

ST. MARY'S UNIVERSITY COLLEGE

BUSINESS FACULTY

DEPARTMENT OF MARKETING MANAGEMENT

**STUDY ON DISTRIBUTION CHANNEL PRACTICES OF
DASHEN BREWERY PRIVATE LIMITED COMPANY**

BY

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JUNE , 2010

SMUC

ADDIS ABABA

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**A SENIOR ESSAY SUBMITTED
TO THE DEPARTMENT OF MARKETING MANAGEMENT
BUSINESS FACULTY
ST. MARY'S UNIVERSITY COLLEGE**

**IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
BACHELOR OF ARTS IN MARKETING MANAGEMENT**

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ACKNOWLEDGMENTS

First and for most, I would like to thank the almighty God for endowing me with endurance and courage of going through all ups and downs,

My special thanks goes to my advisor Ato Yalew Gorfu, for his inevitable heartily judgment, sharing personal experience and expert advice to finalize this paper successfully.

I would like to thanks the employees of DashenBrewery private Limited company and specially sales and distribution manager, Ato Biniyam Sisay for his cooperation in answering the interview questions.

I also like to extend my deep hearted appreciation to my Uncle Ato Yilma Zewde and Wro Yamrot Wube for their moral, material and financial support and to my brothers Ashagre and Yimer. Finaly, my friends Tsige, Mebrihit, and Rahel.

Thank you all !!!

Selamwit Tilahun

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CHAPTER ONE

Introduction

1.1 Background of the Study

Channels of distribution are of vital importance to all types of firms producer, wholesaler and retailer. Each type of channel is a link in a distribution network of organizations extends from producer to the end users of products or services.(*Gupta, 1999:18*) On top of that a distribution channel consist of the set of people and firm involved in the transfer of title to a product as the product moves from producer to ultimate customer or a business user. A channel of distribution always includes both the producer and the final customer for the product in its present forms as well as any middlemen such as retailer and wholesaler (*Etezel M. and others, 2004;390*).

Moreover a channel of distribution is a path way composed of intermediaries also called middlemen, who perform such functions as needed to ensure smooth flow of goods and services from the manufacturing ends to the consuming ends in order to achieve marketing of the produce of a company (*Bacavathi p , 2005:296*).

Dashen Brewery private Limited Company was established in 1992 Ethiopia calendar and the company lies on 85,000 square matters of land obtained from Amhara Regional State in Gonder town with an initial capital of over birr 350 million, currently its production capacity is 700,000 hecto leters of beer annually. At present the firm is producing the main type of product regularly Dashen Beer and Royal Draft Beer. The company has 371 workers out of this 344 permanent and 27 daily worker.

This paper, however, will try to study the practice of distribution channel with particular reference to Dashen Brewery Private Limited Company.

1.2 Statement of the problem

According to *Gupta (1999:190)*, distribution is thought of as a competitive advantage for those organizations which have built up distribution clout and economies of distribution through sheer size. Distribution plays a vital role in the success of the sales effort by ensuring the availability of the product in the right quantities at the right time and at the right place. (*Havaldas and Cavale . 2007: 16.7*) Distribution is a function to distribute or sub- divide the producers goods on a geographical basis to various specific markets. (*Bagavathi p.,. 2002:298*)

According to A.W Show (2009:297), distribution is the application of motion to materials as they move from the times, places, forms and conditions where they have no value to the times, places, forms and conditions where they have value Distribution refers every seller must decide how to make its goods available to the target market . The two choices are to sell the goods directly or to sell them through middlemen. (*kotler . 1999:130*)

Dashen Brewery private limited Company established in 1992 E.C.At present the firm produces Dahsen Beer and Royal Draft. As compared to the highest competition among Breweries, the Dashen Brewery uses one outlet and few transporting trucks to deliver its products, with the company there is scarcity of product amount because of shortage of container the product supply is limited and sometimes there is problem on time delivery of product. The Company relationship existed with its retail outlets is weak due to the company routes only two days per week and lack of sales supervisor to handle customer complaints and feedback in relation to distribution.

Consequently, this paper attempts to study and find out distribution channel problems, their causes and ultimately answer the following basic research questions.

1.3 Research Questions

To investigate the stated problems above, the following research question were raised:

- What is the distribution strategy being used by the company?
- How does the company evaluate the channel efficiency and effectiveness?
- What are the problems that affect the company's performance in terms of delivering it's products to meet the order, time and needed quantity?

1.4 Objective of the Study

This study consists of general and specific objective which is indicated as follows:

General Objective

The main objective of this study was to asses the distribution channel practice of Dashen Brewery Private Limited Company.

Specific Objective

In line with the above general objective the research paper tried to achieve the following specific objectives:

- To evaluate the distribution strategy being used by the company.
- To identify the extent to which the company evaluates the Channel efficiency and effectiveness.
- To evaluate the company performance in terms of delivering its products.

1.5 Significance of the Study

The study is believed to have the following significance to different parties:

- It is very important for Dashen Brewery private Limited Company to know its problems and help to enhance the organizations capacity towards distribution channels.

- It create good opportunity for the student researcher to get more practical knowledge about the area of distribution channel and also help to learn the practical research process and techniques and techniques
- It can help other as a secondary source of information for further research made in the area.

1.6 Delimitation of the Study

Dashen Brewery has two sales outlets that are found in Addis Ababa and Gonder. Due to time and money constraints the study were delimited to Addis Ababa particularly Arada subcity, because large number of distributors are found in this sub city.

1.7 Definition of Terms

Distribution channel:- is the movement of goods and services between the point of production and the consumption trough organization that performs a variety of marketing activities. (*Bagavathi. 2005; 297*)

1.8 Research Design and Methodology

1.8.1 Research Design

This paper in general has tried to describe the practice of distribution channel as exist in Dashen Brewery private Limited Company. Descriptive research is to describe something usually market Characteristics or functions (*Malhotra N, 2007;82*)Therefore, it is more of descriptive in nature

1.8.2 Population and Sampling Technique

All distributors of dashen beer that are licensed hotels, restaurants, bar houses, shops and kebele recreation center were taken as total populations which are 270 out of which 30% of the population 81 considered as a sample size by using systematic sampling techniques. Systematic

sampling technique was some form of an ordered list of the members of the define target population. (Hair and others, 2000:251). The company has complete list of all members of the population.

