DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university.

Signature ........................................ Date .....................................

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D61/72393/2008

This project has been submitted for examination with my approval as the University Supervisor:

Signature ........................................ Date .....................................

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DEDICATION

This project paper is dedicated to my Mum and Dad, my Sons and Mum to my kids and my greater family for their inspiration, encouragement, understanding and prayers towards the successful completion of my Master in Business Management Course. I pay glowing tribute and gratitude to the Almighty God who has given me the wisdom to undertake this course and project.
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My special and sincere thanks go to my supervisors Mr. J.M Munyoki and Mrs Catherine Ngahu for their guidance, support, suggestions, useful comments and constructive critique which were all instrumental to the successful completion of this research work. I also wish to appreciate the support and encouragement from my friends and family during the tough times that I had to balance between the demands of a rigorous academic program and an equally demanding work environment. My gratitude goes to God Almighty who renewed my strength at every single stage of this study.

God bless all of you.
ABSTRACT

Businesses today operate in a market-driven, customer-oriented era and to survive in such a competitive environment, they have to be flexible, adaptable and above all provide superior service. One of the ways in which customer needs can be met is through effective distribution of goods and services and the core capabilities of a company engaged in distribution channel is to design and manage its distribution channel in order to gain maximum advantage in the market where competitive forces are changing. The objective of the study was to determine distribution strategies as a source of competitiveness in the logistics firms in Kenya. The study adopted cross sectional survey design. The population of the study consisted of all fifty three Logistics firms operating in Nairobi. The study used primary data which were collected through self-administered structured questionnaires. The data was analyzed and presented using mean and percentages. The findings of the study was that competitiveness was achieved by the firms through resources, capabilities and competencies that help a company attain a competitive advantage based on-superior efficiency, innovation, and quality and customer responsiveness, well-planned and executed strategy that is sustainable, service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any individual service offering, technology development, human resource management, procurement, and firm infrastructure, offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices and strategy and operational effectiveness. The competitive edge achieved by the firms as a result of adopting distribution strategies was found to be increased profit margin, rise in revenue, increased market share, enhanced customer service, increased customer base and increased off customer waiver charges. The study concluded that the ability of a firm to compete in the competitive market depends on the distribution strategy adopted by the firms. Management has to synchronize the efforts and focus the resources strategically in the right direction to enhance the competitiveness. The study recommended that logistics firms should ensure that they maintain the distribution strategies which enables them to achieve competitiveness in their industry and as such should concentrate only on those strategies which lead to them achieving competitiveness.
# TABLE OF CONTENTS

DECLARATION............................................................................................................ ii

DEDICATION............................................................................................................. iii

ACKNOWLEDGEMENTS ............................................................................................ iv

ABSTRACT.................................................................................................................. v

LIST OF TABLES ......................................................................................................... ix

CHAPTER ONE: INTRODUCTION............................................................................. 1

1.1 Background of the Study ..................................................................................... 1

1.1.1 Distribution Strategies .................................................................................... 3

1.1.2 Organizational Competitiveness....................................................................... 4

1.1.3 Logistic Firms in Nairobi ................................................................................ 5

1.2 Problem Statement ............................................................................................. 6

1.3 Objectives of the Study ...................................................................................... 9

1.4 Value of the Study ............................................................................................. 9

CHAPTER TWO: LITERATURE REVIEW................................................................. 11

2.1 Introduction ....................................................................................................... 11

2.2 Theories Underlying the Study .......................................................................... 11

2.2.1 Resource-based view ..................................................................................... 11

2.2.2 Logistics capability ....................................................................................... 13

2.3 Distribution Strategies in the Logistics Industry ................................................ 14
2.3.1 Linker Strategy ........................................................................................................... 14
2.3.2 Educator Strategy ........................................................................................................ 15
2.3.3 Multiple Channel Strategy .......................................................................................... 16
2.3.4 Franchising as a distribution strategy .......................................................................... 18
2.4 Distribution Strategies as a source of Competitiveness .................................................... 18

CHAPTER THREE: RESEARCH METHODOLOGY ......................................................... 22
3.1 Introduction .................................................................................................................... 22
3.2 Research design ............................................................................................................. 22
3.3 Population and Sample of the Study .............................................................................. 22
3.4 Data Collection ............................................................................................................ 22
3.5 Data Analysis ................................................................................................................. 23

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION .................. 24
4.1 Introduction .................................................................................................................... 24
4.2 Demographic Profile ..................................................................................................... 24
  4.2.1 Highest Level of Education ....................................................................................... 24
  4.2.2 Duration of Logistic Firm Operation ........................................................................ 25
4.3 Competitiveness of the Logistics Firms ......................................................................... 26
  4.3.1 Ways of achieving competitive advantage ............................................................... 26
  4.3.2 Organizational Competitiveness Achievement ....................................................... 28
4.4 Distribution strategies as a source of competitive advantage ........................................ 30
4.4.1 Distribution Strategies Value................................................................. 30
4.4.2 Distribution strategies adopted................................................................. 31
4.4.3 Effects of distribution strategies on firm competitiveness ......................... 32
4.4.4 Use of distribution strategy to achieve competitiveness ............................. 33

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS .. 36

5.1 Introduction.................................................................................................. 36
5.2 Summary of Findings.................................................................................. 36
5.3 Conclusion................................................................................................... 38
5.4 Recommendation........................................................................................ 39
  5.4.1 Recommendations with policy Implication.............................................. 40
  5.4.2 Recommendations for further research.................................................. 40

REFERENCES.................................................................................................... 41

Appendix III: Letter of Introduction................................................................. 45
Appendix I: Questionnaire................................................................................. 46
Appendix II: List of the licensed logistic agents in Nairobi ................................ 51
LIST OF TABLES

Table 4.1: Highest Level of Education ................................................................. 25
Table 4.2: Duration of logistic firm operation ...................................................... 25
Table 4.3: Ways of achieving competitive advantage .......................................... 27
Table 4.4: Organizational competitiveness achievement ........................................ 29
Table 4.5: Distribution Strategies Value ............................................................... 30
Table 4.6: Distribution strategies adopted ............................................................ 31
Table 4.7: Effects of distribution strategies on firm competitiveness .................... 32
Table 4.8: Use of distribution strategy to achieve competitiveness ...................... 34
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Businesses today operate in a market-driven, customer-oriented era and to survive in such a competitive environment, they have to be flexible, adaptable and above all provide superior service. Although the mechanics of a business operation can often be similar between businesses in the same industry, it is the ‘people part’ – the relationship with the individual customer – where the business gains an advantage over a competitor and to be a customer-oriented business, the customers’ needs have to take priority (Bowersox & Closs, 2006). One of the ways in which customer needs can be met is through effective distribution of goods and services and the core capabilities of a company engaged in distribution channel is to design and manage its distribution channel in order to gain maximum advantage in the market where competitive forces are changing. In the international business for example, the global operations require the integration of global manufacturing with logistics service capabilities and transport support for efficient and effective business performance. In particular, transport demand requires efficient integrated moves, premium package services, and the best use of available modal transport operations and international distribution centers (IDC) (Coyle, Bardi, & Langley, 2003). Hence it is imperative that business units have to develop strategies in order to respond to ever-increasing levels of volatility in demand.
Distribution strategies play a crucial role in the launch of new products and their eventual acceptance and sales of product in the market as it determines the availability of the new product to customers. An organization competitiveness distribution strategy plays a role in enabling the availability and application of the product in the marketplace and therefore the distribution strategy employed by the organization would impact the nature of “market support” capability that can be provided to the innovation (Cooper and Kleinschmidt, 2001). As one of the key elements of a company's success, selecting the proper distribution channel strategy is a focal point in both supply chain and marketing channel structure in both local and international trade. The distribution channel strategy decision is usually based on finding the most profitable way to reach a market and according to Lee et al., (2003) successful distribution channel strategy selection, implementation, and management cannot only help to meet the shopping needs and habits of the target customer’s efficiently under the cost constraints of the seller, they must also mitigate the disadvantages caused by distribution channel conflicts such as double marginalization.

