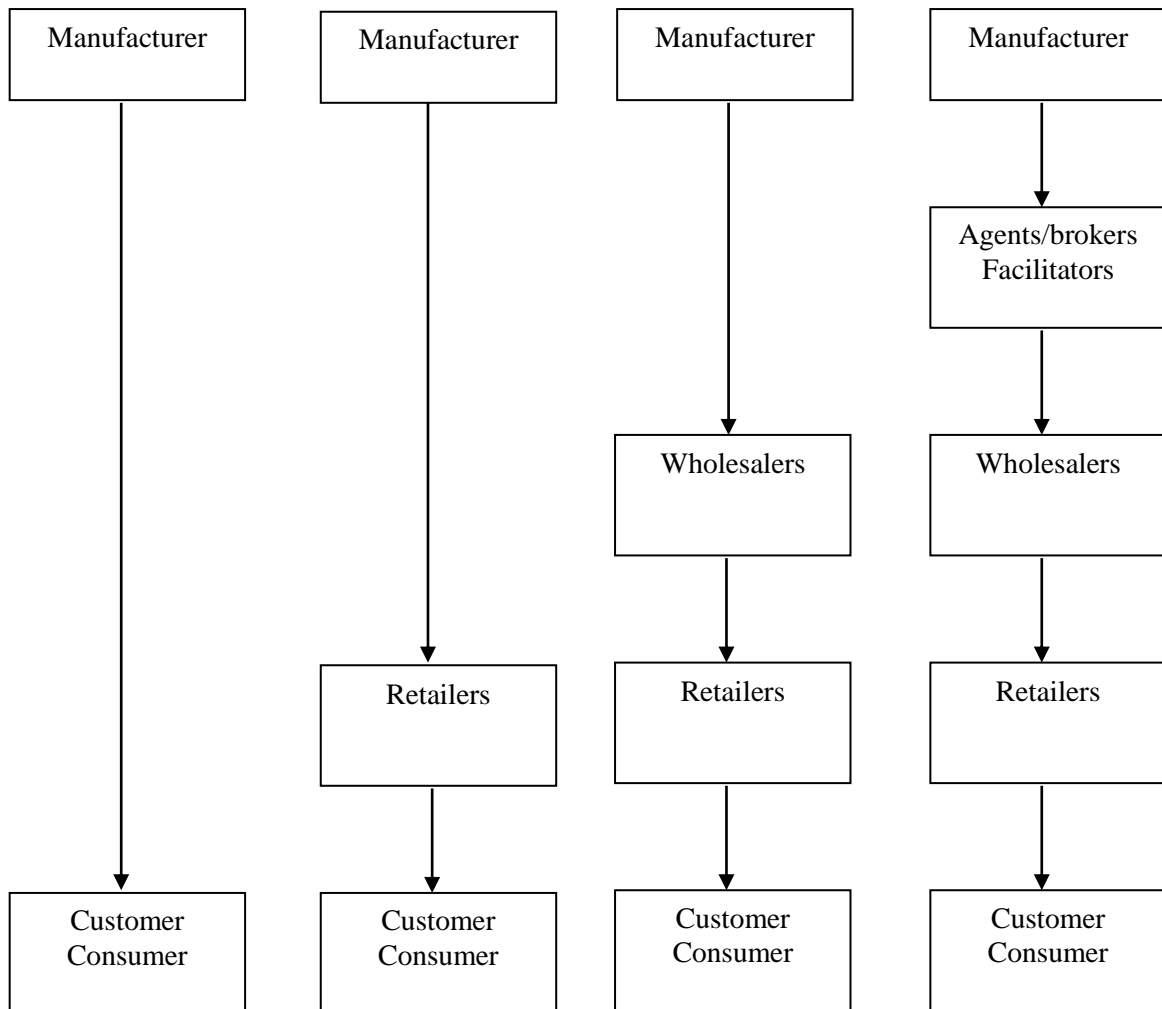
2.2 Channel Members

In this section the scope of literature is being narrowed down to explicitly defining the channel members' i.e. manufacturers, wholesalers, retailers and others. For the purpose of clarity, first we define channel members individually, and then explain their role in the channel, and lastly their importance to the rest of the channel members has been brought forward in the light of contemporary research accessible to me.

The function of channel (members) includes the performance of several marketing flows. Flow is used as a term in place of using terms functions or activities to emphasize that

these process often flow through the channels, being done at different points in time by different channel members. (Stern et al, 2006).The key members of marketing channels are manufacturers, intermediaries (wholesalers, retailers, and specialized intermediaries) and end-users (who can be business customers or consumers) (Stern et al; 2006) however in the context of the management perspective which we are using, it would be more appropriate that end users should be treated as non-commercial channel partners. Therefore final users should be treated as a target market, rather than channel participants (Bloom, 1995).

2.2.1 Manufacturer

For the purpose of this text, producers and manufacturers consist of the firms that are involved in extracting, growing or making products (Rosenbloom, 1995). Manufacturer's role in the channel is usually considered as a channel captain, especially concerning branded products, and channel captain is term used for the channel member who takes deepest interest in the working of the channels and also act as a prime mover for establishing and maintaining channel links (Stern et al, 2006). So in the channel network, the responsibility of manufacturer as a channel captain is of the crucial nature. This means that it has to play a central role in the whole system of channels. For most manufacturers, success or failure is determined by how effectively and efficiently their products are sold through their marketing channel members (e.g., agents, wholesalers, distributors, and retailers). So as mentioned in the company profile section, As Ambalay is the manufacturer Representative in Ethiopia and channel manager of its network of distributors, wholesalers and retailers.

2.2.2 Intermediaries

The term intermediary refers to any channel member other than manufacturer or end users, (Stern, 2006). These are generally differentiated in between three types of intermediaries: wholesale, retail, and specialized intermediaries/agencies.

Wholesale business sells physical inputs and products to other businesses, wholesale is closely associated with tangible goods. Wholesale includes distributors, manufacturer representatives, agents and brokers. Distributors/merchant wholesalers take both flows of title and physical possession of the goods, and actually buy the product on the whole sale price and further sell to other intermediaries on the marked-up price like in the case of Ambalay. It has been mentioned previously that Ambalay has both wholesalers and retailers. Then wholesalers do not usually sell to the end users, but promote the product in their line, and arrange for financing, ordering, and payment with their customers (Stern, 2006). Modern and well managed wholesalers are especially well suited for the distribution tasks of providing for market coverage, making sales contacts, holding inventory, processing orders, gathering information and last but not the least providing customer support,(Rosenbloom;1995). This research has been limited to regional agents, wholesalers and retailers of Ambalay i.e. immediate channel members and retailers of Ambalay. Ambalay is sending its products to market with a channel structure of Distributors- and retailers. Besides other numerous issues on the importance of wholesalers in marketing channels, research has also addressed the issues of forward integration by other members of the channel to vanish wholesaler, i.e. if manufacturer integrates forward or retailer integrates till manufacturing in order to eliminate wholesaler or distributor. This question is answered in the same paper by saying that this would not be feasible as integration actions by manufacturers and retailers cause a duplication of performances which is irritated further by the reprisals and retaliatory tactics. The result is higher prices to the consumer. It could be possible in a case where both are sure that they can perform the wholesales function better than wholesalers, which is not easy as wholesaler is a specialist in its respective field. (Regan,1948). This study implies that the fact Ambalay cannot integrate further to own wholesalers, as it will not be feasible for it.

