EFFECTIVENESS OF IN-HOUSE DISTRIBUTION IN MANUFACTURING SECTORS: A Case study of Kisii Bottlers Limited

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Abstract

The purpose of the study was to find out the effectiveness of in-house distribution in manufacturing sectors. The objective of the study was to establish the effect of in-house distribution on organizational productivity, to find out the mode of distribution used at Kisii Bottlers to send goods from manufacturing point to the point of selling and finally to find out in-house distribution challenges encountered while conducting in-house distribution. The study was carried out during the month of April to May 2013 at Kisii Bottlers. The study adopted a descriptive case study design. The target population for the study was all employees of Kisii Bottlers who were 119. A sample size of 36 presented the whole population. The researcher used researcher developed questionnaires to collect data from the 36 respondents. Pre-test with non-sampling group was conducted to determine the reliability of the instrument. The researcher will rely on expert judgment to determine the validity of the instrument. Quantitative data was analyzed and presented descriptively using tables of frequencies and percentage, while qualitative data was presented in narration form according to the study objectives. The study established that KBL did in-house distribution intensively, exclusively and selectively and the factors which influenced this were product type, control level of product, type of image to be created, company's resources and marketing nature, and that there were challenges like financial problems, management problems, high initial cost, marketing nature, legal constraints and competition environment which were facing in-house distribution and the main reason for in-house distribution at KBL were to control the product to maximize products to reduces prices increased by middlemen, for reputation, for communication control and for convincing purposes. KBL used the following methods in evaluating performance which were: product and service output, cost level, error level, expanded and reduced distribution coverage and level of customer complaints. The study recommended that Kisii Bottlers should reconsider their distribution strategies so as to make in-house distribution effective, management of Kisii Bottlers should increase control of finances and even exercise management effectively to correct the situation of financial and management problems and management of Kisii bottlers should reconsider channel networks in-order reduce channel conflicts.

Background Information

In-house distribution is a system in which a firm designs and implements its own channel of product movement. It is also called self or own distribution. Distribution (or placement) is one of the four aspects of marketing. It involves the location logistics, change of ownership, transportation and storage of goods and activities. A distributor is the middleman between the manufacturer and retailer. After a product is manufactured, it may be warehoused or shipped to the next echelon in the supply chain, typically a distributor, retailer or consumer. The basic aim of in-house distribution is to enable organizational members to transfer goods from the place of manufacture, to the place of consumption. A company measures in-house distribution values in terms of service offer and its cost. Value can be increased by providing a better service at a lower cost as compared to distributing out-house. Therefore it is important to provide the correct level of services required by the customers, otherwise sales can be lost. With this type of distribution, a company allocates its own staff that is trained for better control of organizational material. Distribution objectives are to bring about availability of material at points of need, reduction of distribution cost by making finished goods where and when they are needed, and also to zero rate time wasted at each stage of the distribution channel, Lyson (2003) Distribution of the products or services produced by a firm is an important part of managing a business. Distribution refers to the process by which products or services flow from the manufacturer or factory to reach its target consumers De Koster (2002). The products can be distributed through direct channels of distribution in which the manufacturers deliver their products to the consumers by establishing their own distribution networks. There are also indirect channels of distribution which involve the services of one or more intermediaries (individuals and organizations) which link the manufacturers with their consumers. These intermediaries or middlemen specialize in performing distribution activities. Wholesalers and retailers are the two important forms of middlemen who act as a communication

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channel through exchange of product information and feedback between the producers and consumers. An entrepreneur has to decide about an effective distribution channel that can provide vast market coverage to its product and is also economical The proper selection of a distribution channel depends on several factors such as the nature of the products involved, nature of the market, number of types of middlemen, competitive environment, legal constraints and the nature and size of the company. The choice of a suitable channel of distribution is very important for a business firm because it affects the time and costs of distribution, affects the volume of sales and it influences pricing and promotional efforts. Such a decision will determine the profitability of the business of the entrepreneur and also the long term sustainability of these profits. Companies that have adopted in-house distribution will incur low operational cost and also it can be a source of additional income when occasionally contracted. This is because a firm has its own warehouse, own vehicle and more importantly its own employees who are trained and specialized in product distribution. In fact it is an investment that enough resources are allocated and from which returns are realized. Despite the fact that in-hose distribution requires low operation costs companies still run from this exercise since there is high initial cost associated with it. They also fear suffering from management problems.