As the logistics sector in Kenya becomes intensely competitive, every player in the sector need’s to adopt some strategies which will enable it to have a competitive edge over the others. As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors. Strategies are at ends and these concern’s the purpose and objectives of the organization. As the logistic firms arm twists each other in wooing clients, selecting a sales and distribution strategy is a key element of a successful business. The logistic firm’s sales approach, or more broadly the overall process of selling and delivering products to customers, at once encompasses both a
company’s connection to its customers and a significant portion of its total costs. This therefore calls for a change of tact by employing new distribution strategies. Hence the importance of good distribution strategies in today’s competitive logistic market in Kenya cannot be over stressed as it an important component of distribution systems and every organization need’s to design an appropriate distribution strategy to serve its customers.

1.1.1 Distribution Strategies

An organizations distribution strategy deals with how an organization creates and satisfies demand for their products (Wensley, 2005). As distribution strategy plays a role in enabling the availability and application of the product in the marketplace, the distribution strategy employed by an organization would impact the nature of “market support” capability that can be provided to the innovation. As one of the firm’s strategy, distribution is influenced by the market structure, the firm's objectives, and its resources and of course it’s overall marketing strategy. Needham et al., (2008) recommends that organizations come up with several distribution strategies that should address levels of channels, distribution scope, multiple channels, franchises and channel control strategies among others to be able to achieve their marketing objectives.

The distribution channel strategy decision is usually based on finding the most profitable way to reach a market and according to Lee et al., (2003) successful distribution channel strategy selection, implementation, and management cannot only help to meet the shopping needs and habits of the target customer’s efficiently under the cost constraints of the seller, but also mitigate the disadvantages caused by distribution channel conflicts
such as double marginalization (Needham et al., 2008). According to economic distribution channel theory, the “ideal” distribution system or the normative distribution channel can be determined by exploring what the consumers want in terms of service outputs from the distribution channel, how much they are willing to pay for a given service level, how the services can be provided to them, and what the costs of the alternative distribution channels are (Stern et al., 2006). Based on this information it can be determined which distribution system most efficiently meets the customers’ wants. Thus, an economic distribution channel model takes a customer perspective, analyses the output from the commercial part of the different distribution channels and relates it to the customers’ costs and benefits from the different levels of service output offered by the available distribution channels.

1.1.2 Organizational Competitiveness

Competitiveness is the ability of companies, industries, regions, nations, and supranational regions to generate, while being and remaining exposed to international competition, relatively high factor income, and factor employment levels on a sustainable basis (Gulati, 1999). Porter et al., (1996) believes that competitiveness is the underpinning of prosperity, based on productive potential of a nation's economy, which in turn is ultimately set by the productivity of its companies determined by sophistication of company operations and strategy and quality of microeconomic business environment. A firm’s sustainable competitiveness derives from its ability to assemble and exploit an appropriate combination of resources. It is achieved by continuously developing existing
and creating new resources and capabilities in response to dynamic market conditions (Barney, 2007).

Traill and Pitts, (2007, p 13) put it that “A competitive industry is one that possesses the sustained ability to profitably gain and maintain market share in domestic and/or foreign markets”. Thus, defined, sectoral competitiveness has its own role to play between business and national competitiveness. While business competitiveness mainly depends on the institutional design of the particular company, national competitiveness, broadly speaking, depends on the history and political economy of the country. Regional competitiveness, as the authors cited above show, is a bit more difficult to grasp, but can be as different from the national average as the institutional framework of regions may deviate within a nation. Within the context of economic globalization in the international market, every country is trying to generate competitive advantage in various sectors to improve the international competitiveness of their product and expand market share. Industrial competitiveness is a country's specific industry's ability to be able to provide the need to meet product demand to the international market and gain profits continuously, by its more advanced capacity and production efficiency compared with other countries in the free trade international market (Zhao and Wen, 2004).

1.1.3 Logistic Firms in Nairobi

Logistic firms in Nairobi fall under the Kenya International Clearing, Forwarding and Warehousing Association. Freight Forwarders Kenya Ltd (FFK) was incorporated in 1973 following the amalgamation of three prominent Clearing and Forwarding Agents
namely Kenya General Agency Ltd (established 1932), Reynolds and CO Ltd (established 1962) and Wafco Ltd. FFK is a member of the Kenya International Clearing, Forwarding and Warehousing Association and was a founder member of the Association’s predecessor, the Kenya Clearing Forwarding and Warehousing Association KIFWA. With over 30 years of experience, FFK has developed a network of subsidiaries and agents enabling the organization to offer a comprehensive range of Clearing, Forwarding & Logistics services namely customs clearance, marine Services, warehousing, transportation, procurement Services and Communication. As at 2011 there were a total of 824 logistics firms operating in Kenya with 469 being based in Nairobi.

They are various associations that govern logistics firms in the country. These are Kenya international freight and warehousing association (KIFWA), Federation of east Africa freight forwarders association (FEAFFA) and Kenya institute of supplies management (KISM). The objectives of these associations are, to promote and protect the legitimate trade of logistics agents, promote a high standard of service by its members to their customers, promote the adoption of uniform documents and standard terms and conditions of services provided by members, collect, collate and circulate amongst its members information and statistics relating to or affecting the business interests of the members, represent and advocate the views and policies of the association to Governments only to highlight a few.

1.2 Problem Statement

As one of the key elements of a company's success, selecting the proper distribution channel strategy is a focal point in marketing channel structure and is usually based on
finding the most profitable way to reach a market (Ford and Mottner, 2003). Successful distribution channel strategy selection, implementation, and management not only helps an organization gain competitiveness but also help to meet the shopping needs and habits of the target customers efficiently under the cost constraints of the seller; they must also mitigate the disadvantages caused by distribution channel conflicts such as double marginalization. According to Porter (1985), organizational competitive advantage can be achieved if the firm implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors. This can be interpreted to mean that sustained competitive advantage results from strategic assets; which Barney (2001) regards as those that are internally controlled and permit the firm to formulate and implement strategies that expand its efficiency and effectiveness. A firm’s distribution strategy of its products and services is such a strategic asset.

Logistics firms in Nairobi are a product of the need of companies to transport goods from point to another and the need of these firms to cede non-core functions to specialty organizations. Over the last 10 years the need of logistical services has increased and as result the number of firms in the same logistical business has grown. According to Kenya Institute of Supplies Management (KISM), the number of Logistical firms in Kenya has increased from 205 in the year 2000 to 849 firms in 2012. This growth in the number of players in the industry can be attributed to the increased business volume as well as regionalization of business. Many Kenyan firms have opened networks in the East African countries and multinational companies have also opened up shop in the region which makes it necessary to require logistical services. However, most of the established logistical firms in Nairobi do not have adequate capacity to facilitate the transportation of
the goods and failure to meet the needs of the customer is partly due to an ineffective distribution strategies. It is on the basis of the problem that the current study will seek to establish the role of distribution strategy in organizations competitiveness of Logistic firms in Kenya.