Furthermore, the demise of the wholesaler as an institution in product marketing and distribution channels has been predicted over and over again (Mazur, 1925 and Lewis, 1955). But contemporary research emphasizes the importance of wholesaler by quoting: despite the fact that internet based electronic commerce has been predicted as one of the major and fastest reason of the demise of the whole-selling concepts through the process

of disintermediation.

The reality is that, the wholesalers are still there, by re-configuring itself or one can say that by the process or re-mediation (Rosen bloom, 2007). In the same article his view state that, well-managed and efficient wholesalers can spread the high fixed costs of performing distribution functions over huge quantities of products, these consequently achieving both economies of scale and economies of scope. Aside from economic advantage of keeping wholesalers in channel network, there are other advantages of focusing on and specializing distribution services that could be the core or at least the potential advantage of the wholesalers.

Thus, in the view of importance of wholesaler and distributor's, it becomes clear that maintaining relationship with distributor is indeed very important. However doing business with distributors is a two way process (Morgan and Hunt, 1994)(Weber, 2000), which means give and take in terms of being profitable to each other in a business relationships. Closer and deep relationships with distributors can be one effective way for creating a competitive advantage and in this regard supplier and manufacturer have to develop an attractive set of incentive for distributors (Weber, 2000).

Manufacturer's representatives, agents, and brokers, usually do not have title and the possession of the goods which are sold. The major flow involved in their case is negotiating (terms of trade for the manufacturer), and promotion, (Stern et al, 2006). These types of intermediaries do not earn profit like other channel members that is cost plus own profit; however, they are entitled to commission on any business related transaction like sales or purchase (Rosenbloom; 1995). This type of intermediary is not involved in the case of Ambalay, as this is mentioned here for the sake of clearance and additional information regarding channel literature in this study.

Retailing consist of activities involved in selling goods and services to end consumers for personal consumption, Retailer as an intermediary has many forms today, including departmental stores, mass merchandisers, hypermarkets, and specialty stores, category killers, convenience stores, franchisees, buying clubs, ware house clubs, catalogers and online retailers (Stern et. al, 2006). They sell directly to the end users and that is where

their importance surge. Retailers have become both influential and powerful now days in the marketing channels mainly because of, an increase in size and buying power, secondly due to advancements in technology and finally, modern marketing concepts and techniques in business has enabled them to be like that (Rosenbloom, 1995). Ambalay retailer as defined previously is modern supermarket, pharmacies and groceries. It has the similar function as mentioned above. However, the implication of increase in the size and power of the retailers in Ambalay case has some limitations in Ethiopia, as majority of retailers of are small shops in huge numbers.

Further research on retailer indicates that, for producers and manufacturers the role of retailer has now become as acting partner rather than mere channel member since the 1970s (Zentes, Janz, and Morschett, 2005). Due to the transformation of production markets to customer demand markets, the role of retailers in the relationship between the producers and its end consumers gained importance. New technological developments, such as scanner or computerized customer loyalty programs allow retailers to obtain more and more information about the customer's purchasing behavior over past. (Zentes, Janz, Morschett, 2005).

So retailers know their customers and have a greater influence on them as producers do, for they are in direct contact with the final consumers, as can better understand their needs and demands. Moreover, in a study by S. Mishra (2008), he found out that manufacturers in business markets can increase customer satisfaction by effectively managing the downstream supply chain to the end consumer through retailers thus also reducing the inventory on shelves and in warehouses of retailers by satisfied end customers. Lastly, when companies are in price competition due to any reason in the markets, they are on the same time being forced to spend more money on promotion, information support, and technology to face competition. Consequently, profit margins are on the decline, as expenses are increasing. But if a company by any means satisfy its channel members dealing them as their final customers, company can maximize its profit margin (Incorporation, 2008).

Last but not the least **specialized intermediaries/ facilitating agencies** are business firms assisting in performing distribution tasks other than the activities like buying, selling, and transferring title (Rosenbloom, 1995).These are channels' part in order to perform a specific flow, rather than being involved in main stream business (Stern; 2006). These could be banks, insurance companies, credit card companies (involved in financing flow), advertising agencies (promotion/ communication flow) , logistics and shipping forms (physical possession flow) , information technology firms (for marketing intelligence) etc. Their potential to perform the non-traditional role in the marketing channel's area can increase their significance and importance for channels at all level. (Rosenbloom, 1995).

There are indeed many such intermediaries involved in Ambalay case as well, but these were not the scope of this research.

2.3 Formulating Marketing Channel Strategy

Channel strategy refers to the broad set of principles by which a firm seeks to achieve its distribution objectives (Rosenbloom, 1987). It focuses on devising channel tactics pertaining to issues such as the role that distribution should play in the firm's overall corporate objectives and strategies, the role distribution should play in the firm's marketing objectives and strategies, and the congruency that exists between channel strategy and the marketing mix. Locating new markets in which the firm's products can be marketed and suggesting new technologies that can make marketing channels more efficient are examples of channel strategy decisions.

2.4 Designing Marketing Channels

Channel design refers to the development of new channels or the modification of existing channel structures. (Anderson et al, 1997) note that marketing channels must be aligned with the firm's overall objectives and competitive strategy. Devising the structure or ''architecture'' of the marketing channel system entails four key channel design dimensions:

1. Number of levels in the channel, i.e., the number of intermediary levels between the manufacturer and ultimate users,

2. Intensity at the various levels, i.e., the number of intermediaries at each level,

3. Types of intermediaries, i.e., particular kinds of middlemen,

4. Number of channels, viz., single, dual, or multiple marketing channels.

The foregoing dimensions typically produce a number of possible channel alternatives. These alternatives must be evaluated in light of an array of variables, such as served markets, product types, and germane environmental and behavioral factors. Analyzing the channel alternates can be extremely complex because several approaches and quantitative models may be utilized in identifying and then implementing the optimal channel structure

2.5 Selecting Marketing Channel Members

Once the marketing channel has been designed, channel members are selected to represent a firm and resell its products to final customers. Initially, prospective channel members are found and assessed for ''fit.'' To do this, a prospective channel member's credentials (e.g., credit history, reputation, number of product lines, market coverage, and number of salespeople) need to be examined for congruency with the manufacturer's marketing objectives. Ultimately, the producer secures and converts prospects to formal channel members by offering them various motivational inducements (Stern et al, 1969)