1.8.3 Types of Data to be Collected

Both primary and secondary data was used in order to make the study compete and achieve its stated objectives. The primary data were originated by the researcher for specific purpose of addressing the research problem and consists of the pre- specified managers and customers. The secondary data were that have been collected by someone else for some other purpose and consists company's published documents.

1.8.4 Methods of Data Collection

The primary data was collected through an interview with the sales and distribution manager and by distributing questionnaire to the customers. The secondary data was collected from company published document such as company profile and different books.

1.8.5 Method of Data Analysis

Both quantitative and qualitative data analysis technique was used in this research study. Quantitative data analysis technique was used to summarize the findings, percentage computed to get the total picture of the data collected form sample respondents. Then the summarized data was presented in the form of tables. Qualitative data analysis technique was used to answer the interview response as well as the response to open ended questions.

1.8 Organization of the study

The study was consists four chapters;- the first chapter contains background of the study, statement of the problem, objective of the study, definition of terms, significance of the study, delimitation of the study, research design and methodology, organization of the study. Chapter two deals with reviews of literature and chapter three are concerned with data analysis and interpretation. The last chapter includes summary, conclusions and recommendations.

CHAPTER TWO

Review of Related Literature

The research paper review relevant literatures written by different authors on distribution and specific distribution channel areas in order to conduct detail analysis and discussion of distribution channel.

2.1.Overview of Distribution

Anderson and Vicze (2000:281) argued that, the distribution decision is the most important marketing decision a company can make. The design of an organization's distribution system is a key factor in creating customer value and in differentiating one company's offering from that of another. In addition, distribution decisions pertain to where the specific wholesaling middlemen fit in to various distribution channels. In turn, specific suppliers must be chosen. Many wholesaling middlemen face strategic decisions regarding the extent to which the firm will be involved in physical distribution of the product and where they will locate. Considering such factors to marketers, transportation requirements, and Costs (*Stanton and others, 1991:347*).

The field of distribution is made up of two distinct branches. Channel of distribution and physical distribution. Channel of distribution consists of a network of intermediaries manages a flow of goods and services from the producer to the final customer. The success of the network depends on relationship among manufactures, wholesalers, retailers, sales representatives and others. As product move from one intermediary to the next, exchange takes place exchange of physical goods, intangible services and value-added dimensions, marketing activities are performed at each stage. Physical distribution activities include the actual movement of good and services (i.e. logistics), with a focus on transporting and warehousing them. Together the channels and physical – distribution functions comprise a comprehensive supply chain that starts with the suppliers, that is the materials, parts and others supplier needed to grow, produce or manufacture a finished product (*Anderson and Vicze, 2000:281*).

2.2 Overview of Distribution Channel

According to Anderson & Vincze (2000:281) channel of distribution can be described as sets of inter dependent organizations involved in the process of making a product or service available for consumption. The importance of the distribution function in marketing is apparent when one considers the magnitude of goods and services that are transported and sold at millions of locations throughout the world. In addition distribution channels are nothing but intermediaries or middlemen between the producer and the consumer (Havaladar K. 2007: 8.15). Moreover the channel is the pipeline through which is a product flow on its way to the consumers. The manufacturer put his manufacturer puts his product in to the pipeline or marketing channel and various marketing people move it along to the consumer at the other end of the channel (Bagavathi P. 1987:296).

Moreover, Kummar and Mittal (2001: 196) forwarded that the channels of distribution are the means employed by manufacturers and sellers to let their products move to the market and in the hands of users. A channel of distribution includes the original producer between the two i.e. wholesalers or retailers. The term 'middlemen' refers to those institution or individual in the channel which takes title to the good and negotiate and sell the goods a broker or an agent. In addition, distribution channels can broadly classified as:

- **Sales channel:** which has the functions of motivating buyers, sharing information between the consumer and company, negotiating fair bargains for the consumer and financing the transactions.
- **Delivery channel:** which is only meant for physical transactions. This is the primary job of a carrying and forwarding agent.
- **Service channel:** which performs after sales service (Havaladar and Cavale, 2007 :8.15)

2.3 Distribution Channel and Objective of the Firm

According to Guepta (1999:190) distribution objective are defined for a product market I terms of availability of the product (for example, percentage of total outlets reached). Most Companies do not explicitly set distribution objectives of those that do, distribution objectives often have no linkage to end customer requirements.

To develop objective that support the organization's overall marketing goals. How can distribution work with the other elements of the marketing mix to increase profits? To increase market share? To increase volume of sales? In general, the overall objective of and in the quantities customers want at the minimum cost. More specific distribution objectives, however, depend on the characteristics of the product and the market. (*Stuart and other 2006:437*)

The choice of marketing channel will be affected by the sales and profit objectives of the firm, the resources it has available and its positioning strategy. A business which is willing to sacrifice short term profit for the sake of ambitions long-term market share force involves a minimal fixed cost but a high variable cost element because of the discounts paid for a company satisfied with a small market share, using a distributor is Cheaper than setting up own sales force companies aiming at a high share well that the company sales force is more efficient that using a distributor. Selling direct normally requires a higher resource commitment thus; the firm's resources will constrain the firms positioning strategy. (*Doyle, 2002:316*)

Distribution objective: must be consistent with overall marketing and company objective (eg. Targeted sales levels and profit margins) and product characteristics. Frequently cited objectives include intensity of market coverage; degree of control over inventory and its management: minimization of time or distance; ability to move bulky, customized, or high- cost products; opportunity to provide high levels of customer service; and supplier corporation. In addition to achieving the company's distribution objectives, channel design must consider company policies and organizational structure

(for managing the distribution function). It also must conform to legal and regulatory requirements, such as refraining from unfair restraint of trade and creating conditions for competition. (*Anderson & Viceze 2000:303*)

2.4 Channel Structures and Marketing Systems

According to Anderson and Vincze (2000:286), the distribution system is composed of channel intermediaries (wholesalers, retailers and other merchants or agents) that provide a link between producers and final customers. The ideal marketing system uses channels that maximize efficiency and effectiveness, minimize costs, and deliver the greatest customer exchange payment, information; titles and ownership. Channels are structured differently for consumer and organizational goods because of the nature of transactions and customer needs.

