

**ST. MARY'S UNIVERSITY COLLEGE
FACULTY OF BUSINESS
DEPARTMENT OF MARKETING MANAGEMENT**

**AN ASSESSMENT OF PHYSICAL DISTRIBUTION
PRACTICE ON EAST AFRICAN GROUP WITH
REFERENCE TO THE CHEMICAL SECTOR**

**BY
TIZITA BELAYNEH**

**JUNE, 2010
SMUC
ADDIS ABABA**

**AN ASSESSMENT OF PHYSICAL DISTRIBUTION
PRACTICE ON EAST AFRICAN GROUP WITH REFERENCE
TO THE CHEMICAL SECTOR**

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

**IN PARITAL FULFILLMENT OF THE REQUIREMENT
FOR THE DEGREE OF BACHELOR OF ARTS IN
MARKETING MANAGEMENT**

**BY
TIZITA BELAYNEH**

**JUNE, 2010
SMUC
ADDIS ABABA**

ST. MARY'S UNIVERSITY COLLEGE

**AN ASSESSMENT OF PHYSICAL DISTRIBUTION
PRACTICE ON EAST AFRICAN GROUP WITH
REFERENCE TO THE CHEMICAL SECTOR**

**BY
TIZITA BELAYNEH**

**FACULTY OF BUSINESS
DEPARTMENT OF MARKETING MANAGEMENT
APPROVED BY THE COMMITTEE OF EXAMINERS**

_____ Department Head	_____ Signature
_____ Advisor	_____ Signature
_____ Internal Examiner	_____ Signature
_____ External Examiner	_____ Signature

Acknowledgements

First and for most I would like to give incomparable thanks to the triune God.

I am very grateful to W/t Meaza G/medhin, for her encouragement and advice to complete this paper.

A very special thanks to Mr. Tariku Genete who has initiated and encouraged me to write this study and supported me sharing all my academic pains patiently at every moment in my study. So, I want to say him thank you.

I would like to thank you MS. Helen H/mariam and Ato Fasil Alemu to assistance in typeb writing and editing the paper.

Finally I wish to express my profound felt love and gratitude to my family Dad and Mam supported me and my success. Thank you very much.

Tizita Belayneh

Table of contents

Acknowledgements	i
Abbreviation	ii
Table of contents	iii
List of tables	v

CHAPTER ONE

Introduction.....	1
1.1 Background of the study	1
1.2 Statement of the problem	2
1.3 Research question.....	2
1.4 Objective of the Study	3
1.4.1 General objective.....	3
1.4.2 Specific Objective	3
1.5 Significance of the study	3
1.6 Delimitation of the Study	3
1.7 Research Design and Methodology	4
1.7.1 Research Design.....	4
1.7.2 Population and sampling technique.....	4
1.7.3 Types of data collected	4
1.7.4 Method of data collected.....	5
1.7.5 Data Analysis Techniques	5
1.7.6 Limitation of the Study.....	5
1.8 Organization of the Study.....	5

CHAPTER TWO

Review of Related Literature	
2.1 Overview of Distribution	6

2.2 Overview of Physical Distribution	6
2.3 Definition of Physical Distribution	6
2.4 Elements of Physical Distribution.....	7
2.4.1 Transportation	7
2.4.2 Inventory Management	10
2.4.3 Warehousing.....	12
2.4.4 On the basis of services warehouse can be classified in to six	14
2.4.5 Material Handling	16
2.4.6 Order Processing.....	19
2.4.7 Customer Service	21

CHAPTER THREE

3. Data Presentation, Analysis and Interpretation

3.1 General Characteristics of Respondents	26
3.2 Analysis of the findings of the study	28

CHAPTER FOUR

Summary, Conclusions and Recommendations

4.1 Summary	42
4.2 Conclusions	44
4.3 Recommendations	45

Bibliography

Appendixes

- Appendix A
- Appendix B
- Appendix C
- Appendix D
- Appendix E

List of Tables

Table I: General Characteristics of Respondents	27
Table II: Customers' Company/Brand Preference	29
Table III: Inventory Management of EAG.....	30
Table IV: Customer's response on order processing capability	31
Table V: Customer's response on warehouse location	33
Table VI: Shows customers service	34
Table VII: General Characteristic of Employees.....	35
Table VIII: employees knowledge of the criteria used by the company ..	37

Abbreviation

EAG – East African Group

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Physical Distribution is to describe the broad range of activities concerned with effective movement of finished products from and of the production line to the consumer, and in some cases include the movement of raw materials from the source of supply to the beginning of the production line. These activities include: fright transportation, warehousing material handling, protective packaging, inventory control, plant and warehousing site selection, order processing, market forecasting, and customer service (Krishna and Vasant, 2007:8.2).

Distribution may be viewed passively as backup capability to support the marketing objectives of firm. It may also be viewed as a positive force in obtaining a competitive advantage in the market place effective physical distribution is sold to potential customers as a major advantage of a firm (Edward, 1968:38).

The role of physical distribution as a participant in the creation of form, place, time and possession utilities it has a part of the over all marketing strategy (Edward, 1968:44).

East African Group was established 12 years ago. The company has developed a modern industries park in acres land (20 hectare) at dukem 40 km east of Addis with adequate infrastructure like road, pour, communication links, central warehouse, weighbridge and water. The company engaged in producing chemical, food and printing activities.

1.2 Statement of the Problem

The most pervasive of all human activities and involve movement and storage of goods for the purpose of achieving the desired objective of making right type of goods available at the right time and at the right place. (Khanna, 2002:14)

Moreover Khanna (2002:15) explains distribution is the planning, organizing and controlling of all more store activities that facilitates product flow from the point of raw material acquisition to the point of final consumption and of the attended information flow, for the purpose of providing a sufficient level of customer service (and associated revenues) consistent with the cost incurred for over coming the resistance of time and space in providing the service.

With the same idea Sherlekor (2004:417) generally classified distribution as physical distribution which includes; order processing, transportation, warehousing, inventory management, material handling, packaging, and customer service and channel members mainly include wholesales, agents and retailers. But the researcher tried to focus on the physical distribution practice in East African Group since it causes indirect distribution channel. However for the last 3 years from time to time the business customers of the company have began to forward serious complaints about the company's working procedure. The major complaints that have been heard from customers are; on the order processing delivery dalliance that causes unnecessary expenses. Hence the researcher were try to address the above basic questions.

1.3 Research Question

1. What factors affect the smooth distribution of products of EAG?
2. Does EAG has enough warehouses?
3. What are the major distribution challenges EAG faces in Addis Ababa?
4. What are the main causes for delay of orders?

1.4 Objective of the Study

The student researcher has the general and specific objectives as follows.

1.4.1 General objective

This study is to assess the physical distribution practices of East African Group P.L.C

1.4.2 Specific Objective

- To identify factors affect the smooth distribution of products.
- To investigator East Africa Group has enough ware houses.
- To assess the major distribution challenges of the case company.
- To assess the main problems causing the delayance to deliver of business customers order on timely manner.

1.5 Significance of the study

The study would have the following significance to different parties;

- It is very important for East African Group to know its problems and help to enhance to organization capacity towards physical distribution.
- It creates good opportunity for the student researcher to get more practical knowledge about the area of physical distribution and also help to learn the practical research process and techniques.
- It can serve as an important for other research who are interested to make further student on the area.

1.6 Delimitation of the study

This study is delimited to the physical distribution practice of East Africa Group. The company has twenty one outlets across the country. To make the research complete, it will be better to cover all outlets of the company, but due to its difficulty to cover all outlets by the student researcher, it is limited to Addis Ababa only. So, the study was on six selected outlets located in Addis

Ababa particularly, in Merkato. The company problems is starting from July 7, 2006 up to now the other issue is, studying all physical distribution activities done by EAG is also helpful to make the research complete. But for similar reason the study focus on warehousing and order processing.

