ST. MARY'S UNIVERSITY

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DEPARTMENT OF MARKETING MANAGEMENT

PRACTICES AND CHALLENGES OF MARKETING IN THE ETHIOPIAN COMMODITY EXCHANGE: THE CASE OF E-TRADE AT THE HEAD OFFICE

A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS IN MARKETING MANAGEMENT

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ADDIS ABABA, ETHIOPIA

Declaration

I hereby declare that the thesis entitled **"Practices and Challenges of Marketing in the Ethiopian Commodity Exchange: The Case of E-Trade at the Head Office"** is my original work, prepared under the guidance and support of my advisor, Dr. Mulatu Tekle. This research has been conducted and submitted in partial fulfillment of the requirements for the Degree of Master of Arts in Marketing Management to the Institute/Department of Marketing Management, College of Business, and St. Mary's University. I also confirm that this thesis has not been previously submitted for any diploma or degree at any college or university, and all sources of materials used in this study are duly acknowledged.
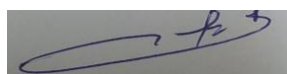
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The Thesis entitled "*Practices and Challenges of Marketing in the Ethiopian Commodity Exchange: The Case of E-Trade at the Head Office*" is submitted by *Menedo Tefera* in partial fulfillment of the requirements for the award of a Master Degree in _____ to the Department of _____; College of _____; _____ University has been carried out under my supervision. Therefore, I hereby approve and recommend that it has fulfilled the thesis requirements and can be submitted to the department for examination as the university's advisor.

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ST. MARRY'S UNIVERSITY

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BY

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ACRONYMS

ACX: Agricultural Commodity Exchange

B2B: Business to Business

B2C: Business to Consumer

CC: Commodity Contract

CPC: Commodity Price Control

DCA: Direct Commodity Access

ECS: Electronic Clearing System

ECX: Ethiopian Commodity Exchange

ICT: Information and Communication Technology

IM: Immediate Members

MOU: Memorandum of Understanding

QR — Quick Response

SCM: Supply Chain Management

SPSS: statistical package for social science

TFS: Trade Facilitation System

WRS: Warehouse Receipt System

A B S T R A C T

The purpose of this study was an assessment of marketing practices of Ethiopia commodity exchange (ECX).The study used mixed research method basically purposive sampling for qualitative approach and simple descriptive statistics for quantitative one. The research found and observed that e-trade marketing in Ethiopia has never yet been developed. But with the start of ECX it has a remarkable progress in the Ethiopian market. A survey questionnaire was prepared to gather primary data, secondary data from the books and documents of the ECX, and other sources were also wont to augment the first data. The result shows that there have been Internet problems, biased sampling system and lack of adequate knowledge were the main challenges the researcher observed limited membership seat, membership seat fee, and occupation were found to be highly significant with the selection of membership category. Aside from this, consistent with the descriptive analysis lack of sampling system, higher penalty cost, higher membership seat fee, and transaction cost, were found to be a number of the constraints that hinder participants from the graceful functioning of transactions within the exchange. The researcher recommended the subsequent points the Internet system of the exchange was inefficient and practically affect E-trading activities. For the upper E-trading of the exchange, it should apply in enough, and proper network facilities should provide a higher concern and commitment in effectively and efficiently using ICT. The electronic trading system reduced price movement, it might cause lower volatility, lower risk within the market, and better liquidity by increasing the speed of transactions and lowering transaction costs, limiting informational asymmetries between trading interests, and increasing access to markets no matter one's geographical location.

K E Y W O R D S: Assessment, Marketing, ECX, Ethiopia

<div align="center">**Chapter One:**</div>

1. Introduction

This chapter provides an overview of the study, including its background and the statement of the problem. It outlines the objectives and significance of the research, highlighting its importance in the field. Additionally, the scope of the study is defined, along with any limitations encountered during the research process. Key terms are operationally defined to ensure clarity and understanding. Finally, the organization of the study is presented; detailing how the subsequent chapters are structured to address the research questions and contributes to the overall objectives.

1.1 Background of the Study

Commodity exchanges have historically been vital in facilitating trade and price discovery for agricultural and natural resource-based commodities globally. These exchanges serve as centralized platforms where standardized contracts for commodities like grains, metals, energy, and soft commodities are traded (Rashid et al., 2010). They provide a marketplace for traders and buyers from various regions to engage in hedging and price discovery (Bose, 2009). Operating under a set of well-defined rules, commodity exchanges ensure organized transactions, governed by established conventions concerning products, price determination, market actors, and contractual relationships (Gabre-Madhin, 2005).

Globally, commodity exchanges are associated with efficient markets that offer benefits such as effective price discovery, publicly available market information, and low transaction costs (T.S. Jayne, 2014). However, they face challenges, including market volatility, regulatory complexities, and technological advancements. Factors like geopolitical tensions and climate change contribute to market volatility, affecting commodity prices and trading volumes (Baffes & Dennis, 2013). Regulatory environments vary, with some regions imposing barriers that hinder market entry and operations (Hassani, 2017). Furthermore, advancements in technology, such as electronic trading platforms, necessitate adaptation from exchange operators (Kotler et al., 2016). In Africa, commodity exchanges play a crucial role in addressing market inefficiencies, enhancing price discovery, and promoting market integration.

Given that many African economies rely heavily on agriculture and natural resources, efficient commodity markets are essential for economic development and livelihoods (Gebrehiwot & Nigussie, 2017). However, African exchanges contend with significant challenges, including inadequate infrastructure, limited access to finance, and low market integration. For instance, poor transportation networks and storage facilities hinder the efficient movement of goods from production areas to markets (Belay et al., 2023). Additionally, limited access to finance restricts farmers' ability to invest and effectively participate in commodity markets (Michael & Lemma, 2014). Regulatory barriers and information asymmetry further contribute to fragmented supply chains, leading to suboptimal price discovery (Troster, 2015). The Ethiopia Commodity Exchange (ECX), established in 2008, aims to modernize agricultural markets, enhance price transparency, and improve market access for smallholder farmers (Ayele et al., 2020). Prior to the ECX, Ethiopia's commodity market faced high transaction costs, insufficient market coordination, and a lack of trust among participants (Gabra-Madhin & Goggin, 2005; Mohammed, 2017). These challenges hindered effective market functioning and price discovery. As noted by researchers, a commodity exchange can address these issues by generating market information, enhancing product transparency, and promoting self-regulation (Islam et al., 2020).

The ECX was created under Proclamation No. 550/2007, with the aim of providing a fair marketplace for agricultural commodities (Andersson, 2017). As the first of its kind in Africa, the ECX was a significant initiative aimed at improving market access and infrastructure, particularly for grain farmers, later extending its management to coffee trade. In recent years, the ECX has shifted from the traditional open outcry model to electronic trading. The open outcry system involved traders physically conducting trades in a trading pit, while the transition to electronic trading has been driven by technological advancements that offer speed, cost efficiency, and greater transparency (Ibrahim, 2020). Electronic trading enhances market liquidity and efficiency by expediting transactions and lowering costs. However, the specific challenges and advantages of this system in Ethiopian commodity markets have not been extensively studied. The main objective of this study was to examine the practices and challenges of marketing within the Ethiopian Commodity Exchange, specifically focusing on E-Trade at the Head Office.

By investigating these aspects, the research aims to provide insights into the effectiveness of marketing strategies and identify obstacles faced in the implementation of electronic trading, contributing to the broader understanding of commodity exchange dynamics in Ethiopia.

1.2. Statement of problem

In Ethiopia, where agriculture predominates, the sector serves as the backbone of the nation's development efforts. Despite its importance, agricultural product marketing has historically been undervalued and overlooked. According to Gebremedhin and Ian Goggin (2005), both producers of agricultural products and the broader economy have faced numerous challenges due to the ineffective utilization of commodity exchanges. The Ethiopian Commodity Exchange (ECX) has the potential to transform the agricultural commodity market and the economy by establishing a dynamic, efficient, and transparent marketing system (Ahmed, 2017).

Established with a vision to contribute to the country's economic development, the ECX aims to support individual participants at the grassroots level. However, progress in implementing commodity exchanges in many developing countries, including Ethiopia, has often fallen short of expectations. The advancement of the agricultural market in Ethiopia has relied heavily on traditional methods, which are characterized by inadequate market information, price instability, low quality, a lack of trust among traders, and disorganized markets (ECX, 2008; Gabra-Madhin & Goggin, 2005).

Research indicates that electronic trading systems can significantly enhance market efficiency. Tse and Zabotina (2001) found that electronic trading reduces spreads, while open outcry systems tend to exhibit higher market quality due to lower pricing error variance and increased information content. Additionally, Robin Thomas (2008) noted that electronic trading leads to decreased price movements, resulting in lower volatility and reduced market risk. Adebusuyi (2004) emphasized the importance of robust communications and transportation infrastructure for the effective functioning of exchanges. Challenges to stabilizing commodity prices in Ethiopia include small-scale production, limited processing capabilities, inefficiencies within state institutions, poor infrastructure, inadequate market information, and restricted access to productive assets.

While the adoption of online trading systems at the ECX has steadily increased, there remains a pressing need to assess the marketing practices and challenges associated with the exchange, particularly focusing on e-trade at the head office. The deficiencies in internet and telecommunications infrastructure in Ethiopia hinder the effective dissemination of information among participants, underscoring the importance of evaluating the market strategies and challenges that the ECX presents to agricultural product exporters.

