



Riara School of Business
Nurturing business innovators

**MAY-AUGUST 2023 TRIMESTER
EXAMINATION FOR DEGREE IN BACHELOR OF BUSINESS ADMINISTRATION
DAY PROGRAMME
RMK 306: CHANNELS MANAGEMENT**

DATE: AUGUST 2023
HOURS

TIME: 2

GENERAL INSTRUCTIONS:

Students are NOT permitted to write on the examination paper during reading time.

This is a closed book examination. Text book/Reference books/notes are not permitted.

SPECIAL INSTRUCTIONS:

- 1 Write your REGISTRATION NO. Clearly on the answer booklet(s).
- 2 Answer Question ONE and ANY other TWO questions.
- 3 Questions in all sections should be answered in answer booklet(s).
- 4 Marks allocated to each question are shown at the end of the question.
- 5 PLEASE start the answer to EACH question on a NEW PAGE.
- 6 For the questions, write the number of the question on the answer booklet(s) in the order you answered them.
- 7 Write your answers in paragraph form unless stated otherwise.
- 8 Keep your phone(s) SWITCHED OFF at the front of the examination room.
- 9 Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
- 10 You are only allowed to leave the examination room 30 minutes to the end of the Examination.

USE THE CASE STUDY TO ANSWER QUESTION ONE

East African Breweries Limited (LTD) is the largest beer brewer in East and Central Africa. EABL enjoys a virtual monopoly in Kenyan beer market as the only rival South African Breweries was hounded out of the market in 2002 after prolonged and intense competition between the two companies.

South African Breweries entered the Kenyan market in 1995 by building a modern factory. Since competition came in the company had to restructure and cut cost in order to compete effectively. A critical decision was to dismantle the Company's distribution facilities. On the face of it, this looked curious. Why give up control in order to win market share battle?

But EABL understood the beer distribution is not distinctive and not subject to performance uncertainty. Hence the company sold off non-core assets including transport fleet and contracted distribution to third parties providers. Then with a view to defending its market share, EABL focused on maximizing the effectiveness of its distribution network. In response to the market entry of SAB, EABL invested heavily in the improvement of its distribution capabilities. As a result EABL achieved virtually 100 per cent market coverage without ruining levels of spending or investments.

Recently, a comeback by SAB miller in July 2016 through an acquisition of Crown Beverages the manufacturing unit of Keringet Water sent shivers in the beer market in the East African region. The miss-step by SAB miller in setting up a modern factory and later selling it is now being reengineered through an acquisition of Keringet's distribution network. This move by SAB Miller was in conjunction with Coca-Cola Company and Gutsche Family investments.

QUESTION ONE (30 MARKS COMPULSORY)

Required

- a) A critical decision arrived at by East African Breweries was to dismantle the Company's distribution facilities and give the task to third parties. Discuss market factors considered in selecting the channels of distribution in this case the Beer distribution **(7 Marks)**

- b) The decision to give a third party to distribute the products for EABL can cause conflict. Explain types of conflict that do arise between channel members **(8 Marks)**
- c) One of the trends common among companies involved in distribution is that of giving third parties the sole task of managing their distribution channel. Discuss and explain other new trends in channel distribution. **(5 Marks)**
- d) EABL move was to put in place mechanism to motivate channel members. Explain **THREE** factors to consider when motivating channel members **(5 Marks)**
- e) The comeback by SAB Miller through the acquisition of Crown Food Distribution network demonstrates the strategic nature that distribution networks have in marketing. Highlight **FIVE** benefits of distribution in channels management **(5 Marks)**

QUESTION TWO

- a. A franchise is a type of license that a party (franchisee) acquires to allow them to have access to a business's (the franchiser) proprietary knowledge, processes and trademarks in order to allow the party to sell a product or provide a service under the business's name. Discuss the rationale of companies being engaged in Franchising Your Business **(10 Marks)**
- b. Channel Management in the international market can be a daunting task. Highlight any **FIVE** factors that a company wishing to enter international market might consider to attain its target of servicing international markets **(10 Marks)**

QUESTION THREE

- a. Highlight and explain cross-docking as a pivotal strategy in managing physical distribution and channel members **(12 Marks)**
- b. Discuss the role of EDI as central part of the logistics system in the channel distribution management **(8 Marks)**

QUESTION FOUR

- a. The role of the wholesaler in the channel cannot be underestimated Discuss the role played by wholesalers in assisting producers to achieve their desire to ensure effective and efficient channel management distribution **(10 Marks)**
- b. Discuss and explain the difference in the following terms:
- i. Distribution of services from distribution of products **(5 Marks)**
 - ii. Physical Distribution and distribution channels **(5 Marks)**