
A CASE STUDY ON DISTRIBUTION STRATEGY OF PRODUCT (EDIBLE OIL) IN ETHIOPIA

Dr. Namrata Verma

Abstract

In the present article, “a case study has been done on the distribution strategy of edible oil in Ethiopia”, which was imported from other countries. It reveals that the distribution and marketing strategy steps taken by the distribution authorities to reach consumers/ respondents/ customers at right time, at right place, at right price, was not that much effective.

Keywords:

Edible oil;
Distribution Strategy;
Respondents;

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1. Introduction

Distribution refers to the various activities the company under takes the product available to target markets[1]. In distribution sector is analysed for individual and economic operators, i.e. groups and for the aggregate national economy. These types of analyses start with the share of big firms and groups, both on national and international levels. This is the case of relationships between different economic operators within value creation chains. In its broadest sense, when it refers to the whole economic system, distribution is the allocation of income and assets within one society. In business economics, distributions relates to the allocation of goods to the recipients. In general,

distribution includes all activities that enable the transfer of material and/or economic power over tangible and/or intangible goods from one economic subject to another[2].

Distribution encompasses a system of all activities that are related to the transfer of economic goods between manufacturers and consumers.

Distribution systems are usually divided into:

- (a) acquisition distribution system
- (b) logistic, i.e. physical distribution system.

G. Specht has pointed out that this division is not completely accurate, since both of these subsystems exhibit certain common starting points. According to this author, acquisition distribution system management includes the management of distribution routes, i.e. distribution channels. Logistic distribution system is focused on bridging the space and time by transportation and storage, as well as order processing and shipment, supply logistics, i.e. the movement of materials. The term “distribution channels” can at the moment be replaced by the term “marketing channel” [3]. “Marketing channel” as a more complex term has been used in the USA since the 1970s, because the intermediaries include not only those who participate in the physical flow of a product from the manufacturer to the end user, but also those that have a role in the transfer of product ownership, as well as other intermediary institutions that participate in the value distribution from production to consumption[4]. Therefore, it is assumed that there are three types of marketing channels [5]. communication channels, distribution channels and service channels.

Channel of distribution – The route along which goods and services travel from producer/manufacturer through marketing intermediaries (such as wholesalers, distributors, and retailers) to the final user. Channels of distribution provide downstream value by bringing finished products to end users. This flow may involve the physical movement of the product or simply the transfer of title to it. Also known as a distribution channel, a distribution chain, a distribution pipeline, a supply chain, a marketing channel, a market channel, and a trade channel[6]. Similarly, distribution channel is defined by Hill: "Distribution channel - one or more companies or individuals who participate in the flow of goods and services from the manufacturer to the final user or consumer" [7]. Nevertheless, other types of flows should not be neglected in distribution channels, so that the following definition is also possible: "Channel of distribution consist of one or more companies or individuals who participate in the flow of goods, services, information, and finances from the producer to the final user or consumer." [8]. These are various routes

that products or services use after their production until they are purchased and used by end users. Therefore, marketing channels, i.e. distribution channels are all those organisations that a product has to go through between its production and consumption [9, 10].

In Ethiopia, a local edible oil producer distribute oil to all parts of Ethiopia by importing oil from other countries. Imported edible oil used to be imported both by government and private importers as well. However, private importers and traders have made price higher due to their respective mark ups, price fixing and increased operation costs. Not only hiking the price and the created a scarcity of commodity in the market.

There was in-stability in market of commodity (edible oil), to stabilize the market, Government of Ethiopia lifted up all the duties from the product. But the decision was not effective to stabilize the market. At last the Government of Ethiopia had taken the decision that “NO private importers and traders should import the edible oil” Only Government itself import the edible oil and distribute to end- to end consumers. An international bid has been invited to buy palm oil by Ministry of Finance and Economic Development (MoFED), Government of Ethiopia, from international producers. After procuring the edible oil from international producers the distribution will done through the organization Merchandize whole sale and Imported Enterprise (MEWIT).