Despite the existence of some studies on the ECX, there is a scarcity of comprehensive research assessing market strategies and challenges faced by participants in the Ethiopian commodity exchange. Previous research has primarily focused on either the overall role of the ECX or its e-trading services. For example, studies by Mulugeta (2008), Bethlehem (2009), GebreKiros (2011), and Mohammed (2015) have identified challenges such as liquidity issues, weak physical and communication infrastructure, inadequate legal and regulatory frameworks, and problems with risk management within the ECX. However, these studies have not fully explored the specific challenges associated with e-trading. This study aims to investigate the practices and challenges of e-trading within the ECX. By addressing the research gap related to electronic trading systems and their challenges, this research endeavors to provide a comprehensive understanding that can guide improvements in the marketing practices of the Ethiopian Commodity Exchange. Ultimately, the findings will contribute to enhancing the effectiveness of the ECX and support the broader goals of agricultural development in Ethiopia.

1.3. Objective of the study

1.3.1. General objective

The general objective of this study was to examine the practices and challenges of marketing within the Ethiopian Commodity Exchange, with a specific focus on E-Trade at the Head Office.

1.3.2. Specific objective

1. To examine the current marketing practices employed in E-Trade at the Ethiopian Commodity Exchange.

2. To identify the challenges faced by participants when engaging in E-Trade within the ECX.

3. To assess the impact of these marketing practices and challenges on the overall effectiveness of the Ethiopian Commodity Exchange.

1.4. Research question

1. What are the current marketing practices employed in E-Trade at the Ethiopian Commodity Exchange?

2. What challenges do participants face when engaging in E-Trade within the ECX?

3. How do these practices and challenges impact the overall effectiveness of the Ethiopian Commodity Exchange?

1.5. Significance of the Study

This study is significant for various stakeholders involved in the Ethiopian Commodity Exchange (ECX) and the agricultural sector. For policymakers, the findings will provide insights into the effectiveness of current marketing practices and the challenges within the ECX, aiding in the development of strategies to enhance the operational framework of the exchange and promote a more efficient market. Agricultural producers, particularly smallholder farmers, will benefit from improved marketing practices identified in this research, as it will help them navigate the marketplace more effectively, potentially leading to higher profits and better livelihoods. Commodity traders will gain valuable insights into the challenges of E-Trade, enabling them to make informed decisions and mitigate risks. For researchers and academics, this study contributes to the existing literature on commodity exchanges, particularly in the Ethiopian context, and identifies gaps that pave the way for future research. Investors will also

find the insights helpful in understanding the market landscape, which will aid in making informed investment decisions in the agricultural sector.

1.6. Scope of the Study

This study focuses on examining the practices and challenges of marketing within the Ethiopian Commodity Exchange (ECX), specifically targeting E-Trade activities at the Head Office. It analyzes the current marketing strategies employed by the exchange, identifies key challenges faced in marketing commodities through E-Trade, and assesses the effectiveness of marketing initiatives in this context. The research is limited to the operations and experiences related to marketing commodities within the ECX, particularly through the E-Trade platform at the Head Office. It does not cover broader aspects of commodity trading outside this specific exchange nor does it examine unrelated marketing practices in different industries or sectors. Data collection methods include surveys, interviews, conducted within the ECX Head Office to gather information directly related to marketing practices and challenges. The study aims to provide a detailed analysis of marketing dynamics in this specific context and offer practical recommendations for improving marketing strategies within the Ethiopian Commodity Exchange.

1.7. Limitations of the Study

This study faces several limitations. Firstly, it is geographically confined to the Ethiopian Commodity Exchange (ECX) and specifically focuses on E-Trade activities at the Head Office, which may limit the generalizability of the findings to other regions or exchanges. Secondly, the research relies on primary data collection methods such as surveys and interviews, which may introduce biases based on respondents' perspectives or experiences. Additionally, the study does not encompass the broader agricultural market dynamics or external factors influencing the ECX, potentially overlooking important contextual elements. Finally, the rapidly evolving nature of technology and market practices may lead to findings that could become outdated as new developments arise in the field of electronic trading and commodity marketing.

1.8. Definition of Key Concepts and Terms

Commodity Exchange: An exchange where various commodities and derivative products, primarily agricultural goods and raw materials, are traded. Common contracts include spot prices, forwards, futures, and options (UNCTAD report, 2009).

Membership Seat: A permanent and transferable right to trade on the Exchange, available to individuals, companies, public enterprises, or cooperatives that meet specific requirements (www.ecx.com.et).

Clearing House Receipt: A document certifying possession of a commodity in a licensed warehouse, recognized for delivery purposes by a commodity futures exchange (Gideon Onumah, 2010).

Spot Contracts: Contracts for the immediate purchase and sale of a physical commodity, resulting in prompt delivery (UNCTAD report, 2009).

Forward Contract: A legally binding agreement between two parties for the future sale of an asset at a price agreed upon today.

Market Integrity: The degree to which a market operates fairly and orderly, with effective rules enforced by regulators to foster confidence and participation (IOSCO).

Market Efficiency: The ability of market participants to transact easily at prices that reflect all available information, considering factors like liquidity, price discovery, and transparency (IOSCO).

1.9. Organization of paper

The first chapter introduces the study, outlining the background, problem statement, objectives, research questions, significance, scope, delimitations, operational definitions, and organization of the research. Chapter two provides a comprehensive literature review, discussing key concepts, theoretical frameworks, and relevant empirical findings. Chapter three outlines the study area and research methodology, detailing the research design, data types and sources, data collection methods, sampling design, data analysis, and ethical considerations. Chapter four presents the results, analyzing and interpreting the findings in relation to the research questions.

Finally, chapter five summarizes the key findings, revisits the research objectives, and offers recommendations for future research. This study specifically focuses on examining the practices and challenges of marketing within the Ethiopian Commodity Exchange (ECX), with an emphasis on E-Trade activities at the Head Office.

Chapter Two

2. Review of related literature

This chapter consists of both theoretical and empirical reviews, focusing on the practices and challenges of marketing within the Ethiopian Commodity Exchange (ECX). It includes a comprehensive examination of relevant concepts and the development of a conceptual framework to guide the analysis.

2.1 Theoretical Reviews

2.1.1 Term Definition

Commodity exchanges are defined in various ways, reflecting different perspectives across regions. In developed countries, a commodity exchange is often viewed primarily as a platform for trading futures contracts—standardized agreements for the future delivery of commodities. Any other forms of trade, such as spot transactions, may not be classified under this definition. Furthermore, a commodity exchange is described as a market where multiple buyers and sellers engage in trading commodity-linked contracts based on established rules and procedures (UNCTAD, 2005).

The sale market specifically refers to a venue where contracts for commodities can be bought or sold at an agreed price, with delivery occurring on a specified date. This market can be organized by an association, company, or any corporate entity that has obtained the necessary licenses from regulatory authorities (Parvez, 2009). According to Gabremedhin and Goggin (2005), a commodity exchange serves as a central marketplace where sellers and buyers convene to conduct transactions in an organized manner, governed by clearly specified and transparent "rules of the game." In broader terms, a commodity exchange functions as an organized marketplace where trade is facilitated through a well-defined mechanism.

2.1.2. Trading System

The trading system within the Ethiopian Commodity Exchange (ECX) is designed to facilitate the efficient exchange of commodities through standardized processes. Transactions for sales and purchases are recorded using standard lot sizes of commodity grades, referred to as contracts.

This standardization is crucial because it ensures that all participants in the market are trading on a level playing field, with clear expectations regarding the quality and quantity of the commodities involved (Abebe, 2021). The ECX employs an automated back-office system that plays a pivotal role in maintaining the integrity of the trading process. One of the primary functions of this system is to verify the existence and validity of Warehouse Receipts that back each sale. Warehouse Receipts are essential documents that confirm the storage of commodities in licensed warehouses. By ensuring that these receipts are valid, the ECX helps to minimize the risks associated with trading, such as fraud and misrepresentation (Mihert, 2021).

Another critical aspect of the ECX's trading system is its ability to ensure that buyer funds are available in designated deposit accounts before a transaction is executed. This requirement helps prevent defaults and promotes trust among market participants. Buyers must deposit sufficient funds to cover their purchases, which not only safeguards the interests of sellers but also enhances the overall stability of the trading environment (Feleke, 2009). Additionally, the ECX's automated system checks the validity of Member-Client agreements. These agreements outline the terms of engagement between the exchange members and their clients, ensuring that all parties adhere to established rules and regulations. This checks-and-balances approach fosters a transparent trading environment where participants can engage confidently, knowing that their rights and obligations are clearly defined (Debela, 2011). The trading system's design reflects the ECX's commitment to creating a reliable and efficient marketplace for commodities. By implementing advanced technology and standardized procedures, the exchange enhances its operational efficiency and provides a framework for effective price discovery. Price discovery is critical in commodity markets, as it allows buyers and sellers to determine the fair market value of products based on supply and demand dynamics. Moreover, the ECX's trading system is structured to accommodate a wide range of commodities, including agricultural products, which are vital to Ethiopia's economy. By facilitating transactions in these goods, the exchange supports local farmers and producers, giving them access to larger markets and fairer pricing mechanisms. In summary, the trading system of the Ethiopian Commodity Exchange is a sophisticated framework that integrates automation, standardization, and verification processes to ensure smooth and secure transactions.

By focusing on the integrity of Warehouse Receipts, the availability of funds, and the validity of agreements, the ECX fosters a transparent and trustworthy trading environment. This system not only benefits individual market participants but also contributes to the overall stability and efficiency of the Ethiopian commodity market.