Statement of the Problem

Despite the fact that companies manager have put much effort to better control distribution and distribution channels, management problems are still a blow to its effectiveness. Companies will like to determine the distribution networks. A simple distribution network will mean only a single source of supply, a single source of demand, or both, along with the fixed transportation routes connecting that source will be required. Unlike a simple distribution network, complex distribution will have multiple source and demand. Companies will also need time to plan and design distribution network. Costs, effects of learning curves and the inflexibility of the system will also be determined. All this have strained companies" efficiency in perfect in-house distribution. Since intermediaries provide several benefits to both manufacturers and consumer that is improved efficiency, a better assortment of products, reutilization of transactions, and easier searching for goods as well as customers, own distributing companies have failed from achieving this essential intermediary role. Therefore this study was out to investigate the effectiveness of in-house distribution in Kisii bottlers.

Purpose of the Study The study was established to investigate the effectiveness of in-house distribution in Kisii bottlers.

Objectives of the Study

The study was guided by the following objectives;

To find out distribution challenges encountered while conducting in-house distribution at Kisii Bottlers.

ii. To establish the effect of in-house distribution on organizational productivity of Kisii Bottlers

iii. To find out the mode of distribution used at Kisii bottlers to send goods from manufacturing point to the selling point.

LITERATURE REVIEW

Past Related Studies in Distribution

Distribution of the products or services produced by a firm is an important part of managing a business. Distribution refers to the process by which products or services flow from the manufacturer or factory to reach its target consumers. Copacino,William C."(1994). The products can be distributed through direct channels of distribution in which the manufacturers deliver their products to the consumers by establishing their own distribution networks. There are also indirect channels of distribution which involve the services of one or more intermediaries (individuals and organizations) which link the manufacturers with their consumers. These intermediaries or middlemen specialize in performing distribution activities. Wholesalers and retailers are the two important forms of middlemen who act as a communication channel through exchange of product information and feedback between the producers and consumers. An entrepreneur has to decide about an effective distribution channel that can provide vast market coverage to its product and is also economical. The proper selection of a distribution channel depends on several factors such as the nature of the products involved, nature of the market, number of types of middlemen, competitive environment, legal constraints and the nature and size of the company. The choice of a suitable channel of distribution is very important for a business firm because it affects the time and costs of distribution, the volume of sales and it influences pricing and promotional efforts. Such a decision will determine the profitability of the business, of the entrepreneur and also the long term sustainability of these profits. Copacino, William C."(1994)

Distribution Objectives

A firm‟s distribution objectives will ultimately be highly related. Some will enhance each other while others will compete. For example, as we have discussed, more exclusive and higher service distribution will generally entail less intensity and lesser reach. Cost has to be traded off against speed of delivery and intensity (it is much more expensive to have a product available in convenience stores than in supermarkets, for example). De Koster, (2002) **Narrow vs. wide reach: Narrow vs. wide reach:** The extent to which a firm should seek narrow (exclusive) vs. wide (intense) distribution depends on a number of factors. One issue is the consumer‟s likelihood of switching and willingness to search. For example, most consumers will switch soft drink brands rather than walking from a vending machine to a convenience store several blocks away, so intensity of distribution is essential here. However, for sewing machines, consumers will expect to travel at least to a department or discount store, and premium brands may have more credibility if they are carried only in full service specialty stores. Evangelista,F.U. et al(1984) Retailers involved in a more exclusive distribution arrangement are likely to be more "loyal" i.e., they will tend to;

i. Recommend the product to the customer and thus sell large quantities;
ii. Carry larger inventories and selections;
iii. Provide more services

Thus, for example, Compaq in its early history instituted a policy that all computers must be purchased through a dealer. On the surface, Compaq passed up the opportunity to sell large numbers of computers directly to large firms without sharing the profits with dealers. On the other hand, dealers were more likely to recommend Compaq since they knew that consumers would be buying these from dealers. When customers came in asking for IBMs, the dealers were