2.6 Motivating Marketing Channel Members

As independent institutions, channel members are not under the direct control of the firms they represent; as a result, they do not automatically cooperate and comply with channel capitain requests. Thus, channel captain need to take administrative actions to secure channel cooperation as well as to maintain and improve channel effectiveness. So, motivating channel members plays a Strategic role. In essence, a channel captain devises various motivational programs to induce channel intermediaries to exert higher levels of

effort in serving the firm's target market (Rosenbloom, 1987) Some motivational strategies commonly used by firms to induce channel member cooperation include paying higher slotting allowances, offering higher trade discounts, providing strong advertising and promotional support, training channel members' salespeople, and offering superior logistical support (Rosenbloom, 1999)

2.7 Coordinating Marketing Channel Strategy

Marketing channels have conventionally been viewed as a network of dissimilar but interdependent institutions that have coalesced together for purposes of trade. Marketing channel scholars have long promulgated the need for coordinating and integrating channel activities with other departments of a firm. Coordination is an inter organizational setting of marketing channels includes relaying information on new channel policies or communicating the launch of sales promotion programs to its channel members. Such efforts are undertaken to ensure that all channel participants are cognizant of the channel captains marketing activities with respect to channel members. Despite the differing goals of independent channel participants, coordination of the channel is necessary to reduce the redundancy of work effort and the inefficient allocation of distribution tasks among channel members (Rosenbloom, 1987).

2.8 Assessing Marketing Channel Member Performance

Channel member performance represents the degree to which the channel member engages in behavior that contributes to the fulfillment of the channel leader's objectives (Rosenbloom, 1999). As previously noted, firms have become increasingly reliant upon channel members for the efficient and effective performance of marketing functions. Moreover, the level of performance attained by channel members is pivotal for a firm's achieving a competitive advantage (Ghemawat, 1986) .Thus, by assaying the performance of channel members, channel captain can discern how successful they have been in implementing channel strategies as well as achieving their distribution objectives.

2.9 Managing Marketing Channel Conflict

Marketing channels can be viewed as social systems influenced by behavioral dynamics (such as channel conflict) that are associated with all social systems (Stern et al, 1969). Conflict in marketing channels, which has been the focus of numerous channel investigations (see review by GaskiJf, 1984), refers to goal-impeding behavior by one or more channel members. Thus, when one channel member takes actions that another channel participant believes will reduce its ability to achieve its objectives conflict is present. As it can have an adverse effect on channel member performance (GaskiJf, 1984, channel managers must make conscious efforts to detect and resolve it.

2.10 Relationships between Channel Members

This section uncovers briefly the importance of relationship in a marketing channel network. It has been written in a pattern i.e. first it narrates the emergence of relationship concept in the over-all marketing function, and then it addresses the importance of relationship in marketing channel context. Lastly it covers some of the major issues in contemporary research about channel member relationships.

The debate about the marketing mix paradigm and relationship marketing is not new in the current decade. It has been said that four P's have been dominating the marketing research and managers for at least forty years i.e. since the time of its conception but now relationship marketing is a leading approach and a new term that has entered in to marketing literature because of its wider scope of defining customers (Gronroos, 1994). In marketing paradigm, there is a perception of marketing concept i.e. the view that a firm is best off by devoting its all activities to satisfy the need and desire of customers in a target market. Does marketing mix approach fit well to do that? Yes, but maybe on limited premises (Gronroos; 1994). This is backed by arguments which say that there are some flaws in the four P's dimension of marketing mix. E.g. marketing mix and four P's constitute a production-oriented definition of marketing and not a market-oriented or customer oriented (Gronroos, 1989, 1990). Besides that, four P's concept is much far from being with the customer oriented concept i.e. customer is someone for whom

something is done, but it implies that customer is someone to whom something is done (Dixon et al, 1983).Furthermore, there is limited compatibility of traditional marketing with relevantly newer approaches like the interaction and network approaches (1960) to industrial marketing, the marketing of services (early 1970).

In the light of above discussion it is apparent that there is some gap in the function and scope of marketing mix instruments in explaining and addressing the major area of marketing. That gap can be filled by using the relationship marketing approach (Gronroos, 1994). As the interaction and network approach to industrial marketing and modern service marketing describes marketing as an interactive process, rather being one sided, where relationship building and management are the main tasks for marketers (Bagozzi, 1975). It is obvious that in industrial marketing, service marketing, and management of distribution channels and even in consumer packaged goods marketing, a shift is clearly taking place, i.e. from marketing mix to relationship development and management with identified customers (Gronroos, 1994).

 "(Relationship) marketing is to establish, maintain and enhance relationships with the customers and other partners at a profit so that objectives of the parties involved are met" (Gronroos; 1989).

The Above mentioned definition lays down the base for the relationship's importance in the marketing channel concepts. It will be pertinent to mention here that "Relationship marketing or relationships are wider concepts and there is no general consensus at present about the terminology and typology of defining the spectrum of inter-organizational forms in manufacturer- supplier relationships." (Kalwani and Narakesri, 1995) (Gronroos, 1994) .This definition is one of the many definitions provided by various researchers, and hints about the importance of relationships in between marketing channels/ partners. As in the definition it is clear, that marketing is not only about the end-users (target market) but it is also about managing and developing relationships with channel partner and supply chain members.

Importance of relationships in a marketing channel context is evident from many researcher's view points and findings. Essentially, it is hard to imagine a business-to-

business transaction, without the existence of a business relationship. Business relationships are characterized by a greater individualization, selection, interaction and integration of the partners (Diller, 1995). the theory suggests that a firm engage in a relationship with another because it needs the other firm to achieve desired goals of market expansion, profits, beating competition etc(Andaleeb, 1996), and nevertheless, it is important to focus on the long-term relationship because of its proposition for entrance into new or existing target markets, generation of repeat purchase by the target customers, creation of exit barriers, and the view that it benefits all parties involved in a healthy and satisfied relationships.

The relationship between channel members has engrossed increasing attention since the 1980s (Frazier and Sheth, 1985). With the further development of relationship marketing approach, channel members have stressed on establishing and developing a few stable and mutual relationships instead of many conflicting relationships, so that relational benefits and competitive advantages could be achieved (Narayandas and Rangan, 2004)(Wang et al, 2005). Further, analyzing the variation of channel's relations across different types of channel has implication for both, firms acting as a channel coordinator and for the firms joining such channel arrangement. By understanding the linkage between channel types (according to the transactional forms i.e. conventional, administered, and corporate marketing channels) and relation among channel members, each channel member can develop more realistic expectations about the advantage and disadvantage of being in different type of channels (Brown, 1981). Besides the relationship between the organizations there is need of very good relationship between manufacturer and retailer representatives with the help of improvements in communication, time management, Knowledge and courtesy (Meyer, 2006).