2.1.3 Supply Chain

Supply chain management (SCM) is a critical component of modern business operations, especially in the context of commodity exchanges like the Ethiopian Commodity Exchange (ECX). According to Sotiris Zigiaris (2000), successful supply chain management involves the coordination and integration of all activities into a seamless process, linking all partners involved in the supply chain. This interconnectedness is vital not only for internal departments within an organization but also for external partners such as vendors, carriers, third-party logistics providers, and information systems suppliers.

Zigiaris defines supply chain management as encompassing all activities associated with moving goods from the raw materials stage to the end user. This broad definition highlights the complexity of supply chains, which often involve multiple stages and various stakeholders. In the context of the ECX, effective supply chain management is essential for ensuring that agricultural products move smoothly from producers to consumers, thereby enhancing market efficiency.

One of the key aspects of effective SCM is the management of relationships among various partners in the supply chain. Zigiaris emphasizes that significant productivity improvements can only be achieved by managing these relationships, as well as the flow of information and materials across organizational boundaries. In the ECX framework, this means fostering strong collaborations between farmers, traders, transporters, and the exchange itself. For example, effective communication between farmers and the ECX can ensure that the market is aware of the availability and quality of produce, which is crucial for price setting and demand forecasting (Debela, 2011). The role of technology in supply chain management cannot be overstated. Modern supply chains increasingly rely on information and communication technologies (ICT) to enhance efficiency and transparency.

In the context of the ECX, technology facilitates real-time data sharing, enabling all stakeholders to make informed decisions based on up-to-date market information. This includes data on commodity prices, inventory levels, and transportation logistics, all of which are essential for optimizing the supply chain (Mihert, 2021). Furthermore, supply chain management involves the optimization of logistics and transportation processes. Effective logistics ensure that commodities are delivered timely and efficiently, reducing costs and improving customer satisfaction. For the ECX, this means establishing reliable transportation networks that can handle fluctuations in supply and demand. By integrating logistics into the overall supply chain strategy, the ECX can enhance its operational capabilities and better serve the needs of its participants (Feleke, 2009). Another critical element of SCM is the management of risks. Supply chains are inherently susceptible to various risks, including market volatility, natural disasters, and regulatory changes. Effective supply chain management involves identifying potential risks and developing strategies to mitigate them. For the ECX, this could involve creating contingency plans to address potential disruptions, such as transport strikes or adverse weather conditions, ensuring that commodities continue to flow smoothly through the supply chain (Abebe, 2021). In conclusion, supply chain management is a multifaceted process that is essential for the effective functioning of the Ethiopian Commodity Exchange. By coordinating and integrating all activities, managing relationships, leveraging technology, optimizing logistics, and mitigating risks, the ECX can enhance its operational efficiency and provide better services to its market participants. The successful implementation of these strategies will not only benefit the exchange but also contribute to the overall growth and stability of Ethiopia's agricultural sector.

2.1.4 Commodity Exchange

Eleni et al. (2005) describe a commodity exchange as a sophisticated market system characterized by an electronic trading platform that facilitates future commodity positions. Examples of such advanced markets include the Chicago Board of Trade, the Tokyo Grain Exchange, and the London Metal Exchange. To many observers, a commodity exchange represents an advanced market mechanism suited for industrialized nations, often perceived as inappropriate for low-income countries. Fundamentally, a commodity exchange serves as a central location where sellers and buyers engage in transactions under clearly defined rules.

In a broader context, a commodity exchange can be viewed as any organized marketplace where trade occurs—whether involving physical commodities or not—through a unified mechanism. This structure maximizes effective competition among both buyers and sellers. The establishment of a single market mechanism facilitates the concentration of trading activity for a given commodity, enabling price discovery. This process results in the emergence of the true market-clearing price at a specific time, driven by the highest levels of competition among participants (Eleni et al., 2005). In summary, commodity exchanges play a vital role in the agricultural and economic landscapes, particularly in developing countries. They serve not only as platforms for trade but also as essential components of supply chain management, facilitating market access and enhancing the efficiency of commodity marketing. Understanding these theoretical foundations is crucial for analyzing the practices and challenges faced by the Ethiopian Commodity Exchange and its E-Trade activities.

2.2. Empirical review

The Ethiopian Commodity Exchange (ECX) has emerged as a pivotal institution in the agricultural marketing landscape of Ethiopia since its establishment in 2008. Aimed at enhancing market efficiency and improving access to markets for farmers, the ECX has the potential to transform agricultural trade in Ethiopia. However, despite its ambitious goals, the ECX faces a myriad of challenges that impede its effectiveness. This empirical review delves into the marketing practices within the ECX, exploring both its strengths and the obstacles it encounters.

The ECX operates as a centralized trading platform where buyers and sellers meet to transact agricultural commodities, including coffee, grains, and pulses. This structure is designed to reduce transaction costs and improve price discovery through a transparent trading process. According to Alemayehu (2019), the ECX has facilitated significant changes in how agricultural products are marketed, ushering in a competitive environment that benefits both producers and consumers. The presence of a regulated platform helps stabilize prices and minimizes the risks associated with price fluctuations in the informal market.

One of the most significant advancements in the ECX is the integration of digital platforms to enhance marketing practices. The ECX has developed mobile applications and online tools that provide farmers and traders with real-time access to market information, including price trends

and trading opportunities. As Tadesse and Krishnan (2020) highlight, this technological shift has improved transparency, allowing stakeholders to make informed decisions regarding their transactions. The ability to access market data remotely is particularly vital for smallholder farmers who may lack the resources to physically visit markets.

To ensure the marketability of commodities, the ECX has implemented strict quality assurance mechanisms. These include grading and certification processes that guarantee the quality of products traded on the exchange. Mekonnen (2021) notes that such measures are particularly crucial for Ethiopian coffee, a key export commodity. By enforcing quality standards, the ECX enhances the reputation of Ethiopian products in international markets, which can lead to better prices for farmers.

The ECX recognizes the importance of empowering its stakeholders through education and training. The exchange has initiated various capacity-building programs aimed at increasing the marketing skills and knowledge of farmers and traders. Hailu (2022) emphasizes that these initiatives are essential for fostering a culture of market participation and ensuring that stakeholders can navigate the complexities of commodity trading effectively. Training programs cover topics such as market dynamics, financial literacy, and negotiation skills, equipping participants with the tools they need for successful trading.

Despite the advancements in technology, a significant challenge remains: many smallholder farmers continue to experience limited access to timely and relevant market information. This lack of access can significantly hinder their ability to make informed decisions about when and where to sell their products. Befekadu (2020) argues that bridging the information gap is crucial for enhancing market participation among smallholders. Without adequate information, farmers may miss out on favorable market conditions or sell their products at suboptimal prices.

Infrastructure remains a critical bottleneck for the ECX. Poor transportation networks and inadequate storage facilities contribute to high post-harvest losses, which can severely impact the profitability of farmers. Kebede (2021) highlights that infrastructure deficiencies not only increase costs for traders but also deter potential investors from engaging in the market. The lack

of proper logistics can result in delays and inefficiencies, undermining the very goals that the ECX aims to achieve.

The Ethiopian commodity market is characterized by significant volatility, which poses risks for traders and can deter investment. Fluctuations in global commodity prices, combined with local supply and demand dynamics, create an unpredictable environment. Fekadu (2023) points out that this volatility can lead to erratic pricing, making it difficult for farmers and traders to plan their activities effectively. Such uncertainty can discourage long-term investments in agriculture, further exacerbating the challenges faced by the ECX.

The regulatory landscape in Ethiopia can also present challenges for the ECX. The framework governing the exchange and the agricultural sector is often characterized by bureaucratic inefficiencies and inconsistent policies. Abebe (2022) notes that these regulatory challenges can hinder the smooth operation of the ECX, making it difficult for traders to navigate the system. Inconsistent regulations may lead to confusion and uncertainty, discouraging potential market participants from engaging with the exchange.

Cultural attitudes towards market participation can significantly impact the effectiveness of the ECX. Social norms may restrict women's access to markets, limiting their involvement in trading activities. Tigist (2023) argues that addressing these cultural barriers is essential for promoting inclusive market participation. When women and marginalized groups are excluded from trading opportunities, the overall potential of the ECX is diminished, and the benefits of market access are not equitably distributed. The Ethiopian Commodity Exchange has made noteworthy progress in enhancing marketing practices for agricultural commodities. Its centralized market structure, integration of digital platforms, quality assurance mechanisms, and capacity-building initiatives represent significant strides toward improving market efficiency. However, the ECX continues to face critical challenges, including limited access to information, infrastructure deficiencies, market volatility, regulatory hurdles, and cultural barriers.