1.7 Research Design and Methodology

1.7.1 Research Design

The research method in this study was descriptive research method. Because descriptive research is to better describe problems, situations and market and this method also was enable to see answer to indicated research questions by using both quantitative and qualitative methods.

1.7.2. Population and Sampling Technique

The population of study comprises of three units, these are all the company (Marketing Manager), the outlets (employees) and business customers (wholesalers). Since the population (sample frame) is not available non probability sampling techniques is used. For employees census among the non probability sampling techniques convenience sampling method is preferable. Since, in this sampling technique, the relevant respondents were able to give an appropriate data of the researcher. In order to determine the sample size the student researcher used the modal provide by the author (Malhotra,2006;339) general rule the total sample size were 200 because this study is related with problem solving and the student researcher emphasized on marketing department which is related with physical distribution practice.

1.7.3 Types of data collected

Both primary and secondary data were used in order to make the study complete and achieve its stated objectives.

1.7.4 Method of data collected

The primary data was collected through questionnaire and interview question were distributed to business customers, outlet employees and interview was conducted company's manager.

1.7.5 Data Analysis Techniques

Both qualitative and quantitative data analysis techniques were used in this study. Quantitative data analysis techniques were used to summarize the finding that gathered through close ended questions by using percentage and tabulation. Qualitative data analysis technique were used to narrate the inter response as well as the response to open ended questions.

1.7.6 Limitation of the study

As it is expressed in previous section the main objective of the research was to study the overall physical distribution practice of EAG. In doing so the researcher has faced various bottlenecks, among the major ones majority of the customers were so busy to provide the necessary information, not only the customers, those managers who selected for interview were also busy because of that it was very difficult to get their response.

1.8 Organization of the study

This study is presented in four chapters, the first chapter is introduction, it includes background of the study, significance of the study, delimitation of the study, research design and methodology, and organization of the study. The second chapter includes review of related literature. Analysis and interpretation of data have treated on the third chapter. The summary, conclusions and recommendations of the study is presented on the fourth chapter. Finally, the list of reference and sample questionnaires is attach to the research work.

Chapter Two

Review of Related Literature

2.1. Overview of Distribution

According to Havaldar and Cavale (2007:8.2) distribution can be distribution can be defined as the management of all activities which facilitate movement and consolidation of supply and demand in the creation of time and place utility in goods. It is the art and science of determining requirements, acquiring them, distributing them, and finally maintains them in operationally ready conditions for their entire lives.

In favor of this, Kumar and Meemaskshi(2006:356) defined distributions as availing the product in adequate quantities, inconvenient location and at times when customers want to buy them.

Channel members and physical distribution. The channel members mainly include: wholesalers, retailers and agents, whereas physical distribution comprise: Transportation, Inventory management, Packaging, warehousing, material handling, order processing and customer service.

2.2. Overview of physical distribution

Physical distribution as a subject of study is a relatively new field, although the various elementary functions have been carried out always by various other departments. The discipline aims at an integrated management. It recognized related activities that were previously scattered amongst various unit within the firm. Its late development was evidenced by the fact that the first text book on the subject appeared in 1961 in the United States (Khanna, 2002:14)

2.3 Definition of physical distribution

“Physical distribution is specifically concerned with the flow of goods through the economic system. In the business firm, the logistician is concerned with the

inbound movement of goods to supply the production process of the firm. In this setting, the firm is the customer and anticipates a certain level of distribution services from the suppliers. The firm also is a supplier of finished or semi-finished goods, and the logistician must provide a level of distribution service to the firm's customers. The customer may be another firm or a final customer.”(Khanna, 2002:15)

According to Kumar and Meenakshi (2006:356) Physical distribution focuses on the efficient movement of goods from manufactures to customers of the product .

Moreover, Sherkekar(2004:417) describe physical distribution as the process of delivering the product to the user or consumer promptly, safely, and in time.

2.4 Elements of Physical distribution

As an integrated management activity physical distribution consists of various activities within it. These activities include: transportation, warehousing, material handling, packaging, inventory management, order processing and customer service.

2.4.1 Transportation

According to Bowersox and Closs (2003:29) transportation is the operation area of logistics that geographically positions inventory. Because of its fundamental importance and visible cost, transportation has received considerable managerial attention over the years and currently almost all enterprises, big and small, have managers responsible for transportation.

Havaldar and Cavale (2007:15.27) describe transportation as an important element of logistic function which really provides the 'time' and 'place' utility and it's the primary function of the physical distribution system. It is one of the largest elements in the logistic cost and can significantly influence the final selling price of the product and it's profitability. Based on the above definitions let us see the major functions and principles of transportation modes of transportation, and the major elements of transportation cost.

I. Transport functionality and principles.

Transport functionality

According to Bowersox and Closs(2003:312) transportation provides two major functions: product movement and product storage:

product movement: refers to whether is in the form of materials, components, assemblies, work in process, or finished goods, transportation is necessary to move it to the next stage of the manufacturing process or physically closer to the ultimate customers.

Product storage: refers to a less common transportation function which products are temporarily stored on vehicles until they reach to their final destination.

Principles in Transportation

According to Bowersox and Closs(2003:314) also explain that there are two fundamental principles guiding transportation management and operations. These guidelines are: economics of scale, and economics of distance.

a. Economic of scale: refers to the characteristics that transportation cost per unit of weight decrease. When the size of the shipment increases. This is because fixed expenses associated with moving a load can be spread over the loads weight. AS such a heavier load allows costs to be “spread out” there by decreasing costs per unit of weight.

b. Economic of Distance: refers to the characteristics that transportation cost per unit decreases as distance increases. The rational is similsr to that os economy of scale.

II Modes of Transportation

Altekar (2005:244) a mode identifies the basic transportation method or form. Each mode has its own significance depending up on the

geographical. Each mode has its own significance depending up on the geographical location and product to be transported. Each differs in cost and time taken to transport the goods from one place to another. Five basic modes of transportation: Rail, Road, water, Air and pipeline. Moreover, Sherlekar(2004:434) also explained by strengthening Altekar's ideas that, there are five means of transport: those are Railway, Roadways, waterways, Airways and pipelines.

Railways:- are becoming more responsive to specific customer needs, emphasizing bulk industries and heavy manufacturing. And now a day railways become the most preferable modes of transportation for shipping bulk commodities because of its lower cost.

Roadways:- This is the most popular and commonly used mode to transport goods. Trucks are used to Transport the product. The freight payment could be prepaid, to pay or to be done after safe deliver of the product at the final destination.

Airways:- The newest but least utilized mode of transportation is air freight. Its significant advantage lies in the speed with which the shipment can be transported, but it's very expensive compared with other modes of transportation, but it's very expensive compared with other modes of transportation. This mode of transportation is used for high value products, for perishable products, emergency products and for short life item like fashion items.

waterways:- this is the oldest mode of transportation used to move extremely large shipments. It's cheap but it is also very slow. Water transport ranks between rail and road transport in terms of fixed costs.

Pipelines: This kind of transportation is used for the movement of large quantitative of liquids and gases over long distance. This mode is normally used for petroleum products, gases, crude, and manufacturing chemicals. This basic nature of pipelines is unique in comparison to all other modes of transport, which they operate seven days in a week and twenty-four hours in a day. And pipelines have high fixed costs and lowest variable cost among the transport modes. The high fixed cost comes from construction, requirement for control station and pumping capacity. However the variable cost is extremely low once the pipeline has been constructed.

II. Elements of transportation costs

According to Khanna (2002:24m2) the most critical distribution decision is the selection of appropriate mode of transport. This fixes two basic elements of distribution function.

- a. transit time or time lapse between production and sale;
- b. Level of transportation costs.

There is an inverse relationship between transit time and transport cost the lower the transit time, the higher the transport cost. However, a decision that takes in to account only one cost factor cannot be justified. An evaluation of the effect of transit time on other costs must also be considered. Unsold production represents a high cost, and the longer the transit time, the higher the level of unsold production

2.4.2 Inventory Management

Is the key to any successful distribution business inventory management provides everything you need to know about the receipt and movement of

goods, the sale removal or other disposition of goods, and the precise valuation and status of goods remaining in inventory at any time.