The Importance of Distribution

Most producers use intermediaries to bring their products to market. They try to develop a distribution channel (marketing channel) to do this. A distribution channel is a set of interdependent organizations that help make a product available for use or consumption by the consumer or business user. Channel intermediaries are firms or individuals such as wholesalers, agents, brokers, or retailers who help move a product from the producer to the consumer or business user. A company‟s channel decisions directly affect every other marketing decision. Place decisions, for example, affect pricing. Marketers that distribute products through mass merchandisers such as Wal-Mart will have different pricing objectives and strategies than will those that sell to specialty stores. Distribution decisions can sometimes give a product a distinct position in the market. The choice of retailers and other intermediaries is strongly tied to the product itself. Manufacturers select mass merchandisers to sell mid-price-range products while they distribute top-of-the-line products through high-end department and specialty stores. The firm‟s sales force and communications decisions depend on how much persuasion, training, motivation, and support its channel partners need. Whether a company develops or acquires certain new products may depend on how well those products fit the capabilities of its channel members. Some companies pay too little attention to their distribution channels. Others, such as FedEx, Dell Computer, and Charles Schwab have used imaginative distribution systems to gain a competitive advantage

Distribution Model

According to De Coster (2002) distribution model is a method companies use to send products from the point of origination to the final selling point. A classic model includes at least three different parties: the manufacturer of goods, distributer or warehouse, and retail store, which represents the final selling point. Over time, the distribution model may experience changes that shift the responsibility of these parties. These models also called supply chains in some cases can add costs or additional problems to normal business activities. Changing the distribution style or method can help a company achieve better results both in profitability and brand reputation. Many problems can exist with a distribution model, regardless of the length, style, or parties involved in the system. The chief problem in this model is the simple fact that each party acts for its own benevolence. For example, the manufacturer focuses on the production of goods at the lowest cost possible. Shipping or distribution costs must also be kept at a minimum in order for the company to achieve maximum profitability. The wholesaler or distributor attempts to make the manufacturer pay high prices for moving goods to retailers as this intermediary desires profits for its own activities. The use of a short distribution model typically costs less and results in shorter downtime when a retailer experiences a stock out. For example, a manufacturer that produces an item in high demand must have a distribution model that can supply retailers frequently in order to maximize sales. Paying a premium for this type of distribution service may not be a problem as profits from copious sales of highly demanded products offset the costs for distribution. In some cases, a large company may be able to create its own distribution service by developing a distributorship that can send goods to retailers. This model can result in a company having frequent interaction with customers due to the short supply chain Retailers are also important in the distribution model for a manufacturer. Sending goods to the wrong retailers can result in customers who do not want to shop these particular stores for specific goods. For example, small retailers that do not have many locations in a given regional area means a customer needs to drive farther to purchase goods. Additionally, selling goods in an international market requires the proper use of a distribution model. Creating relationships with the right partners can help a company establish strong ties in the local market.

Direct Distribution

A direct distribution channel is where a company sells their products direct to consumers. While direct channels were not popular many years ago, the Internet has greatly increased the use of direct channels. Additionally, companies needing to cut costs may use direct channels to avoid middlemen mark-ups on their products. Distributors, wholesalers and retailers are the primary indirect channels a company may use when selling their products in the marketplace. Companies choose the indirect channel best suited for their product to obtain the best market share; it also allows them to focus on producing their goods. Though, in practicality, a number of other players exist, they can be generalized to the above. The specific channel of distribution adopted by a company depends, to a major extent, on its business model, the industry type and the scale of its operations. As an Instance, Sony has its own set of company operated exclusive showrooms. The strong brand equity of Sony, the scale of its business and clearly identifiable product differentiations that it enjoys with the consumers, allow it to leverage on its economies of scale and scope by operating its own outlets. Directly, this result in better margins for the company and indirectly it helps building on its already demanding brand leadership. Dell, on the other hand, relies more on online sales. This is because of the organization of its service delivery utility. Dell's business model is based upon its centralized manufacturing facilities, rather than the nuclear organization at Sony. Online sales suits such a strategy by negating the high costs of transportation and inventory planning issues involved. A manufacturer selling a physical product might require three channels: Sales Channel, Delivery Channel, and Service Channel. In Our case, Dell uses telephone and internet as sales channels, express mail services as the delivery channel and local repair people as its service channel. Moseth, (2011)