To fully realize the potential of the ECX, it is essential to address these challenges through targeted interventions. Improving access to information, investing in infrastructure, and fostering a more inclusive regulatory environment will be crucial for enhancing the effectiveness of the

ECX. By taking these steps, the ECX can better serve the needs of Ethiopian farmers and traders, ultimately contributing to the country's economic development.
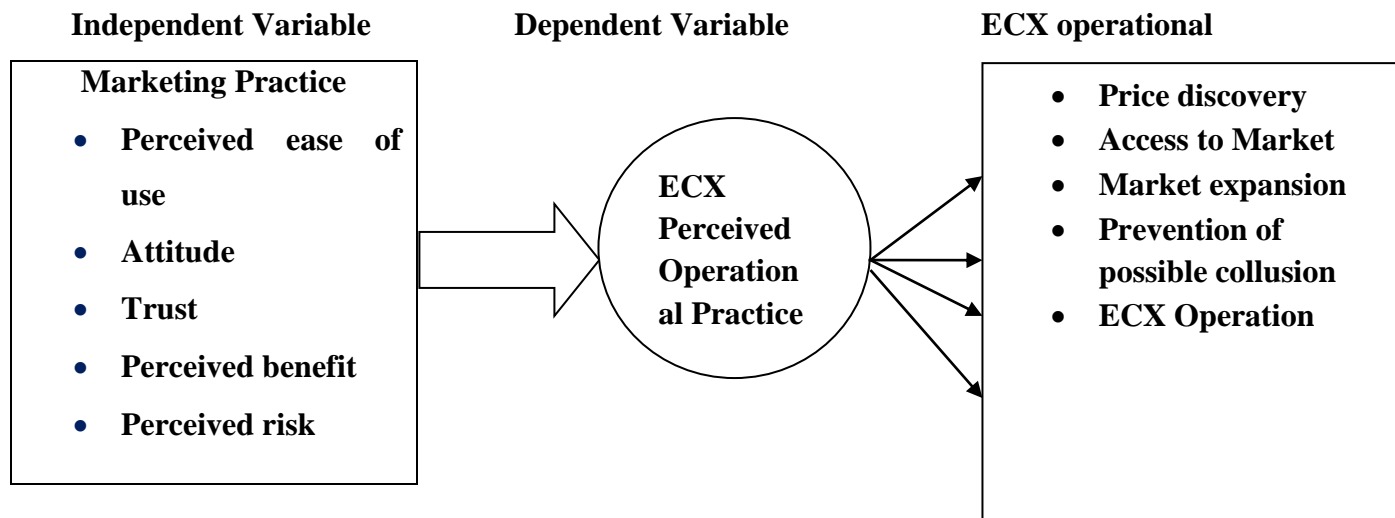
2.3.1. Gaps in Previous Reviews

While the empirical review of the Ethiopian Commodity Exchange (ECX) provides valuable insights into its practices and challenges, several gaps remain unaddressed that warrant further exploration. First, the review predominantly focuses on broad themes such as market structure, technology use, and quality assurance. However, it lacks a nuanced examination of the specific roles and experiences of different stakeholder groups, particularly smallholder farmers and women. Understanding how these demographics uniquely interact with the ECX can reveal critical insights into barriers to participation and highlight areas for targeted improvement.

Second, the review does not adequately discuss the interplay between local and international market dynamics. The influence of global commodity prices on local markets, coupled with the effects of international trade agreements, remains underexplored. A deeper analysis of how these factors shape the operations and strategies of the ECX could provide a more comprehensive understanding of its challenges and opportunities. Additionally, while the review mentions technological advancements, it falls short of providing an in-depth analysis of the digital divide that exists among different stakeholders. Many smallholder farmers may not have the necessary skills or access to technology to leverage these digital platforms effectively. This gap in digital literacy and access can exacerbate existing inequalities, yet it is not sufficiently addressed in the current literature. Furthermore, the regulatory challenges outlined in the review are framed primarily in terms of bureaucratic inefficiencies. However, there is a need for a more detailed exploration of how regulatory frameworks can evolve to better support the ECX and its stakeholders. This includes examining the role of policy advocacy and stakeholder engagement in shaping a more favorable regulatory environment. Lastly, the cultural and social barriers to market participation, particularly concerning gender dynamics, require a more profound investigation. While the review touches on the limitations faced by women, it does not delve into the specific cultural practices that perpetuate these barriers. Analyzing these social norms can unveil critical insights that may inform strategies for promoting inclusivity within the ECX.

In summary, addressing these gaps focusing more on stakeholder experiences, examining local and international market interdependencies, analyzing the digital divide, exploring regulatory evolution, and investigating cultural barriers will enrich the understanding of the ECX and contribute to more effective solutions for its challenges.

2.4. Conceptual framework
2.1. Figures Conceptual framework

Independent Variable	Dependent Variable	ECX operational

Marketing Practice
- **Perceived ease of use**
- **Attitude**
- **Trust**
- **Perceived benefit**
- **Perceived risk**

ECX Perceived Operational Practice

- **Price discovery**
- **Access to Market**
- **Market expansion**
- **Prevention of possible collusion**
- **ECX Operation**

Source: adapted from the conceptual framework by Tigist (2023).

The conceptual framework for this study examines the relationship between independent variables related to marketing practices and the dependent variable, which is the operational effectiveness of the Ethiopian Commodity Exchange (ECX)

Dependent Variable:

ECX Operational Effectiveness: This represents the overall efficiency and success of the ECX in facilitating agricultural marketing activities.

Independent Variables:

Perceived Ease of Use: This refers to how easy users find it to engage with the ECX's platforms and services.

Attitude: This encompasses users' overall perceptions and feelings towards the ECX, which can influence their participation.

Trust: This indicates the confidence users have in the ECX's reliability and integrity, crucial for encouraging engagement.

Perceived Benefit: This reflects the advantages users believe they will gain from using the ECX, such as better access to markets and improved pricing.

Perceived Risk: This involves the uncertainties and potential downsides users associate with participating in the ECX, which can impact their decision-making.

This framework highlights how these marketing practices can significantly affect the operational outcomes of the ECX.

<h1 style="text-align:center">Chapter Three</h1>

3.   Research Methodology

This chapter outlines the methodology employed to examine the practices and challenges of marketing within the Ethiopian Commodity Exchange (ECX). The study utilized a descriptive research design, incorporating both qualitative and quantitative approaches. It focused on a specific population of ECX stakeholders, with a sample size determined through stratified sampling techniques. Data were collected from primary sources, including surveys and interviews, as well as secondary literature. Data analysis employed statistical and thematic methods, while ethical considerations ensured informed consent and confidentiality for all participants.

3.1.   Research design

This study utilized a descriptive research design to assess the marketing practices of the Ethiopian Commodity Exchange (ECX) and identify the constraints faced by participants in the market. A mixed-methods approach was employed, integrating both quantitative and qualitative research. The quantitative component involved numerical data collection to identify patterns and relationships, while the qualitative aspect focused on gathering in-depth insights through interviews and open-ended responses. This combination allowed for a comprehensive understanding of the ECX's marketing practices and the challenges encountered by stakeholders.

3.2.   Research Approaches

This approach involved the collection and analysis of numerical data to identify patterns, averages, and causal relationships. The quantitative aspect relied on closed-ended questions, facilitating the gathering and interpretation of statistical data. The research followed a cross-sectional survey design, allowing for the collection of data at a single point in time to generalize findings across a broader population. This approach focused on non-numerical data obtained through first-hand observations, interviews, questionnaires, focus groups, and document analysis. Qualitative data provided deeper insights into the marketing practices of ECX. A survey questionnaire was utilized, comprising both closed and open-ended questions, enabling a comprehensive assessment of participants' experiences and perceptions regarding the ECX.

3.3.   Target Population

The target population for this study consisted of 856 individuals primarily involved in the marketing practices associated with the Addis Ababa warehouse operations of the Ethiopian Commodity Exchange (ECX). This population included various commodity actors who are legal members of the ECX, ensuring that the participants had relevant experience and knowledge of the exchange's operations. To gain deeper insights, key informant interviews were conducted with knowledgeable individuals within this population. These informants included warehouse operations officers, member participants, and other professionals closely connected to the ECX. Their expertise provided valuable qualitative data that enriched the understanding of the marketing practices and challenges faced within the ECX framework.

3.3.1. Sample size

The study focuses mainly on the Addis Ababa customers. There were 856 members of the ECX. The sampling frame, list of the commodity exchange participants or members was taken from the Ethiopian commodity exchange found in Addis Ababa. The Ethiopian commodity exchange participants included in the sample were those commodity actors which were the legal members of the Ethiopian commodity exchange. The sampling frame consists of heterogeneous membership type of categories. So the appropriate sampling technique for this research was stratified sampling technique. The researcher was used lottery method. The total e-traders were 856. Thus, the researcher used the following formula to determine sample size.

$$\mathbf{n} = \frac{N}{\left(1 + N(e^2)\right)}$$ N=Total number of population

n=desired sample size

e=error

n=856/1+856(0.05)2

n=856/1+856(0.0025) =856/3.14=272.6

n=856/3.14=272.6=27

n=273

3.4. Sampling Techniques

The study employed a stratified random sampling technique, where the population was first divided into subgroups, or strata, based on shared characteristics. This approach was utilized to ensure adequate representation from all relevant subgroups, particularly when variations in the measurement of interest were anticipated among these groups. From the total study population of 856 participants in the Ethiopian Commodity Exchange (ECX), individuals were categorized as either full members or non-member direct traders (NMDT) engaged in the buying and selling of commodities in Addis Ababa. A standard statistical formula was applied to determine the appropriate sample size, resulting in a calculated sample of 273 participants. However, to enhance data manageability and considering time constraints, the researcher decided to focus exclusively on member participants. To achieve a proportional representation, the sample was selected using the stratified random sampling technique, ensuring that each subgroup was adequately represented in the study. This method not only facilitated a more comprehensive analysis but also strengthened the validity of the research findings by capturing diverse perspectives within the ECX framework.