2.4.1 Consumer Marketing Channels

The longest, most indirect channel includes the producer, one or more wholesalers or agents, retailers and consumers. This channel is most appropriate when the producer's objective is to achieve maximum market penetration with intensive distribution. Marketers of frequently purchased products use indirect channels to reach the greatest number of customers where they are located. The shortest channel, from producer to customer, offers the most direct and quickest distribution route because no intermediaries are involved. It is the easiest to manage and control.

2.4.2 Organizational Marketing Channels

Recall that organizational customers include both for-profit and nonprofit entities that produce other goods and services for distribution to final customers. The traditional marketing channels used by industrial firms, manufacturers, growers and other organizational buyers and suppliers. (*Ibid*)

2.4.3 Multiple Channels

Many, perhaps most, producers are not content with only a single distribution channel. Instead, for reasons such as reaching two or more target markets or avoiding total dependence on a single arrangement, they employ multiple distribution channels. (*Etzel and others, 2001:404*)

2.5 Evaluation of Channel Efficiency and Effectiveness

According to Anderson C. and Vincze J. (2000:306) Marketers must constantly assess the efficiency and effectiveness of individual channel intermediaries as well as the entire channel. In general, channel members must achieve the goals set out for them in their arrangement with the goals set out for them in their arrangement with the supplier and must satisfy the criteria established for their selection. Several broad measures are discussed below: market coverage, economic performance, marketing effectiveness and overall ability to add value.

2.5.1 Market Coverage: Effective distribution is obtained when the supplier has achieved the desired level of coverage in the designated target markets. This way include having enough retail intermediaries to reach a substantial numbers of consumers and enough wholesalers, agents, brokers, or other middlemen to reach desired organizational customers. Other coverage measures include a proactive and well- informed sales force, product inventories that are available when and where needed by final customers, and sufficient attention given by the intermediary to marketing the supplier's product (i.e. evidence that the intermediary considers it important). (*Ibid*)

2.5.2 Economic performance: Cost of distribution at each channel level and with each intermediary can be determined ad a percentage of sales, unit costs, operating profits, contribution margins, marketing program costs, and return on dollars spent for reseller support. Economic measures can be applied to each level of reseller to assess their contribution to strategic channel goals. (*Ibid*)

2.5.3 Marketing Effectiveness: Marketing program elements are assessed for their effectiveness in accomplishing sales objectives, with particular emphasis on the communications mix. For instance, personal selling can be evaluated on ability to meet sales objectives. Advertising other communication efforts can be evaluated on sales and other measures of audience response. Pricing strategies can be reviewed relative to demand elasticity and market characteristics.

2.5.4 Overall Ability to Add value: Some ways that channel members can add value to the distribution process include the ability to adapt to changing market conditions, to provide market data, and to deliver high quality customers service. Value also is added through timely and accurate market feedback (eg. Sales trends, customer preferences, competitive actions). Level of commitment to customers can be determined from indicators of high quality customer service, determined from customer satisfaction surveys, complaints and level of commitment to training the sales force and service personnel. (*Anderson and Vincze, 2000: 306*)

2.6. Distribution Channel System

Most distribution channels middlemen, but some do not a channel consisting only of producer and final customer, with no middlemen providing assistance is called direct distribution. In contrasts, a channel of producer, final customer, and at least one level of middlemen represents indirect distribution (*Stanton and other 1991:308*).

According to Perreault and others (2000:188), channel system are classified in to direct and indirect. Many firms prefer to distribute directly to the final customer or consumer. One reason it that they want complot control over the marketing job. They may think that they can serve target customers at a lower cost or do the work more effectively than intermediaries. If a firm is indirect contact with its customers it is more a ware of changes in customer attitudes. Direct distribution usually requires a significant investment in facilities and people.

Even if a producer wants to handle the whole distribution job, some times it is simply not possible . Customers often have established buying patterns. Similarly, consumers are spread throughout many geographic areas and often prefer to shop for certain product at specific places. However, the most important reason for using indirect channels of distribution is that intermediaries can often help producers to serve customer needs better and at lowest cost.

2.6.1 Channel Dynamics

Distribution channels do not stand still new wholesaling and retailing institutions emerge, and new channel system evolve. We will look at the recent growth of vertical, horizontal and multi channel marketing systems.

2.6.2 Vertical Marketing systems

One of the most significant recent channel developments is the rise of vertical marketing systems. A conventional marketing channel comprises an independent producer, wholesaler (s), and retailer (s). Each is separate business seeking to maximize its own profits, even if this goal reduces profit for the system as a whole A vertical marketing system, by contrast, comprises the producer, whole sales and retailer acting as a unified systems(Kotler .2003:522)

2.6.3 Horizontal Marketing system

It is a system by which two or more unrelated companies put together resources or programs to exploit and emerging marketing opportunity. The companies might work with each other on a temporary or permanent basis or create a joint venture company. (Ibid)

2.6.4 Multi Channel Marketing Systems

Lately, firms have been realizing that one single system or channel system is not always able to deliver the desired results. A single distribution system alone can not meet this opportunity. Even if it does, the cost of distribution will become highly prohibitive and hence the growth of the multi channel marketing system. Here, the firm uses two or more channels to reach on or more market segments. (*Saxena 2008: 463*)

2.7. Channel Selection

According to Sherilekar, (2003:33) The most fundamental factor for channel choice and channel management is economic criteria, cost and profit criteria, profit organizations are primary interested in cost minimization in distributions and decisions are not made entirely on the basis of rational economic analysis. We have to consider a numbers of factors such as the nature of the product, market tends, competition outlook, pricing policies, typical consumer needs, as well as needs of the manufacture himself. The following are other critical factors.