Merchandize whole sale and Imported Enterprise (MEWIT) takes the responsibility of distribution the edible oil to consumers throughout the country. “Distribution is concerned with making a product available at the right time, to the right consumers at the right place and of course for the right price[1]. Since edible oil is one of the most important commodities that human being’s need to survive. Better distribution strategy should be taken supply the commodity to consumer under the availability of commodity. The purpose of this article and an attempt has made by the author to review the distribution problem to right consumer at right place at right place, when the product had become shortage and expensive in market.

2. Objective of the study

The general objective of this study, to the present distribution strategy of imported edible oil in Ethiopia from the marketing perspective and recommend marketing strategies to enhance efficiency and effectiveness of the distribution channel.

The specific objectives

To Overview the distribution strategy adopted to distribute imported edible oil in

Ethiopia

To evaluate the performance of the distribution channel

To analyse the current and actual problems in the distribution channel

To improve the current inefficient areas of distribution of edible oil in Ethiopia

To develop policy recommendations for marketing distribution strategy

Hypothesis

1. If a distribution strategy is in constructive way, the commodity price and distribution would be cost effective to the consumer and reach to the consumer in right time
2. If a distribution strategy is effective and efficient, there will no shortage of commodity in the market and reach the consumer
3. In the distribution of commodity, the members of the distribution channel play a vital role

3. Results and Analysis**3.1. A case study of distribution of edible oil in different parts of country**

Ministry of finance and economy development (MoFED), Government of Ethiopia, buys the oil from Malaysia, Indonesia, Egypt and Dubai since 2011. The Edible oil packed in six different forms: 1Liter, 2 Litres, 3 Litres, 5 Litres, 20 Litres and 25 Litres and supplies to local suppliers through MEWIT Agency.

MEWIT receives all the edible oil containers at the port of Djibouti and start distributing the oil throughout the country. Author selected thirty five main towns of country for distribution of edible oil. They are Addis Ababa, Kombolcha, Mekele, debre Tabor, Bahir Dar, Debre Markos, Asayita, Dire Dawa, Adama, Shashemene, Ziway, Hawassa, WolayitaSodo, Nekemt, Jimma, Woldiay, Assela, Wolliso, Ambo, Finche, Debre Bihran, Butajira, Jigjiga, Harar, Gondar, Welkite, Dila, Debre Zeit, Bedele, Dodola, FikreSelam, Alaba, AseebeTerferi, Dembi Dollo and Dessie

In each city, there are nearly seven stores; these stores do not directly sell to end customers. However they a sell the oil to consumer's cooperative, these consumer's cooperative need to have a green light and a quota from the trade and industry offices of their respective kebeles and kifleketemas.

Initially consumer's cooperative need to have approval from kebele's office and approval from kifleketam office. Once they have the approval from both office's they go to MEWIT and purchase the oil

Under MEWIT there are ten KifleKetemas, Arada is one of the ten kifleketemas who work together MEWIT

Under the AradaKifleketema, there are ten consumer's cooperatives; they are Wastina consumer's cooperative, Edget, HiwotTesfa, BerhanLehizib, Andinet, TesfaBerhan, Limat be Hibert, Efouita, Fana and Agar.

BerhanLe Hizib is one of the consumer's cooperatives found in Woreda of the AradaKifleketama. There is also one merchant whole saler called Abdurazak and his family in woreda

Like the consumers cooperative this merchant whosalers also need st o contact both the kebeles and kifleketemas trade and industry office as to hoe mush to buy from MEWIT.

Both Behran le HizibabdAbdurazak and his family have to contact the kebele's and the woreda's trade and industry offices how much to buy deom MEWIT. It is not their ability what matters. Yet, it is the respective trade and industry offices rule of thumb judgement that determines the lot size and the frequency of purchase.

MEWIT, though, it has been given the authority from the government, they cannot sell as they want. Quotas should be assigned by the kebeles and kifleketemas trade and industry office. They sell only whatever is request by the officers regardless of the difference in store capacity places are densely populated where as others are scarcely populated.