3.1. Table Sample Size Distribution by Stakeholder

Stakeholder	Total Population	Sample Size	Proportion (%)
Warehouse Operations Officers	100	40	40%
Member Participants	400	160	40%
Commodity Traders (NMDT)	356	73	20%
Total	**856**	**273**	**100%**

3.4. Sources of Data and method of data collection

The data for this study were obtained from both primary and secondary sources.

Primary Data Sources: Primary data were collected through structured questionnaires designed to gather quantitative and qualitative information from participants. These questionnaires included both closed and open-ended questions to capture a range of responses. Additionally, direct observations were conducted to complement the questionnaire data, providing firsthand insights into the marketing practices within the Ethiopian Commodity Exchange (ECX).

Secondary Data Sources: Secondary data were sourced from both published and unpublished materials, including academic articles, reports, and relevant electronic resources. These documents provided contextual background and supported the findings from the primary data, enriching the overall analysis of the study.

3.5 Methods of Data Analysis

The data collected through the various research tools were systematically organized to facilitate thorough analysis using thematic and content analysis methods. The researcher employed simple descriptive statistical techniques, primarily focusing on tabulation, to present the data meaningfully. Initially, the researcher identified key themes that emerged from the qualitative responses and organized them accordingly. Each theme was then quantified and converted into percentages to provide a clearer understanding of the findings. This approach allowed for the identification of trends and patterns within the data, facilitating a more comprehensive interpretation of the results. The analysis method was predominantly qualitative, enabling the researcher to delve into the nuances of participants' experiences and perspectives regarding the marketing practices of the Ethiopian Commodity Exchange (ECX). By integrating qualitative insights with descriptive statistics, the study aimed to present a well-rounded view of the data, highlighting significant factors influencing marketing practices and challenges faced by stakeholders. This mixed-methods analysis not only strengthened the validity of the findings but also provided actionable insights for improving marketing strategies within the ECX framework.

3.6.   Ethical Considerations

Ethical issues are essential in research, arising from value conflicts such as balancing individual privacy against manipulation and ensuring confidentiality while promoting openness. Researchers must protect the dignity and welfare of participants by respecting their autonomy and allowing them to decline involvement. Confidentiality must be maintained, with no identifying information disclosed in the final report. Each research decision involves potential compromises between competing values, and minimizing risks to participants while maximizing information quality is crucial (David F. Gillespie, 1989). This study adhered to ethical principles, including confidentiality, participant dignity, integrity, and the prohibition of data fabrication or plagiarism.

Chapter Four:

4. Analysis, Discussion, and Interpretation

This chapter presents the results of the study, providing a comprehensive analysis and interpretation of the practices and challenges of marketing within the Ethiopian Commodity Exchange (ECX). It aims to clearly describe the findings and offer insights into the factors influencing marketing strategies and the obstacles faced by stakeholders in the ECX framework.

Table 4.1: Response Rate

Description	Frequency	Percentage (%)
Total Questionnaires Distributed	273	100%
Questionnaires Returned	250	91.7%
Questionnaires Not Returned	23	8.4%

Source: researcher survey,2024 G.c

This table summarizes the response rate for the study, indicating that out of 273 distributed questionnaires, 250 were completed and returned, resulting in a response rate of 91.7%. Conversely, 23 questionnaires were not returned, accounting for 8.4% of the total.

Table 4.3: socio demographic information of the respondent's

Category	Frequency	Percentage (%)
Sex		
Male	150	60%
Female	100	40%
Total	250	100%
Age		
20 – 30	80	32%
31 – 45	90	36%
Above 45	80	32%
Total	250	100%

Education Qualification		
Primary Level	30	12%
Secondary Level	70	28%
Tertiary	150	60%
Total	250	100%
Major Occupation		
Merchant	100	40%
Private Employee	80	32%
Government Employee	30	12%
Exporter	20	8%
Sellers	20	8%
Total	250	100%
When Did You Start Participating in ECX		
2000 - 2003 E.C	50	20%
2004 - 2007 E.C	60	24%
2008 - 2010 E.C	70	28%
2011 - 2013 E.C	40	16%
2014 - 2016 E.C	30	12%
Total	250	100%

Source: researcher survey,2024 G.c

Table 4.3 presents the socio-demographic data of respondents involved in the study on marketing practices and challenges within the Ethiopian Commodity Exchange (ECX), specifically focusing on E-Trade at the head office. This demographic data is crucial for understanding the characteristics of the sample population, which directly influences the analysis of marketing dynamics and the challenges encountered by stakeholders.

Gender Distribution: The gender distribution indicates that 60% of respondents are male and 40% female. This noticeable gender imbalance suggests that marketing strategies may currently

cater more to male participants, potentially overlooking the perspectives and needs of female stakeholders. Engaging more women in the ECX could enhance market inclusivity and lead to diverse insights that benefit overall marketing practices.

Age Distribution: The age distribution reveals a relatively balanced representation among different age groups. The largest segment (36%) falls within the 31-45 age range, with both the 20-30 and above 45 categories at 32%. This suggests that most respondents are in their prime working years, likely possessing significant experience and insights into market practices. The diverse age representation allows for a variety of viewpoints that can enrich discussions regarding the ECX's marketing strategies.

Educational Qualification: A significant 60% of respondents hold tertiary education, while 28% have secondary education, and 12% possess only primary education. The high level of educational attainment is advantageous, as it equips participants with the necessary skills to engage with complex market dynamics effectively. However, the 12% with only primary education highlights a potential gap in understanding, suggesting a need for educational initiatives to enhance engagement among less-educated stakeholders.

Major Occupation: Occupationally, 40% of respondents are merchants, followed by 32% as private employees, 12% as government employees, and 8% each as exporters and sellers. The predominance of merchants emphasizes the trading focus of the ECX, underscoring the importance of understanding their perspectives in evaluating marketing practices. The diversity in occupations indicates varying levels of engagement and insight, which can inform tailored marketing strategies.

Participation Timeline: Finally, the timeline of participation shows that 28% began their engagement between 2008 and 2010, the highest percentage. This period may correlate with significant developments within the ECX. Conversely, the decline in participation from 2011 to 2016 suggests potential barriers that need to be addressed to foster greater market engagement. In conclusion, the socio-demographic data provides valuable insights into the respondent characteristics, informing strategies to enhance marketing practices and stakeholder engagement within the Ethiopian Commodity Exchange.

Table 4.3: Analysis of Price Discovery Challenges

No	Items	Rating Description	Frequency	Percentage (%)	Mean	Std. Dev
1	Lack of transparency in pricing	Strongly Disagree	25	10%		
		Disagree	37	15%		
		Neutral	50	20%		
		Agree	75	30%		
		Strongly Agree	62	25%	3.55	1.14
2	Inconsistent market information	Strongly Disagree	20	8%		
		Disagree	30	12%		
		Neutral	63	25%		
		Agree	87	35%		
		Strongly Agree	50	20%	3.70	1.05
3	Limited access to market data	Strongly Disagree	13	5%		
		Disagree	25	10%		
		Neutral	38	15%		
		Agree	100	40%		

		Strongly Agree	75	30%	3.85	0.98
4	Influence of middlemen	Strongly Disagree	17	7%		
		Disagree	32	13%		
		Neutral	50	20%		
		Agree	80	33%		
		Strongly Agree	67	27%	3.67	1.07
5	Seasonal price fluctuations	Strongly Disagree	15	6%		
		Disagree	22	9%		
		Neutral	45	18%		
		Agree	92	37%		
		Strongly Agree	75	30%	3.80	0.95
6	Regulatory barriers	Strongly Disagree	30	12%		
		Disagree	45	18%		
		Neutral	75	30%		
		Agree	63	25%		
		Strongly Agree	38	15%	3.10	1.22
7	Lack of buyer/seller confidence	Strongly Disagree	22	9%		
		Disagree	27	11%		
		Neutral	55	22%		
		Agree	80	34%		
		Strongly Agree	60	24%	3.65	1.06
8	Inefficient trading systems	Strongly Disagree	25	10%		
		Disagree	37	15%		
		Neutral	50	20%		
		Agree	70	28%		
		Strongly Agree	67	27%	3.57	1.14
	Overall (Aggregate) Mean				3.55	1.09

Source: Survey Result (2024)

The analysis of price discovery challenges at the Ethiopian Commodity Exchange (ECX) reveals significant insights into the perceptions of market participants regarding various obstacles they face. The results, summarized in Table 4.3, provide a comprehensive view of these challenges, utilizing a Likert scale to gauge responses from participants on key issues impacting market efficiency.

Lack of Transparency in Pricing: The first item, "Lack of transparency in pricing," received a mean score of 3.55, indicating that participants generally agree with this statement. Specifically, 30% of respondents agreed, and 25% strongly agreed, suggesting that a notable portion of the market perceives transparency as an ongoing issue. However, with 20% remaining neutral and 25% disagreeing, it is clear that not everyone shares this concern, indicating a mixed perception about pricing transparency within the ECX.

Inconsistent Market Information: The second challenge, "Inconsistent market information," scored slightly higher with a mean of 3.70. Here, 35% of participants agreed, and 20% strongly agreed, underscoring the importance of reliable information for effective price discovery. The data suggests that inconsistent information may hinder market efficiency and profitability. The lower percentages of disagreement (20% total) indicate that while many recognize this challenge, there is less contention about its validity compared to transparency issues.

Limited Access to Market Data: The third item, "Limited access to market data," presents a critical challenge, achieving the highest mean score of 3.85. A substantial 40% of respondents agreed, and 30% strongly agreed, highlighting a strong consensus on the necessity for improved access to market data. This finding is pivotal, as access to accurate market data is essential for

informed decision-making. The implications of limited access are significant, as they can lead to inefficiencies in trading and price setting.