2.7.1. Product: If a commodity is perishable or fragile, a producer prefers few and controlled levels of distribution. For perishable goods speedy movement need shorter channel or route of distribution. For available and standardized goods longer and diversified channel necessary. For custom made product direct distribution to consumer or industrial uses may be desirable. Systems approach needs package deal and short channel series the purpose for technical product requiring specialized selling and serving talents, we have the shortest channel. Products of high unit value are sold directly by traveling sales force and not through middlemen. (*Ibid*)

2.7.2 Market: For consumer market, retailer is essential, whereas in industrial market we can eliminate retailer. If the market size is large, we have many channels, where as in a small market direct selling may be profitable. For highly concentrated market, direct selling may be profitable. For highly concentrated markets, direct selling is enough but for widely scattered and diffused markets, we must have many channels.

Size and average frequency of customer's orders also influence the channel decision. In the sales of food products, we need both wholesalers and retailers. (*Ibid*)

2.7.3. Middlemen: the middlemen, who is able to offer a good facility of storage maybe considered. The channel which facilitates maximum sales must be referred. The cost of each attractive channel maybe estimated on the bases of unit sale. The best type of channel which gives a low unit cost of marketing maybe considered. (*Bagvathi, 2005: 305*)

2.7.4 Company: before choosing a distribution channel for a product, a company should consider its own situation.

- ***Desire of channel control:*** some producers establish direct channels because they want control their products distribution, even through a direct channel may be more costly than an indirect channel.
- ***Ability of management :*** the marketing experience and managerial capabilities of producer influence decisions about which channel to use,
- ***Financial resources:*** a business with adequate finances can establish its own sales force, grant credit to its customers, and or warehouse its own products. (*Etzel and others, 2001:409*)

2.75 Marketing Environment: Marketing environment can also influence the channel decision. During recession or depression, shorter and cheaper channel is always preferable. In times of prosperity, we have a wider choice of channel alternatives. Technological inventions also have impact on distribution. The distribution of perishable good even in distant markets become a reality due to cold storage facilities in transport and warehousing. Hence, this led to expanded role of intermediaries in the distribution of perishable goods . (*Sherilekar, 2003:33*)

2.7.6 Competitors: if completion controls traditional channel of distribution for instance, through exclusive dealership arrangements, a sales force maybe recruited to sale directly,

or a manufacturer's controlled or owned distribution network may be set up. Producers should not accept that channels of distribution used by competitors are only way to reach target customers. Direct marketing provided an opportunity to provide products in new ways. Alternate distribution channels may be used as a means of attaining competitive advantage. (Kumar, 2006:344)

2.8. Channels Function and Flow

According to Stuart and other (2000:460) distribution channels perform a number of functions that make possible the flow of goods from the producer to the customer. These functions must be handled by some one, be it the producer or a channel intermediary. Some times the activities are delegated to the customer, like the person who picks up a new chair from the warehouse intend of having it delivered to his home. Channels that include one or more organizations or intermediaries often can accomplish certain distribution functions more effectively and efficiently than can a single organization. This is especially true in international distribution channels where differences in countries customs, beliefs and infrastructures can make global marketing a night mare. Even small companies can be successful in global markets by relying on distributors that know local customs and laws.

Kotler . (2003: 506) suggest that ,a marketing channel performs the work of moving goods from producers to consumers. It over comes the time, place and possession gaps that separate goods and services from those who needs or want them. Members of the marketing channel perform a number of key functions.

- They gather information about potential and current customers, competitors and others factors and forces in the marketing environment.
- They develop and disseminate persuasive communications to stimulate purchasing
- They reach agreements on price and other terms so that transfer of ownership or possession can be effected.
- They place orders with manufactures.

- They acquire the funds to finance inventories at different levels in the marketing channel.
- They assume risks connected with carrying out channel work.
- They provide for the successive shortage and movement of physical products.
- They provide for buyer's payment of their bills through banks and other financial institutions.
- They oversee actual transfer of ownership from one organization or person to another.

2.9 Designing Distribution Channel

Anderson and Vincze (2000:302) the design of distribution channel is an important strategic decision because customers must be able to purchase goods services when and where they find it most satisfying and convenient.

Stanton and others (1991:307) suggest that, essentially a company wants a distribution channel that not only meets customers' need but also provides an edge on competition. This requires an organized approach to designing a channel. We suggest a sequence of four decisions.

2.9.1 *Delineating the role of distribution:* a channel strategy should be designed with in the context of an entire marketing mix. First the firms marketing objectives are reviewed. Next the roles assigned to product, roles assigned to product, price and promotion are delineated.

2.9.2 *Selecting the type of channel:* once distribution's role in the overall marking program has been agreed on, the most suitable type of channel for the company's product must be determined. At this point in the sequence, a firm needs to decide whether middlemen will be used in its channel and, if so, which type of middlemen.

2.9.3 *Determining intensity of distribution:* the next decision relates to intensity of distribution, or the number of middlemen used to the wholesale and retail levels in particular territory.

2.9.4 Choosing specific channel members: the last decision is the selection of specific firms or “brands” of middlemen’ to distribute the product.

2.10 Channels Strategy Decision

According to kumar and Meenakshi, (2006:342) channel strategy decision involve, 1. The selection of most effective distribution channel 2.The appropriate level of distribution intensity and 3. Degree of channel integration. A company has consider many factors related to the market and customers. It shown situation, the product and the competitive environment. All these factors have a strong bearing on the type of distribution selected. A company should be very deliberate in deciding up on a distribution channel once it is established because interests of independent intermediaries are involved. Gupta (1999:20) argued that, marketing managers face two sets of decisions when considering marketing channels. The first set of decisions leads to a selection of one or more channels. The second set deals with the selection criteria and examines the three level of distribution. The final step is plan finalization. Havaladar and Cavale, (2007: 8.11) recommended that, the distribution channel strategy could by looking at some of these factors.