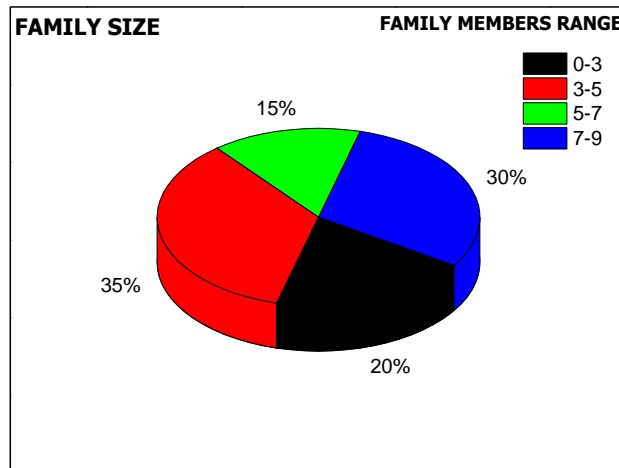
The consumers cooperative do not sell oil directly to end users. Rather, they have to sell it to retailers, so that retailers would sell it to individual consumers. These consumer's cooperatives assign quotas to retailers. However, they do it arbitrarily usually similar to each retailer.

The cooperatives should record signatures and number of packages they buy at a time and present it the kebeles office, based on this input kebeles officer may accept or reject the demands of the retailers for further purchase

Many of the consumers cooperatives do not have the necessary marketing skills and distribution expertise so that hey sot it traditionally

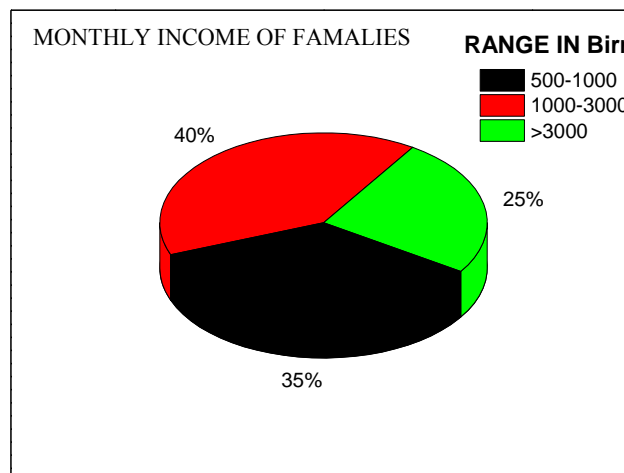
The main objective of this survey is to collect relevant data and there by assess the marketing distribution strategies used in the distribution of edible oil in Addis Ababa. It is designed for a research purpose

3.2. Family size:



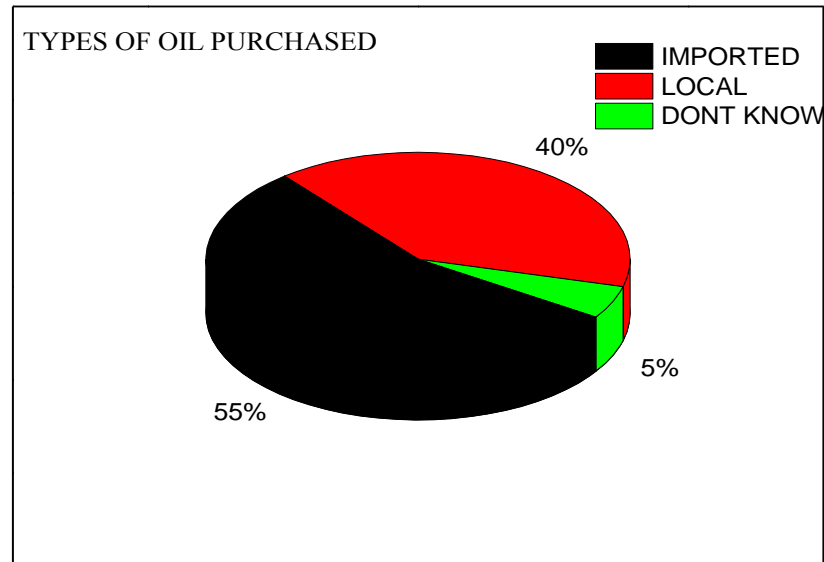
Regarding the demographic data of the sample taken, majority of the respondents 35% fall under a group that has a family size between 3-5 members. 30% of the respondents fall in a group that constitutes between 7-9 members. The remaining 35% is represented by 0-3 members (20%) and more than 5-7 members (15%).