Types of Distribution Intensity 1. Selective Distribution

According to Berryll, (1995),Selective distribution is a retail strategy that involves making a product or group of products available only in certain markets. This is the opposite of open distribution, where a product line is distributed to as many markets as possible. There are several reasons for employing this approach, including the potential for limiting competition and minimizing distribution costs so that net profits are higher. The process of selective distribution focuses on identifying specific markets where a company‟s products are highly likely to be favored by consumers in the area, while avoiding distribution to areas where there is less of a chance of gaining a significant market share. Often, this situation comes about because a number of similar products are already available through certain markets, and the level of competition is higher. By choosing to distribute goods through handpicked retailers within certain geographic regions, it is possible to avoid some of this competition, while still tapping into the demand for products of that type. One approach to selective distribution that some businesses take is to contract with a limited number of retailers who will sell the products in their stores. For example, a company making a specific brand of cologne may choose to only allow their product to be sold at a couple of high-end department stores, and withhold distribution to supermarkets, drugstores, and discount retailers. The idea is that by focusing on consumers who are more likely to shop at one or more of the high-end stores, the product begins to be seen as somewhat prestigious, and will command a higher price per unit. Along with the selection of retailers, a company may choose to limit distribution of its products to specific geographical areas. This is sometimes the case where there is a strong demand for a given product, but very few opportunities to purchase the product locally. In this scenario, the manufacturer may identify specific retailers with stores in those geographical areas and make arrangements for those products to be carried on their shelves. The retailers benefit from being able to offer a product that is not widely available in the area, while the manufacturer stands to increase sales by having little to no competition from similar products within that area.

It is important to draw a distinction between exclusive distribution and selective distribution. An exclusive model would involve the identification of a single retailer to offer the product within a particular market, and would also call for the retailer to not carry competing brands. This is not often the best approach for the manufacturer or the retailer, in that it limits options to reach consumers. A selective distribution model does not prevent retailers from selling at least one similar product, and does not limit the manufacturer from working with other retailers in the area to carry the product line. Under normal circumstances, the selective approach is much more likely to maximize profits in a given market than the exclusive approach Anderson, (1994)

Exclusive distribution

Rosenbloom . (1991), Exclusive distribution is a situation in which only certain dealers are authorized to sell a specific product within a particular territory. The legality of an exclusive distribution agreement can vary depending on the specifics of the case. In some instances, such agreements are entirely legal, while in others, rivals may create legal challenges. If a firm can show that an exclusive distribution agreement harms competition in some way, it may be able to argue that the agreement is not legal. This type of distribution agreement is usually seen with high end and luxury products. In an example of an exclusive distribution agreement, a car manufacturer might only agree to allow three dealers to sell its cars in a specific country. Dealers other than these three who attempted to sell new vehicles from that manufacturer would be doing so without authorization; one consequence of this might be that the manufacturer would refuse to honor warranties or provide support for cars sold at unauthorized dealers. The structure of an exclusive distribution agreement favors both the manufacturer and the distributor or retailer. From the point of view of people, moving the product to consumers having an exclusive contract means that consumers must come to them if they want the product. For example, if a cell phone provider has an exclusive deal with a manufacturer of cell phones, people who want to use cell phones made by that manufacturer must go through that cell phone provider. McGraw-Hill, (1994), Manufacturers may appreciate having control over how their products are merchandized, marketed, and branded. Exclusive distribution allows companies to tightly control brand image, which can be especially important for luxury products. In fact, exclusive deals can add to brand image by reinforcing the idea that a product is special, rare, and difficult to obtain, thereby making it more desirable to consumers. If something can be bought at any store, it is viewed as mundane, whereas if it can only be bought at certain stores, this adds a scarcity component which can make it more appealing.

According to McGraw-Hill, (1994), Exclusive distribution is often mentioned in product advertising. When an ad says something like “only available at the following stores” or provides a list of stores where a product can be purchased, it may indicate that the manufacturer has an exclusive agreement, and the product cannot be obtained elsewhere. This type of agreement tends to be less favorable for low end products, because the goal with such products is to saturate the market and move units quickly, something which would be hindered by limiting distribution sources.

