Factors influencing the choice of product distribution channels in Kenya

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This study set out to identify factors that affect the choice of product distribution channels in Kenya and to quantify their relative importance. Alternative channel selection models were studied theoretically and estimated using linear and nonlinear regression methods. The models were fitted to survey data collected from manufacturing companies mainly from the Nairobi area. The data collection instrument was a self-administered questionnaire, which was completed and returned by marketing and sales managers of the companies, which had been selected for the study. Estimation results show that the probability of choice of an integrated or direct product distribution channel is positively correlated with product order size and with product order frequency, but a negative association is also found with respect to company size. However the probability of selecting a direct product distribution channel is insignificantly correlated with suitability of existing distribution channels, product complexity, product standardization, product age, degree of customer concentration and government policy. On the basis of these findings, it is recommended that the business legal framework be changed to allow manufacturing companies’ flexibility in choosing the most appropriate channel structure for their markets. Care however should be taken to guard against creating a situation of unfair competition in the distribution of products.

The areas identified for future research include refinements of the theoretical models developed in the thesis, improvements in the sampling procedures used, widening of the geographic coverage of the sample, and investigation of product distribution channels among small scale and export-oriented enterprises in urban and rural areas. This study set out to identify factors that affect the choice of product distribution channels in Kenya and to quantify their relative importance. Alternative channel selection models were studied theoretically and estimated using linear and nonlinear regression methods. The models were fitted to survey data collected from manufacturing companies mainly from the Nairobi area. The data collection instrument was a self-administered questionnaire, which was completed and returned by marketing and sales managers of the companies, which had been selected for the study. Estimation results show that the probability of choice of an integrated or direct product distribution channel is positively correlated with product order size and with product order frequency, but a negative association is also found with respect to company size. However the probability of selecting a direct product distribution channel is insignificantly correlated with suitability of existing distribution channels, product complexity, product standardization, product age, degree of customer concentration and government policy. On the basis of these findings, it is recommended that the business legal framework be changed to allow manufacturing companies’ flexibility in choosing the most appropriate channel structure for their markets. Care however should be taken to guard against creating a situation of unfair competition in the distribution of products. The areas identified for future research include refinements of the theoretical models developed in the thesis, improvements in the sampling procedures used, widening of the geographic coverage of the sample, and investigation of product distribution channels among small scale and export-oriented enterprises in urban and rural areas.