Relationship commitment is found to be one of the major issues in the research on channel's relationships. In fact relationship commitment has recently gained critical importance in the marketing channels literature for channel survival even not only for the survival, relationship commitment is also crucial for channel's performance (Geyskans et al, 1996). The importance of being central in a channel relationship, relationship commitment's research has been triggered. Commitment typically has been defined as a

channel member's willingness to continue the relationship (Dwyer et al, 1987). Previous research suggests that a channel member's commitment increases when total interdependence and trust increase and when interdependence asymmetry decreases. Whereas most channel studies define trust as the extent to which a firm believes that its exchange partner is honest and/or benevolent, or some variant thereof (Anderson and Narus, 1990).According to Nooteboom (1996) trust concerns a partner's ability to perform according to agreements (competence trust) or his intentions to do so (goodwill trust).

Other important concept in the relationship is relationship stability, as obvious from the literature available on it. "Relationship stability is defined as the extent to which the buyer–supplier relationship is steady and both parties are engaged in an active and long-term working relationship (Lai et al, 2005, p 401)". Stable relationships are often characterized with higher level of customer satisfaction (Anderson and Naurus, 1990). Further if we want to increase the relationship stability it is done by increasing rewards, building mutual trust, avoiding an unfavorable reputation, and undertaking specific investments (Anderson and Weitz, 1989).

It would be worth mentioning here that, much focus and attention has given to the maintenance and development of relationships, but relatively less has been given to the terminations of the relationship (Giller and Matear, 2001). A relationship is said to be terminated when there is no activity links between the parties involved in the relationship. Even if personal ties may be there, but both parties perceive the relationship as ended (TaÈhtinen and Halinen-Kaila, 1997). However, it is important on the issue of termination of relationship that firms evaluate which relationship to initiate, develop, and continue to invest and which to be closed and discontinued. This decision should be taken as a strategic decision rather tactical, and one should be remember that there will be different outcome of different termination strategies. It is upon the responsible persons/managers to select the right one out of many termination strategies (Gillier and Matear, 2001).

Since the channel member's relationship of the Ambalay is our scope of investigation. The implication of the above mentioned text for Ambalay is that, its' relationship with channel members has to be comprised of commitment, and trust. Further it is important for Ambalay to strive for the stability of relationships, as any kind of relationship termination could result in loss of channel member relationship. Thus these findings emphasize the need of highly satisfied channel members in order to prevent the termination of the relationship with valuable business partners.

Commitment is considered to be important to relationships (Dwyer et al, 1987). *Trust* is the willingness of a party to rely on the behaviors of others, especially when these behaviors have outcome implications for the party bestowing trust. Dependence and its counterpart, power, are regarded by many theorists as central to explaining organizational or interpersonal behaviors. *Dependence* is defined here as the degree to which a target firm needs the resources provided by the source firm to achieve its goals. It may be a case that dependent party in a relationship does not trust the other party, but it maintains the relationship because of the benefits it derives from that party. This sort of relationship is characterized by fragility because of the low level of trust in the relationship. This low level of risk increases the complexity of the relationships, making the relationship difficult, costly, and difficult to continue, given that expected outcomes are highly uncertain. For example when party A is not dependent upon the party B , the relationship for A is not salient because of availability of alternative companies, but if trust is present , the relationship is likely to continue, because of the that value inherent in trust. Thus it enabled organizations which want to increase relationship satisfaction need to increase trust in the relationship mainly.

2.11 Components of Channel Member Relationship

It has been suggested by Ruekert and Churchill (1984) that successful channel relationship seems to have at least four components:1) *product component*, which reflects the demand for, awareness of, and quality of manufacturer's product.2) *Financial component* that capture the attractiveness of arrangements with respect to such matters like intermediary margins, and return on investments.3) An *assistance component* which

assess that how well manufacturer assist its channel members with the aids like cooperative advertising programs and point of display allowances etc and 4) *social interaction component* that reflect how satisfactorily interaction between manufacturer and intermediaries is being handled primarily through sales representatives of all channel sides (Ruekert and Churchill,1984). By the passage of time, researchers further narrowed down the dimension of satisfaction to two forms mainly. Those are economic and non-economic parameters for the successful channel relationship. The margin gained from selling the company's product and economic incentives are economic parameters while Trust and commitment is components of non-economic parameters.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design and Approach

The study intended to investigate channel management practice and challenges based on fundamental theories (to explain all the fundamental interactions and practices of channel management), principles and management philosophies that are supposed to be effective parameters to evaluate the actual performance of Ambalay Raey Trade Industrial private limited company key business activities. Accordingly, the company's practice and the challenges those prohibited its effectiveness were evaluated. That means the purpose of this research was to find out the underlying facts and/or actual circumstance existing within the company with regards to channel management practices and describe the facts. Therefore, the researcher prefers to use descriptive research type, which helps to use both qualitative and quantitative data.

The problem addressed in this study itself demands a methodology that suits is descriptive research design for gaining in-depth understanding of the underlying reasons of channel member. The methodology adopted for the collection and analysis of data is qualitative and a quantitative, semi standardized/structured interview is conducted for the collection of data. Further, semi-standardized interviews originate from the necessity to acquire in depth knowledge and understanding on the subject of channel member relationship. This research method initiates a deeper understanding of the subject in focus and makes room for the opportunity for the respondents to reply in depth and freely, just as it also encourages the respondents to share as much information as possible. Mixed approach (qualitative and quantitative) is implemented.

3.2 Population

The target population of the research paper mainly categorized in to four categories, which are Agent, Wholesaler, modern retailers (supermarkets) and Traditional Retailers (Groceries) .The two categories (wholesalers and retailers) further divided in two sub

groups, key account and normal accounts. The company has 210 active channel members, since the population small all was assessed; thus, the study employ census survey.

3.3 Types of Data to be Collected

Primary data were collected from channel members and Ambalay's marketing Manager: secondary data collected from the company internal data base; publication; articles and journals collected.

3.4 Methods of Data Collection

The research questionnaire was distributed to channel members.The instrument implemented to gather data is questionnaire and interview was implemented as a supplementary data collection tool which are appropriate for Descriptive research approach.

3.5 Ethical Considerations

During Data   Collection

- Multiple optionswas provided for respondents to submit data, which include e-mail submission of questionnaire.

- Respondents were ensured that their response is confidential and protected.

- Provided information regarding the purpose of the data collection, the importance of their participation and the schedule of processing and publication of the research.

3.6 Methods of Data Analysis

This chapter accounts for the results of the empirical quantitative research, plus analyzes and interprets the results according to finding from the research interviews. In general there are two types of data analysis techniques namely:qualitative and quantitative where

by the choice of these methods greatly depends on the type of data the researcher have at hand. If most of the information collected contains numerical, the analysis calls for quantitative tools and descriptive statistics used to characterize the data.

Therefore, as determined in the data collection tool for this study, data were collected using questionnaire and interview. Accordingly, the collected data were answered on a five point Likert type response scale. The Study used tables, frequencies and mean value to analyze the collected data analyzed quantitatively and qualitatively. Particularly, statistical tools like: percentage and mean were employed.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter deals with the data presentation, analysis and interpretation of the data gathered through questionnaires and interview data were obtained through questionnaires; the questionnaires were distributed to channel members.