- Defining customer service levels. This is critical factor in designing the channel strategy. The customers service level is what the customer is most interested in and hence requires extra case in defining
- Defining the distribution objectives to achieve this service level.
- Outlining the steps or activates required to achieve the distribution channel objectives.
- Deciding one the structure of the network to implement these activities to achieve the distribution objectives.
- Clearly defined policy and procedure for the network to carryout its daily activities to achieve objectives to achieve objectives.
- Stating the key performance indications.
- Understanding the critical success factors to make the distribution strategy effective.

Moreover Doyle (2002:317), recommended that two aspects of strategy should be central in selecting channels: the market segments targeted by the supplier and differential advantage it seeks to exploit. First, it is crucial to choose a channel that experience and creditability in dealing with the target markets that the supplies seek to serve. The channel selected should have the capability to understand the needs of target customers, and the sales personnel and distribution facilities to match their requirements properly. Second, the channel must be capable of effectively presenting and supporting the supplier's differential advantage

CHAPTER THREE

Data presentation, Analysis and Interpretation

This chapter deals with the analysis and interpretation of the data. The information obtained from the customers and sales and distribution manager is summarized using descriptive statistics where the raw data is computed in percentage. These summarized data is then analyzed applying descriptive analysis methods using tables, followed by detail explanations. Finally, cultural interpretation is made to demonstrate implication of the major findings.

3.1 General Characteristic of the Respondents

Table 1: Below shows the General Characteristic of Respondents

No	Item	Respondents	
		No	%age
1	Sex		
	A. Male	60	79
	B. Female	21	25.9
	Total	81	100
2	Age		
	A. 18-23	38	46.9
	B. 24-29	12	14.8
	C. 30-33	16	19.8
	D. 36-40	8	9.9
	E. Above 41	7	8.6
	Total	81	100
3.	Educational background		
	A. Grade 12 completed	38	46.9
	B. Certificate	12	14.8
	C. Diploma	16	19.8
	D. Degree	8	9.9
	E. >Degree	7	8.6
	Total	81	100

As can be seen from item 1 of table 1, the sex group of the respondent customers show that out of the total 81 respondents 60 (74%) of them are males while the remaining 21 (25%) are females.

With regard to item 2 of the same table above which depicts that 2(2.5%) of the respondent customers lie between the age interval of 18 -23 years 16(29%) of the respondents are between the age range of 24-29 years, 10(12.3%) of the respondents are between the age interval of 30-33 years 36-40 years age group made up 22(27.1%) of the total customer respondents, while the remaining 31 (881%) of the respondents are above 41 years of age. Therefore, from the data gathered and interpreted above the students researcher can infer that majority of the respondent customers are capable enough to raise sound comments on the subject of the study.

Concerning the educational status of the respondents which is indicated in item No 3 of table 1 illustrates that 38(46.9%) of the respondents have completed grade 12(14.8%) of the respondents are Certificate holders, where as 16(19.8%) and 8(9.9%) of the respondents are diploma and degree graduates respectively. While the remaining 7(8.6%) of the respondents have above degree. Since the majority of the respondent customers are semiskilled, they are capable of providing appropriate responses to the questions posed.

3.2 Analysis of the Findings of the study

The student researcher tries to investigate the company's distribution channel performance from different points of view. Thus, in this section the responses are from customers and the company's distributors. Therefore, the responses from customers on major issues are summarized in the form of percentage and table presented as follows:

Table 2: Corresponding Responses on Dashen Brewery’s Product Distribution Practices

No	Item	Respondents	
		No	%age
1	From whom do you get Dashen Beer?		
	A. Directly from the company	34	41.9
	B. Company Branch warehouse	12	14.8
	C. Wholesalers	24	29.6
	D. Private distributors	11	13.5
	E. Other	-	-
	Total	81	100

As indicated in table 2 in the previous 34(41.9%) of respondents replied that they get Dashen Beer products directly from the company, 12(14.8%) of respondents agreed that they get from company branch warehouses 24(29.6%) of respondents from wholesalers and 11 (13.5%) of respondents from private distributors. Therefore it is possible to see that the majority of customer respondents get company’s products from Dashen beer from the company.

Table 3 Corresponding Responses on Distribution Capacity of Dashen Brewery private Limited company

No	Item	Respondents	
		No	%age
1	The company's capacity to deliver Dahren Beer as the needed quantity?		
	A. Very high	4	4.9
	B. High	5	6
	C. Medim	9	11
	D. Low	40	49.3
	E. Very low	32	39.5
	Total	81	100
2	Dashen Brewery capacity to distribute the needed quantity or amount?		
	A. Very high	4	4.9
	B. High	6	7.4
	C. Medium	26	32
	D. Low	28	34.5
	E. Very Low	17	20.9
	Total	81	100

In relation to the capacity to deliver the needed quantity to its customers as shown in item 1 of table 3, 4(4.9%) of the respondent customers indicated that it is “very high”, 5(6%) the respondent of customers also indicated that it is “high” and 98 (11%) of the respondent customers replied “medium” 40(49.3%) of the respondent customers pointed out that it is “low” and 32 (39.5%) of the respondent customers replied it is ‘very low’. From this we can infer that the company has no enough products capacity to deliver the needed quantity. In other words the company having scarcity of products to deliver as needed. So the company in the short run can loss their daily income and in the long- run the company may loss its loyal customers.

In relation to capacity to distribute needed varieties, as indicated in item 2 of table3, 4(4.9%) of the respondents replied that the distribution of the needed varieties is “very high” 5(6%) of the respondent customers indicated that it is “high”, 9(11%) of the

Customers answered the distribution is “medium” 40 (49.3%) and 32 (39.5%) of customers replied the distribution is “low” and “very low” respectively. This implies that some of the respondents considered the distribution as “high” and “medium” upon the distribution process which somehow encourages the company to extend its business further. However, the large number of respondents considered the capacity to distribute needed varieties as “low” and “very low” because of such bottlenecks as scarcity of products, the warehouse is too far, minimum number of distributors, and low distribution practices. Accordingly, the company should give due consideration to recover the above bottlenecks.