3.3. Incomes of Families per month:



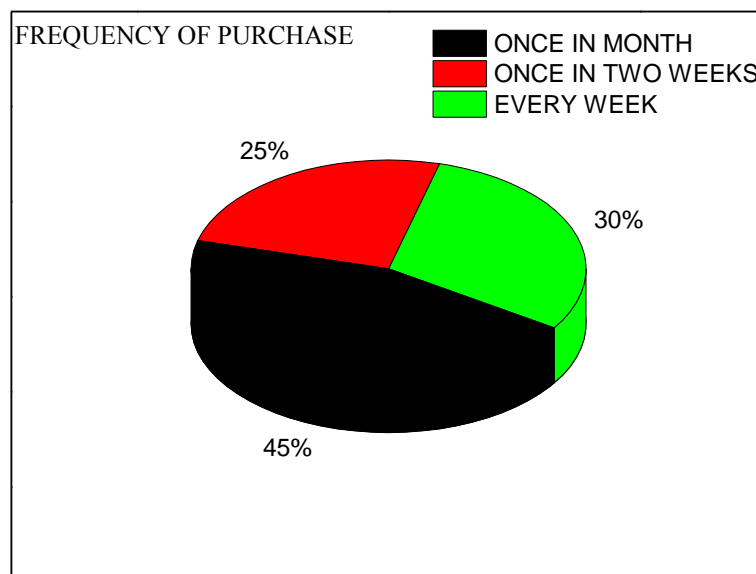
The majority of the population 40% earn between 1000-3000 Birr per month. 35% of the population earn between 500-1000 Birr per month. 25% represents families who earn more than 3000 Birr

3.4.Type of oil families use:



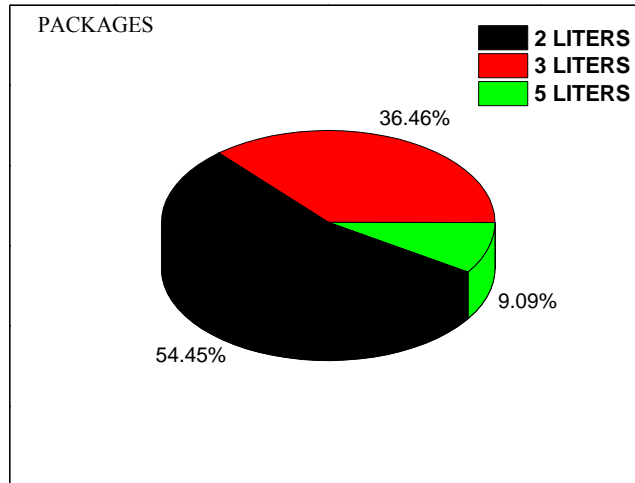
Majority of the sample (55%) use imported palm oil.40% of the population use locally produced oil. 5% of the population do not mind whether they use local oil or imported what they need is only oil.

3.5.Frequency of purchase



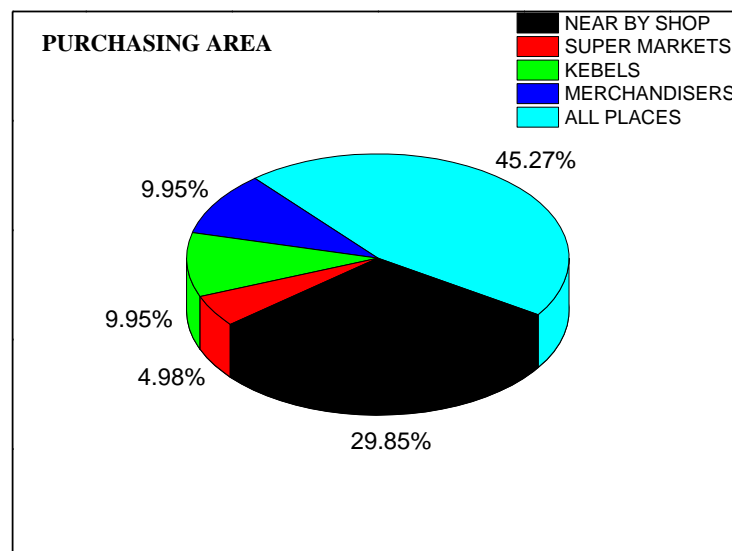
Majority 45% of the respondents says that they buy once a month, 25% of the sample says that they buy once in two weeks. 30% of the respondents buy every week