Effective inventory management allows a distributor to meet or exceed his customer's expectations of product availability with the amount of each item that will maximize the distributor's net profit

I. Functions of inventory

According to Havaldar, and calvale(2007:15.17) inventory function as a buffer between supply and demand both in terms of quantities and timing. Customer demand and finished goods in terms of quantities and the timing of demand, requirements for an operation and the materials to begin an operation and the supplying of the materials.

It's rightly said that inventory is the shock absorber of a business high carrying costs, reduced profit, and even loss in market shares. In today's competitive world wasteful inventory management practices are not permitted or tolerated.

II. Types of inventory

According to Khanna (2002:102) there are two types of inventory associated with distribution these are location inventories which they are the combined stocks of raw materials and finished products and work in process. The level of each and the combination of inventory levels, must be determined to minimize the overall cost. These inventories are maintained mainly with a view of meeting the seasonal variations in the demand for production or for consumption. And the other one is transit inventories which includes the materials in transition or in the pipeline, and include the raw materials in transit from the vendor's depot to the manufacturing center and finished products on the move from the production center to the consumption center to the consumption center. The quantity in-transit is directly proportional to the lead time.

III.Inventory cost elements

According to Agrawal (2003:158) inventory cost comprises the following elements:

Procurement cost: These costs of a product are due to several factors which includes cost of order processing which involves use of stationary and service, cost of staff and the executive time spent on the order processing, cost of transmission which includes: postage, internet, telephone, fax cost of transportation which includes: freight, transit insurance, protective packaging, the cost of invoice pricing, including checking approval, book entries and payments procedures including cheque writing, signing and mailing, cost of goods handling, inspecting, and entry in the stock register or computer.

Inventory carrying costs: The carrying cost includes space rent for the storage of goods, cost of working capital locked in the inventory, cost of insurance of goods, cost of spoilage in the quality of goods in the storage breakage, cost of deterioration due to passes of time and change in weather, cost of obsolescence of goods or depreciation.

Out-of stock costs:- These costs occurred when demand in normal, but ordered goods are received late or when there is a sudden sport in the demand for goods, or a combination of all these circumstances. An out- of – stock position for raw materials may lead to loss of production, while an out of stock position finished products may lead to loss of sales.

2.4.3 Warehousing

According to Khanna(2002:189) the concept of a distribution warehouse or a distribution center is vastly different from the earlier concept of a go down for storage. The go down is merly a dumping

Moreover, Altekar(2005:275) A warehouse is a location with adequate facilities where volume shipments are received from a production center, broken down,

reassembled in to combinations representing a particular order or orders, and shipped to the customer's location or locations. Common warehousing describe regarding: number of warehouses, types of warehouses, and location of the warehouses.

I. Functions of warehousing

Warehousing in the achievement of logistical objectives can be assessed by a thorough discussion on its functionality. The functions of warehousing can be in two heads

A. Economic Functions: is directly related to the logistical costs, i.e. trade off between various elements of logistics costs, the addition of one more distribution warehouse results in to an increase in the warehousing and inventory costs but there may be a decrease in the over all logistics cost due to reduction in the customer service level, resulting into an increase in the volume of sales. The economic functions are consolidation, break-bulk, stockpiling and value-added services.

B. Operational Functions: are include receiving of goods, up-date recording of goods showing stock position, storing of goods at an appropriate place and in the minimum area, protecting and preserving the physical attributes of the products, proper handling of goods, especially loading and unloading, order receiving, processing and filling, dispatching of goods, preparation of documents pertaing to transactions, records and advices, marketing intelligence and act as an intermediary between company and customer and other legal functions related to trade.

II. Types of warehouse

On the basis of ownership: Based on ownership warehouse can be classified in to private warehouse and public warehouse

- a. **Private warehouse:-** private warehouse comprises warehouse facilities operated by and owned or leased by a company handling its own goods. The major benefits of private warehousing include control, flexibility cost, and other intangible benefits.
- b. **Public warehouse:-** are those warehouse which are owned and operated by organizations like government, cooperatives, or a company in the private sector. The space of public warehouses can be used by any other company, or organization or individual public on certain terms and conditions of payment.

2.4.4 On the basis of services warehouse can be classified in to six

Bonded warehouse:- It is licensed and authorized by the custom authorities for storing of goods till import duty due on it is paid- owned either by the government or private parties.

Field warehouse:- These warehouse are managed by a public warehousing agency in the premises of a factory or company which needs the facility for borrowing from a bank against the certification of goods in storage or in process by an independent professional warehouseman.

Cold storage:- It is another type of warehouse which provides facility to preserve the perishables of goods against payment of a storage charge for the space utilized by different parties.

Agricultural ware houses:- these warehouses are meant for storing agricultural produce grown in as certain area and are located in assembling or regulated markets. There warehouses receive agricultural commodities either director from the farmers' or through their commission agents, or from wholesalers. They store the commodities as long as required. They make it possible for the owners of the commodities to avoid distress sale and obtain better prices at a later case they also encourage speculative trading.

Distribution warehouses: These warehouses are located close to the manufacturing concerns of consuming areas. Their location depends on the nature of the product, the time taken for transit, operating costs and the need to make the product available in the market in accordance to the demand for it.

Buffer storage warehouses:- These warehouses are built at strategic locations with adequate transport and communication facilities. They store food grains or fertilizers.

Export and Import warehouses:- These warehouses are located near the ports from where international trade is undertaken. They provide transit storage facilities for goods awaiting onward movement. Facilities for break bulk, packaging, inspection, marking etc. are available at these warehouses. Imports warehouses also provide customs bonding facilities and the facility of deferred payment of duty.

III. Warehouse location selection criteria

Market service area and cost of distribution from the warehouse to the market area, satisfaction of transport requirements and facilities available in the form of rail, super link roads and road vehicles.

Transportation rates prevailing in the area and distribution costs per unit.

Competition by rival companies and whether there are warehouses in the same area.

Availability of power, water, gas, sewerage disposal and their cost

Labor supply and labor costs in the area.

Restriction associated expansion

Potential for later expansion

Cost of land for the warehouse and other costs.

- i. Possibility of change in the use of the facility at a later date if the company so desires, and ease of sale of the land and buildings.

III. BASIC MATERIAL HANDLING PRINCIPLES

According to Data (2003:273) the basic principles of material handling

Least handling is best handling: it is best to keep the handling cost to the minimum because handling does not add value to the product or material.

Standardization of equipment: is selected in such a manner as to afford flexibility and be capable of performing multiple operations, but standardized. The result in reduction of cost of operator's maintenance and repair and also costs of storage.

Equipments capacity: The capacity of rates should be carefully examined and never exceeded, as overloading causes undue wear, entailing excessive maintenance and repair cost.

Analysis of operations: to determine combination of handling activities all operations must be analyzed. This will result in simplification and possibly reduction in handling and cost.

Straight flow line: the shortest distance between two given points is the straight line. This line provides a guideline for the path to follow.

Loading and unloading: A major portion of material handling activities in loading and unloading this function must be given a great deal of attention wherever. Economical loading and in loading should be done by mechanical devices such as, industrial trucks, cranes, conveyors.

2.4.5 Material Handling

According to a Grawal (2003:271) A materials handling system is both the logical and physical manifestation of are the requirements, policies and practices intended for on particulars facility in the logistics pipeline and supply chain process. Materials handling is inevitable (manual or mechanical) to take inputs in form of products from suppliers (internal or external). And more them for conversion in to cut puts tailored to the needs of the customer (internal/external).

I. Functions of material handling

The major functions of material handling are reduction in wastage of machine and order picking times, reduction in over all replenishment cycle time by quick marshaling and movement of goods, uninterrupted production and distribution schedules for avoidance of movement bottlenecks, such as loading and unloading problems, protection of goods from breakages/ damages during movements/ offering safety to workers and provide safer working conditions, ensure better customer service and satisfactions, and enhance productivity and efficiency by reducing handling cost.

