

Effect of Place / Distribution Strategy on Organization Performance: Evidence from Ethiopia's Brewery Industry

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Abstract

This research aimed to assess the Effect of place/distribution strategy on the brewery company's performance. The researcher applied explanatory research designs using a quantitative approach to achieve the study's objective. For the research, first-hand sources of information were gathered. This research involved 310 employees of Ethiopia's brewery companies who completed questionnaires to obtain data. The study used simple random sampling to select individual respondents and purposive sampling to select the marketing department. Using SPSS version 26.00, inferential statistical techniques, such as correlation and multiple regression analysis, were used to analyse the questionnaire data. According to the findings of this research, place/distribution strategy has a statistically significant and strong positive relationship with organisational performance. Moreover, place/distribution strategy explains 82.3 per cent of the variances in organisational performance substantially, and a rise of one unit in the place/distribution mix strategy will increase by 80.5% in the company's performance. The study will help firms establish an effective place/distribution strategy to increase performance and compete in the marketplace. The distribution/Place strategy suits the brewery industry. Therefore, companies should maintain the status quo; monitoring is required. The marketing management team should arrange continuous skills and development training for marketing and sales representatives to create awareness among the retailers/wholesalers and distributors to improve customer service quality while distributing their products.

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Introduction

A firm's success depends not only on how well it performs but also on how well its entire marketing channel competes with competitors' channels Kotler and Armstrong (2006).

Distribution strategy is systematic decision-making about the physical movement and transfer of ownership of a product or service from producer to consumer. A distribution channel contains the institution or people involved with the movement and exchange of products or services. Channel members are the institutions or people in the process. Distribution affects the firm's marketing program, and it isn't easy to alter, influences costs, and must relate to the size and nature of the consumer market (Jones, (2007).

Kotler and Armstrong (2010) also define Place or distribution as a set of interdependent organisations involved in making a product available for use or consumption by consumers.

A channel of distribution is the combination of institutions through which a seller markets products to the user or ultimate consumer. The need for other institutions or intermediaries in the delivery of goods is sometimes questioned, particularly since the profit they make is viewed as adding to the cost of the product. However, this reasoning could be more logical since producers use marketing intermediaries because the intermediary can perform functions more cheaply and efficiently than the producer can. Some of these links assume the risks of ownership; others do not. Some perform marketing functions, while others perform non-marketing or facilitating functions, such as transportation (Kotler,2010).

Distribution channels refer to the network to receive the product from the manufacturer or its creators and ultimately to the end-users. When the distribution channel is "direct" (direct sales channel), the manufacturer sells directly to the user without an intermediary. When the distribution channel is indirect, the products will be distributed through many channels before reaching the final consumer. The construction of distribution channels aims to serve product market development (McNaughton, 2002; Rosli & Radiah, 2012; Yoon *et al.*, 2021).

A distribution channel is a network of intermediaries and partners through which a company's products or services are sold, marketed, and delivered to customers. It includes organisations or individuals moving the product or service from the producer or manufacturer to the end-user or customer. This can include wholesalers, retailers, resellers, agents, brokers, and other intermediaries who contribute to the overall distribution and delivery of the product or service. A

well-designed distribution channel can help a company reach its target customers more effectively and efficiently, increase sales and revenue, and build long-term relationships with its partners and customers (Kotler,2006).

Organisational performance refers to how a company or organisation achieves its goals and objectives. It measures how well an organisation functions and effectively utilises its resources to produce desired outcomes. The key elements of organisational performance include productivity, profitability, customer satisfaction, employee satisfaction, innovation, and growth. Overall, organisational performance is critical for the sustainability and success of any business or organisation (Wongrassamee et al., 2013).

Beer has been a staple in Ethiopian culture for centuries. It is believed that the brewing of beer in Ethiopia dates back to the ancient civilisation of Aksum, which flourished in the region between the first and seventh centuries. In the 16th century, the Ethiopian Emperor Menelik I was said to have introduced the art of brewing beer to the country. It became an integral part of Ethiopian culture and social gatherings. Ethiopia's modern case brewery business can be traced back to 1922, about 96 years old. At the time, Ethiopia was governed by Emperor Zewditu Menelik, and the capital city of Addis Ababa had yet to reach its 30th birthday.