3.3 Product Distribution Related with the Product Offered

Table 4: Corresponding Responses On The Possibility Of Getting Dashen Beer’s At The Needed Time

No	Item	Respondents	
		No	%age
1	In your opinion the possibility of getting Dashen Beer at the needed time?		
	A. Very high	4	4.9
	B. High	4	4.9
	C. Medium	22	27.2
	D. Low	31	38.3
	E. Very Low	20	24.7
	Total	81	100
2	If your answer to question “6” is low or very low what do you think is the reason for the delay?		
	A. Scarcity of products	18	22.2
	B. Because the warehouse is too far	20	24.7
	C. Few number of distributors	40	49.3
	D. Slow distribution practices	3	3.7
		Total	81

As table 4 item 1 shows, 4(4.9%) of the respondent customers responded that the possibility of getting Dashen Beer at the needed time is “very high” 4(4.9%) of the respondent customers pointed out it is “high” and 22(27.2%) of the responder customers said it is “medium”. On the other hand 31(38.3%) and 20(24.7%) of the respondent costumers pointed out that the possibility of getting Dashen Beer at the needed time is “low” and “very low” respectively. In line with the above data the student researcher can deduce that the large number of respondents said that the possibility of getting Dashen Beer at the needed time is below medium. According to the data gathered and interpreted Dashen Brewery Private Limited Company must deliver its product at the needed time to keep its target customers satisfied.

As can be seen in table 4 item2, 18(22.2%) of the respondent customers responded that the reason for the delay of product distribution is “scarcity of products” 20(24.7%) of the customers pointed out it is “because the warehouse is too far”, 40(49.33%) of the respondent customers indicated it is because there is few number of distributors and 3(3.7%) of customers answered it is due to “slow distribution practices”.

According to the information collected from the customer respondents they said there is lack of products and difficult to get on time. Moreover, they have pointed out the two major causes for their inability to get the company’s products is the existence of few number of distributors and because the company’s warehouses are too far.

Table 5: Corresponding Responses of Customers on Shortage of Products

No	Item	Respondents	
1	When working with Dashen Brewery have you ever faced shortage of products?	No	%age
	A. Yes	66	81.5
	B. No	15	18.50
	Total	81	100
2	If your answer to question No “6” is “yes” what is its frequency?		
	A. Very high	28	34.6
	B. High	16	19.8
	C. Medium	24	29.6
	D. Low	3	3.7
	E. Very low	10	12.3
Total	81	100	
3	When there is shortage of Dashen Beer from whom do you buy?		
	A. From company agent	28	32.6
	B. From private wholesaler	26	32
	C. From private merchants	27	33.4
	Total	81	100

Regarding whether customer experienced shortage of products or not 66 (81.5%) of the respondent customers said “yes” and 15 (18.5%) of customer responded “no”. This implies that there is shortage of products for the majority of the respondent customers.

In relation to the frequency of shortage of product customers responded that there is shortage of products 28(34.6%) of customers said frequency of shortage is “very high”, 24(29.6%) of customer said “medium” and 6(19.8%) of the respondent customers indicated “high”. The remaining 10(12.3%) and 3(3.7%) of the respondents indicated “very low” and “low” respectively. This implies that the majority of customers consider frequency in the shortage of products as “very high”. However, the sales and distribution

manager of the company explained during an interview that there is enough products within the company but the problem is the main production area is Gonder Town, and that takes a long time until the product arrives to Addis Ababa. This makes the frequency of shortage of products “very high”. According to his statement one of the problems is lack of track to deliver the product form Gonder to Addis Ababa.

As indicated in table in the previous page 28(34.6%) of respondents replied that they get Dashen Beer products from company agent when there is shortage of supply by the company, 27(33.3%) of the respondents agreed that they get from private merchants, 26(32%) of the sample respondents said they get from private wholesaler. Therefore, it is possible to see that the majority of customers get beer from the company agent, whenever there is shortage of supply by the company

Table 6: Corresponding Responses on the Causes of the Shortage of products.

No	Item	Respondents	
		No	%age
1	What is the cause for the shortage of products?		
	A. Lack of supervisor	21	25.9
	B. Distance of warehouse	18	22.2
	C. Few number of distributors	39	48
	D. Other, please specific	3	3.7
	Total	81	100

Item 1 of table 7 shows that the majority of the respondents 39 (48%) responded that few number of distributors, while 21 (25.9%) of them agreed that lack of supervision . Whereas 18(22.2%) of the respondents replied that distance of Warehouse, but the remaining 3(3.7%) indicated that lack of electricity. It is possible to conclude that the company has enormous distribution problems. Especially, it has few number of distributors to deliver its product to the target customers, which has to be reconsidered by the company.

Table 7: Corresponding Responses on the Distance Between Dashen Brewery Distributors and Its Clients

No	Item	Respondent	
		No	%age
1	Are Dashen Brewery distributors closes to your place of business?		
	A. Yes	13	16
	B. No	68	83.9
	Total	81	100

Regarding the case company’s distributors distance from its clients, 13(16%) of the respondent customers confirmed that it is close to them and 68(83.9%) of the respondent customers responded it is not . In other words the majority of the customers 68(8. 9%) indicated that they cannot get the Dashen Beer near to their business area; it is to far from their business place. This implies that it is difficult to buy products by themselves from the distribution center.

Table 8: Responses on Customer Relationship with the Case Company

No	Item	Respondents	
1	In your opinion the company effort to maintain relationship with its distributors is:	No	%age
	A. Very high	-	-
	B. High	-	-
	C. medium	48	59.2
	D. Low	28	34.6
	E. Very Low	5	6
	Total	81	100

As it can be seen in the table above, 48(59.2%) of the respondent customers agreed that the company’s efforts to maintain good relationship with its customers is “medium,” 28(34.6%) and 5(6%) of the respondent customers replied it is “low” and “very low” respectively. From this we can deduce that the company has not built good relationship with its distributors and retailers. Relationship with the company is relatively weak and the company is not able to maintain its relationship with its distributors. Hence, the company in the long run has probability of losing its customers gradually because of a business of attentions to customer relationship management.

Table9: Dashen Brewery Distribution Practices as Compared to Other Brewery Companies

No	Item	Respondents	
1	As compared to other breweries	No	%age
	Dashen Brewery distribution Practices:		
	A. Is faster than other	5	6
	B. Is similar with other	24	29.6
	C. Delays by one day	14	17.3
	D. Delays more than 5 days	12	14.8
E. Other, please specify	26	32	
	Total	81	100

As it can be seen from table 7 in the previous page 5(6%) of the respondents replied that Dashen brewery is faster than others, and 24 (29.6%) of customers said it is similar with others. But 14(17.3%) of the respondent customers responded that it “delays by on day, 26(32%) of customers indicated that it “delay by five days and 12(14.8%) of customers answered “it delays by more than five days”. This implies that there is a problem with in the company to deliver its products to its customers as compared to other competing firms. According to response obtained from the sales and distribution manager the company’s distribution strategy is said to be an exclusive, in practice the company uses an intensive distribution mechanism to provide comprehensive market coverage.

Table 10: Corresponding Responses of Distribution Method of Dashen Brewery as Compared to other Brewery Companies

No	Item	Respondents	
		No	%age
1	Do you agree that the distribution methods of Dashen Beer is effective?		
	A. Yes	20	24.6
	B. No	61	75.3
	Total	81	100
2	Why do prefer Dashen Beer Company From the other brewery ? companies?		
	A. Quality	48	59.2
	B. Demand	33	82.7
	C. Other	-	-
	Total	81	100
3	As compared to other brewery factories Dahren beer has a guaranty to delivery its products.		
	A. Yes	14	17.3
	B. No	67	82.7
	C. Other	-	-
	Total	81	100

As one can see from table 10 in the previous page majority of the respondents which is 61(75.3%) of the total respondents replied that the distribution method of Dashen Beer is not effective and 20 (24.6%) of the respondents agreed that the distribution method of Dashen Beer is effective. This implies that exerting higher effort is highly required from the factory so that, the company used enough trucks to deliver its products to its customers.

As shown in item 2 of the same table, 48(59.2%) of the respondents claimed that they prefer Dashen Beer company from the other brewery companies for its quality, 33(40.7%) of the respondents indicated that less demand of other brewery. This implies that the Dashen Beer quality is higher than other beer's and the demand for dashen beer is less. So that the company have to increase its demand.

Regarding the company's guarantee to deliver product from the other brewery companies 67 (82.7%) of the respondent customers responded it is not and 14(17.3%) of the customers said "yes" This implies that the case company gives guarantee to deliver product to its customers.

Most of respondents suggested on why they prefer Dashen Beer is because of quality and demand. But when it comes to guaranty to deliver its products, there are problems compared to other brewery companies.

Finally, the customer respondents forwarded their own opinion about what should be done to improve the company's distribution system. The majority of customer suggested the following:

- The company should deliver Dashen beer as needed in time and in quantity;
- The company should offer Dashen beer on the basis of customer needs;
- The company should have schedule for their distribution days to their customers;
- The company should increase the product supply mechanism.;

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.1 Summary of the Major Findings

The major findings of the study are summarized as follows.

- The general characteristics of the respondents shows that majority of respondents belong to male sex group and more than half of them are between the age range of 29 – 39 years. Whereas the educational status of the respondents shows that majority of them are Grade 12 completed and diploma graduates;
- According to the analysis of findings of the study, the data gathered through the questionnaire indicate that most of intermediaries of Dashen beer are getting the company's product directly from the company and from wholesalers;
- In relation to company's capacity to deliver the needed quantity or amount, 40 (49.3%) of customers responded it is "low" and 17 (20.9%) of the respondent customers said "very low";
- Concerning the possibility of getting Dashen beer, 31 (38.3%) of the respondent customers indicated that it is "Low" because there is few number of Dashen beer distributors;
- With regard to shortage of products, 66 (81.5%) of the customers responded that, there are shortage of product. Concerning frequency of shortage of products 28 (34.6%) of respondents said that it is very high;
- When there is shortage of Dashen Beer, 28(34.6%) of customers indicated that they buy "from company Agents" ;
- Regarding the cause for shortage of products, 39 (48%) of customer respondents indicated that they are not satisfied because of few number of distributors;
- With regard to the company's distributors closet to their place of business 68 (83.9%) of respondents said that it is far away from their business center;

- In relation to the company effort to maintain relationship with its distributor 48 (59.2%) of them rated the effort as 'medium'. The company's effort to maintain relationship with its customers is weak;
- Concerned the effectiveness of distribution practices 26(32%) of respondents said that "medium". As compared with other breweries Dashen Brewery distribution practices is slow.
- 61 (75.3) of respondents stated that the extent of the practice level of Dashen Beer is low. This implied slow distribution practices and scarcity of product are major factors for delay in distribution.
- Regarding the extent of the Market survey, 73(90.1%) feels that the company should improve its distribution based on customer needs and deliver the product when demanded.

4.2 Conclusions

From the presentation, analysis and interpretation of the data, the following conclusions are made:

- The distribution center has a problem of shortage of products to satisfy the demands of the retail outlets. In addition, it has not prefixed (scheduled) time of delivery which is noticed by the retail outlets and has also a problem of offering the required amount of product at needed time. Therefore, majorities of the complaint which were raised by the customers, are related to shortage of products, orders time of delivery;
- Even though, the company user door to door system of distribution the relationship existed with its retail outlets is weak due to the absence of scheduled Time delivery inefficient system of monitoring, controlling poor system of distribution channel and no incentive to encourage the customers.

- With regard to distribution channel strategy, the company uses intensive strategy. Therefore, it fails to use other alternative distribution channel strategy.
- The company has a problem of distributing the needed varieties to its customers. So the company is not keeping the preference of its distributors;
- The company's distribution center location (place) is not accessible place and this created a problem to meet the demand of distance customers;
- The company's effort to maintain relationship with its distributors is weak and this created a problem to maintain strong relationship with intermediaries;
- Generally in related to distribution channel practice of the company there are problem on slow distribution practice because of scarcity of product, delay of product, few number of trucks it has faced problem to distribute the product.

4.3 Recommendations

Based on the analysis made under this study the following recommendations are made:

- The company should expand its distribution capacity to meet the level of demand. It should also have distribution time schedule which is known by customers. The company has to offer the required amount of product at direct channel. So that the customers will be able to meet the demand of end customers;
- The company has to contact retail outlets and collect compliant handling mechanisms to improve its distribution;
- The distribution strategy the company used is intensive strategy, which is not appropriate for the company with the existence of shortage of products. Therefore, it is recommended that they should adopt selective strategy;
- The location of the distribution center is not stated considering special distribution of the Intermediaries. As a result, it creator unfair distribution among customers. Therefore, they should have to locate the centre where it is equally accessible place

- As it can be seen the company's evaluations of channel efficiency and effectiveness helps company's to achieve the objective. Evaluation and supervision should have to be made continuously on the distribution channel of the company. Consequently, the company should have to prepare a system to gather feedback and complainants they have and the possible suggestion to alleviate the problem.
- The company has to contact customers in the ten distribution routes and complaints, develop complaint handling mechanisms to improve its distribution and to maintain good relationship with its customers so as to retain its loyal customers in the future.

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Appendices

St. Mary's University College

Business Faculty

Department of Marketing Management

Questionnaire to be filled by Intermediaries of Dashen Brewery Private Limited company,

This questionnaire is prepared by a student researcher: prospective graduate of year 2002 in the field of Marketing Management to collect information. The main objective of this questionnaire is to evaluate the distribution channel practice of Dashen Brewery private Limited company. Therefore, requested to fill the questionnaire honestly and with due care of correctness of answer will have paramount & importance for the out come of the research.

Thank you in advance for seriously to fill general instructions.

- It is not necessary to write your name
- For the question asked below please put “✓” mark for the answer you choose and write your idea on the provided space.

Part I:- General information

1. Sex

A. Male

B Female

2. Age

A. 18-23

B. 24 – 29

C 30 – 33

D. 36 – 40

E. Above 41

3. Educational Background

A . Grade 12 completed

C. Diploma

B. Certificate

D. Degree

E. above degree

Part II:- Specific Questions

1. From whom do you get Dashen Beer?
 - A. Directly from the company
 - B. From the company. Branch
 - C. From wholesalers
 - D. Other please, specify -----

2. The company's capacity to deliver Dashen beer at the needed quantity or Amount?
 - A. Very high
 - B. High
 - C. Medium
 - D. Low
 - E. Very Low

3. In your opinion the possibility of getting Daashen Berra at the needed time?
 - A, Very high
 - B High
 - C. Medium
 - D. Low
 - D. Very Low

4. If your answer to question NO "3" is "low" what is the reason for the delay?
 - A. Scarcity of product
 - B. Because the ware house is too far
 - C. Few number of distributors
 - D. Other please, specify -----

5. Dashen Brewery capacity to distribute the needed varieties of beer?
 - A. Very high
 - B. High
 - C. Medium
 - D. Low
 - F. Very Low

6. When working with Dashen Berwery have you every faced shortage of Products?
 - A Yes
 - B. No

7. If your answer to question NO "6" is "yes" what is its frequency?
 - A. Very high
 - B. High
 - C. medium
 - D. Low
 - E. Very Low

8. what is the cause for the shortage of products?

- A. Lack of supervise
- B. Distance of warehouse
- C. Few number of distributors
- D. Other please, Specify -----

9. Are Dashen Brewery distributors closest to your place of business?

- A. Yes
- B. No

10. When there is shortage of Dashen Beer from whom do you buy ?

- A. From company's agent
- B. Form private wholesaler
- C. Form private merchants

11. How do you rate the Dashen Brewery effort to evaluate its distribution?
Problems?

- A. Is faster than other
- B. Is similar with other
- C. Delays by one day
- D. Delay More than 5days
- E. Other please, specify.-----

12. In your opinion the company's effort to maintain its relationship with
Distributors is ?

- A. Very high
- B. High
- C. Medium
- D Low
- E. Very Low

13. do you agree that the distribution method of Deashen Beer is effective?

- A. Yes
- B. No

14 Why prefer Dashen Beer company to other Brewery?

- A Quality
- C. Demand
- D. Other

15 As compared to other Brewery factories Dashen Beer has a guaranty to Deliver products?

A. Yes

B. No

16. Does Dashen Brewery produce sufficient product on timely deliver?

17. What is the advantages and disadvantages of buying from the distributor under Question No 13 (inprice, cost, time etc. . .)

18. Generally, what is your comment regarding Dashen Brewery distribution Practices?



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Interview Questions

1. What is your best choice to distribute your products?
 - opening own branch offices
 - wholesalers
 - Retailers
 - Agents
 - Door to Door distributor service
2. What the company is actually doing ? In distribution?
3. Why do you select this channel why not the other one?
4. What type of distribution strategy used by the company? Why?
5. What Mechanisms does the organizations use to motivate the distribution Channels (inter midcareer) ?
6. How do you evaluate the effectiveness of the door to door distribution?
7. What measures would the company take to make the distributions effective the distributor efficient?

DECLARAITON

I under signed, declare that this senior essay is my original work, prepared under the guidance of Ato Yalew Gorfu. All sources of Materials used for the manuscript have been duly acknowledged.

Name _____

Signature: _____

Place of submission _____

Date of submission _____

This paper has been submitted for examination with my approval as the university college advisor

Name : _____

Signature: _____

Date : _____