3.6. Consumers are more convenient with packages



The oil is packed in six different packages; 1 litre, 2liters, 3 litres, 5 litres 20 liters and 25 litres the majority of the respondents 36.5% would like to buy 2 litres,54.5% respondents like to buy 3 Litres, 9.1% of the respondents are convenient with packages more than 5 liters.

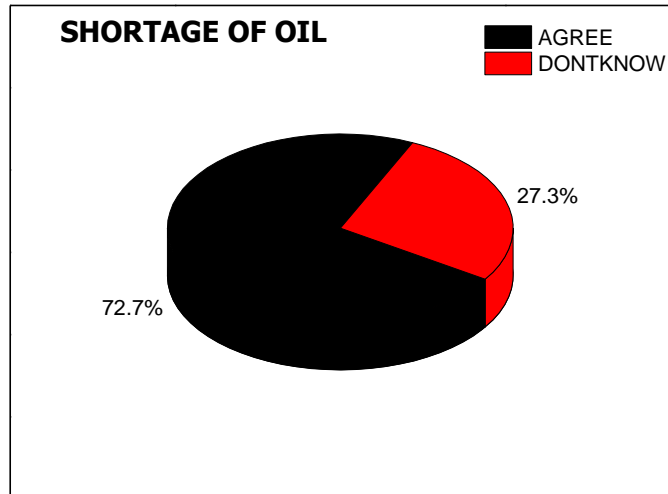
3.7. Where the customers buy edible oil from



The respondents buy the edible oil packages from various places like shops, super markets kebeles and merchandisers. 30 % respondents buy edible oil packages from nearby

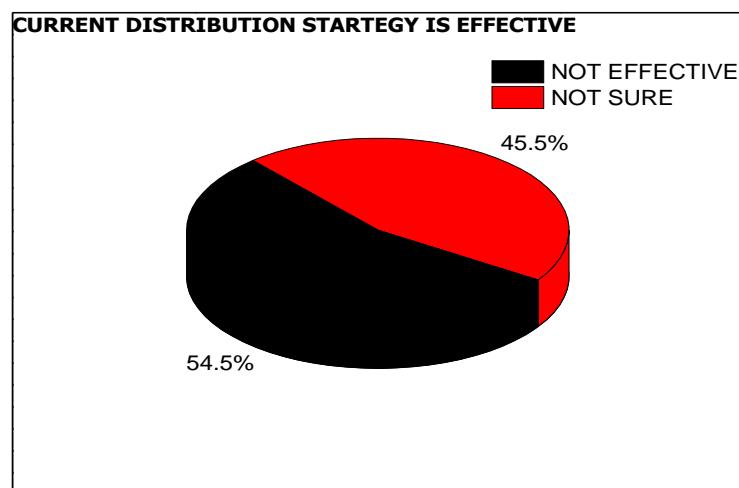
shops, 5% from super markets. 10 % from kebels, 10% form merchandisers. Remaining 45.5% were found to be buy form all the places.