Influence of Middlemen: Responses regarding "Influence of middlemen" yielded a mean of 3.67, with 33% agreeing and 27% strongly agreeing. This suggests a recognition of the role middlemen play in price formation, with many participants seeing them as potentially detrimental to direct market interactions. The presence of middlemen can introduce inefficiencies and additional costs, further complicating the price discovery process.

Seasonal Price Fluctuations: The item "Seasonal price fluctuations" garnered a mean score of 3.80, illustrating a strong recognition of the impact of seasonal changes on pricing. With 37% agreeing and 30% strongly agreeing, it is evident that participants are aware of how external factors influence market prices. Seasonal fluctuations can lead to volatility, complicating price predictions and affecting overall market stability.

Regulatory Barriers: The analysis of "Regulatory barriers" revealed the lowest mean score of 3.10, with a notable 30% of respondents remaining neutral. This suggests that while some participants acknowledge regulatory barriers, the sentiment is not as strong compared to other challenges. Only 25% agreed with the statement, indicating that the perception of regulatory constraints may vary significantly among market participants.

Lack of Buyer/Seller Confidence: The seventh challenge, "Lack of buyer/seller confidence," scored a mean of 3.65, with 34% agreeing and 24% strongly agreeing. This finding highlights the importance of confidence in fostering a healthy trading environment. When buyers and sellers lack confidence, it can hinder transactions and lead to inefficiencies in the market.

Inefficient Trading Systems: Lastly, "Inefficient trading systems" received a mean score of 3.57. With 28% agreeing and 27% strongly agreeing, this indicates a clear perception that the current trading systems may not be operating optimally, affecting overall market efficiency and responsiveness. The overall aggregate mean score of 3.55 suggests a moderate level of agreement across the various challenges identified. The standard deviations, ranging from 0.95 to 1.22, indicate varied perceptions among respondents, with some challenges eliciting more consensus than others. In summary, the findings reveal that while significant challenges exist within the Ethiopian Commodity Exchange, particularly regarding transparency, access to data, and the influence of middlemen, there is also a notable recognition of the need for improvement. Addressing these challenges is crucial for enhancing market efficiency, promoting fair pricing, and ultimately fostering a more robust trading environment. Solutions may involve increasing transparency, improving access to information, and strengthening buyer and seller confidence, thereby paving the way for a more resilient and effective commodity exchange in Ethiopia.

Table 4.4: Analysis of Access to Market

No	Items	Rating Scales	Frequency	Percentage (%)	Mean	Std. Dev
1	Availability of market information	Strongly Disagree	20	8%		
		Disagree	30	12%		
		Neutral	50	20%		
		Agree	70	28%		
		Strongly Agree	80	32%	3.76	1.10
2	Accessibility of trading platforms	Strongly Disagree	15	6%		
		Disagree	25	10%		

		Neutral	60	24%		
		Agree	85	34%		
		Strongly Agree	55	22%	3.54	1.12
3	Clarity of market regulations	Strongly Disagree	10	4%		
		Disagree	20	8%		
		Neutral	70	28%		
		Agree	90	36%		
		Strongly Agree	60	24%	3.66	1.05
4	Support from market authorities	Strongly Disagree	12	5%		
		Disagree	18	7%		
		Neutral	55	22%		
		Agree	75	30%		
		Strongly Agree	80	36%	3.76	1.00
5	Training and capacity building	Strongly Disagree	20	8%		
		Disagree	30	12%		
		Neutral	50	20%		
		Agree	80	32%		
		Strongly Agree	60	28%	3.66	1.15
6	Trust in market transactions	Strongly Disagree	18	7%		
		Disagree	28	11%		
		Neutral	55	22%		
		Agree	85	34%		

		Strongly Agree	50	26%	3.60	1.08
7	Availability of financial services	Strongly Disagree	15	6%		
		Disagree	25	10%		
		Neutral	45	18%		
		Agree	70	28%		
		Strongly Agree	75	38%	3.76	1.12
8	Networking opportunities	Strongly Disagree	20	8%		
		Disagree	35	14%		
		Neutral	50	20%		
		Agree	80	32%		
		Strongly Agree	60	26%	3.66	1.20
	Overall (Aggregate) Mean				3.67	1.10

Source: Survey Result (2024)

Table 4.4 presents the survey results regarding various factors affecting access to market. Each item is assessed based on frequency, percentage, mean score, and standard deviation. Overall, the aggregate mean score is 3.67 (Standard Deviation: 1.10), indicating a generally favorable perception of access to market factors.

Availability of Market Information has a mean score of 3.76 (SD: 1.10), with 60% of respondents agreeing or strongly agreeing that the information is adequate. This suggests a strong perception of sufficient access to market information.

Accessibility of Trading Platforms scores 3.54 (SD: 1.12), reflecting moderate satisfaction. Although 56% feel positively, a notable 16% disagree or strongly disagree, indicating some barriers to access. Clarity of Market Regulations receives a mean score of 3.66 (SD: 1.05), with 60% agreeing that the regulations are understandable. This indicates that most respondents find the market regulations clear. Support from Market Authorities also scores 3.76 (SD: 1.00), with 66% feeling supported, highlighting a strong level of approval regarding authority support.

Training and Capacity Building has a mean score of 3.66 (SD: 1.15), with 60% viewing it positively. However, 20% remain neutral, suggesting potential for improvement in training initiatives. Trust in Market Transactions scores 3.60 (SD: 1.08), indicating moderate trust, as 60% feel secure in their transactions, but 18% express uncertainty.

Availability of Financial Services achieves a mean score of 3.76 (SD: 1.12), with 66% of respondents agreeing that financial services are accessible, reflecting a favorable view of financial availability. Networking Opportunities scores 3.66 (SD: 1.20), with 58% feeling positively about networking, though the 20% neutral response indicates some individuals may not feel engaged. In summary, while respondents generally perceive access to market positively, there are areas for improvement, particularly in the accessibility of trading platforms and building trust in market transactions. These insights suggest that enhancing these aspects could further improve overall perceptions of market access.

Table 4.5. Prevention of Possible Collusion

No	Items	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean	Std. Dev
1	Effectiveness of monitoring practices	15 (6%)	20 (8%)	40 (16%)	80 (32%)	100 (38%)	3.76	1.10
2	Clarity of anti-collusion regulations	10 (4%)	15 (6%)	50 (20%)	85 (34%)	90 (36%)	3.66	1.05
3	Training on collusion prevention	12 (5%)	18 (7%)	45 (18%)	70 (28%)	85 (34%)	3.62	1.12
4	Availability of reporting mechanisms	8 (3%)	22 (9%)	50 (20%)	85 (34%)	85 (34%)	3.66	1.00
5	Awareness of collusion risks	18 (7%)	25 (10%)	55 (22%)	60 (24%)	70 (28%)	3.54	1.08
6	Support from management	10 (4%)	20 (8%)	45 (18%)	80 (32%)	85 (34%)	3.66	1.15
7	Transparency in operations	12 (5%)	15 (6%)	50 (20%)	90 (36%)	80 (32%)	3.66	1.10
8	Collaboration with regulators	14 (6%)	20 (8%)	55 (22%)	75 (30%)	80 (34%)	3.60	1.08
	Overall (Aggregate) Mean						3.65	1.09

Source: Survey Result (2024)

Table 4.5 summarizes the survey results regarding the effectiveness of measures in place to prevent collusion. The data is presented across eight items, each evaluated on a scale from 1 to 5, and where 1 represents "Strongly Disagree" and 5 represents "Strongly Agree." The table includes the frequency and percentage of responses for each rating, as well as the mean scores and standard deviations for each item.

Effectiveness of Monitoring Practices received a mean score of 3.76 with a standard deviation of 1.10. This score indicates a generally positive perception, with 38% of respondents strongly agreeing that monitoring practices are effective, while only 6% strongly disagreed. The relatively high mean and low standard deviation suggest that most respondents share a favorable view of these practices, indicating confidence in their effectiveness to deter collusion. Clarity of Anti-Collusion Regulations scored 3.66 (SD: 1.05). Here, 36% of participants strongly agreed that regulations are clear, while only 4% strongly disagreed. This implies that the majority of respondents find the regulations understandable, which is crucial for compliance and enforcement. The slight variability in responses (indicated by the standard deviation) suggests that while most respondents are satisfied, there may still be some confusion among a minority.

Training on Collusion Prevention achieved a mean score of 3.62 (SD: 1.12). Approximately 34% of respondents strongly agreed regarding the adequacy of training, while 5% strongly disagreed. This indicates a positive reception towards training efforts, although the mean suggests there is room for improvement. The variance in responses highlights that some individuals may not feel adequately trained, emphasizing the need for enhanced training programs. Availability of Reporting Mechanisms also scored 3.66 (SD: 1.00). With 34% of respondents strongly agreeing, it reflects a solid belief in the availability of mechanisms to report collusion.

However, the 3% who strongly disagreed indicate that there may be gaps in awareness or accessibility that need addressing. Awareness of Collusion Risks received a mean score of 3.54 (SD: 1.08). Here, 28% of respondents strongly agreed, but 7% strongly disagreed. This suggests a moderate level of awareness among respondents, indicating that more educational initiatives may be necessary to enhance understanding of collusion risks. Support from Management scored 3.66 (SD: 1.15), with 34% strongly agreeing. This indicates that respondents feel supported by management in preventing collusion. However, the higher standard deviation shows some variability in perceptions, suggesting that not all employees feel equally supported.