Distribution Cost

Bardhan P. (1989) distribution costs refer to the costs associated with moving a product from the production location to the point of consumption. This can mean the cost to move items from a warehouse to an individual, in the case of direct sales. It can also mean the cost of moving an item from a wholesaler to a retailer where the item is then sold to the end user. A distribution cost is a part of the cost of doing business. Items are rarely made and sold in the same location. Instead, an item is made in a factory or other mass-production location. The item is then shipped or transported from the area where it is made either to an end user or to a middleman who sells the product to end users. The methods of shipment vary depending upon the item and the structure of the business. For example, individual items may be shipped directly to consumers in the case of a wholesaler or distributor who engages in direct selling, or hundreds of items may be shipped from a wholesaler or a factory to retail locations where the items are sold. Distribution costs are normally built in to the price of an item. For example, if a retailer orders items from a warehouse, either the retailer or the wholesaler must pay the cost of moving those items to the retailer's location. If the wholesaler pays the distribution cost, the wholesaler may charge the retailer more for the purchase of the item to pay for the cost of shipping. If the retailer pays the shipping cost, that cost is factored in when the item is priced for resale to the end user or consumer. True distribution cost generally refers only to actual shipping fees. In other words, a distribution cost may be the cost of employing a truck driver to drive items to the end user. The cost may also refer to the cost of shipping the item via the mail or some other method. Bardhan P. (1989)

In some cases, advertising and marketing costs are considered part of distribution cost, since advertising is necessary to secure individuals who want to purchase the item. In most cases, however, advertising costs are listed separately as marketing costs, and are calculated separately. The distribution costs are then a separate line item on a budget or profit/loss statement that tracks the purchase amount or sales cost of an item.

Distribution Warehouse

A distribution warehouse is a facility that compiles products for forwarding to wholesalers, retailers, and customers. It can be impractical to ship products directly from vendors to destinations. A distribution warehouse creates a central location to collect products and ship them to the appropriate destination. Such facilities may be run by third party distributors who allow clients to place orders out of a catalog. They can also be run by chains of stores that need centralized facilities for their products, or manufacturers with large product lineups. This is an important step in the supply chain used to route products to their end destination. Manufacturing facilities make the products, but typically have limited storage space. Shipping directly from a manufacturer to a destination can be highly inefficient and can create supply lags. Instead, companies can move products to a distribution center, which stores them for a limited time before routing them to the next destination. Order fulfillment centers typically distribute products directly to consumers on behalf of a mail order company. The center can contain a broad mixture of products, adjusted in response to ordering habits, so that it can move quickly to fill an order within a matter of days. Retail distribution warehouses provide shipments to retailers who order from the company or distributor. These facilities are capable of handling larger and bulk orders, like cases of books for bookstores

Wholesale distribution warehouses ship products to wholesalers who in turn will distribute them to retailers. These facilities can compile products from numerous smaller vendors to help them expand into a larger market that might not be accessible directly. They may offer other services to vendors, such as marketing in catalogs, to allow them to concentrate on production. A wholesale distribution warehouse can be extremely large to serve a big area and a broad assortment of vendors. The environment inside a distribution warehouse may be climate controlled to protect the products. Refrigerated areas are available for things like food and medicine, and humidity can be adjusted to limit the risk of damage to products such as books and electronics. This can significantly add to the cost of maintaining the facility, an expense that will be passed on to end consumers in the final sticker price. Such facilities may also include features like automated picking equipment which fills orders with robots and conveyor belts. This is especially common in a large distribution warehouse that would be difficult for employees to navigate on their own.