Recent studies done on the role of distribution strategies as a source of competitiveness include the one done by Oluoch (2007) on distribution strategies pursued by food processing firms in Nairobi and found out that the firms uses intensive distribution strategy with the features and quality of the core service provided being judged by managers to be more important in adding value to more complex services, as are organizational factors such as image and reputation. Price is perceived to be significantly more important in adding value to more simple, rather than complex and offering. Owuor (2008) worked on distribution strategies adopted by wines and alcoholic spirits manufacturers and importers in Nairobi and the results were that the firms uses intensive, selective, exclusive agents, distributors, wholesalers, retailers distribution strategies and the firms needs to creatively and pro-actively exploit the three generic sources, preempt rivals attempt at these sources, and/or pursue any combination of proactive and preemptive efforts by adopting. Irimu (2009) who researched on the effects of distribution strategies employed by the sewing machine industry in Kenya on channel members and contends that the findings confirm the difficulties associated with the development of a clear competitive advantage and the relative unimportance of price. Muli (2012) researched on the distribution strategies employed by the banking industries firms in Kenya. The findings were that the distribution strategies used were multiple channel strategy, branch banking strategy and internet banking distribution strategies,
personal computer banking strategy and telephone banking strategy. There is no known study undertaken on the distribution strategies adopted by the logistics firms. This study aims to fill the knowledge gap by answering the following research question; what distribution strategies are employed by logistic firms in Kenya as a source of competitiveness?

1.3 Objectives of the Study

The research objectives was:

(i) To establish distribution strategies used by Logistic firms in Nairobi, Kenya.

(ii) To determine the role of distribution strategies adopted by Logistic firms in Nairobi as a source of competitiveness.

1.4 Value of the Study

This study will assist the management of the various logistic companies operating in the country to evaluate how effective their present distribution strategies serving them and how the same can become a source of competitiveness in the business environment they operate. In addition, the management of these firms will learn other distribution strategies they can adopt; its opportunities and challenges that come with the adoption of the same distribution strategies. This may enable them identify gaps in their strategies which may enhance their strategic response as a result move to effectively manage the existing strategies which will improve their performance.
This study will benefit the government and especially the Ministry of transport and infrastructure in making policy decisions whose overall objectives will be to reduce bottlenecks in distribution of products and services by these logistic firms and at the same time accelerate the rate of growth in the sector and take advantage of the improved economy. These ministries will get to know challenges faced by the industry players both nationally and regionally as they distribute their products in the market.

The study will also be useful to the shareholders of these logistic firms in evaluating the effectiveness of the organizations distribution strategies as they cope with the increasingly competitive operating market. Other organizations can also use the distribution strategies employed by the organizations to improve their performance. It will be useful to other researchers and scholars as it will contribute to the body of knowledge in the area of distribution strategies. In addition the study will be an invaluable source of material and information to the many other organizations in the industry operating in the country since all the sectors in Kenya have a great role to play in the quest to become a middle income country as envisioned in the Vision 2030. By identifying the appropriate distribution strategies, the industry will also be able to achieve their objective much faster and growth of the individual firms.

To the academicians the study will contribute to the existing literature in the field of strategic management in general and distribution strategies in particular. It should also act as a stimulus for further research to refine and extend the present study especially in Kenya.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter highlights the major issues relating to the role of distributions strategies as a source of competitiveness in an organization. It covers the theories underlying the study, distributions strategies adopted by Logistic firms and how the same distribution strategies become a source of competitiveness to the firms.

2.2 Theories Underlying the Study

According to Kilbourn (2006), the theoretical perspective in a research reflects the researcher’s theoretical orientation, which is crucial to interpreting the data in a qualitative study, irrespective of whether it is explicitly or implicitly stated. In other words, theoretical perspectives play a role as the filter for focusing and bounding the data to be collected. Several theories are considered to be underpinning the study and include the porter’s five forces model and resource based view

2.2.1 Resource-based view

The resource-based view (RBV) of the firm which started with Wernerfelt in the 1980s has gained dominance in the strategic management literature. It asserts that firms can gain and sustain competitive advantages by deploying valuable resources and capabilities. Thus, the source of sustainable competitive advantage can ultimately be attributed to the ownership of strategic resources possessing the characteristics of rareness, value, imperfect imitation, and non-substitutability (Barney, 1991). Some previous studies have
asserted that any of a wide range of firm attributes controlled by a firm can be considered resources, such as assets, capabilities, competencies, information, knowledge, and so forth (Barney, 1991), whereas others have argued that capabilities are not part of resources and have therefore sought to differentiate between resources and capabilities (Amit & Schoemaker, 2003). Capabilities are the results of resource deployment and organizational processes having the dynamic ‘doing’ nature. They therefore argue that capabilities should be treated independent from resources.

Recently, the RBV has been employed in logistics management studies to examine the effects of logistics capabilities on firm performance. For example, Lai (2004) drawing on resource-based theory examined the service capabilities and performance of logistics service providers. Results suggested that differences in service performance existed between different logistics service provider types. Sinkovics and Roath (2004) found that manufacturers can leverage their competitor orientation with operational flexibility capability to enhance logistics and market performance in manufacture–third-party logistics relationships. Shang and Marlow (2005) examined the impacts of logistics capabilities on Taiwanese manufacturing firms’ performance. Results indicated that the information-based capability was significantly related to logistics performance and in turn led to high financial performance. As has been shown, the RBV can provide a theoretical foundation for a study that seeks to examine the relationships between logistics capabilities and firm performance.
2.2.2 Logistics capability

Several studies have concluded that capabilities are strategically valuable to firms (Hafeez, Zhang, & Malak, 2002). Capabilities are defined as ‘complex bundles of skills and accumulated knowledge, exercised through organizational processes, which enable firms to coordinate activities and make use of their assets’. As regards logistics, logistics capabilities encompass such business behaviors and processes as customer service, responsiveness to customers, and order cycle time. Accordingly, logistics capability is defined as skills and accumulated knowledge that is used to coordinate activities and make use of its resources for meeting customer requirements and improving customer service.

A number of logistics capabilities have been identified from previous studies on logistics management and include attributes on, delivery, quality, customer service, innovation, information technology, flexibility and cost (Zhao et al, 2001). Based on the logic of RBV theory, a firm can deploy their valuable resources and develop various logistics capabilities to attain superior performance in their different markets. In addition, given the differences in their ability to create and deploy resources, a firm will have different types of logistics capability. Morash et al. (2006) found that delivery speed, reliability, responsiveness, and low distribution cost were significantly positively related to firm performance. Zhao et al. (2001) reported customer-focused capabilities to be significantly related to firm performance, whereas information-focused capabilities indirectly affected firms’ performance. Morash and Lynch (2002) concluded that good performance firms’ customer service capability, such as delivery reliability, customization during logistics,
delivery speed, customer service flexibility, disruption avoidance in supply, and responsiveness to customers, are significantly better than those of poor performance firms.

2.3 Distribution Strategies in the Logistics Industry

The following strategies illustrate the path, through the application of distribution strategies, which would be the most beneficial in a logistic firm strategy to be a source of competitiveness to a firm.

2.3.1 Linker Strategy

Physical distribution and logistics is vital for enhancing the market access capability of any product. Apart from this, service response logistics, that deals with the integration of non-material activities necessary for the fulfillment of customer service effectively, is an important prerequisite for providing market support to an innovation (Gundlach et al., 2006). Because of the knowledge explosion, customer knowledge and expectations have tremendously increased and if a channel chosen by the innovator cannot deliver the product, the innovation ceases to prosper. This would mean that the innovator has to study consumer behavior closely and incorporate the understanding in the service logistics program to serve the customer better than the competitors and thereby enhance the market support capability of the product. Meeting the customer expectation from an innovation would require service management, channel management and value chain management to support the service response logistics of the innovation.
Service management in distribution has to be in strict compliance with “contact drivers” pertaining to the customer product. Contact drivers is the collective term for the reasons customers have to contact the innovator and vice versa so as to express specific expectations between both of them (Pumphrey, 2003). Contact drivers from consumers would include specific expectations like “I want to buy a ticket” or “I want to file a complaint” and from the innovator could include “I want to know if you have understood the technology of our innovation in its entirety” or “do you have suggestions for us” (Kim, 2006). Therefore, depending on the contact drivers required, the physical distribution channels needs to be supported by a variety of contact tools including catalogues, web, phone, store, text, voice portal and mobile internets.