In 1933, the Ethiopian government took over the brewery and renamed it the Ethiopian Brewery. The brewery expanded and established new facilities in the capital city of Addis Ababa.

After the fall of Emperor Haile Selassie in 1974, the Ethiopian Brewery was nationalised and became a state-owned enterprise. The brewery remained a dominant player in the Ethiopian beer market until the mid-1990s when the government began to liberalise the economy and allowed for the establishment of private breweries.

Today, there are several breweries in Ethiopia, including the state-owned and several private breweries. Some popular beer brands in Ethiopia include St. George, Harar, Bedele, and Dashen. Beer remains an important part of Ethiopian culture and is often enjoyed during social gatherings and celebrations (Ethiopian Ministry of Industry, 2022).

Ethiopia, one of Africa's nations with the greatest economic growth, has become the scene of strong rivalry between international beverage corporations vying for a larger piece of a rising market.

This research aims to analyse the Effect of place/distribution strategy on a company's overall performance in the brewing industry in Ethiopia.

Statement of the Problem

A company's channel decisions directly affect every other marketing decision. Pricing depends on whether the company works with national discount chains, uses high-quality speciality stores, or sells directly to consumers online. 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. Companies often pay too little attention to their distribution channels—sometimes with damaging results. In contrast, many companies have used innovative distribution systems to gain a competitive advantage.

Channel distribution decisions involve numerous interrelated variables that must be integrated into the marketing mix. Because of the time and money required to set up an efficient channel, and channels are often hard to change once set up, these decisions are critical to the firm's success (Kotler and Lane 2013).

Distribution strategy involves creating an efficient method of disseminating your company's products or services. This type of strategy aims to maximise revenue while maintaining loyal customers. Your Business creates a strategy based on your target customer, and you may use more than one strategy to reach more than one type of target customer ((Kotler,2009)

Decisions about marketing channels, which help producers deliver goods and services to their target markets, are among the most critical facing management because the chosen channels intimately affect all other marketing decisions. These decisions are so critical that they involve relatively long-term commitments to other firms (Armstrong, 2006).

Most producers do not sell their goods directly to final users. Between producers and final users stands one or more marketing channels, a set of marketing intermediaries performing various functions. Companies use intermediaries when they lack the financial resources to carry out direct marketing, when direct marketing is not feasible, and when they can earn more through intermediaries. The use of intermediaries largely boils down to their superior efficiency in making goods widely available and accessible to target markets. The most important functions performed by intermediaries are gathering information, handling promotion, handling negotiation, placing orders, arranging finance, taking risks, and facilitating physical possession, payment, and title (Kotler and Lane 2013).

Intermediaries normally achieve superior efficiency in making goods widely available and

accessible to target markets. Through their contacts, experience, specialisation, and scale of operation, these specialists usually offer the firm more than it can achieve.

Literature reveals that empirical support for the relationship between the place/distribution strategy and a firm's business performance has been provided by several studies.

Research conducted by Karim and Habib, Influence of 4P strategy on organisation's performance, a case on Bangladesh RMG sector discovered that place strategy has significantly and positively influenced the organisation's performance.

Hunelegn (2019) also found a positive relationship between place/ distribution strategy and profitability in Horizon Adds Tyre S.C.

Bul and Nguyen (2021) also found that distribution channel positively impacts firm performance. A study conducted by Adimo and OOsodo (2017) found that channel differentiation's influence on the performance of Sameer Africa (K) Limited was moderate, positive, and significant.

A study conducted in Nigeria by Owomoyela et al. (2013), Mustapha (2017), and Zekarias (2019) found that Place has a significant effect on business performance.

Similar studies have been conducted in the service industry and small and micro-sized businesses. Furthermore, as far as this researcher knows, research on the Effect of Place/distribution on corporate performance in the Ethiopian brewery industry has yet to be undertaken.

Given the lack of empirical studies on the one hand and the importance of place/distribution strategy on business firms, as discussed above, the current paper aims to contribute to this under-researched area of concern by providing insights into the Effect of place/distribution on a firm's performance in the Ethiopian brewery industry.

Objectives of the study

To investigate the effects of place/distribution strategy on firms' performance in the brewery industry.