Physical Distribution

Physical distribution (or logistics) consists of all activities involved in moving the right amount of the right products to the right place at the right time. In the past years, the surge of e-commerce has underscored the importance of physical distribution the challenge relates to fulfillment, which entails having the merchandise that is ordered by a customer in stock and then packing and shipping it in an efficient, timely manner

Tasks in Physical Distribution Management

Physical distribution refers to the actual physical flow of products. In contrast; physical distribution management is the development and operation of processes resulting in the effective and efficient physical flow of products. Effective physical distribution management requires careful attention to five interrelated activities: Order processing, Inventory control, Inventory location and warehousing, Materials handling and transportation

Order Processing

The starting point in a physical distribution system is order processing, which is a set of procedures for receiving, handling, and filling orders promptly and accurately. Electronic data interchange (EDI): between customer and supplier orders, invoices, and other business function

Distribution Channel

Distribution channels move products and services from businesses to consumers and to other businesses. Also known as marketing channels, channels of distribution consist of a set of interdependent organizations such as wholesalers, retailers, and sales agents involved in making a product or service available for use or consumption. Distribution channels are just one component of the overall concept of distribution networks, which are the real, tangible systems of interconnected sources and destinations through which products pass on their way to final consumers. As Howard J. Weiss and Mark E. Gershon (2001) noted in Production and Operations Management, a basic distribution network consists of two parts:

i. A set of locations that store, ship, or receive materials (such as factories, warehouses, retail outlets)

ii. A set of routes (land, sea, air, satellite, cable, Internet) that connect these locations.

Distribution networks may be classified as either simple or complex. A simple distribution network is one that consists of only a single source of supply, a single source of demand, or both, along with fixed transportation routes connecting that source with other parts of the network. In a simple distribution network, the major decisions for managers to make include when and how much to order and ship, based on internal purchasing and inventory considerations. I n short, distribution describes all the logistics involved in delivering a company's products or services to the right place, at the right time, for the lowest cost, Kotler,P. and Armstrong G.(2001). In the unending efforts to realize these goals, the channels of distribution selected by a business play a vital role in this process. Well-chosen channels constitute a significant competitive advantage, while poorly conceived or chosen channels can doom even a superior product or service to failure in the market.

Functions of Distribution Channels

Distribution channels perform a number of functions that make possible the flow of goods from the producer to the customer. These functions must be handled by someone in the channel. Though the type of organization that performs the different functions can vary from channel to channel, the functions themselves cannot be eliminated.

i. Linking many suppliers to provide wide range of consumer choice

ii. Assist the exchange process - identify the needs of the buyer in the context of product categories, quantities, range etc. and devise manufacturing, inventory and packaging schedules to fit. Kotler,P. and Armstrong G.(2001).

iii. Marketing information: This encompass collection, distribution and analyzing marketing research information such as the past sales data about the players within the organizations marketing environment.

iv. Promotional activities- This involves setting of promotional objectives and activating the various elements of the marketing communications mix and measuring their effectiveness, this will encompass identify and communicate with prospects.

v. Pricing: Deciding on the sales terms and conditions at each stage of the value chain

vi. Risk management - This includes analysis and resource sourcing required for involvement in the channel , the degree of control and influence and the potential benefits such as revenue and profit generation.

vii. Physical Distribution Management - It includes the transportation all aspects of warehousing management and information flows

Other Activities that may be part of the distribution channels are as follows:

i. Order Generation.

ii. Handling of Goods.

iii. Shipping of Goods.

iv. Storage of Goods.

v. Display of Goods.

vi. Promotion of Goods.

vii. Sale.

The transportation and storage of goods is another type of physical distribution function. Retailers and other channel members move the goods from the production site to other locations where they are held until they are wanted by customers. Channel intermediaries also perform a number of facilitating functions, functions that make the purchase process easier for customers and manufacturers. Kotler,P. and Armstrong G.(2001). Intermediaries often provide customer services such as offering credit to buyers and accepting customer returns. Customer services are oftentimes more important in B2B markets in which customers purchase larger quantities of higher-priced products. Some wholesalers and retailers assist the manufacturer by providing repair and maintenance service for products they handle. Channel members also perform a risk-taking function. If a retailer buys a product from a manufacturer and it doesn"t sell, it is "stuck" with the item and will lose money. Last, channel members perform a variety of communication and transaction functions. Wholesalers buy products to make them available for retailers and sell products to other channel members. Retailers handle transactions with final consumers. Channel members can provide two-way communication for manufacturers. They may supply the sales force, advertising, and other marketing communications necessary to inform consumers and persuade them to buy. And the channel members can be invaluable sources of information on consumer complaints, changing tastes, and new competitors in the market.

Criteria in Selecting Channel Members

Typically, the most important consideration whether to include a potential channel member is the cost at which he or she can perform the required functions at the needed level of service. For example, it will be much less expensive for a specialty foods manufacturer to have a wholesaler get its products to the retailer. On the other hand, it would not be cost effective for Procter & Gamble and Wal-Mart to involve a third party to move their merchandise Wal-Mart has been able to develop, based on its information systems and huge demand volumes, a more efficient distribution system, Stern Louis W and Adel I.El-Ansary (1998). Note the important caveat that cost alone is not the only consideration premium furniture must arrive in the store on time in perfect condition, so paying more for a more dependable distributor would be indicated. Further, channels for perishable products are often inefficiently short, but the additional cost is needed in order to ensure that the merchandise moves quickly. Note also that image is important Wal-Mart could very efficiently carry Rolex watches, but this would destroy value from the brand

"Piggy-backing"
A special opportunity to gain distribution that a manufacturer would otherwise lack involves "piggy-backing." Here, a manufacturer enlists another manufacturer that already has a channel to a desired customer base, to pick up products into an existing channel. For example, a manufacturer of rhinoceros and hippopotamus shampoo might be able to reach zoos by approaching a manufacturer of crocodile teeth cleaning supplies that already reaches this target. In the case of reciprocal piggy-backing, the shampoo manufacturer might then, in turn, bring the teeth cleaning supplies through its existing channel to exotic animal veterinarians. An entrepreneur has to choose a suitable channel of distribution for his product such that the channel chosen is flexible, effective and consistent with the declared marketing policies and programs of the firm. While selecting a distribution channel, the entrepreneur should compare the costs, sales volume and profits expected from alternative channels of distribution and take into account the following factors:-

Product Consideration: The type and the nature of products manufactured is one of the important elements in choosing the distribution channel. The major product related factors are:- Products of low unit value and of common use are generally sold through middlemen, whereas expensive consumer goods and industrial products are sold directly by the producer himself. Perishable products; products subjected to frequent changes in fashion or style as well as heavy and bulky products follow relatively shorter routes and are generally distributed directly to minimize costs. Industrial products require demonstration, installation and after sale service are often sold directly to the consumers. While the consumer products of technical nature are generally sold through retailers.

MATERIALS AND METHODS

Research Design
The researcher used descriptive case study in designing the research method. Descriptive case study is a meth enables the use of descriptive statistics and explanation for analysis. It also enables the researcher to deal Mugenda (1999).

Target Population
The study targeted all employees of Kisii Bottlers who are 119. The accessible population for the study comp production, twenty five(25) store, five (5) engineering, procurement officers who are eighteen(18) and thirty (3

Sampling Design
The researcher adopted stratified sampling to select for each stratum. A sample of 36 was used, thus 30% generalized the whole population. According to Gay (1987) who recommends a 10-30% size of the population the sample chosen above was appropriate and effective

Data Collection Instrument
The researcher was given a letter from Kenya Institute of Management after preparing the questionnaire then introduced her to the management of Kisii Bottlers to get authorization to carry out the study. This authority was granted just to keep the employees aware on the kind of investigation being carried out and an assurance that the information which was to be obtained about the organization was treated very confidentially. Administering the instruments included distributing questionnaire and picking them after two weeks and recording the data in appropriate form for data coding, editing and tabulation.

Validity and Reliability of Research Instrument

Validity
Best and Khan (1992) describe validity of research instruments as the degree to which it measures what is intended by the researcher. This is judgment made better by a team of

professional experts in a particular field Mugenda and Mugenda (1999) and Cohen (1998).The instrument were presented to my supervisor who examined the content of the instrument and make necessary corrections.

Reliability

Mugenda and Mugenda (1999) described reliability of research instruments as the measure of the degree to which a research instrument yields results after repeated trials. The researchers piloted the study instruments on the non-sampled members of the population to assess the reliability of the instruments after a period of two weeks.

Data Collection Procedures

The questionnaires were self administered to the individual respondents. The respondents were provided with one and half weeks to complete them. The time was adequate to allow the out office service workers to respond. The completed questionnaires were collected for data analysis.