2.3.2 Educator Strategy

Communication strategies have an important role to play in “educating the market” (Calantone and Montoya-Weiss, 2003). The communication strategies not only rely on the pull strategy of advertising to educate, but would also incorporate the push strategies to create high exposure levels and trial rates. Advertising helps to strengthen the perception of the product while trials give the first hand opportunity to sense and feel the product and thus change its perception. However, for the service that a logistic firm offers to get to the potential customers, there is need to get to the customer through education. A lack of “enough” knowledge regarding the product or service on offer could be attributed to the newness of the innovation and thus lack of sufficient critical information about the innovation regarding usage, exact benefits and so on. Moreover, due to newness there is lack of enough adopters for propagating the innovation in the market. In case of new products, trials pave the way for word-of-mouth communication among the
innovation adopters (Roger, 2006) and as such push strategies, like trials, are more effective than pull strategies, like advertising in creating perception of uniqueness in the consumer mind space. Similarly, in a high involvement situation like innovation adoption, the need for rational information requires that the message strategy for ‘‘educating the marketplace’’ needs to be delivered with rational rather than emotional appeals (Fill, 2005).

Channel management has evolved into a domain totally centered on ‘‘consumer experiences’’ and methods of providing and enhancing them (El-Ansary, 2005). Accordingly, the focal point in channel management when taking a product to the marketplace there would be need for planning and implementation of positive consumer experiences through selection of channel mix, retail training in terms of physical stores, enriching experience at customer touch points, value-added services and consumer research would provide long term competitive advantage for the logistic firm. Value chain management would focus on partnering with up-stream and down-stream activities for efficiency enhancement and cost control. Partnership in logistics management (Kay, 2003) is a relevant application, combining elements of process and product innovation management within a network structure to meet customer expectations at an economic cost.

2.3.3 Multiple Channel Strategy

Multiple channel strategy is where two or more different channels are employed at the same time in distribution of goods and services, companies sometimes use dual or even
several channels to achieve effective distribution (Pride and Ferrell, 2008). In some situations, producers use dual distribution, an arrangement whereby a firm reaches different buyers by employing two or more different types of channels for the same basic product. Needham et al., (2009) identify two types of multi-channels as complementary and competitive. Complementary channels are those which deal with complementary products while competitive are those which deal with similar products at the same channel level. By adding more channels, companies can increase market coverage, lower channel cost and more customized selling.

Kotler (2001) asserts that markets must be segmented so that each segment is given a product or service it needs. This strategy includes complementary channels strategy where each channel handles a different non competing product or serving non competing market segment and competitive channel strategy where the same product is sold via two different and competing channels to capture a large share of the market. Companies have applied this strategy in trying to reach its customers for instance; it sells its cosmetic directly to its wholesalers as well as through value-added resellers. In designing a channel, a firm knows what roles has to be assigned to distribution within the market mix, whether direct or indirect distribution is better and which type of middlemen will be used. According to McCarthy et al., (2004), offering customers a good product at a reasonable price is important to a successful marketing strategy, but it’s not the whole story, managers must also think about place like making products available in the right quantities. This direct structure eliminates the challenges of designing an appropriate channel structure in terms of length, intensity and type of intermediaries at each level.
However all of target market issues associated with channel design must be faced. These include where to locate the facilities, how large the facilities should be meet demand and whether sufficient numbers of customers will be within range of service, as well as when, how and who will use the service (Rosen bloom, 2005).

2.3.4 Franchising as a distribution strategy
A franchise is a means by which a producer of products or services achieves a direct channel of distribution without wholly owning or managing the physical facilities in the market. Bankowitz (2009) defines franchising as a contractual arrangement between a parent company (franchisor) and an individual or firm (franchisee) that allows the franchisee to operate a certain type of business under an established name according to specific rules. In effect, the franchiser provides the franchisers knowledge, manufacturing, and marketing technique for a financial return. Franchise systems are normally based on some unique product or service, method of doing business, trade name, goodwill or patent that the franchiser has developed. According to Thompson and Strickland (2003) companies use product-franchising method where it grants franchisees the right to produce and sell its products. Through this strategy the companies, have been able to penetrate the market, limit its overheads and gain access to ready market, as well as creating employment opportunity to the host country.

2.4 Distribution Strategies as a source of Competitiveness
The intangible nature of services makes it difficult to envisage the use of specific services features as the basis for establishing a firm’s competitiveness. Services cannot be patented, so service features generally can be copied with ease (Davison, Watkins and
Wright, 2009). This leads to difficulty in trying to establish a lasting competitive advantage using service features. According to Bharadwaj et al., (2003) many logistic services markets are not especially price-sensitive, particularly in their more complicated offerings. Competitive advantage is more likely to be based on support considerations, such as service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any individual service offering. Service quality has been highlighted as important in logistic services markets. Basing competitive advantage on the organization as a whole rather than on specific offerings allows the organization to place considerable emphasis on trust and confidence to mitigate the doubts and uncertainties experienced by consumers in relation to the purchase of products which are complex and difficult to comprehend.

The logistic industry is characterized by a high degree of information asymmetry, and customer understanding of the services in offer and the benefits they can provide is, as a result, extremely limited. Furthermore, customer evaluation of these services is heavily reliant on credence qualities. Given this lack of understanding, it seems entirely plausible that consumers and potential consumers of logistic services need to be educated from time to time on the available coverage of the logistic firm and the services that are on offer (Bharadwaj et al., 2003). Thus a potential “demand-side” justification for the relatively straightforward division of the financial services market is apparent.

According to Day (2004, p. 44), “Market-driven firms are distinguished by an ability to sense events and trends in their markets ahead of their competitors. They can anticipate more accurately the response to actions designed to retain or attract customers, improve
channel relations, or thwart competitors. They can act on information in a timely, coherent manner because the assumptions about the market are broadly shared”. This organizational capability has significant implications for the attainment and sustainability of competitive advantage. Businesses that possess the ability to learn rapidly about their markets and to act on that information are best positioned to achieve competitive advantage (Day, 2004). To help an organization deal with market events and trends, internal organizational processes develop. Among the organizational processes that typically develop within an organization, its strategic planning processes and the related processes it uses for analyzing market information are cited as being among the most important (Moller and Anttila, 2007).

Walker et al. (2002) state that to achieve desired performance levels, a firm’s strategies and the resources available to it must interact positively with the requirements of the firm’s markets. Both capabilities and market requirements need to be clearly defined and explicit. Arguably, both need active consideration during the strategy formulation stage. A key concern in the emerging strategic performance management in the current business environment is the need for organizations to implement systems and frameworks that not only deliver performance improvements, but also the ability to control them against top level targets. This remains the case for both commercial and regulated public sector companies (Witcher and Chau, 2008).

Promotion and distribution strategies play a crucial role in the launch of new products to the market. Distribution decisions are far reaching because changing them is both resource and time demanding and hence firms have to take great care in designing their
distribution systems during the launch of innovations (Stern and Sturdivant, 2007). A market oriented organization possesses the ability to generate, disseminate, and respond to information about market forces and market conditions better than their less market oriented rivals (Jaworski and Kohli, 2003). This gives a market oriented organization an important basis for building a sustainable competitive advantage by learning what buyers want, building the processes necessary to deliver the value they desire and adapting those value generating processes as market conditions change. To use these processes as the basis for competitive advantage, an organization needs to develop the capabilities to generate, disseminate, and respond to market intelligence and the processes to act on this information (Hunt and Morgan, 2005).

In addition to a market orientation, organizations need competitive strategies to help focus their efforts. According to Day (1990, p. 5) “A competitive strategy specifies how a business intends to compete in the markets it chooses to serve. This strategy provides the conceptual glue that gives shared meaning to all the separate functional activities and programs”. As one of the major pro-competitive functions in the organization, marketing has a major impact on how these strategies are formulated and how resources are allocated to implement these strategies (Hunt and Morgan, 2005). For the market-driven firm, creating superior customer value is the objective of strategy formulation and implementation. To do this, customer value-based differentiation strategies will drive the firm’s market research efforts, its selection of target-markets, its product development processes, and its market communications programs.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the proposed research design, the target population, sampling design, data collection instruments and procedures, and the techniques for data analysis.

3.2 Research design

The study to be adopted is a descriptive research design. The survey was of Logistics firms in Nairobi. According to Emory (1995), a survey is feasible when the population is small and variable and hence the researcher was able to cover all the elements of the population. Therefore a survey was considered to be more efficient and economical than observation.

3.3 Population and Sample of the Study

The population of interest in this study was all logistics firms operating in Nairobi. At present there are 53 Logistics firms operating in Nairobi (Appendix II). Due to the number of the population targeted in the study, it is proposed that the study was a census survey.

3.4 Data Collection

The study used primary data that was collected through a self-administered questionnaire that consisted of both open and closed ended questions that was designed to elicit specific
responses for qualitative and quantitative analysis respectively. The questionnaires were administered in the organizations offices whereby the researcher targeted respondents in the managerial level specifically in Administration, Marketing and Distribution manager departments. The target respondents were deemed versed with the research subject area and provided valuable information towards the attainment of the research objective.

3.5 Data Analysis

The data was analyzed by the use of descriptive statistics. The data was classified, tabulated and summarized using descriptive measures, percentages and frequency distribution tables while tables and graphs were used for presentation of findings. In accomplishing all analysis details with efficiency and effectiveness, the researcher utilized the Statistical Package for Social Sciences (SPSS) software.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to establish the distribution strategies as a source of competitiveness in the logistics firms in Kenya. This chapter presents the analysis and findings with regard to the objective and discussion of the same. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 53 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 53 questionnaires issued out, only 41 were returned. This represented a response rate of 77%.

4.2 Demographic Profile

The demographic information considered in this study was the level of education and the duration of company existence.

4.2.1 Highest Level of Education

The respondents were asked to indicate their level of education. The results are presented in table 4.1.
Table 4.1: Highest Level of Education

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post graduate level</td>
<td>13</td>
<td>30.8</td>
<td>30.8</td>
</tr>
<tr>
<td>University level</td>
<td>19</td>
<td>46.2</td>
<td>76.9</td>
</tr>
<tr>
<td>Tertiary level</td>
<td>6</td>
<td>15.4</td>
<td>92.3</td>
</tr>
<tr>
<td>Secondary level</td>
<td>3</td>
<td>7.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The results indicate that 46.2% of the respondents had attained university level, 30.8% of the respondents had attained post graduate level, 15.4% of the respondents had attained tertiary college level while 7.7% of the respondents indicated that they had attained secondary level. The results indicate that majority of the respondents had attained university level.

4.2.2 Duration of Logistic Firm Operation

The respondents were asked to indicate the duration in which their logistic firm has been in operation and the findings are indicated in Table 4.2.

Table 4.2: Duration of logistic firm operation

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 10</td>
<td>8</td>
<td>19.2</td>
<td>19.2</td>
</tr>
<tr>
<td>10 – 20</td>
<td>16</td>
<td>38.5</td>
<td>57.7</td>
</tr>
<tr>
<td>20 – 30</td>
<td>11</td>
<td>26.9</td>
<td>84.6</td>
</tr>
<tr>
<td>Over 30</td>
<td>6</td>
<td>15.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The results indicate that 38.5% of the logistics firms have been in operation for 10 – 20 years, 26.9% of the firms have been in operation for 20 to 30 years, 19.2% of the logistics
companies have been in operation for less than 10 years while 15.4% of the firms have been in operation for over 30 years. The results indicate that majority of the firms have been in the business for a longer duration of time and thus they understand the need to have efficient distribution strategies that is not simultaneously being implemented by any current or potential competitors in order to achieve competitive advantage.

4.3 Competitiveness of the Logistics Firms

Competitiveness is the underpinning of prosperity, based on productive potential of a nation's economy, which in turn is ultimately set by the productivity of its companies determined by sophistication of company operations and strategy and quality of microeconomic business environment. A firm’s sustainable competitiveness derives from its ability to assemble and exploit an appropriate combination of resources. It is achieved by continuously developing existing and creating new resources and capabilities in response to dynamic market conditions.

4.3.1 Ways of achieving competitive advantage

The respondents were requested to extent to which the logistics firms adopt the statements in order to achieve competitive advantage in a five point Likert scale. The range was ‘Not at all (1)’ to ‘very great extent’ (5). The scores of not at all and little extent have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale;(0≤ S.E <2.4). The scores of ‘moderate extent’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: (2.5≤M.E. <3.4) and the score of both great extent and very great extent have been taken
to represent a variable which had a mean score of 3.5 to 5.0 on a continuous likert scale; 
\((3.5 \leq \text{L.E.} < 5.0)\). A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents. The results are shown in Table 4.3.

**Table 4.3: Ways of achieving competitive advantage**

<table>
<thead>
<tr>
<th>Ways of achieving competitive advantage</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The logistic firm has competitive advantage over its rivals due to its service flexibility</td>
<td>4.2692</td>
<td>.7243</td>
</tr>
<tr>
<td>The logistic firm has competitive advantage over its rivals due to its unique corporate culture</td>
<td>3.6154</td>
<td>1.1340</td>
</tr>
<tr>
<td>The logistic firm has competitive advantage through its cost leadership strategy</td>
<td>4.1326</td>
<td>.7317</td>
</tr>
<tr>
<td>The logistic firm has competitive advantage through its differentiation strategy</td>
<td>3.9516</td>
<td>.8709</td>
</tr>
<tr>
<td>Complexity of technology helped the firm achieve sustainable edge</td>
<td>3.8846</td>
<td>.9930</td>
</tr>
<tr>
<td>Speed of offering the service is one factor that led to achieving competitive advantage</td>
<td>4.1538</td>
<td>.7844</td>
</tr>
<tr>
<td>Unique resources are a source of sustained competitive advantage logistic firm</td>
<td>4.0769</td>
<td>.9348</td>
</tr>
<tr>
<td>The added value is a source of competitive advantage</td>
<td>3.5462</td>
<td>.9356</td>
</tr>
<tr>
<td>The superior quality of services is a source of competitive advantage</td>
<td>3.8462</td>
<td>.7317</td>
</tr>
<tr>
<td>The logistic firm product and service diversity is a source of competitive advantage</td>
<td>3.9615</td>
<td>.7200</td>
</tr>
<tr>
<td>The logistic firm protection policy is a source of competitive advantage</td>
<td>3.9231</td>
<td>.8448</td>
</tr>
</tbody>
</table>
The ways in which the logistics firms achieve competitive advantage is through service flexibility (mean 4.2692), speed of offering the service (mean 4.1538), cost leadership strategy (mean 4.1326), unique resources (mean 4.0769), product and service diversity (mean 3.9615), differentiation strategy (mean 3.9516), protection policy (mean 3.9231), complexity of technology (mean 3.8846), superior quality of services (mean 3.8462), unique corporate culture (mean 3.6154) and through value addition (mean 3.5462). The low variation of standard deviation indicates that the respondents were unanimous on the ways in which the logistics firms achieve competitive advantage. The findings are consistent with Bharadwaj et al., (2003) who noted that competitive advantage is more likely to be based on support considerations, such as service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any individual service offering.

4.3.2 Organizational Competitiveness Achievement

The respondents were to indicate the extent into which the logistic firms achieve competitiveness.
Table 4.4: Organizational competitiveness achievement

<table>
<thead>
<tr>
<th>Organizational competitiveness achievement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The strengths of an organization are grounded in its resources, capabilities and competencies that help a company attain a competitive advantage based on superior efficiency, innovation, and quality and customer responsiveness</td>
<td>4.1268</td>
<td>.9930</td>
</tr>
<tr>
<td>Technology development, human resource management, procurement, and firm infrastructure enhances the performance of the primary activities</td>
<td>3.9543</td>
<td>.7200</td>
</tr>
<tr>
<td>Competitive advantage is gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices</td>
<td>3.9231</td>
<td>.6883</td>
</tr>
<tr>
<td>Competitive advantage is built upon a well-planned and executed strategy that is sustainable</td>
<td>4.1154</td>
<td>.8161</td>
</tr>
<tr>
<td>Competitive advantage is more likely to be based on support considerations, such as service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any individual service offering</td>
<td>3.9615</td>
<td>.8236</td>
</tr>
<tr>
<td>Strategy and operational effectiveness are essential for a company in order to gain competitive advantage</td>
<td>3.8077</td>
<td>1.1320</td>
</tr>
</tbody>
</table>

As shown in Table 4.4, the logistics firms achieved competitiveness through resources, capabilities and competencies that help a company attain a competitive advantage based on superior efficiency, innovation, and quality and customer responsiveness (mean 4.1268), well-planned and executed strategy that is sustainable (mean 4.1154), service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any individual service offering (mean 3.9615), technology development, human resource management, procurement, and firm infrastructure (mean 3.9543), offering consumers greater value, either by means of lower
prices or by providing greater benefits and service that justifies higher prices (mean 3.9231) and strategy and operational effectiveness (mean 3.8077). According to Davis (2001), besides costs, reliability, or dependability, quality and flexibility, fast delivery and good service are competitive priorities.

4.4 Distribution strategies as a source of competitive advantage

Competitive advantage is more likely to be based on support considerations, such as service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any individual service offering. Basing competitive advantage on the organization as a whole rather than on specific offerings allows the organization to place considerable emphasis on trust and confidence to mitigate the doubts and uncertainties experienced by consumers.

4.4.1 Distribution Strategies Value

The respondents were requested to indicate the extent to which logistics firms value distribution strategy. The results are given in Table 4.5.

Table 4.5: Distribution Strategies Value

<table>
<thead>
<tr>
<th>Distribution Strategies Value</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>8</td>
<td>30.8</td>
<td>30.8</td>
</tr>
<tr>
<td>Great extent</td>
<td>13</td>
<td>50.0</td>
<td>80.8</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>5</td>
<td>19.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
The results indicate that 50% of the logistics firms value distribution strategies to a great extent, 30.8% of the firms indicated that they value distribution strategies to a very great extent while 19.2% of the firms indicated that they value the strategies to a moderate extent. The results indicate that the logistics firms value distribution strategies as it is a way to serve the market and customers with its products and services. The extent to which the firms attach importance to distribution strategies is consistent with Wensley (2005) who noted that distribution strategy plays a role in enabling the availability and application of the product in the marketplace, the distribution strategy employed by an organization would impact the nature of “market support” capability that can be provided to the innovation.

4.4.2 Distribution strategies adopted

The respondents were asked to indicate the distribution strategies which they adopt. The results are in Table 4.6.

<table>
<thead>
<tr>
<th>Distribution strategies adopted</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct distribution channel (selling directly to consumers)</td>
<td>3.7769</td>
<td>1.1374</td>
</tr>
<tr>
<td>Multiple channel strategy</td>
<td>3.6077</td>
<td>.7883</td>
</tr>
<tr>
<td>Vertical marketing strategy</td>
<td>3.5769</td>
<td>.9454</td>
</tr>
<tr>
<td>Intensive distribution strategy</td>
<td>3.5062</td>
<td>1.0175</td>
</tr>
<tr>
<td>Exclusive distribution strategy</td>
<td>3.5231</td>
<td>.8566</td>
</tr>
<tr>
<td>Selective distribution strategy</td>
<td>3.6769</td>
<td>.8086</td>
</tr>
<tr>
<td>Cooperative strategies (i.e collusion and strategies alliances)</td>
<td>3.7923</td>
<td>1.0869</td>
</tr>
</tbody>
</table>

The findings indicate that the logistics firms use various distribution strategies in order to achieve competitiveness. The distribution strategies used are cooperative strategies (i.e
collusion and strategies alliances) (mean 3.7923), direct distribution channel (selling
directly to consumers) (mean 3.7769), selective distribution strategy (mean 3.6769),
multiple channel strategy (mean 3.6077), vertical marketing strategy (mean 3.5769),
exclusive distribution strategy (mean 3.5231) and intensive distribution strategy (mean
3.5062). The findings of the study is compatible with Stern et al., (2006) findings which
indicated that the normative distribution channel can be determined by exploring what the
consumers want in terms of service outputs from the distribution channel, how much they
are willing to pay for a given service level, how the services can be provided to them, and
what the costs of the alternative distribution channels are. Thus, the findings takes a
customer perspective, analyses the output from the commercial part of the different
distribution channels and relates it to the customers’ costs and benefits from the different
levels of service output offered by the available distribution channels.

4.4.3 Effects of distribution strategies on firm competitiveness

The respondents were asked to indicate the effects of distribution strategies on firm
competitiveness and the results are presented in Table 4.7.

<table>
<thead>
<tr>
<th>Distribution strategies and firm competitiveness</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>There has been increased customer base</td>
<td>3.8462</td>
<td>1.0466</td>
</tr>
<tr>
<td>The market share of the company has increased</td>
<td>3.9615</td>
<td>.6621</td>
</tr>
<tr>
<td>There has been a rise in revenue</td>
<td>4.0769</td>
<td>.8448</td>
</tr>
<tr>
<td>There has been enhanced customer service</td>
<td>3.8846</td>
<td>1.1428</td>
</tr>
<tr>
<td>There has been increased off customer waiver charges</td>
<td>3.6923</td>
<td>1.1922</td>
</tr>
<tr>
<td>There has been increased profit margin</td>
<td>4.2308</td>
<td>.9511</td>
</tr>
</tbody>
</table>
The respondents indicated that the adoption of distribution strategies by the logistics firms resulted in increased profit margin (mean 4.2308), rise in revenue (mean 4.0769), increased market share (mean 3.9615), enhanced customer service (mean 3.8846), increased customer base (mean 3.8462) and increased off customer waiver charges (mean 3.9623). The results indicate that the adoption of distribution strategies by the firms would increase their competitiveness.

4.4.4 Use of distribution strategy to achieve competitiveness

The respondents were asked to indicate the use of distribution strategy to achieve firm competitiveness in a five point Likert scale. The range was ‘very low extent (1)’ to ‘very great extent’ (5). The scores of very low extent and low extent have been taken to represent a variable which had mean score of 0 to 2.5 on the continuous Likert scale; (0 ≤ S.E <2.4). The scores of ‘moderate extent’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale; (2.5 ≤ M.E. <3.4) and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; (3.5 ≤ L.E. <5.0). A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents. The results are presented in Table 4.8.
Table 4.8: Use of distribution strategy to achieve competitiveness

<table>
<thead>
<tr>
<th>Use of distribution strategy to achieve competitiveness</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution strategy is crucial in the eventual acceptance and sales of a new product in the market as it determines the availability of the new product to customers</td>
<td>4.0106</td>
<td>.9156</td>
</tr>
<tr>
<td>Changing distribution strategies is both resource and time demanding and hence firms have to take great care in designing their distribution systems during the launch of innovations</td>
<td>3.6923</td>
<td>.8375</td>
</tr>
<tr>
<td>Distribution strategy award the company advantage that is independent of its size and the advantage because competitors are held back by an investment asymmetry: they would suffer a penalty if they tried to imitate the leader</td>
<td>4.0118</td>
<td>.7736</td>
</tr>
<tr>
<td>The company combines distribution strategy with other activities in the company in order to achieve competitive advantage</td>
<td>4.1246</td>
<td>.7656</td>
</tr>
<tr>
<td>The distribution strategy used by the company currently is cost effective thus enabling the company to achieve competitive advantage</td>
<td>4.1154</td>
<td>.9089</td>
</tr>
<tr>
<td>The service output of the current distribution strategy is different from the service output provided by other company</td>
<td>4.0385</td>
<td>.6621</td>
</tr>
<tr>
<td>The electronic distribution channels and especially the Internet are attractive to a large and quickly growing segment of company customers as it offer less waiting time and a higher spatial convenience</td>
<td>3.7308</td>
<td>.9190</td>
</tr>
<tr>
<td>The company’s distribution strategies are not a major barrier to the diffusion of new electronic technologies</td>
<td>4.2308</td>
<td>.7103</td>
</tr>
</tbody>
</table>

The findings in Table 4.8 indicate that logistics firm’s distribution strategies are not a major barrier to the diffusion of new electronic technologies (mean 4.2308), combines distribution strategy with other activities in the company in order to achieve competitive advantage (mean 4.1246), is cost effective thus enabling the company to achieve competitive advantage (mean 4.1154), service output of the current distribution strategy is different from the service output provided by other company (mean 4.0385),
distribution strategy award the company advantage that is independent of its size and the advantage because competitors are held back by an investment asymmetry: they would suffer a penalty if they tried to imitate the leader (mean 4.0118), it is crucial in the eventual acceptance and sales of a new product in the market as it determines the availability of the new product to customers (mean 4.0106), electronic distribution channels and especially the Internet are attractive to a large and quickly growing segment of company customers as it offer less waiting time and a higher spatial convenience (mean 3.7308), changing distribution strategies is both resource and time demanding and hence firms have to take great care in designing their distribution systems during the launch of innovations (mean 3.6923). The results indicate that majority of the logistics firms’ uses distribution strategy to achieve competitiveness over its competitors. The results are consistent with Walker et al. (2002) who noted that to achieve desired performance levels, a firm’s strategies and the resources available to it must interact positively with the requirements of the firm’s markets. Both capabilities and market requirements need to be clearly defined and explicit.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary, conclusion and recommendations of the study. The suggestion for further research was also highlighted.

5.2 Summary of Findings

The study shows that majority of the firms have been in the business for a longer duration of time and thus they understand the need to have efficient distribution strategies that is not simultaneously being implemented by any current or potential competitors in order to achieve competitiveness. The study found out that the logistics firms achieved competitive advantage through service flexibility, speed of offering the service, cost leadership strategy, unique resources, product and service diversity, differentiation strategy, protection policy, complexity of technology, superior quality of services, unique corporate culture and value addition. Competitiveness is a decisive factor for survival in the business world. To achieve it requires setting priorities, which can be defined as a set of options of varying importance that a firm needs to have to compete in the market over a determined time frame. Competitiveness was achieved by the firms through resources, capabilities and competencies that help a company attain a competitive advantage based on-superior efficiency, innovation, and quality and customer responsiveness, well-planned and executed strategy that is sustainable, service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any
individual service offering, technology development, human resource management, procurement, and firm infrastructure, offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices and strategy and operational effectiveness.

Distribution strategy is valuable to the logistics firms as it will enable them find the most profitable way to reach a market. Successful distribution channel strategy selection, implementation, and management not only helps an organization gain competitiveness but also help to meet the shopping needs and habits of the target customers efficiently. In order to achieve competitiveness, the logistics firms uses cooperative strategies (i.e collusion and strategies alliances), direct distribution channel (selling directly to consumers), selective distribution strategy, multiple channel strategy, vertical marketing strategy, exclusive distribution strategy and intensive distribution strategy. A firm’s sustainable competitiveness derives from its ability to assemble and exploit an appropriate combination of resources. It is achieved by continuously developing existing and creating new resources and capabilities in response to dynamic market conditions. The competitive edge achieved by the firms as a result of adopting distribution strategies was found to be increased profit margin, rise in revenue, increased market share, enhanced customer service, increased customer base and increased off customer waiver charges.

The study established that in order to achieve competitiveness, the firms uses distribution strategies that are not a major barrier to the diffusion of new electronic technologies, combines distribution strategy with other activities, is cost effective, distribution strategy
with different service output, distribution strategy award the company advantage that is
independent of its size and the advantage, determines the availability of the new product
to customers, electronic distribution offer less waiting time and a higher spatial
convenience, changing distribution strategies is both resource and time demanding and
hence firms have to take great care in designing their distribution systems during the
launch of innovations.

5.3 Conclusion
The invocation of the forces of globalization has exacerbated the pace of market
competition. The competitiveness of the logistic industry demands a well-planned and
implemented strategy to cope with the changing business environment. The competitive
environment has put burden on the corporate sector so as to play crucial role as an engine
of growth. In a competitive industry there is a dire need for every management to develop
the strategies to enhance the competitiveness to become successful in the competitive
market. The ability to compete in the competitive market depends on the distribution
strategy adopted by the firms. Management has to synchronize the efforts and focus the
resources strategically in the right direction to enhance the competitiveness. The logistics
firms adopted cooperative strategies (i.e collusion and strategies alliances), direct
distribution channel (selling directly to consumers), selective distribution strategy,
multiple channel strategy, vertical marketing strategy, exclusive distribution strategy and
intensive distribution strategy in order to achieve competitive advantage.
The distribution strategies adopted by the logistics firms will in the long run determine the survival of firms as customers will always look for institutions that satisfy their needs. Conversely, with increased consumer understanding, either because consumers are more knowledgeable or because the products are relatively simple, or both, then elements such as price and specific service features may become more important in adding value and achieving competitiveness. Furthermore, it should be noted that even within a given set of markets (such as logistic services), differing degrees of knowledge and understanding across different market segments may enable some niche operators to define their markets and sources’ competitiveness more easily than is the case with the mass market players. In this respect, a market orientation may assist also the accurate mapping of the competitive arena. In order to achieve competitiveness, the logistics firms used distribution strategies that are not a major barrier to the diffusion of new electronic technologies, combines distribution strategy with other activities, is cost effective, distribution strategy with different service output, distribution strategy award the company advantage that is independent of its size and the advantage, determines the availability of the new product to customers, electronic distribution offer less waiting time and a higher spatial convenience, changing distribution strategies is both resource and time demanding and hence firms have to take great care in designing their distribution systems during the launch of innovations.

5.4 Recommendation

This study makes several recommendations for policy implementation and also suggest for further research.
5.4.1 Recommendations with policy Implication

Foremost, the study established that the logistics firms adopts various distribution strategies, it is recommended that the adoption of various distribution strategies should be leading to the firms achieving competitiveness otherwise the firms should concentrate only on those strategies which lead to them achieving competitiveness.

Secondly, the study established that the effects of competitiveness was increased profit margin, rise in revenue, increased market share, enhanced customer service, increased customer base and increased off customer waiver charges. It is therefore recommended that the logistics firms should ensure that they maintain the distribution strategies which have enabled them to achieve competiveness.

Lastly, the study found out that the logistics firms lack sufficient information on the market segments’ preferences for channel mixes which inhibits design of customer-driven distribution systems. It is recommended that competitor actions be described in order to estimate the intensity of rivalry for different customer segments.

5.4.2 Recommendations for further research

The study confined itself to all the logistics firms operating in Kenya and the findings may not be applicable in other sectors as a result of uniqueness of logistic industry. It is therefore recommended that the study is replicated in other service sectors to establish the use of distribution strategies as a source of competitiveness.
REFERENCES


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Oluoch, K. O. (2007), Distribution strategies pursued by Food Processing Firms in Nairobi, *Unpublished MBA project*, University of Nairobi

Owuor J. E. (2008), Distribution Strategies Adopted by Wines and Alcohol Spirits Manufacturers and Importers in Nairobi, Kenya, *Unpublished MBA project*, University of Nairobi


APPENDIX III

Letter of Introduction

Fred Sabwa
Po Box 73567,
00200, Nairobi
Kenya.
13 September 2013
Dear Respondent,

RE: RESEARCH QUESTIONNAIRE

This questionnaire (attached) is designed to gather information on distribution strategies as a
Source of competitiveness in Logistics Firms in Nairobi, Kenya. This is a study being carried out
For a management project paper as a requirement for partial fulfillment for a Masters of Business Administration, at the University of Nairobi. Please note this is purely an academic exercise towards the attainment for the above purpose.
You are hereby assured that the information will be treated with the highest element of confidentiality. Your corporation will highly be appreciated.
Thanking you in advance for your responses.

Yours Faithfully,

Fred Sabwa.
APPENDIX I: QUESTIONNAIRE

Please give answers in the spaces provided and tick (✓) in the box that matches your response to the questions where applicable.

PART A: Demographic and Respondents Profile

1) Name of the Logistic Company..............................................................................................
2) What is your highest level of education qualification?
   a) Post graduate level ( ) b) University ( )
   c) Tertiary College ( ) d) Secondary ( )
3) For how long has your company been in operation in Kenya?
   a) Under 10 years ( ) b) 10 – 20 years ( )
   c) 20 – 30 years ( ) d) Over 30 years ( )

Part B: Competitiveness of the Logistic Firm

5. To what extent does your company adopts the following statements in order to achieve competitive advantage?

1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent

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<tr>
<th>Details</th>
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<tbody>
<tr>
<td>Our company has a competitive advantage over its rivals due to its service flexibility</td>
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<td>Our company has a competitive advantage over its rivals due to its unique corporate culture</td>
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<td>Our company has achieved a competitive advantage through its cost leadership strategy</td>
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<td>Our company has achieved a competitive advantage through its differentiation strategy</td>
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Complexity of technology helped our company achieve sustainable edge

Speed of offering the service is one factor that led to achieving competitive advantage

Unique resources are a source of sustained competitive advantage in our Company

The added value is a source of competitive advantage

The superior quality of services is a source of competitive advantage

Our company's product and service diversity is a source of competitive Advantage

Our company’s protection policy is a source of competitive advantage

6. To what extent do you agree on the following regarding ways of achieving organizational competitiveness?

Use 1- Strongly Disagree, 2- Disagree, 3- Moderate, 4- Agree and 5-strongly agree.

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<td>The strengths of an organization are grounded in its resources, capabilities and competencies that help a company attain a competitive advantage based on superior efficiency, innovation, and quality and customer responsiveness</td>
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<td>Technology development, human resource management, procurement, and firm infrastructure enhances the performance of</td>
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the primary activities

Competitive advantage is gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices

Competitive advantage is built upon a well-planned and executed strategy that is sustainable

Competitive advantage is more likely to be based on support considerations, such as service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any individual service offering

Strategy and operational effectiveness are essential for a company in order to gain competitive advantage

### Part C: Distribution strategies as a source of competitive advantage

7. To what extent does your company value distribution strategies that they use?
   - Very great extent (  )
   - Great extent (  )
   - Moderate extent (  )
   - Low extent (  )
   - Very low extent (  )

8. To what extent does your company adopts the following distribution strategies in order to achieve competitive advantage? **Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.**

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<td>Direct distribution channel (selling directly to consumers)</td>
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</table>
Multiple channel strategy
Vertical marketing strategy
Intensive distribution strategy
Exclusive distribution strategy
Selective distribution strategy
Cooperative strategies (i.e. collusion and strategies alliances)

9. To what extent do you agree with the following effects of competitive edge resulting from the adoption of distribution strategies by your company? Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

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<td>There has been increased customer base</td>
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<td>The market share of the company has increased</td>
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<td>There has been a rise in revenue</td>
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<td>There has been enhanced customer service</td>
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<td>There has been increased off customer waiver charges</td>
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<td>There has been increased profit margin</td>
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10. To what extent does your bank uses distribution strategy in order to achieve competitiveness? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4-Great extent, 5-Very great extent

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<th>Distribution strategy is crucial in the eventual acceptance and sales of a new product in the market as it determines the</th>
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availability of the new product to customers

Changing distribution strategies is both resource and time demanding and hence firms have to take great care in designing their distribution systems during the launch of innovations

Distribution strategy award the company advantage that is independent of its size and the advantage because competitors are held back by an investment asymmetry: they would suffer a penalty if they tried to imitate the leader

The company combines distribution strategy with other activities in the company in order to achieve competitive advantage

The distribution strategy used by the company currently is cost effective thus enabling the company to achieve competitive advantage

The service output of the current distribution strategy is different from the service output provided by other company

The electronic distribution channels and especially the Internet are attractive to a large and quickly growing segment of company customers as it offer less waiting time and a higher spatial convenience

The company’s distribution strategies are not a major barrier to the diffusion of new electronic technologies
APPENDIX II
LIST OF THE LICENSED LOGISTIC AGENTS IN NAIROBI

1. AGS WORLDWIDE MOVERS LTD
2. ANDY FORWARDERS SERVICE LTD
3. BRITISH AMERICAN TOBACCO
4. CAR AND GENERAL KENYA LTD
5. CONTINENTAL LOGISTICS NETWORKS LTD
6. DAVIS AND SHIRTLIFF LTD
7. DHL WORLDWIDE EXPRESS
8. DLA SCIENTIFIC LIMITED
9. EAST AFRICAN COURIER
10. EAST AFRICAN EXPRESS LTD
11. ECU-LINE KENYA LTD
12. EXCEL KENYA LTD
13. EXPORT TRADING COMPANY LTD
14. EXPRESS KENYA LTD
15. FREIGHT IN TIME LTD
16. G4S SECURITY SERVICES KENYA LTD
17. GENERAL MOTORS EAST AFRICA LTD
18. HACO INDUSTRIES KENYA LTD
19. HASHI EMPEX LTD
20. HASS PETROLEUM KENYA LTD
21. HEBATULLAH BROTHERS LTD
22. HOMELAND FREIGHT LTD
23. INTERFREIGHT EAST AFRICA LTD
24. INTERNATIONAL COMMITTEE OF RED CROSS
25. INTERNATIONAL COMMERCIAL CO. (K) LTD
26. KENYA AIRWAYS LTD
27. KENYA DUTY FREE COMPLEX
28. KENYA WINE AGENCIES LTD
29. KUEHNE & NAGEL LTD
30. LINO STATIONERS KENYA LTD
31. MAERSK KENYA LTD
32. MITCHELL COTTS FREIGHT KENYA
33. NAIROBI CARGO SERVICES LTD
34. NAS AIRPORT SERVICES LTD
35. NATION MEDIA GROUP
36. NATIONAL CEREALS & PRODUCE BOARD
37. ONE WORLD COURIER LTD
38. POSTAL CORPORATION OF KENYA
39. PRIMCARGO AGENCIES LTD
40. RAPID KATE SERVICES LTD
41. NAIROBI BOTTLERS LTD (COCA COLA SABCO)
42. RYCE MOTORS LIMITED
43. SAMEDAY CARGO FORWARDERS
44. SAMSY INTERNATIONAL AGENCY LTD
45. SCHENKER LIMITED
46. SDV-TRANSAMI KENYA LTD
47. SIGNON FREIGHT LTD
48. SWIFT FREIGHT INTERNATIONAL KENYA LTD
49. TIMSALES LIMITED
50. TRADEWINDS LOGISTICS
51. URGENT CARGO HANDLING LIMITED
52. CHEMONICS KENYA PHARMA
53. KENYA MEDICAL SUPPLIES AGENCY

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