Research Hypothesis

Ha: place/distribution strategy has a significant positive impact on the firm's performance.

Research Design

A research design is a comprehensive strategy that specifies the methods and procedures to collect and analyse the necessary data. For this study, the researcher used explanatory research designs. An explanatory study design was used to clarify, comprehend, and forecast the relationship between the variables.

The researcher employed a cross-sectional survey to examine how place/distribution strategy affects business success because the data were collected simultaneously. A cross-sectional study simultaneously collects samples from several groups parts (Zikmund et al., 2013).

Research Approach

The two basic approaches for conducting research are the qualitative approach and the quantitative method. While the quantitative strategy involves gathering data in a quantitative format, the qualitative approach concerns the subjective evaluation of attitudes, perspectives, and behaviours (Kothari,2004). To attain the research objective, the study used a quantitative research methodology.

Target Population

There are currently 12 active breweries owned by six significant brewers, producing at least 24 distinct beer brands. The study's target population included all six major brewers' marketing department staff from 12 brewery-producing firms. It investigated how place/distribution strategy affects a firm's performance in Ethiopia's brewery industry.

Sampling Technique

This research was carried out in Ethiopian brewery factories. Since selecting all factory employees was impossible and unnecessary, the sample was selected using nonprobability and probabilistic sampling techniques. Purposive sampling from nonprobability was used to select marketing department staff and to select individual respondents from the marketing department; simple random sampling from probability techniques was employed to give the employees an equal chance.

Sample Size Determination

Sample size determination is choosing how many observations to include in a sample. The sample

size is critical if any research or inquiry aims to conclude the population from a sample (Singh et al. 2014). Sample size determination is a scientific endeavour that should be cautiously approached (Zikmund et al., 2013). The sample size for the inquiry was determined using Taro Yamane's approach.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n= the sample size or required sample size

N = the total population size

1 = designates the probability of the event occurring.

e= the level of precision (sampling error that can be tolerated, which is 5%).

According to the human resources director of each company, there are a total of 2512 marketing employees. By using this formula at a 95% confidence level and 5% level of precision, the sample size was determined as follows:

$$\frac{2512}{1+2512(0.05)^2} = 345.549 = 346$$

As a result, 346 sample respondents were chosen from among the 2512 brewery factory workers for this study.

Data Type and Data Source

Primary and secondary data sources are two different places to find data. Primary data is special since it is newly acquired and used for the first time. Secondary data, on the other hand, refers to material that has already been gathered and submitted to statistical analysis by another entity (Kothari,2004). As a result, only the primary data source for the current study was obtained through closed-ended questionnaires.

Data collection instruments

The researcher employed a well-designed questionnaire as the best way to acquire pertinent data. The questionnaire was developed using simple language to elicit relevant responses from respondents. In any survey requiring respondents to fill out the questionnaire, the purpose behind its structure and design is crucial (John A. *et al.*, 2012).

As a result, the researcher used questionnaires to survey brewery employees to get the necessary data. Employees responded to statements-style questions by rating their agreement or

disagreement on a five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree).

Method of Data Analysis

The data were evaluated to check for any errors the respondents could have made after completing a questionnaire. The data was then manually entered and coded in SPSS software version 26. Quantitative data analysis techniques were applied. The data in this study was examined utilising inferential statistical approaches such as correlation and regression. A correlation analysis was performed to determine whether there is a significant and direct relationship between place/distribution strategy and firms' performance. Finally, regression analyses were performed to assess the proportion by which the independent variable explains the dependent variable.

Result and findings

This study aims to present, evaluate, and interpret the data gathered to investigate the impact that a place/ distribution strategy has on the performance of brewery factories.

1. Response Rate

Table 1: shows the response rate of the questionnaire

Number of respondents	Returned questionnaires	Response rate
346	310	90%

Source: Field Survey 2022

Three hundred forty questionnaires were distributed to the company's employees, and 310 received responses, with a response rate of 90%. It is an acceptable level for further analysis.

2. Correlation Analysis

The degree of correlation between the independent variable—place strategy—and the dependent variable—firm performance—was analysed with a Pearson correlation test. The test was designed to determine the strength of the relationship between the two variables.

The correlation analysis results between these variables are displayed in the table below.