II. Major Types of Equipments Used in Material Handling

A material handling equipments are used by different industrial sectors, depending on they needs and requirements. They can be categorized into three groups.

Mechanized handling system

Mechanized handling systems employ a wide range of handling equipments there are forklift trucks, tow tractors, cranes, and hand-powered equipment

Semi-Automated Handling Systems

The semi-automated systems supplement mechanical systems by automating specific handling requirements. The system are automated-guided vehicle systems, serrations, and Robotics.

Automated Handling Systems

One of the most advanced systems installed to date was by a grocery wholesaling organization and is composed of several pieces of equipment product arriving at the distribution centre in non palletized form is moved by conveyor into a palletizing machine.

Basic Materials handling considerations

Type of products to be handled

Type of products to be handled is the first and foremost consideration to decide the materials handling facility. For instance, cranes and hoists are most suitable for the lofting jobs of very heavy materials and conveyors for high volume products. The physical characteristics of the products like, weight, size, shape, etc, coupled with nature like solid, gas, liquid, etc., have significant impact on the selection of the materials handling equipments and facilities.

Types of production System

Basically, there are two types of production system, namely; intermittent and continuous. Materials handling equipments like lift trucks, pallets, hand trucks and trolleys would be more useful in intermittent production system than a continuous system. These devices would not be so commonly used in continuous production system, because fixed path equipment would be more reliable and more economical in many cases. Conveyors, cranes, hoists, pipelines, etc., are more commonly used in mass production or continuous production system.

Types of Building

The number of floors also determine the material handling system. For instance, lift trucks and conveyors suit most to single-storey building. However, gravity flow with pipelines and shutters are the most economical methods of materials handling for multi-storied buildings.

Materials handling Cost

Another major consideration in the development of materials handling facilities is the cost of various equipment and

2.4.6 Order Processing

A customer order is the message that sets the supply chain process in motion order processing starts with the receiving of customer order and ends with the final delivery of goods along with transfer of title order processing as “ in general terms, the phrase means how a firm handles incoming orders more specifically, order processing is the activities that take place in the period between the time a firm receives an order and the time a warehouse is notified to ship the goods to fill that order. (Arrawal 2003:259)

Function of order processing

The functions of order processing in five steps

1. Order Planning

Order planning refers to designing an efficient order handling system i.e. it determines how a customer order is received and by whom, what technique should be adopted (centralized or decentralized). Order are generally placed by customers to visiting sales people of the company or by telephone, fax, mail order, e-mail, or EDI directly to the dispatching point/controlling office/head office. Nowadays, most of the big companies prefer to have computer-to-computer order receiving and entry system to speed-up customer response.

2. Order Transmittal

Order transmittal refers to a series of events that occur between the time a customer places an order or sends an order and the time the seller receiver the order. In the present day's era or real-time customer responsiveness, this aspect has received, and increasing attention of most of the enterprises mainly due to two reasons, namely:

- (i) Unreasonably long order transmittal time is a bottleneck in the firm's capability to ensure better customer service; and

- (ii) Fixed and smaller replenishment cycle time is the need of the hour for both seller and customer.

That is why, companies are making huge investments in information and communication technologies for speedier transmission of information. Fax, e-mails and even EDI are today, commonly used by firm's. Companies like Telco, Mahindra & Mahindra, etc., allow their dealers to place orders through EDI software system via the internet (Agrawal 2003:261).

3. Order Handling

After the receipt of the order by the seller, order handling process starts, which includes the following activities:

- (i) The checking for completeness and accuracy of the order;
- (ii) A credit check by the credit department;
- (iii) Recording of transaction by the accounting department;
- (iv) Allocation of products by inventory department and advises it to pick the shipment and updates the firm's master inventory file; and
- (v) Transportation of shipment from the warehouse by the traffic department.

Furthermore, working within the supply chain concept, buyers often specify when they want the goods (time span within which an order must arrive). In such situations, the seller must put in his best efforts to meet the customer requirement and know when to place the order into the queue of order being handled so that it leaves at the needed time.

4. Order Picking and Assembly

Order picking and assembly function of order processing involves giving instruction to a specific warehouse to assemble a given order for a customer. In other words, it is a written document given to a warehouse and its employee indicating the items to be assembled as per the list of the customer order.

The order picking and assembly function includes all the activities from the time the warehouse receives an order to ship items until goods are loaded on out-bound carriers. Nowadays, computers are widely used for the purpose replacing the use of paper documents. In the case of stock-out of a particular item, the information is sent back to the order handling department so that the original documents can be adjusted. Finally, a picking list is prepared for outgoing order, indicating what items were picked and the initials of the individuals who prepared the order for shipment enabling consignee to check the packing list on receipt of the order and verify that all the items are present.

5. Order Delivery

The last function of order processing is order delivery. The time from when a carrier picks the shipment until it is delivered to the customer's receiving dock, i.e. transit time. This transit time has a direct and major impact on seller's total order cycle time or customer's replenishment cycle time. Hence, proper load planning and fleet management are essential functions of total order processing system failure which, transportation cost per unit will go up (Agrawal 2003:262).

2.4.7 Customer Service

Nature and Concept

According to (Agrawal 2003:82), in the broader sense, taking into consideration the perspective of supply chain, a customer may be external as well as internal. An internal customer is any work centre for its preceding facility. For instance, a distribution warehouse is a customer for its plant warehouse or the last production point. Similarly, the last production point. Similarly, the last production center is the customer for the just earlier production centre. Whereas, an external customer is a different organization or individual who takes ownership, undertakes risks and adds value by making goods available at the place of final use by consumers either in the same form or in a changed form. Here the customer refers to a set of marketing intermediaries (C&F agents,

wholesalers, retailers, distributors, dealers, etc.) bulk buyers and industrial users. That is why, in logistics, the emphasis is always on the service requirement of the customers and the performance capability of firms when establishing logistics strategy.

In order to have a better understanding of the nature and concept of customer service, it is essential to have a careful perusal of some of the definitions given by different logisticians earlier.

A process which takes place between the buyer, seller, and a third-party. The process results in a value added to the product or service exchanged this value added in the exchange process might be short term as in a single transaction, or long term as in a contractual relationship.

Customer service is generally presumed to be a means by which companies attempt to differentiate their product, keep customer loyal, increase sales and improve profits.

Warrant Blanding (Ballou, 1987) defines customer service as specifically to the chain of sales-satisfying activities which usually begins with an order entry and ends with the delivery of the product to customer, in some cases, continuing on as equipment service or maintenance or other technical support.

Customer service can be defined as:

A strategic process of cost-efficient, value-added benefits provided to external customers so as to exploit their marketing acumen in making actual sales (Agrawal, 1999).

On the basis of adequate analysis of various definitions the following features of customer service can be drawn.

It is a strategic process for providing value-added services to the customers.

It always ensures a trade-off between cost and service.

It keeps the customer happy and loyal.

It brings about harmonious relationships between supply chain members.

It generally starts with an order entry and ends with the delivery of goods to customers.

It brings about a competitive advantage in the market place, increases sales and improves profits.

It reflects corporate vision.

Changing Environment and The Importance

Availability of a large number of alternative products has compelled corporate players to perform in a highly competitive environment due to considerable and gradual change and increase in the consumer expectations.

In order to ensure further growth in the sales volume and more service from trade, quite obviously, firms are expecting more from their distributors/retailers (customers) in terms of investment godown/showroom space, skilled field/sales forces and mobility, because quality, price and promotion no more bring any long-run USP or competitive edge due to of rapid imitation with additional features.

Logistical Components

According to (Agrawal 2003:90), the first logistical component of customer service deals with availability of products, i.e. the company's ability to make available products as per normal quantity and specification required by the customer as a regular and way established system. At the same time, a flexible system should also be well defined and established so that an unforeseen demand for products by the customers can be met further more, efforts should make to prevent a stock-out situation, failing which, the firm will have to suffer from lost sales costs. The logistical competency of a firm is directly related to its efficiency to handle extraordinary customer service requests. For example, during the period of demand, customer good will can be restored by arranging suitable product substitution and /or shipment of products by a speedier mode of transport.

Another significant logistical component of customer service is a firm's ability to offer fixed replenishment cycle time and their efforts to reduce it further by means of speedier order transmittal and delivery of goods, so that less working, capital and space will be required as also stock-out can be prevented. This component has become more alluring to ensure a reasonable return nowadays, in the absence of considerable growth in the volume of sales and increase in the quantum of competition.

The third component of logistical customer service ensures zero-defect delivery of products by the firm in terms of right quality, right assortments, intact delivery and current documentation. In fact, this component deals with the quality of delivery. Suppose, a delivery has been made in time by the firm but not as per the quality and quantity. The situation will become more embarrassing. Anxiety will crop up further in the case of delivery of damaged products because customers will find it very difficult to sell the same. Furthermore, in the absence of correct documents, the situation will be the same. Furthermore, in the absence of correct documents, the situation will become more precarious, because customers will not be in position to deliver it further.

In the case of defective delivery, efficient and prompt reverse logistics system should be offered by the firms for early recovery to retain customer loyalty and good will towards firm.

One of the important components of logistical customer service in recent times is point-to-point information, i.e. a firm's ability to provide fast and accurate information to customers regarding status of inventory, order, tentative shipping and dispatch schedules along with book orders. This service facilitates customers to optimize their planning in order to meet further delivery commitments. Nowadays, the ability of a firm to provide accurate and timely information is more significant and critical measure of customer service than complete order fulfillment. Emergence of growing service expectation is the gift of rapid innovations in the field of information technology.

The last logistical customer service component emphasizes consistency. In other words, the firm should put greater emphasis on consistency in their services. Consistency refers to the ability of a firm to maintain its normal logistical system and its efficiency to handle unexpected situations.

Customer Service Costs

All customers do not contribute equally in the profitability of the company as different customers buy different quantities of different products. It has been observed that 80/20 rule will often prevail in it, i.e. generally 80 per cent of the profit comes from 20 per cent of the customers. However, a customer can choose an average service at an average cost, nearly perfect service at an extra ordinarily high cost, or very low cost but poor service. Although this philosophy is customer-oriented through its integration of logistics activities and customer contact, it presupposes on optimal cost-service mix (Agrawal 2003:91).

CHAPTER THREE

Data presentation, Analysis and interpretation

This chapter is devoted to data presentation, analysis and interpretation of the study based on the data gathered from the represents of customers and outlets of EAG in markets.

All the data collected through questionnaires containing close and open ended questions and through interviewing marketing manager of east African group out of the unknown number of customer s considered as target population, 200 of the customers were selected as a sample respondents using convenient sampling technique while sales persons of EAG's branch and the branch manager were considered as respondents. 200 copies of questionnaires were distributed to customer and 12 copies of questioners were distributed for staff members who are composed of sales performers and outlet managers and interviewing the company's marketing manager. As 184 business customers and outlet employees cooperated in filling out the questionnaire and referring the rates of return for questionnaires are 90% for business customers and 100% for employees and company managers. Finally to collected data where obtained from the company by interviewing the company's marketing manager.

The information obtained from the manager and customers is summarized using descriptive statistics where by raw data is computed in percentages. The summarized data is there analyzed by applying descriptive analysis method using tables, following detail explanations. At last interpretation is made to demonstrate implications of the major findings.

3.1 General characteristics of Respondents

The following table 1 has information on the general characteristics of respondents in closing their age distribution sex distribution and educational background.

Table I General Characteristics of Respondents.

No	Item	Customer	
		No	%
1	Sex		
	a) Male	170	90%
	b) Female	14	10%
	Total	184	100%
2	Age		
	a) 18-28	25	13.6%
	b) 29-38	50	27.2%
	c) 39-48	86	46.7%
	d) 49-58	23	12.5%
	Total	184	100%
3	Educational background		
	a) Below 10 th grade	90	48.9%
	b) 10 th grade	44	23.9%
	c) Certificate	30	16.3%
	d) Diploma	20	10.8%
	e) First degree	-	0%
	Total	184	100%
4	Years of service of experience		
	a) Below one year	44	23.9%
	b) 1-3years	38	20.9s%
	c) 3-6years	67	36.4%
	d) Above 6 years	35	29.1
	Total	184	100%

As can be seen in the items of table1. Among the respondents 170(90%) of business customer are male, 14(10%) of business customers are female.

In the items 2 of table 1 the age distribution of respondents is explained 86(46.7%) of found in the age range of 39-48, 50(27.2%) of in the age range of

29-38, 25(13.6%) of replied that the age range of 18-28,23(12.5%) of respondent are the age range of 49-58. This indicated that most respondents that have average age range.

In item 3 table 1 the educational background of respondents explained in detail 90(48.9%) of customer are below 10th grade, 44(23.9%) respondents are 10th grade 30(16.3%) respondents replied have certificate and 20(10.8%) of respondents have Diploma lastly I these category they haven't first degree. This indicated that the majority of respondents below 10th grade.

In the final part or item 4 of table 1 respondents years of service and experience that is explained 67(36.4%) respondents have 4-6 years experience 44(23.9%) respondents replied have below one year experience 38(20.9%) of respondents have 1-3 years experience and 35(29%) of business customers have above 6 years experience. This implies that most business customers shave 3-6 years work experience in the company.

3.2 Analysis of the findings of the study

This research study tries to investigate how physical distribution was practiced in east African group from customers,employees point of view, thus in this section response from customers, company marketing manager and employees are presented, analysis and interpreted as follows.

Table II customers' company/Brand preference

No	Item	Respondents	
		No	%
1	Which soap you prefer		
	A) B 29	90	48.9%
	B) Pecoock special	35	19.1%
	C) Dimand	9	4.8%
	D) Imported	50	27.2%
	Total	184	100%
2	What is your reason to choose the brand		
	a) price	70	38.1%
	b) quality	60	32.6%
	c) image	40	21.7%
	d) No choice	14	7.6%
	Total	184	100%

As indicated in item I of table 2 90 (48.9%) of respondents they prefer b29, 50(27.21%) respondents replied imported, 35(19.1%) of respondents replied peacock special and 9(4.8%) respondents used Demand.

In Item 2 table 2, 70(38.1%) of respondents are they prefer price, 60 (32.6%) of respondents prefer quality, 40(21.7%) of respondents prefer image and 14(7.6%) of business customers are no choice. we can observe that most customers' give prior and equal value for less price and better quality, company or brand image comes next.

3.2.2. Inventory Management of EAG

Table III Customers Response on the company inventory management

No	Item	Respondents	
		No	percentage
1	How do you evaluate the order processing potential of the company towards distributing the product at the right time and right quality		
	a) Very high	45	24.5%
	b) High	55	29.9%
	c) Medium	9	4.8%
	d) Low	75	48.8%
	e) Very low	-	-
	Total	184	100

From item 1 of table 3 we can clearly see that 75(48.8%) of the respondents measure the company's capability of producing the ordered quantity at the right time as Low 55(29.9%) of the respondents give high, 45 (24.5%) replied Very high and 9 (4.8%) of the respondents measure medium.

Thus from the above figures we can understand that even though majority of the respondents did not agreed on the company's capability of producing the ordered quantity at the right time.

3.2.3 Customers response towards the overall order processing capability

Table IV. Customer's response on order processing capability

No	Item	Respondent	
		No	Percentage
1	What is the major problem that your company faces while working with EAG		
	a. Late deliver	80	43.5%
	b. Price conflict	50	27.2%
	c. Stability problem	54	29.3%
	Total	184	100
2	How do you measure the performance of the company in terms of distribution?		
	a. Very high	24	13.6%
	b. High	60	32.6%
	c. Medium	10	5.4%
	d. Low	90	48.9%
	e. Very low	-	-
	Total	184	100
3	How do you rate the distribution coverage of the company compared to competitors?		
	a. Very good	-	-
	b. Good	94	51.1%
	c. Fair	70	38.1%
	d. Poor	20	10.8%
	e. Very poor	-	-
	Total	184	100
4	How do you evaluate the physical distribution management practice?		

	a. Very good	30	16.3%
	b. Good	60	32.6%
	c. Medium	4	2.2%
	d. Poor	90	48.9%
	e. Very poor	-	-
	Total	184	100
5	What is the level of your satisfaction regarding company's product delivery?		
	a. Very high	-	-
	b. High	60	32.6%
	c. Medium	29	15.8%
	d. Low	95	51.6%
	e. Very low	-	-
	Total	184	100

With regard to the overall order processing capability table 4 of item 1 that 80 (43.5%) of the respondents replied as late delivery, 54 (29.3%) of them it as stability problem, 50 (27.2%) of them it as price conflict. In above figures, majority of the respondents measure the overall order taking capability as late measure the overall order taking capability as late delivery and transportation cost. This implies that the company has created suitable condition for company has created suitable condition for its target customers, so that customers can easily order with what is appropriate for them.

Regarding the performance of the company in item 2 table 5 of them respondents 90 (48.9%) of the respondents evaluate medium, 60 (32.6%) of the respondents evaluate high, 24(13.6%) of respondents evaluate very high, 10 (5.4%) of respondent evaluate low. This indicate that the most respondents said that the management distribution practice is poor.

As we can see in item 3 table 5 regarding distribution coverage of the respondents, 94 (51.1%) is medium, 70 (38.1%) of the respondents replied good

20 (10.8%) of the respondents Said poor. This indicates that the majority of respond as good distribution coverage for other competitors.

As we can see item 4 table 5 of distribution management 90 (48.9%) of them replied medium, 60 (32.6%) replied good, 30 (16.3%) replied very good and 4 (2.2%) replied poor. This implies that most respondent said that product delivery of the company is low.

Moreover on item 5 tables 5 concerning the satisfaction aspect of the customer 95(51.6%) of the respondents evaluate as medium, 60(32.6%) of the respondents replied high, 29(15.8%) of the respondent said low. So the implication here is that finding a solution for the delivery problem of the company in turn is a solution for this problem.

3.2.4 Customers response forwads company’s warehouse location.

Table V shows customer’s response toward the company’s warehouse location based on some major criteria’s such as market service area and cost of distribution, transport facility, availability of various infrastructures such as water, road, lobar supply and labor cost, and the potential for later expansion.

Table V customer’s response on warehouse location

No	Item	Respondent	
		No	percentage
1	How do you evaluate the appropriateness of warehouse location		
	A. Very good	58	31.5%
	B. Good	25	13.6%
	C. Medium	77	41.8%
	D. Poor	24	13.1%
	E. Very poor	-	-
	Total	184	100%

As indicated in item 1 table 6, regarding warehouse location 77(41.8%) of respondents replied medium, 58(31.5%) of respondents replied very good, 25(13.6%) respondents replied good and 24(13.1%) of respondents replied poor. Thus based on the response from majority of the respondents is that, the company's ware house is not located at the appropriate place.

3.2.5 Customers response towards company's customers service.

Table VI shows customers service

No	Items	Respondents	
		No	percentage
1	How do you see the company's responsiveness to handle customer's complaint?		
	A. Very high	14	7.6%
	B. High	70	38.1%
	C. Medium	75	40.7%
	D. Low	25	13.5%
	E. Very low	-	-
	Total	184	100
2	Since you relation ship with the company up to now, are you happy with over all performance related to physical distribution?		
	A) Yes	10	33.3%
	B) No	20	66.7%
	Total	30	100

Regarding the responsiveness to handle customer complain in item 1 table 7 shows customers replied 75(40.7%) of the respondent medium, 70(38.1%) of respondents replied high and the last one is 25(13.5%) of respondents are low and 14 (7.6%) of replied very high.

For the question raised in item 2 table 7 shows 20(66.7%) respondents replied “No” and 10(33.3%) “Yes” and on the literature customer serviced in defined as the result of physical distribution activity which create customer value or benefit that has an impact the company’s market share, total cost and profitability by giving special consideration to the speed of order expectation and delivery of goods reasonable service change and prompt after sales service from the company side the marketing manager of EAG respond that the company has designed customer compliant handling formats based on that we always try to receive it and as much as possible we are trying to give right response for the compliant made from our customers.

From this we can understand that giving right response to customers compliant will result in better customer service which has an impact on the overall physical distribution practice in turn has significant influence on the company’s market share, total cost and profitability.

VII General Characteristic of Employees

No	Item	Employee	
		No	No
1	Sex		
	A) Male	8	66.7%
	B) Female	4	33.3%
	Total	12	100
2	Age		
	A) 18-28	1	8.3%
	B) 29-38]	7	53.3%
	C) 39-48	2	16.7%
	D) 49-58	2	16.7%
	Total	12	100

3	Educational background		
	A) Below 10 th grade	-	-
	B) 10 th grade	-	-
	C) Certificate	-	-
	D) Diploma	6	50%
	E) First degree	6	50%
	Total	12	100
4	Years of service of experience		
	A) Below one year	3	25%
	B) 1-3years	4	33.3%
	C) 3-6years	2	16.7%
	D) Above 6 years	3	25%
	Total	12	100

We can see in the item 1 table 7 among the respondents 8(66.7%) of employees, 4(33.3%) of employees were male and female respectively.

In the item 2 of table 7 the age distribution of respondents is explained 7(58.3%) of in the age range 29-38, 2(16.7%) of in the age range of 39-48, in the same response 2(16.7%) of the age range 49-58, lastly 1(8.3%) of respondents replied the age range of 18-28.

In item 3 table 7 the educational background of respondents explained in detail 6(50%) of employees have first degree and 6(50%) of employees having Diploma. This implies that the outlet employees are good educational background.

In the final or item 4 table 7 respondents years of service and experience that respondents have with the company explained 4 (33.3%) of employees have between 1-3 years of service, 3(25%) of employees have between above 6 years experience and below one year experience respectively, and 2(16.7%) of employee have between 4-6 years of experience. This indicates that most employees are 1-3 years of experience.

Table VII. Employees knowledge of the criteria used by the company.

No	Item	Respondents	
		No	%
1	Do you know the branch location selection criteria of the company		
	Yes	12	100%
	No	0	0
	Total	12	100%
2	How do you evaluate the efficiency of physical distribution activities or system of your company		
	a. Very high	-	-
	b. High	2	16.7%
	c. Medium	10	83.3%
	d. Low	-	-
	e. Very low	-	-
	Total	12	100%
3	How do you evaluate your company in delivery deulance.		
	a. Very high	-	-
	b. High	-	-
	c. Medium	1	8.3%
	d. Low	11	91.7%
	e. Very low	-	-
	Total	12	100%
4	How do you evaluate the effectiveness of the company distribution practice		
	a. Very high	-	-

	b. High	3	25%
	c. Medium	9	75%
	d. Low	-	-
	e. Very low	-	-
	Total	12	100%
5	How do you evaluate your inventory control system		
	a. Very high	-	-
	b. High	-	-
	c. Medium	10	83.3%
	d. Low	2	16.7%
	e. Very low	-	-
	Total	12	100%
6	How do you evaluate the knowledge/skill of employees in your company		
	a. Very high	-	-
	b. High	6	50%
	c. Medium	6	50%
	d. Low	-	-
	e. Very low	-	-
	Total	12	100%

According to item 1 table 8 among employees asked whether they know the selection criteria used by the company to select branch location 12 (100%) replied “yes”. This implies that all of them have at least basic know how on it. As a result, these employees responded that the criteria used by the company in order to select branch site location includes customer location oriented competitor’s strength as well as other with respect to place and product oriented issues.

Moreover item 2 table 8 their response to the question whether the company's efficiency of physical distribution activities or system 10(83%) replied medium, and 2(16.7%) said high.

Item 3 of the same table respondents replied for the question whether the company in deliver dalliance 11(91.7%) replied low and 1(8.3%) medium this indicated that the company do not effectively deliver.

Item 4 table 8 whether the effectiveness of the company distribution practice 9(75%) of respondents replied medium and 3 (25%) replied high.

Regarding to item 5 table 8 the inventory control system of the company 10(83.3%) replied medium and 2(16.7%) of respondents replied low. Lastly the knowledge/skill of the employees 6(50%) of the respondents high and 6(50%) of replied medium so, it indicated that the employees knowledge not good not bad.

In addition to quantitative data gathered, the student researcher raised several open ended question to clarify some issues related to close ended question. The general comment of respondents about EAG physical distribution program in relation to other competitors. Some matured customers suggest that if a product is not sufficient distributor and promoted. This idea is the very good one that need the study and understanding or company's.

Interview conduct with company marketing manager

1. When did this company start production?
 - ❖ The manager replied before 10 years.
2. What is the form ownership of your company?
 - ❖ He says Share Company.
3. What are your product lines and product types?
 - ❖ There are three product lines
 - I. Laundry soap
 - II. Detergent cakes
 - III. Detergent powder
 - Product types
 - ❖ Under laundry soap:- they are 10, such as peacock special, micky, Zahra, new smart etc.....
 - ❖ Under detergent cakes:- best cakes, crown cake
 - ❖ Under detergent powder:- peacock, crown, blue, best powder.
4. What are your total future plans in general?
 - ❖ To be market leader in all product lines and types.
5. Is there enough warehouses?
 - ❖ Yes, there are several central finished products warehouse in EAG industrial park.
6. What is the major physical distribution challenge in your company's?
 - ❖ Yes, logistic management problems, such as in proper allocation of tractors and trailers. To transfer goods from production unit to central warehouse. In addition to that, poor management of employees engaged in loading and unloading activities to set priority for customer's goods delivery.
7. Have you tried to get ideas from the market, is there anything to be improved in the preparation of physical distribution activities?
 - ❖ Yes, the above stated problems brought our customers not to use their vans twice a day.

8. Do you think that the company is in a position to provide full fledged services?
 - ❖ Of course yes, if we are ready to take corrective actions, we can provide full satisfactory services to our customers.
9. Is there a company's or product recognition in the wide market?
 - ❖ Our company is engaged in producing products for different segments such as quality sensitive and price sensitive customers. So, each target customers are highly recognize our brands such 'solar' (high quality) and 'Micky' (low quality brands)
10. What are your objectives in each physical distribution program?
 - ❖ To serve our customers interests with regard to place the products timely.
11. Who are your major customers?
 - ❖ Since our distribution starts from our out-lets, they are our contact point customers, next to them there are other channel members liked wholesalers and retailers to reach our endorsers (Quality sensitive and price sensitive).
12. Do you have the inventory control system?
 - ❖ The company marketing manager says yes of course.

CHAPTER FOUR

Summary, conclusions and Recommendations

4.1 SUMMARY

This chapter is the last part of the study which deals with summarized high lights of the study, conclusions drawn and recommendations made by the student researcher based on the findings. The main concern of this study was to physical distribution practices of EAG, their related problems and to search solution for problems that are related with physical distribution. The basic question in general were:

- ✿ What factors affect the smooth distribution of products?
 - ✿ Does EAG has enough warehouses?
 - ✿ What are the major distribution challenges EAG faces in Addis Ababa?
 - ✿ What are the main causes for delay of orders?
- The researchers used descriptive research method to describe the main physical distribution practices of EAG and employees of EAG at marketing branch and business customers were population of the study to make the study complete all relevant primary and secondary data were collected through interview and questioners and from and others related data's. As customers and employees to have their experience and to give recommendations for the company based on the answers from both. When we begin with the general characteristics of respondents 170(90%) of business customers are male and 14(10%) of business customers femal.
- In the age group of customers, 46.7% of them between the age group 39-48 and 27.2% of respondents 29-38 and 13.6% of respondent 18-28 and 12.5% of them between 49-58 age. In addition to this below 10th grade 48.9% and 23.9% of 10th grade and 16.3% of certificate and 10.8% the respondent have diploma.

- Moreover, 36.4% business customer respondent 4-6 years work experience in the company 23.9% of them below 1 year of service 20.9% of them 1-3 years work experience lastly 29.1% of them 6 years and above experience or years of service.
- The other information which gathered from employees of the company shows that 66.7% of male and 33.3% of are female.
- In addition to this 50% respondent have diploma and 50% first degree.
- Lastly 33.3% of them respondents 1-3 years experience in the company 25% of them below 1 year and 6 years and above of service and 16.7% of them 4-6 years work experience in the company.
- In relation to the major problem that the company is the late delivery of the product transportation cost and price conflict.
- Moreover the respondent replied that the company's warehouse location is not located at the appropriate place.

4.2 CONCLUSIONS

From the analysis in the previous chapter and the summary in this chapter the following conclusion are made:

- ✿ Since East African Group is a big company engaged in several business activities, its day to day duties and long term plans should have to be well managed to satisfy its customers in order to get benefit; But as studied by the student researcher, this company has got several defects as follows which need remedial actions.
- ✿ The major problem faced by business customers is delay of order processing that repeatedly affect to serve the next channel members.
- ✿ Due to delayed delivery of the products, EAG customers suffered not only delivery of products; they have also faced on inefficient utilization of their vehicles, which could transport goods twice, but limited to use them once in a day.
- ✿ This company couldn't manage properly its logistic activities to serve its customers.
- ✿ Employees engaged in order processing of goods have less idea to serve and satisfy company's customers.
- ✿ The inventory controlling system of the company is not that much satisfactory.

4.3 RECOMMENDATIONS

Based on the analysis made and conclusions the student researcher provides recommendation as follows.

- ✿ Since this company's outlets are the first channel members, next to them are whole sellers who are in need of many brands of this company. So, if the whole sellers couldn't get enough products timely they may shift to other competitors which could affect EAG directly or indirectly. To avoid delayed delivery, order processing of this company has to be well revised in order to serve mutual benefit.
- ✿ In relation to the above issue employees of this company have to get on job training to serve and satisfy customers.
- ✿ Company's management group should focus on inspection of logistic activities management.
- ✿ Not only customer's satisfaction, for company's long term existence, modern inventory controlling system has to be well introduced with professional employees.
- ✿ Finally, this study is not an end in the areas of physical distribution so the student researcher recommend that further study should be made in this area because, it has a significant influence on the profitability of given company.

Bibliography

- Agrawal, D. (2003) Logistic and Supply Chain Management. New Delhi: Mc Millan India Lts. Co.
- Altekar, V. (2005). Supply Chain Management: Concepts and Cases. Delhi prentice Hall.
- Bowersox, J. and David J. close (2003). Logistical Management Integrated Supply Chain process New Delh: Tara Mc Graw-Hill Publishing Co. Ltd.
- Cannon, T. (2002). Basic Marketing Principles and Practice New Delhi A. I. T. B-S Publishers and Distributors.
- Data, K. (2003). Material Management Procedures, Text and Cases, New Delhi: Prentice Hall of India Private Limited.
- Etzel, J. and others (2006) Marketing Concepts and Cases, New Delhi: Tata Mc Graw-Hail Publishing Company Limited.
- Havalder, K. and M. Cavale (2007). Sales and distribution Management, New Delhi: Tata Mc Graw Hill Publishing Company.
- Khanna, K. (2002). Physical distribution Management Logistical approach Mumbai: Himalaya Publishing House.
- Kotler, P. (2006) Marketing management New Delhi: prentice-Hall of India Private Limited.
- Kumar, A. and N. Meenaksh (2006) Marketing Management New Delhi: Vikas Publishing House Pvt. Ltd.
- Reeder, R. and other (2001) Industrial marketing Analysis Planning and control New Delhi: Prentice Hall of India PLC.
- Sherlekar (2004) Marketing Management Mumbai: Himalaya Publishing House New Delhi Vikas Publishing House Pvt. Ltd.

APPENDIX

Appendix A
St. Mary's University College
Faculty of Business and Department of Marketing
Management

Questioner for business customers

This questioner is prepared by St. Mary's University college prospective graduate degree student in order to understand business customers response regarding physical distribution activities of East African Group so, the aim of this study is to collect data which could assist to prepare a senior essay and as a result the outcome of this paper will be presented to the university college and the copy will go to the company in order to support the total physical distribution program.

So, the validity of your response has too much contribution for all of us. Due to this reason, I would like to ask you with due respect to provide the right response.

Thank you in advance for you're sincerely cooperation

Notice:

- a. It is not required to write your name on the questioner
- b. Please, provide your right response
- c. In space provided please use this (✓) mark

Section I

1. Respondents general characteristics

1.1 Gender, Male Female

1.2 Age A. 18-28 B. 29-38

 C. 39-48 D. 49-58

1.3 Education

- A. Below 10th
- B. 10th grade
- C. Certificate
- D. Diploma
- E. First Degree

1.4 How long have you been customer of EAG?

- A. less than 1
- B. 1-3
- C. 4-6
- D. 7-9
- E. It has started production

1.5 Since you are the user of soap and Detergent, which Soap is your preference?

- A. B29
- B. Pecook special
- C. Demand
- D. imported

1.6 What is your cause for your choice?

- A. Price
- B. Quality
- C. image
- D. No choice

Selection II questions related to physical distribution

1. How do you evaluate the order processing potential of the company towards distributing the product at the right time and with right quantity?

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

2. What is the major problem that your company faces while working with the customers complaint?

- A. Late deliver C. Stability problem
B. Price conflict

3. How do you evaluate the appropriateness of warehouse location

- A. Very good C. Medium
B. Good D. Poor E. Very poor

4. How do you see the company's responsiveness to handle customer's complaint?

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

5. Is there any change and improvement on product delivery you get from the company?

- A. Yes B. No

6. If your answer is yes for the above question please justify?

7. Since you star relation ship with the company up to now, are you happy with the overall performance related to physical distribution?

- A. Yes B. No

8. On question No 8 if your answer is yes please reason out your answer?

9. How do you measure the performance of the company intermesh of distribution?

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

10. How do you rate the Distribution coverage of the company is adequate?

- A. Very good C. Medium
B. Good D. Poor E. Very Poor

11. What is the level of your satisfaction regarding the company product delivery?

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

12. How do you evaluate the physical distribution management practice?

- A. Very good C. Fair
B. Good D. Poor E. Very Poor

13. Before you exposed to the distribution of this company, have you identified the products of this company?

- A. Yes B. No

14. If your answer is yes which product attracts? _____

15. In general in relation to other competitors what is your comment about the physical distribution program of EAG? _____

Appendix B

.....

.....

.....

.....

.....

.....

.....

.....

.....

/ "✓"

/ "✓"

.....

1.

1.1

1.2 18-28 .. 29-38

.. 39-48 .. 49-58

1.3

.. 10 10 ..

..

..

1.4?

.. 1-3

.. 4-6 .. 7-9

..

1.5?

.. 29

Appendix C
St. Mary's University College
Faculty of Business and Department of Marketing
Management

Questionnaire for employees.

This questioner is prepared by St. Mary's University college prospective graduate degree student in order to understand employees response regarding physical distribution activities of East African Group so, the aim of this study is to collect data which could assist to prepare a senior essay and as a result the outcome of this paper will be presented to the university college and the copy will go to the company in order to support the total physical distribution program.

So, the validity of your response has too much contribution for all of us. Due to this reason, I would like to ask you with due respect to provide the right response.

Thank you in advance for you're sincerely cooperation

I. General characteristics of respondent

B. They are some what important

C. They are important

D. They are very important

5. How do you evaluate the efficiency of physical distribution activities or system of your company?

A. Very high

C. Medium

B. High

D. Low

E. Very low

6. How do you evaluate your company in keeping delivery delevance?

A. Very high

C. Medium

B. High

D. Low

E. Very low

7. How do you evaluate the effectiveness of the company distribution practice?

A. Very high

C. Medium

B. High

D. Low

E. Very low

8. How do you evaluate your inventory control system?

A. Very high

C. Medium

B. High

D. Low

E. Very low

9. How do you evaluate the knowledge/skill of employees in your company?

A. Very high

C. Medium

B. High

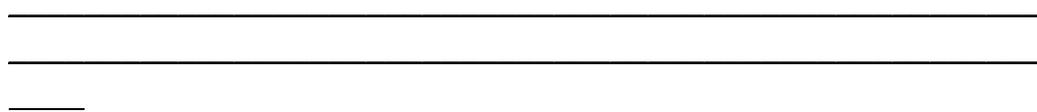
D. Low

E. Very low

10. What is your suggestion on the distribution criteria's of the company?

11. What are the cause for in your company? _____

12. In your opinion what are the solutions for the faced by the company? _____



2.?
.. 1 1-3 ...
.. 3-6 6 ...

3.?
.. ..

4. 3
.. ..
.. ..
.. ..
.. ..

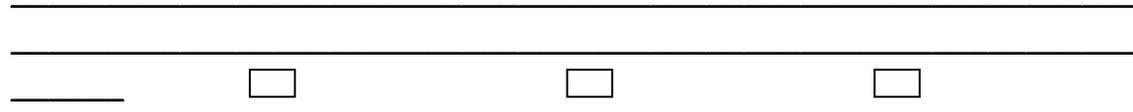
5.?
..
..

6.?
..

7.?
..

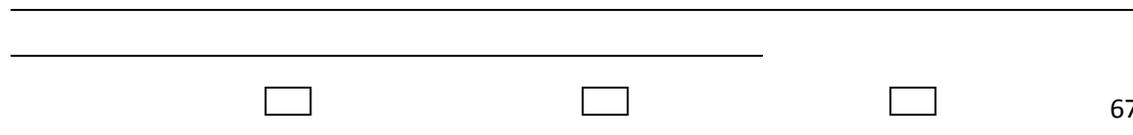
8.?
..

9.
.. ..



10. /
.....?
..

11.?



12.? _____

13.?

14.?

15.
?

16.?

Appendix E

St. Mary's University College

Faculty of Business and department of marketing management

**Interview conducted with company's marketing manager of
East African Group**

This interview is conducted by St. Mary's University college prospective graduate degree student. In order to understand East African group physical distribution activities which enhance customer to accept and force to buy its products. So, the aim of this study is to collect data which could assist to prepare a senior essay and as a result the outcome of this paper will be presented to the university college and the copy will be given to your company in order to support your company's physical distribution program so, the validity of your response has too much contribution for all of us. Due to this reason I would like to ask you with due respect to provide the right response.

Thank you in advance for you're sincerely cooperation.

1. When did this company start production?
2. What is the form ownership of your company?
3. What are your product line and product types?
4. What are your total future plans in general?
5. Is there enough warehouses?
6. What is the major physical distribution challenge in your company's?
7. If you have tried to get ideas from the market, is there anything to be improved in the preparation of physical distribution activities?
8. Do you think that the company is a position to provide full fledged services?
9. What are your objectives in each physical distribution program?

DECLARATION

The candidate's Declaration

I, the undersigned, declare that this senior essay project is my original work, prepared under the guidance of W/t Meaza G/medhen. All source of materials used for the manuscript have been duly acknowledged.

Name: Tizita Belayneh

Signature: _____

Place of Submission: _____

Date of Submission: _____

THE ADVISOR'S DECLARATION

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

Name: _____

Signature: _____

Date: _____