Out of two hundred (200) questionnaires distributed to respondent one hundred seventy (170) were returned (Accepted). All responses were found valid and used for the analysis and based on the responses obtained from the respondent's data presentation and analyses were made as follows. This information obtained from channel members is summarized by using descriptive statics were raw data is computed in percentage. The summarized data then analyzed by applying descriptive analysis using table following detail explanation, at last interpretation is used to demonstrate implications of major findings.

4.2 General Characteristics of Respondents

Below indicates the general characteristics of respondent which include business type, year of establishment and period of relationship of channel members.

Table 4.1 General characteristic of Respondents

No	Item	Alternatives	Respondents No	Percentages
1	Business type	Agent	5	2.94
		Wholesaler	75	44.12
		Modern retailers (Supermarkets)	35	20.59
		Traditional retailer (Groceries)	55	32.35
		Total	170	100%

According to item 1 of table 4.1 in the following pages, which indicated business type composition, 5(2.94%) of the respondents were Agents,75(44.12%) were whole sellers,

and 35(20.59%) were modern retailers (supermarkets), 55(32.35%) traditional retailers (Groceries). Based on the data indicated above the student researcher can infer that most of the respondents were wholesalers with respect to item of the table.

4.3 Base of Relationship of Customers

Table 4.2 Customer response on base of relationship with the company

No	Item	Alternatives	Frequencies No	Percentages
1	Base of relationship	Contractual	70	41.18
		Word of month	100	58.82
		Total	170	100%

According to the response of channel members on their base of relationship with the company only 70 (41.18%) of respondents answered contractual, while 100(58.82%) replied word of mouth. Based on the data indicated above the student researcher can infer that the company relationship base is word of mouth.

4.4 Practice of Marketing Mix

Table 4.3 On your understanding rate the practice of Ambalay on the marketing mix

No	Item		Frequencies					Mean
			5	**4**	**3**	**2**	**1**	
1	Company's product quality perception	N	30.00	92.00	48.00	-	-	3.89
		%	17.65	54.12	28.24	-	-	
2	Company's product price perception	N	-	20.00	45.00	75.00	30.00	2.32
		%	-	11.76	26.47	44.12	17.65	
3	Company's promotion	N	2.00	18.00	20.00	43.00	87.00	1.85
		%	1.18	10.59	11.76	25.29	51.18	
4	Company's distribution system	N	7.00	14.00	25.00	31.00	93.00	1.89
		%	4.12	8.24	14.71	18.24	54.71	
					Group Mean			**2.49**

According to item 1 of table 4.3 presented in the above page which indicate company's product quality perception from the point of view of channel members 30(17.65 %) and 92(54.12 %) of the respondents replied 'very good' and "good" respectively. While 48(28.24%) of the respondents answered' average'. The mean value is 3.89.Based on the data indicated above the student researcher can infer that the majority of the respondents answered 'good', this implies that the majority of the channel members perceive the company's products are of high quality. The mean value is 3.89 that indicate the company's product has positive quality perception on the eyes of the channel members.

With respect to item 2 of table 4.3, in the above page, which indicate the company's product price, 20(11.76 %) of the respondents replied 'good'' and 45(26.47%) respondents replied average. While 75(44.12 %) and 30(17.65%) of the respondents replied poor and ''very poor'' respectively. Based on the data indicated above the student researcher can infer that most of the channel members answered 'very poor', this implies that the majority of the channel members perceive the company's products price are high. The mean value is 2.32 that indicate that the Company's product price is expensive on the eyes of the channel members.

With respect to item 3 of table 4.3, in the above page, which indicate the company's promotion activity only 2(1.18%) and 18(10.59%) of the respondents replied 'very good' 'good', respectively and 20(11.76%) of the respondents replied 'average' While 43(25.29%) and 87(51.18%) of the respondents replied 'poor' and "very poor' respectively. The mean value is 1.85. Based on the data indicated above the student researcher can infer that most of the respondents answered 'poor', this implies that the majority of the respondent disagree that the promotion effort of the company. It needs to increase the communication effort in a way to address more awareness to customers and justify the product quality for the price.

With respect to item 4 of table 4.3, in the above page, which indicate the company's distribution system from the point of view of channel members respondents 7(4.12%) and 14(8.24%)   replied 'very good' good' respectively and 25(14.71%) of the respondents replied 'average'. While 31(18.24%) and 93(54.71%) of the respondents replied 'bad'

and 'very bad' respectively. Based on the data indicated above the student researcher can infer that majority of the respondents answered 'very poor', this implies that the majority of the channel members disagree on the distribution system of the company. It needs improvement.

Company's product quality represents highest result which is a mean value of 3.89 while product price represented lower mean result which is 2.32. From the items respect to promotion and distribution system represents the lower result which is 1.85 and 1.98 respectively. This implies that there is a gap on the marketing mix practice of the company, the poor promotion activity and distribution system affects the acceptance of product prices. The quality of the products can justify price by adequate promotion and distribution system.

The groups mean value regarding company' practice on managing the marketing mix is lower result which is 2.49;this implies that it needs improvement.

4.5 Channel Members Perception on Company Practice with Respect of Relationships

According to Item 1 of table 4.4, below, which indicates the responses of channel members on special incentives they got from the company, only 2(1.18%) and 14(8.24%) of respondents replied that the companies incentives are 'very good' and 'good" respectively. 42(24.71%) say 'average', however 75(44.12 %), and 37(21.76%) of the answered 'bad', and 'very bad' to the same item, respectively. Based on the date indicated above the student researcher can infer that most of the respondents answered 'bad', and which indicates, that the majority of the respondents disagree on the incentives they got from the company. The mean value is 2.23 that indicate that the Company's practice with respect to Special incentives (discount &bones) is poor on the eyes of the channel members. The company is much to do so as to meet its channel members need, and it needs improvement.

Table 4.4 Channel members rating on the company's practice, respect to relationship variables

No	Item		Frequencies					
			5	**4**	**3**	**2**	**1**	**Mean**
1	Special incentives (discount &bones)	N	2	14	42	75	37	2.23
	%	%	1.18	8.24	24.71	44.12	21.76	
2	Company's credit facility	N	25	30	47	44	24	2.90
	%	%	14.71	45.88	27.65	8.82	2.94	
3	Margin You got from selling Company Products	N	15	5	30	82	38	2.28
	%	%	8.82	2.94	17.65	48.24	22.35	
4	Giving timely information like (product availability, price change…)	N	14	25	60	47	24	2.75
		%	8.24	14.71	35.29	27.65	14.12	
5	Company's commitment towards you as a business partner.	N	25	33	82	8	22	3.18
		%	14.71	19.41	48.24	4.71	12.94	
6	Trust level of the company ability of developing you in business	N	20	50	77	15	8	3.35
		%	11.76	29.41	45.29	8.82	4.71	
7	Sales staff attitude & quality	N	24	33	41	49	23	2.92
		%	14.12	19.41	24.12	28.82	13.53	
8	Product availability and delivery	N	16	11	41	61	41	2.40
		%	9.41	6.47	24.12	35.88	24.12	
						Group Mean		2.75

Table 4.4, which indicate the company's practice level on relationship variable from the point of view of channel members of the company.

With respect to item 2 of table 4.4in the above page which is on the credit facility of the company, 25(14.71 %) and 30 (45.88 %) of the respondents answered 'very good' and 'good' respectively, and 47(27.65%) answered 'average' while 15(8.82%) and 5(2.94 %) answered 'bad' and 'very bad' respectively. Based on the data indicated above the student researcher can infer that most of the respondents answered ''average'and which

indicates that the majority of the respondents agree that the credit facility of the company is moderate.

The mean value is 2.90 that indicate that the Company's practice with respect to credit facility is moderate on the eyes of the channel members, and it needs improvement.

With respect to item 3 of table 4.4, in the above page which is on the profit margin they got from selling the company's products. 15(8.82 %) and 5(2.94%) of the respondents answered 'very good' and 'good' respectively and 30(17.65%) answered 'average' while 82(48.24%) and 38(22.35%) answered 'bad' and 'very bad' respectively. The mean value is 2.28. Based on the data indicated above the student researcher can infer that most of the respondents answered ''bad'' and which indicates that the majority of the respondents disagree on profit margin they got, and the company is much to do so as to meet its channel members need. and it needs improvement.

With respect to item 4 of table 4.4, in the above page which is on the company's communication effort with them. 14(8.24 %) and 25 (14.71%) of the respondents answered 'very good' and 'good', 60(35.29%) answered 'average' while 47(27.65 %) and 24(14.12%) answered 'bad' and 'very bad' respectively. Based on the data indicated above the student researcher can infer that most of the respondents answered ''average' and which indicates that the majority of the respondent disagree on the company's communication effort. The company has much to do so as to meet its channel members need. The mean value is 2.75 that indicate that the Company's practice with respect to Giving timely information like (product availability, price change…)is poor on the eyes of the channel members, and it needs improvement.

With respect to item 5 of table 4.4, in the above page which is on the company's commitment with them. 25(14.71 %) and 33(19.41%) of the respondents answered 'very good' and 'good', 82(48.24%) answered 'average' while 8(4.71%) and 22(12.94%) answered 'bad' and 'very bad' respectively. Based on the data indicated above the student researcher can infer that most of the respondents answered ''average' and which indicates that the majority of the respondent are moderately agree on company's commitment. The mean value is 3.18 that indicate that the Company'spractice with

respect to commitment towards the channel members as a business partner's isnot satisfactory on the eyes of the channel members. And it needs to be improved.

With respect to item6 of table 4.4, in the above page which is related to their trust level on the company's Trust. 20(11.76%) and 50(29.41%) of the respondents answered 'very good' and 'good', 77(45.29%) answered 'average' while 15(8.82 %) and 8(4.71%) answered 'bad' and 'very bad' respectively. The mean value is 3.35. Based on the data indicated above the student researcher can infer that most of the respondents answered ''average' and which indicates that the majority of the respondent got company's trust level un satisfactory, and it needs to be improved.

With respect to item 7 of table 4.4, in the above page which is on the company's sales staff quality and attitude. 24(14.12%) and 33(19.41%) of the respondents answered 'very good' and 'good' respectively, 41(24.12%) answered 'average' while 49(28.82%) and 23(13.53%) answered 'bad' and 'very bad' respectively. The mean value is 2.92. Based on the data indicated above the student researcher can infer that most of the respondents answered 'bad' and which indicates that the majority of the respondent disagree on the company' sales staff quality and attitude.

With respect to item 8 of table 4.4, in the above page which is on the company's product availability and delivery. 16(9.41%) and 11(6.47%) of the respondents answered 'very good' and 'good' respectively, 41(24.12%) answered 'average' while 61(35.88%) and 41(24.12%) answered 'bad' and 'very bad' respectively. The mean value is 2.40. Based on the data indicated above the student researcher can infer that most of the respondents answered 'bad' and which indicates that the majority of the respondent disagree as the company' product availability and delivery is adequate.

The groups mean value regarding company's practice relationship variables is 2.75, which is moderate. That implies that it needs improvement.

Company's credit facility, commitment, sales staff attitude and quality and trust level represents moderate   result which is a mean value of 2.9, 3.18, 2.92   and 3.35 respectively. While special incentives channel profit margin, communication and product

availability and represented lower mean result which is 2.23, 2.28, 2.75 and 2.4 respectively. This implies that there is a gap on the practice of the company with respect to relationship variables,

4.6 Channel Members Perception on Importance of Relationship Variable

According to Item 1 of table 4.5, in the below page, which indicates the responses of channel members on the importance of special incentives, 122(71.76%) of respondents replied that incentives are 'highly important'36(21.18 %) answered 'averagely important', and 12(7.06%), answered 'less important', Based on the date indicated above the student researcher can infer that most of the respondents answered highly important', and which indicates, that the majority of the respondents agree that incentives is the very important factor in relationship.

Table 4.5: Channel member's response on relationship variables importance

No	Item		Frequencies			
			3	**2**	**1**	**Mean**
1	Special incentives(discount & bonus	N	122	36	12	2.65
		%	71.76	21.18	7.06	
2	Credit facility	N	130	30	10	2.70
		%	76.47	17.65	5.88	
3	Profit margin	N	112	38	20	2.54
		%	65.88	22.35	11.76	
4	Timely communication in product feature availability, price change	N	65	58	47	2.11
		%	38.24	34.12	27.65	
5	Commitment towards you as a business partner	N	75	65	30	2.26
		%	44.12	38.24	17.65	
6	Trust(being Honest)	N	40	70	60	1.88
		%	23.53	41.18	35.29	
7	Sales staff Quality and Attitude	N	53	70	47	2.04
		%	31.18	41.18	27.65	
8	Product availability and delivery speed	N	101	61	8	1.84
		%	59.41	35.88	4.71	
			Group Mean			2.25

Table 4.5, which indicate the importance of relationship variable from the point of view of channel member's of the company.

With respect to item 2 of table 5 in the above page which is on the importance of credit facility, 130(76.47%) of respondents replied that credit facility is 'highly important' and. 30(17.65%) answered 'averagely important', however 10(5.88%), answered 'less important', and. Based on the date indicated above the student researcher can infer that most of the respondents answered highly important', and which indicates, that the majority of the respondents agree credit facility is the very important factor in relationship.

With respect to item 3 of table 4.5in the above page which is on the importance of profit margin 112(65.88%) of the respondents answered highly important' and. 38(22.35%) replied 'averagely important', however 20(11.76%), answered 'less important'. Based on the date indicated above the student researcher can infer that most of the respondents answered highly important', and which indicates, that the majority of the respondents agree profit margin is the very important factor of relationship.

With respect to item 4 of table 4.5in the above page which is on the importance of communication with them. 65(38.24 %) answered 'highly important' and. 58(34.12%) replied 'averagely important', while 47(27.65%), answered 'less important'. the mean value is 2.11. Based on the date indicated above the student researcher can infer that most of the respondents answered highly important', and which indicates, that the majority of the respondents agree communication is the very important factor of relationship.

With respect to item 5 of table 4.5in the above page which is on the importance of commitment. 75(44.12%) replied 'highly important' and. 65(38.24%) replied 'averagely important', however 30(17.65%), answered 'less important'. the mean value is 2.26. Based on the date indicated above the student researcher can infer that most of the respondents answered highly important', and which indicates, that the majority of the respondents agree commitment is the very important factor in relationship.

With respect to item 6 of table 4.5in the above page which is on the importance of Trust 40(23.53%) of the respondents answered 'highly important' and, 70(41.18%) answered 'averagely important' while 60(35.29%) answered 'less important. The mean value is 1.88. Based on the data indicated above the student researcher can infer that most of the respondents answered 'averagely important' and which indicates that the majority of the respondent agree as Trust is to some extent important factor of relationship

With respect to item 7of table 4.5in the above page which is on the company's sales staff quality and attitude. 53(31.18%) of the respondents answered 'highly important' and, 70(41.18%) answered 'averagely important' while 47(27.65 %) answered 'less important. The mean value is 2.04. Based on the data indicated above the student researcher can infer that most of the respondents answered 'averagely important' and which indicates that the majority of the respondent agree as the sales staff quality and attitude is to some extent important factor of relationship.

With respect to item 8 of table 4.5in the above page which is on the company's product availability and delivery speed. 101(59.41%) of the respondents answered 'highly important' and, 61(35.88%) answered 'averagely important' while 8(4.71 %) answered 'less important. The mean value is 1.84. Based on the data indicated above the student researcher can infer that most of the respondents answered 'less important' and which indicates that the majority of the respondent on product availability and delivery speed is the very important factor.

The groups mean value regarding relationship variables importance is 2.25, which is moderate. That implies that all the variables have different importance level. Special incentives and credit facility is the most important factors, while Product availability and delivery speed, being a trusted company is less important variable.

According to item 1 of table 6 presented in the below page which indicate company's power and control from the point of view of channel members 8(4.71%) and 41(24.12%) of the respondents replied 'highly challenging' and "challenging" respectively. While 34(20%) of the respondents answered' average'. Based on the data indicated above the student researcher can infer that the majority of the respondents answered 'high', this

implies that the majority of the channel members perceive the company's power and control on the relationship is challenging.

4.7 Channel Members Perception on Challenges Of Relationships

Table 4.6 Channel member's response on relationship challenges.

No	Parameters		5	4	3	2	1	Mean
1	Power and control of the company	N	8	41	34	36	51	2.52
		%	4.71	24.12	20	21.18	30	
2	Conflicting goal	N	10	16	18	39	87	1.96
		%	5.88	9.41	10.59	22.94	51.18	
3	Different priorities	N	20	64	36	20	30	3.14
		%	11.76	37.65	21.18	11.76	17.65	
4	Forecasting	N	38	25	21	37	49	2.8
		%	22.35	14.71	12.35	21.76	28.82	
						Group Mean		**2.61**

According to item 1 of table 4.6 presented in the above page which indicate company's power and control from the point of view of channel members 8(4.71%) and 41(24.12%) of the respondents replied 'highly challenging' and "challenging" respectively. While 34(20%) of the respondents answered' moderately challenging' 36(21.18%) and 51(30%) of the respondents replied 'somehow challenging and "unchallenging" respectively. Based on the data indicated above the student researcher can infer that the majority of the respondents answered 'challenging', this implies that the majority of the channel members perceive the company's power and control on the relationship is challenging.

The mean value is 2.52 that indicate that Power and control of the company is moderately challenging variable on the eyes of the channel members, and it needs improvement.

With respect to item 2 of table 4.6, in the above page, which indicate conflicting goal, 10(5.88%) and 16(9.41%) of the respondents replied 'highly challenging' and "challenging" respectively. While 18(10.59%) of the respondents answered' moderately

challenging'39(22.94%) and 87(51.18 %) of the respondents replied 'somehow challenging and "unchallenging" respectively. Based on the data indicated above the student researcher can infer that most of the channel members answered 'unchallenging'', this implies that the majority of the channel members perceive conflicting goal is not challenging for the relationship. The mean value is 1, 96, this indicates that conflicting goal is not a challenge for the relationship on the eyes of the channel members.

With respect to item 3 of table 4.6, in the above page, which indicate the different priority only 20(11.76%) replied 'highly challenging' and 64(37.65%) of the respondents replied 'challenging'. while 36(21.18 %) of the respondents replied 'moderately challenging'' 20(11.76%) and 30(17.65%) of the respondents replied 'somehow challenging and "unchallenging" respectively. The mean value is 3.14. Based on the data indicated above the student researcher can infer that most of the respondents answered 'challenging, this implies that the majority of the respondent got priority difference as a challenging to the relationship.

With respect to item 4 of table 4.6, in the above page, which indicate the sales forecast from the point of view of channel members respondents 38(22.35%) and 25(14.71%) replied ''highly challenging' and "challenging" respectively and 21(12.35 %) of the respondents replied 'average'. While 37(21.76%) and 49(28.82%) of the respondents replied 'somehow challenging and "unchallenging" respectively. The mean value is 2.8. Based on the data indicated above the student researcher can infer that most of the respondents answered 'unchallenging' this implies that the majority of the respondent got sales forecast as unchallenging to the relationship.

The groups mean value regarding relationship challenges is 2.61, which is moderate. That implies that it needs improvement.

4.8 Interview Analysis

The interview was made after the questionnaire has been fully collected and analyzed so the interview was designed to in order to support and identify answers on the results of the questionnaire. The interview was held specifically with the marketing Manager. The

purpose of theinterview was to understand the major challenges that are faced by the company regarding channel management practice. The marketing manager confirm as the company has 210 active channel members and he has a strong believe on the importance of cannel relationship for the success of the company since the Ambalay is a distribution company its success depends highly on the performance of its channel members.

Regarding the interview question on how the company selects channel members. The marketing manager answered as the company selects the channel members based on their sales volume, financial capability and their location. The marking manager believes as the company is trustworthy for the channel members but the communication with channel members have some limitation due to lack of enough resources.

The challenges with regards to channel management identified by the marketing managers are: Consistent availability of products, Credit sales collection related issues and inadequate communications are the challenges we face.

The marketing manager recommends applying adequate promotion so as to reinforce the product quality and justify the price to the consumer and channel members.

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

After analyzing and interpreting the data obtained from channel members and the student researcher could reach the following conclusions.

- The data revealed that channel members agree as the company products are high quality standard.

- The data revealed that the company products price is high per channel member's perception.

- The data revealed that there is no participation of channel members on the planning and evaluation process of the company's channel management system.

- The data revealed that promotion activities of the company are not strong enough, which is below the channel member's expectation.

- The data revealed that distribution system of the company are not satisfactory on channel member's expectation.

- It was found out that the company practice on economical nature of relationship variables the credit facility is satisfactory, while Incentives and the Profit margins are not satisfactory. From non-economical nature of relationship variables communication, commitment and Trust are not satisfactory for the channel members. While sales staff quality and attitudes is satisfactory for the channel members.

- It was found out that the factors affecting relationship are both economical and non-economic variables. From economic variables, Credit facility; special incentives, and profit margin, from non-economic factors, communication, and commitment to the relationship are highly important factors. While Trust and sales staff quality and attitudes are moderately important.

5.2 Conclusion

The distribution business in Ethiopia is becoming a very competitive environment where channel relationship is critical for the success of a company. And, in the current business environment managing the distribution channel is becoming an increasingly important practice to enhance competitiveness. From the findings above, we can conclude that the application of channel Management in Ambalayraey Trade and Industrial Private Limited Company has a positive implication on competitiveness through competitive advantage .In addition, From the questionnaire analysis and data collected from the interview, we can conclude that even though Ambalayraey Trade and Industrial Private Limited Company is applying channel Management, it's hard to say that the company is effective in implementing successful channel management.

From examining the relationship of the company with its channel members, we can conclude that the company gives attention to its relationship with its but still needs to put more effort especially in its supplier relationship management. It was found out that the company practice on economical nature of relationship variables the credit facility is satisfactory, while Incentives and the Profit margins are not satisfactory. From non-economical nature of relationship variables communication, commitment and Trust are not satisfactory for the channel membersit was found out that the factors affecting relationship are both economical and non-economic variables. From economic variables, Credit facility; special incentives, and profit margin, from non-economic factors, communication, and commitment to the relationship are highly important factors.

Generally, the finding revealed that, though in various degrees, the company problems are promotion activities (communication), inadequate profit margin and incentives to channels, commitment to the relationship and trust are not satisfactory in the perception of the channel members

5.3 Recommendation

Based on the findings obtained from the data analyzed and interpreted the student researcher forwarding the following recommendations.

❖ The researcher suggest the company to invest on promotion especially on mass advertising to address the product features that will justify the price.

❖ To solve the economic relationship variables researcher suggest the company to design incentives like volume discount and seasonal rebates. This will motivate the channel members and improve the relationship.

❖ The researcher suggests the company to give a better margin for the wholesaler, by differentiating its price from the retailers.

❖ The researcher suggests the company to provide timely information about product availability, price changes and any other information. The sales staffs have to be equipped well on the required information and use the positive perception of the channel toward them as an opportunity to solve the communication gap.

❖ The researcher suggests the company to support the channel members develop their business for better through sales and customer service trainings. This will solve the commitment and trust variables of relationship.

❖ The researcher suggests that to the company as it will be helpful to participate the channel members on the planning and evaluation process of channel management design.

Therefore Company need to manage channel conflict To solve the non-economic relationship variables the measure forward suggestion the company to show the commitment to the channel members and the student researcher recommends the company has to set a channel day at least twice a year. The company management marketing staff and channel members attend the event and on the event there will be company briefing, product refreshment individual meeting, panel discussion and recognition for those who had major contribution for the business. This will improve and reinforce the relationship.

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Appendix I

St. Mary's University

School of Graduate

Questioner to be field by Ambalay channel members

This questioner is prepared by a prospective graduate of St Marry University in MBA management as partial fulfillment of the requirement of MBA business management. This questioner is prepared to assess the channel management practice of Ambalay. You are kindly requested to fill this questioner honesty with due care instruction.

Instruction

- Writing your name on the questioner is not necessary!

- Please put ☑ in the box

- If you interested to give addition response you can use the blank space that provided at the end.

Part I General Questions

1. Business Type

   Agent ☐   wholesaler ☐   Retailer ☐

2. What is your relationship base with Ambalay?

   Contractual ☐   word of mouth ☐

3. On your understanding rate the practice of Ambalay's marketing mix. 5= Excellent, 4= V.Good 3=Good 2= Fair, 1=Poor						
	No	**5**	**4**	**3**	**2**	**1**
1	Company's product quality perception					
2	Company's product price perception					
3	Company's promotion					
4	Company's distribution system					

Part IISpecific Questions

4.Have you ever involved in the company's channel management planning?

    Yes   ☐   No.☐   I don't recall ☐

5. Have you ever involved in the company's channel management evaluation?

    Yes   ☐   No.   ☐   I don't recall ☐

6. On your understanding rate Ambalay's practice respect to channel relationship variables compared with its competitors. Excellent, 4= V.Good 3=Good 2= Fair, 1=Poor						
No	Parameters					
1.	Special incentives(discount and bonus)					
2.	Company's Credit facility					
3.	Margin You got from selling Company Products					
4.	Giving timely information like (product availability, price change…)					
5.	Company's commitment towards you as business partner					
6.	Trust level of the company – ability of developing you in business					
7.	Sales staff attitude and Quality					
8.	Product availability and Delivery					

7. Rate the following relationship factors as per their importance for you.		Very Important	Moderately important	Low important
1.	Special incentives(discount and bonus)			
2.	Company's Credit facility			
3.	Margin You got from selling Company Products			
4.	Giving timely information like (product availability, price change…)			

5. Ambalay's commitment towards you as business partner				
6. Trust level of the company – ability of developing you in business				
7. Sales staff attitude and Quality				

8. On your understanding rate your business relationship status with Ambalay?

Excellent ☐   V.Good☐ Good☐   Fair☐ Poor☐

9. On your understanding rate the below relationship challenges 5= highly challenging, 4= Challenging 3= moderately challenging 2= Somehow challenging 1 =. Unchallenging						
No	Parameters					
1	Power and control of the company					
2	Conflicting goal					
3	Different priorities					
4	Forecasting					

Interview questions for Ambalay Marketing Manager.

1. How many channel members Ambalay have, around the whole country?
2. Does Ambalay consider channel member relation is important for its business to grow further?
3. How Ambalay select channel members?
4. How you coordinate channel activities with other department of Ambalay?
5. Does Ambalaycommunicate well, seems committed and have trust in the eyes of its channel members?
6. What are the challenges you face in the channel management practice.
7. To improve channel management of the organization what do you suggest?

THANK YOU!!!

DECLARATION

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of Solomon Markos (PhD).All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or full to any other higher learning institution for the purpose of earning any degree.

_____	_____
Name	Signature

ENDORSEMENT

This thesis, titled "channel Management practice and challenges in the case of Ambalay Raey Trade & Industrial P.L.C" has been submitted to St. Mary's University School of Graduates Studies for MBA program with my approval as a university advisor.

Solomon Markos (PhD)

_____

Advisor   Signature & date

St. Mary's University

July, 2019

Addis Ababa