Data Analysis and Presentation

The data were analyzed by use of frequency tables and percentages. The study instruments were edited for completeness and accuracy. Data were coded to ensure uniformity during presentation. Quantitative data were analyzed and presented descriptively using tables of frequencies and percentages while qualitative data were presented in narration form according to the study objectives.

FINDINGS OF THE STUDY

In-house distribution carried at Kisii Bottlers.

The study sought to find out if in-house distribution is carried out at Kisii Bottlers. Table 1.

In-house distribution	**Frequency**	**Percentage (%)**
Yes	36	100
No	0	0
Total	**36**	**100**

From table 1, it was noted that in-house distribution is carried out on a large scale

Distribution intensity of Kisii Bottlers

The study sought to find out the intensity of in-house distribution of Ki
The result obtained is shown in table the table 2 below

Distribution intensity of Kisii Bottlers Intensity	**Frequency**	**Percentage**
Selective	10	28
Exclusive	14	39
Total	**36**	**100**

Table 2 indicates that type of product was a factor influencing in-distribution as supported by 39% of the respondents, 25% said control level on the product was a factor, 14% said the type of image to be created, 12% said company‟s resources and 12% were of the view that the nature of the market was a factor.

Reasons for conducting in-house distribution

The study sought to find out reasons for carrying out in-house distribution. Response rate from the field was recorded in table

Table 3 Reasons for Conducting In-House Distribution Reasons for conducting In-house distribution	**Frequency**	**Percentage**
Control the product	8	22
To maximize profits	6	17
To reduce price increased by middlemen	6	17
For convenience purposes	7	19
For reputation	5	14
Communication control	4	11
Total	**36**	**100**

In-house distribution is conducted in order to control the product as shown by 22% of the respondents, while 19% indicated for convenience purposes. For profit purposes, only 17% returned a positive verdict

Distribution Mode of Kisii Bottlers

The study sought to find out the mode of distribution of Kisii Bottlers.
Table 4 shows the results obtained from the respondents.

Table 4. of distribution mode Mode

	Frequency	**Percentage (%)**
Company lorry	22	61
Company member	6	17
Channel distributor	8	22
Total	**36**	**100**

From table 4. majorities of the respondents (50%) said the demand of the product, (19%) said product end price (17%) of the respondents said distribution cost while only (14%) of the respondents said nature and type of middlemen required

Table 5 Kisii bottlers' distribution members

	Frequency	**Percentage (%)**
Retailer membership	**8**	**22**
Wholesaler-Retailer	**22**	**61**
Agent-Wholesaler-retailer	**6**	**17**
Total	**36**	**100**

SUMMARY OF THE FINDINGS

Most of the respondents said that KBL did in-house distribution intensively, exclusively and selectively and the factors which influenced this were product type, control level of product, type of image to be created, company's resources and marketing nature There were challenges like financial problems, management problems, high initial cost, marketing nature, legal constraints and competition environment which were facing in-house distribution and the main reason for in-house distribution at KBL were to control the product to maximize products to reduces prices increased by middlemen, for reputation, for communication control and for convincing purposes. Most respondents said that there were measures which were adopted to ensure quality at KBL like timely distribution, adequate distribution mechanism, adequate distribution members and the channels issues to be followed were product related, pricing related and target markets Channels which KBL used in evaluating performance were: product and service output, cost level, error level, expanded and reduced distribution coverage and level of customer complaints

Conclusion

Based on the findings, in-house distribution at Kisii Bottlers is used basically to control the product, maximize profit, reduce price and for convenience purposes. However, results show that in-house distribution has channel conflicts which are horizontal and vertical conflicts. Also there are a number of challenges facing in-house distribution that includes; financial problems, management problems, high initial costs, high competition and legal constrains.

Recommendations from the Study

From the study above the study recommended the following:

i. Kisii Bottlers should reconsider their distribution strategies so as to make in-house distribution effective.
ii. Management of Kisii Bottlers should increase control of finances and even exercise management effectively to correct the situation of financial and management problems.
iii. Management of Kisii bottlers should reconsider channel networks in-order reduce channel conflicts.

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