Table 2. Correlation Analysis

Correlations			
		Place	Performance
Place	Pearson Correlation	1	.823**
	Sig. (2-tailed)		.000
	N	310	310
Performance	Pearson Correlation	.823**	1
	Sig. (2-tailed)	.000	
	N	310	310

** . Correlation is significant at the 0.01 level (2-tailed).

Table 2 displays the correlation matrix between the dependent variable (firm performance) and the independent variables (place/distribution strategy) in the Ethiopian brewery industry. The performance of the company and place/ distribution strategy has a strong, positive relationship that is statistically significant ($r = .823$, $p < 0.01$).

3. Regression Analysis

Coefficient of determination

Table 3. Coefficient of determination

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.823 ^a	.678	.677	.01678
a. Predictors: (Constant), Place				
b. Dependent Variable: Performance				

This study's correlation coefficient (R-value) is .823, as shown by the Model Summary in Table 3. This suggests a positive and statistically significant relationship between the independent variable

(firms' performance) and the dependent variable (place/distribution strategy).

R-squared (R^2) is the proportion of dependent variable variance the regression model explains.

It may also demonstrate that the coefficient of determination, or R-square value, is .678, indicating that 67.8 % of the dependent variable (firms' performance) variance was attributable to the independent factors (place/ distribution strategy).

The remaining 32.2% of the variance in the firm's performance is attributable to a component not included in this analysis.

Another important component is the Adjusted R square (adj. R2). The model's retained predictors correctly explain 67.7% of the variance in the outcome variable, as indicated by a score of .677.

Table 4. Coefficient of determination

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.183	1	.183	648.769	.000 ^b
	Residual	.087	308	.000		
	Total	.270	309			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Place						

The ANOVA table demonstrates a strong relationship between the study's independent variables (place/ distribution and dependent variables (firms' performance), with 648.769 for the overall analysis. The F-value is highly significant at .000^b. As a result, the regression is significant.

Regression Coefficients

Table 5. Regression Coefficients

Coefficients ^a						
Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.767	.125		6.157	.000
	Place	.805	.032	.823	25.471	.000
a. Dependent Variable: Performance						

According to the correlation coefficient in Table 5, a rise of one unit in the place/distribution mix strategy will increase by 80.5% in the company's performance.

In addition, the beta value for the place/distribution strategy is 0.823, which suggests that the place/distribution mix strategy considerably influences how successfully the organisation does its job.

4. Hypothesis Testing

Ha: place/distribution strategy significantly and positively influences organisational performance. According to the multiple regression analysis results presented in Table 5, the place/distribution strategy significantly affects organisational performance.

The p-value is $0.000 < 0.05$, and the beta value of ($\beta = 0.805$) shows that the promotion approach positively affects performance. Thus, the alternative hypothesis that promotion strategy has a significant and positive effect on organisational performance was accepted, whereas the null hypothesis was rejected.

The results of this study support the conclusions of Gbolagade and Oyewale (2013), who found that an effective place/distribution significantly contributes to the effectiveness of a company. Colpan (2006) and Owomoyela et al. (2013) demonstrated a positive and significant relationship between place/distribution and firm performance.

Another research by Mustapha (2017) and Zekarias (2019) found an association between place/distribution strategy and company performance.

5. Conclusion

The study aimed to investigate the effects of place/distribution strategy on firms' performance in the brewery industry.

The performance of the company and place/ distribution strategy has a strong, positive relationship that is statistically significant ($r = .823$, $p 0.01$).

The finding shows the multiple regression analysis in Table 5; the place/distribution strategy significantly affects organisational performance. The p-value is $0.000 < 0.05$), and the beta value of ($\beta = 0.805$) shows that the promotion approach positively affects performance. Thus, the alternative hypothesis that promotion strategy has a significant and positive effect on organisational performance.

6. Recommendation

The researcher discovered that place strategy is strongly positive and statistically significant in firms' performance. Accordingly, the marketing management team should arrange continuous skills and development training for marketing and sales representatives to create awareness among the retailers/wholesalers and distributors to improve customer service quality while distributing their products. According to the researcher, the distribution/Place strategy suits the brewery industry. Therefore, companies should maintain the status quo; monitoring is required.

COMPETING INTERESTS

The author has no competing interests to declare.

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