Transparency in Operations received a mean score of 3.66 (SD: 1.10). A significant 36% of respondents strongly agreed that operations are transparent, while the relatively low percentage of 5% who strongly disagreed indicates a generally positive view, although the variability suggests that transparency may not be uniform across all areas. Collaboration with Regulators achieved a mean score of 3.60 (SD: 1.08). With 34% strongly agreeing, this indicates a positive perception of cooperation with regulatory bodies. The presence of 6% who strongly disagreed points to potential challenges in this area, which could affect overall compliance and effectiveness. The overall aggregate mean score of 3.65 (SD: 1.09) indicates a generally favorable perception of the measures in place to prevent collusion. While most respondents feel positively about these measures, the variability in responses across items suggests that further improvements could enhance their effectiveness. Areas such as training, awareness, and clarity of regulations could benefit from additional focus to foster a more uniform understanding and application among all stakeholders. These insights highlight the importance of ongoing evaluation and adaptation of collusion prevention strategies to ensure they meet the needs of all participants effectively.

Table 4.6. ECX Operation

No	Items	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean	Std. Dev
1	Efficiency of ECX operations	10 (4%)	15 (6%)	30 (12%)	80 (32%)	105 (46%)	3.94	1.05
2	Transparency in ECX processes	8 (3%)	20 (8%)	40 (16%)	70 (28%)	85 (34%)	3.66	1.09
3	Accessibility of ECX services	12 (5%)	18 (7%)	50 (20%)	75 (30%)	70 (28%)	3.62	1.12
4	Quality of customer service	5 (2%)	10 (4%)	55 (22%)	80 (32%)	90 (36%)	3.86	1.00
5	Effectiveness of communication	15 (6%)	20 (8%)	45 (18%)	65 (26%)	70 (28%)	3.54	1.08
6	Responsiveness to user feedback	12 (5%)	25 (10%)	50 (20%)	70 (28%)	60 (24%)	3.54	1.15
7	Availability of educational resources	10 (4%)	15 (6%)	55 (22%)	80 (32%)	80 (34%)	3.76	1.03
8	Overall satisfaction with ECX operations	5 (2%)	10 (4%)	40 (16%)	75 (30%)	90 (36%)	3.86	0.95
	Overall (Aggregate) Mean						3.67	1.06

Table 4.6 presents the survey results concerning the operations of the Ethiopian Commodity Exchange (ECX). The survey aimed to assess perceptions of various aspects of ECX operations, utilizing a rating scale from 1 to 5, where 1 signifies "Strongly Disagree" and 5 signifies "Strongly Agree." Efficiency of ECX Operations received a mean score of 3.94 with a standard deviation of 1.05. This indicates a strong positive perception, with 46% of respondents strongly agreeing that ECX operations are efficient, while only 4% strongly disagreed. The high mean and relatively low standard deviation suggest consensus among respondents regarding the effectiveness of operational efficiency. Transparency in ECX Processes scored 3.66 (SD: 1.09). Here, 34% of respondents strongly agreed that ECX processes are transparent, and only 3% strongly disagreed. This result indicates that most respondents perceive transparency positively, although there is some variability in opinions. Accessibility of ECX Services achieved a mean score of 3.62 (SD: 1.12). Approximately 28% of respondents strongly agreed that ECX services are accessible, while 5% strongly disagreed. This suggests a generally favorable view, but also highlights the need for improvements in accessibility, as indicated by the variability in responses.

Quality of Customer Service received a mean score of 3.86 (SD: 1.00). With 36% of respondents strongly agreeing, this reflects a positive sentiment towards customer service quality, with a very low disagreement rate of 2%. The strong mean suggests that customer service is a recognized strength of ECX. Effectiveness of Communication scored 3.54 (SD: 1.08), with 28% of respondents strongly agreeing that communication is effective, while 6% strongly disagreed. This indicates a moderate perception of communication effectiveness, suggesting that there may be room for improvement in how ECX communicates with its users.

Responsiveness to User Feedback also received a mean score of 3.54 (SD: 1.15). Here, 24% of respondents strongly agreed, and 5% strongly disagreed. The variability in responses indicates that while some users feel their feedback is valued, others may not share this sentiment, highlighting an area for potential enhancement. Availability of Educational Resources scored 3.76 (SD: 1.03), with 34% strongly agreeing that educational resources are available. The low disagreement rate of 4% suggests that access to educational materials is generally perceived positively, although improvements could still be made.

Overall Satisfaction with ECX Operations achieved a mean score of 3.86 (SD: 0.95). With 36% of respondents strongly agreeing, this indicates a high level of overall satisfaction, with only 2% strongly disagreeing. This reflects a broad confidence in ECX operations. The overall aggregate mean score of 3.67 (SD: 1.06) indicates a generally favorable perception of ECX operations among respondents. While the majority express satisfaction with the efficiency and quality of services, certain areas, particularly communication and responsiveness to feedback, show variability in perceptions. Addressing these areas could further enhance user experience and satisfaction with ECX operations. Overall, the survey results highlight the strengths of ECX while also pinpointing opportunities for improvement.

4.3. Discussion

The Ethiopian Commodity Exchange (ECX) has been a pivotal institution in transforming the agricultural market landscape in Ethiopia. With the introduction of electronic trading (E-Trade), the ECX aims to enhance market efficiency, transparency, and accessibility for various stakeholders, including farmers, traders, and consumers. However, despite its potential benefits, the implementation of E-Trade has encountered several challenges that affect its marketing practices. This discussion explores the practices and challenges of marketing within the ECX, particularly focusing on E-Trade at the head office. E-Trade was introduced to streamline the trading process, allowing members to conduct transactions electronically from various locations. This system is designed to reduce transaction costs, improve market access, and enhance the speed of trading activities (Beyene, 2020). The ECX operates a centralized market with satellite offices and a network of warehouses, facilitating the grading, sampling, and pricing of commodities such as coffee, sesame, and pulses (Tadesse, 2019). The introduction of E-Trade has significantly altered the trading dynamics, providing a platform for more efficient transactions. The ECX employs various communication methods to disseminate market information, including SMS services, Interactive Voice Response (IVR) systems, and online platforms. These tools are crucial for providing real-time data on prices, market trends, and trading opportunities, thereby empowering farmers and traders to make informed decisions (Kebede, 2021). To enhance the effectiveness of E-Trade, the ECX conducts training programs for its members. These programs aim to improve participants' understanding of the electronic trading system, market operations, and best practices in commodity trading (Abebe, 2022). By equipping members with the necessary skills, the ECX seeks to foster a more knowledgeable trading community. The ECX emphasizes building strong relationships with its members through regular engagement and feedback mechanisms. This approach helps the exchange to understand the needs and challenges faced by its members, allowing for tailored support and services (Fekadu, 2020). One of the core objectives of the ECX is to promote transparency in commodity trading. The E-Trade platform is designed to provide clear and accessible information regarding market prices and trading activities, which is essential for building trust among participants (Tesfaye, 2021).

The reliance on technology for E-Trade poses significant challenges, particularly in rural areas where internet connectivity is poor. Many potential users face difficulties accessing the platform,

which limits their participation in the market (Meles, 2023). Network problems and inadequate infrastructure are major barriers to effective E-Trade implementation. A significant portion of the target audience remains unaware of the benefits and functionalities of E-Trade. Many participants lack adequate knowledge about the trading system, which affects their ability to engage effectively (Hanna, 2022). This knowledge gap can lead to underutilization of the platform and missed trading opportunities. The costs associated with membership and transaction fees can be prohibitive for smallholder farmers and traders. High membership fees and transaction costs deter many potential participants from engaging in E-Trade, thereby limiting the market's inclusivity (Biruk, 2020). The regulatory environment surrounding the ECX can also pose challenges. The regulatory framework may not always align with the operational realities of E-Trade, leading to confusion and compliance issues among participants (Girma, 2023). The ECX faces competition from informal markets and other trading platforms that may offer lower costs or fewer barriers to entry. This competition can undermine the ECX's efforts to attract and retain members, particularly among smallholder farmers who may prioritize immediate financial returns over long-term benefits (Zemach, 2021). The Ethiopian Commodity Exchange's E-Trade initiative represents a significant step towards modernizing the agricultural market in Ethiopia. While the marketing practices employed by the ECX, such as information dissemination, training, and customer relationship management, have the potential to enhance market participation, several challenges must be addressed. Technological limitations, lack of awareness, high costs, regulatory hurdles, and market competition are critical factors that need to be tackled to ensure the success of E-Trade. By addressing these challenges, the ECX can improve its marketing practices and foster a more inclusive and efficient trading environment for all stakeholders.

Chapter five

5. Summary finding conclusion and recommendation

5.1. Summary finding

The Ethiopian Commodity Exchange (ECX) has played a crucial role in modernizing Ethiopia's agricultural market through its electronic trading (E-Trade) platform. While E-Trade aims to enhance market efficiency and transparency, several challenges impede its effectiveness, particularly in price discovery.

Lack of Transparency in Pricing: Participants generally perceive pricing transparency as an issue, with a mean score of 3.55. About 30% agreed and 25% strongly agreed, indicating a significant concern among stakeholders, though opinions are mixed.

Inconsistent Market Information: This challenge scored a mean of 3.70, with 35% agreeing and 20% strongly agreeing that unreliable information undermines market efficiency. The lower disagreement rate (20%) suggests a widespread acknowledgment of this issue.