3.8. Whether the consumers believe is there shortage of oil

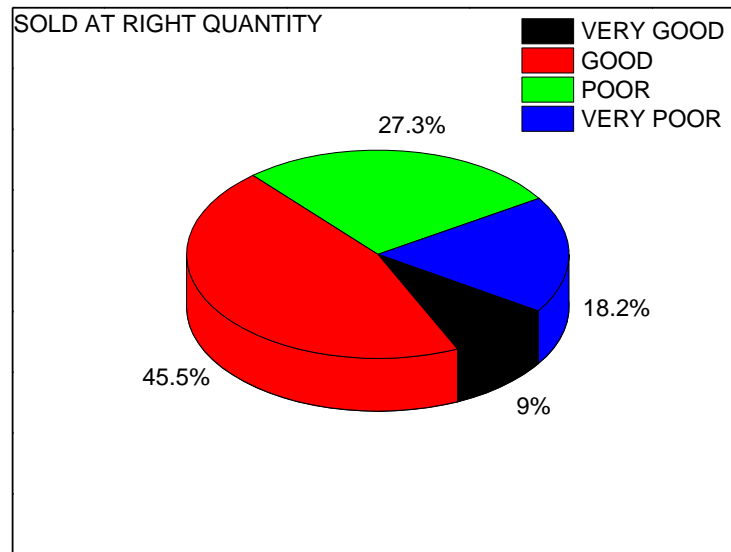


The respondents were asked whether they agree with the statement “There is shortage of edible oil in the city. 72.7% of the respondents agree with the statement. However the remaining 27.3% say don’t know

3.9. Whether the consumers believe that the current distribution strategy is effective

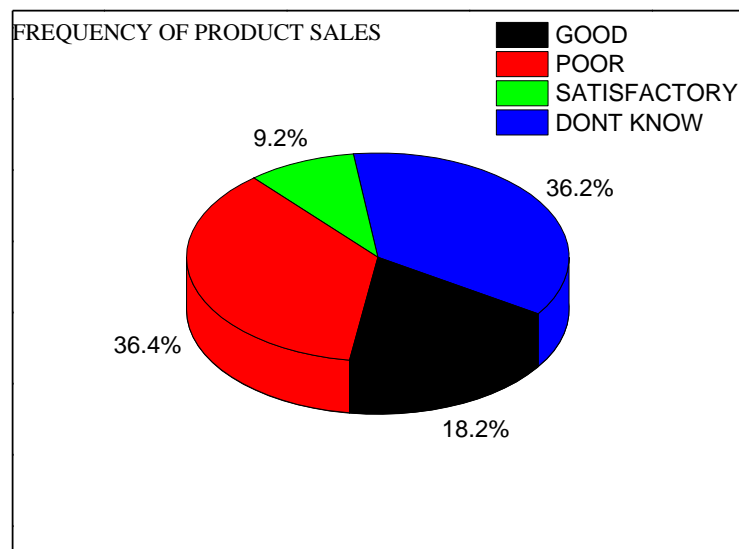


The majority of the respondents that the current distribution strategy is not effective (54.5%) and he remaining respondents are not sure about the distribution strategy(45.5%)

3.10. The degree to which the product is sold at right quantity

Consumers/Respondents believe that the edible oil in market is physically available nearby is very low to reach end to end Consumers/respondent.

Consumers rated the degrees to which the distribution makes the product available at the right quantity as follows 45.5% poor, 27.3% very poor 18.2% good and remaining 9% is very good.

3.11. The degree to which the product is sold at right Frequency

Consumers rated the degrees to which the distribution makes the product available at the right frequency as follows 36.4% rated it is poor, 18.2% rated is good and remaining 9.4% is satisfactory remaining 36.2% rated don't know

From the above analysis, the product which was imported was not according to the requirement of the population. It is revealed that the various types of consumers were not identified by the distribution agencies. Distribution authorities have no clarity about their consumers at what time they have to supply, at what price. It is also confirmed from the case study that there are many steps for the distribution process which involves many agencies to distribute the product. This distribution process does not play any affective role, but only the government agencies were distributing the product, so there is no other choice to consumers to buy the product from the agencies. To improve the distribution, the government should take care that in each city depending on size of the population, a government authorized shop from one main distribution centre which should organize complete distribution process.

4. Conclusion

The distribution strategy has been analysed, the conclusion drawn from the case study was most of the households comprise of families less than seven members and earn less than three thousand birr per month. This group usually prefers packages containing three and five litres and purchase oil between two or three weeks. Quality of the product was good and respondents prefer imported edible oil than locally produced oil. They prefer to purchase the edible oil from nearby stores or shops or kiosques. It is revealed from the analysis that there is shortage of edible oil in the market and the distribution channel and marketing of edible oil have to improve. With this distribution and marketing strategy, the edible oil is hardly available at the right time, place, frequency, season and price to end to end customers/ respondents

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