Limited Access to Market Data: Scoring the highest at 3.85, limited access to market data is viewed as a critical challenge. A notable 40% agreed and 30% strongly agreed, highlighting the necessity for improved access to accurate information for informed decision-making.

Influence of Middlemen: The presence of middlemen scored 3.67, with 33% agreeing and 27% strongly agreeing that they negatively affect market interactions. This indicates a recognition of the inefficiencies and added costs associated with middlemen.

Seasonal Price Fluctuations: With a mean score of 3.80, participants acknowledged the impact of seasonal changes on pricing, complicating price predictions and indicating potential market volatility.

Regulatory Barriers: Scoring the lowest at 3.10, perceptions of regulatory barriers vary, with 30% neutral and only 25% agreeing that these constraints are significant.

Lack of Buyer/Seller Confidence: This challenge received a mean score of 3.65, showing that 34% agreed and 24% strongly agreed on the importance of fostering confidence in the trading environment.

Access to Market Factors Overall, access to market factors garnered a mean score of 3.67, indicating a generally favorable perception. Key insights include: Availability of Market Information Mean score of 3.76, with 60% finding the information adequate.

Accessibility of Trading Platforms: Scoring 3.54 reflects moderate satisfaction but highlights existing barriers. Clarity of Market Regulations: Mean score of 3.66 suggests that most find regulations comprehensible. Support from Market Authorities: Scoring 3.76 indicates strong approval of the support provided. In conclusion, while the ECX's E-Trade has introduced essential marketing practices to enhance the agricultural market, significant challenges remain. Issues such as pricing transparency, inconsistent information, and limited access to market data hinder effective price discovery. Addressing these challenges is vital for improving market efficiency and creating a more inclusive trading environment. By enhancing transparency and ensuring consistent information dissemination, the ECX can better support its participants and improve the overall effectiveness of E-Trade.

5.2. Conclusion

The Ethiopian Commodity Exchange (ECX) has significantly transformed Ethiopia's agricultural market through its implementation of electronic trading (E-Trade). While E-Trade aims to enhance market efficiency and transparency, several challenges hinder its effectiveness, particularly in price discovery. One primary concern is the lack of transparency in pricing, which has been widely recognized by market participants. This lack of transparency indicates the need for improved clarity and openness in pricing mechanisms to foster trust among stakeholders.

Another critical challenge is the inconsistency of market information. Reliable information is essential for effective trading, and its inconsistency can undermine market efficiency. This highlights the necessity for robust information dissemination practices to ensure participants have access to accurate data. Additionally, limited access to market data has emerged as a significant barrier. Enhanced access to market data is crucial for informed decision-making, underscoring the need for the ECX to improve its data accessibility. Empowering participants with accurate market data can lead to better trading strategies and outcomes.

The influence of middlemen is also recognized as detrimental to direct market interactions. Middlemen can introduce inefficiencies and additional costs, complicating the price discovery process. Addressing their role could help streamline the trading process and reduce costs for participants. Moreover, the impact of seasonal price fluctuations indicates that external factors significantly affect market stability and pricing predictability. Understanding these fluctuations is vital for traders to navigate the market effectively. Perceptions of regulatory barriers are less pronounced among participants, suggesting that while some acknowledge these constraints, the sentiment is not as strong compared to other challenges. Nonetheless, fostering a supportive regulatory environment remains important for the ECX. The overall sentiment regarding buyer and seller confidence is concerning, highlighting the need for a trustworthy trading environment. Building this confidence is essential for encouraging greater participation in the market. In terms of access to market factors, respondents generally viewed it positively, indicating a strong foundation for further improvement. Areas such as the availability of market information and support from market authorities received favorable ratings, suggesting that the ECX is on the right track. In conclusion, while the ECX's E-Trade has introduced vital marketing practices, addressing challenges related to transparency, information consistency, and market access is crucial for enhancing market efficiency. By focusing on these areas, the ECX can foster a more inclusive and effective trading environment, ultimately benefiting all stakeholders involved.

5.3. Recommendation

To improve the effectiveness of the Ethiopian Commodity Exchange (ECX) and address the challenges faced by its electronic trading (E-Trade) platform, several key recommendations are proposed. First, improving pricing transparency is essential. This can be achieved by implementing clear pricing guidelines that establish and communicate transparent pricing mechanisms. Providing real-time price updates through the E-Trade platform will enable participants to make informed decisions based on current market conditions. Second, it is crucial to enhance market information consistency. Developing standardized protocols for sharing market information will help ensure that all communication channels provide consistent data. Additionally, regular training and workshops for market participants will improve their ability to interpret and utilize market information effectively.

Increasing access to market data is another vital step. The ECX should expand data availability by creating user-friendly platforms that offer comprehensive market data, including historical trends and forecasts. Developing mobile applications will also help users in rural areas easily access market data, overcoming internet connectivity barriers.

Addressing the role of middlemen is important as well. The ECX should promote initiatives that encourage direct transactions between producers and buyers, minimizing reliance on middlemen. Educating farmers and traders on the benefits of direct market engagement will empower them to navigate the market more effectively.

To manage seasonal price fluctuations, the ECX should develop strategies that help traders anticipate and cope with these changes, such as implementing storage programs or contracts that stabilize prices. Conducting market research on seasonal trends will provide valuable insights and forecasts to guide trading decisions. A supportive regulatory environment is also critical. The ECX should engage in ongoing dialogue with regulatory bodies to ensure that regulations align with market needs. Simplifying compliance processes will reduce the burden on market participants and enhance their engagement with the ECX. Building buyer and seller confidence is essential for fostering a healthy trading environment. Strengthening trust mechanisms, such as buyer and seller ratings, can promote accountability. Sharing success stories and testimonials from satisfied participants will encourage broader engagement in the market. Finally, enhancing training and capacity building is necessary for all stakeholders. Developing ongoing training programs that cover market operations, E-Trade usage, and financial literacy will empower participants. Collaborating with educational institutions to design relevant curricula will further support this initiative. By implementing these recommendations, the ECX can improve the overall effectiveness of its E-Trade platform, tackle existing challenges, and create a more inclusive and efficient trading environment. This approach will ultimately benefit all stakeholders and foster sustainable growth in Ethiopia's agricultural sector.

5.4. Further research direction

Future research should focus on exploring the long-term impacts of E-Trade on market efficiency and participant behavior within the Ethiopian Commodity Exchange. Investigating the effectiveness of proposed transparency measures and training initiatives will provide valuable insights. Additionally, studies could examine the role of technology in enhancing access to market data and reducing the influence of middlemen. Understanding regional disparities in market participation will also be essential for tailoring strategies to foster inclusivity and effectiveness in the trading environment.

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Appendix

ST.MARYS' UNIVERSITY

SCHOOL OF GRADUATE STUDIES

Department of Marketing Management

Dear Participant

The questionnaire is prepared by Masters of Marketing Management graduate student for the purpose of writing thesis on **"**Practices And Challenges Of Marketing In The Ethiopian Commodity Exchange: The Case Of E-Trade At The Head Office*".* Your genuine, frank, timely response is vital for the success of my study. I want to assure you that your privacy for responding to this questionnaire is completely kept confidential. I know that your time is valuable and I hope that you will take the time to complete the questionnaire. Please attempt to answer all the questions and click one in appropriate box that best suits your perspective for each statement.

Instruction

No need of writing your name

Choose the suitable answer and tick (√) in the box given for each questions.

Thank you in advance for your cooperation!!!

Menedo Tefera Phone No +251942575366 E-mail: workamen12@gmail.com

Question	Options
1. What is your sex?	Male, Female
2. What is your age?	20 – 30, 31 – 45, Above 45
3. What is your education qualification?	Primary Level, Secondary Level, Tertiary
4. What is your major occupation?	Merchant, Private Employee, Government Employee, Exporter, Sellers, Other (specify)
5. When did you start participating in ECX?	2000 - 2003 E.C, 2004 - 2007 E.C, 2008 - 2010 E.C, 2011 - 2013 E.C, 2014 - 2016 E.C

Analysis of Price Discovery Challenges

No	Items	Response Options
1	Lack of transparency in pricing	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
2	Inconsistent market information	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
3	Limited access to market data	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
4	Influence of middlemen	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
5	Seasonal price fluctuations	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
6	Regulatory barriers	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree

7	Lack of buyer/seller confidence	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
8	Inefficient trading systems	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree

Table 4.4: Analysis of Access to Market

No	Items	Response Options
1	Availability of market information	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
2	Accessibility of trading platforms	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
3	Clarity of market regulations	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
4	Support from market authorities	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
5	Training and capacity building	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
6	Trust in market transactions	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
7	Availability of financial services	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
8	Networking opportunities	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree

Prevention of Possible Collusion

No	Items	Response Options
1	Effectiveness of monitoring practices	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
2	Clarity of anti-collusion	Strongly Disagree, Disagree, Neutral, Agree, Strongly

	regulations	Agree
3	Training on collusion prevention	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
4	Availability of reporting mechanisms	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
5	Awareness of collusion risks	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
6	Support from management	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
7	Transparency in operations	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
8	Collaboration with regulators	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree

ECX operations

No	Items	Response Options
1	Efficiency of ECX operations	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
2	Transparency in ECX processes	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
3	Accessibility of ECX services	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
4	Quality of customer service	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
5	Effectiveness of communication	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
6	Responsiveness to user feedback	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
7	Availability of educational resources	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree
8	Overall satisfaction with ECX operations	Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree