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ENHANCING SALES PERFORMANCE OF TEA PACKERS IN KENYA: THE ROLE OF EXCLUSIVE DISTRIBUTION CHANNEL STRATEGY

[1]**Raymond Nyakundi Ombui**, [2]**Motari Y O** and [3]**Christopher Ng`etich Yego**

[1]MBA Candidate, Department of Business Administration School of Business and Economics Kisii University-Kenya
[2]Lecturer, Department of Business Administration, School of Business and Economics, Kisii University-Kenya - *ymotari@kisiiuniversity.ac.ke*
[3]Lecturer, Department of Business Administration, School of Business and Economics, Kisii University-Kenya.

Abstract

Organizations yearn to develop effective distribution of goods and services. This is also true for agricultural produce such as tea. A significant proportion of the local tea is distributed by Kenya Tea Packers Limited (KETEPA), which is a subsidiary of the Kenya Tea Development Agency (KTDA). KETEPA is expected to develop mechanisms to guarantee increased sales performance of tea products. Exclusive distribution is expected to improve the sales performance of tea products. Therefore, the study sought to examine the role of an entire distribution strategy on sales performance. The study adopted a correlation research design and collected quantitative data using a structured questionnaire. Data was collected from 221 sales staff dealing with tea product distribution. The theory of Channel Control was used to explain the relationship between study constructs. Findings revealed that exclusive distribution significantly influences the performance of tea products. It is against this backdrop, that managers are expected to develop strategies, policies and procedures for exclusive distribution to foster the sale performance of tea products.

Key Words: *Exclusive Distribution, Distribution strategy, Sales Performance.*

Introduction

Effective distribution channels can be described as the lifeblood of any manufacturer or producer. Firms must set up a distribution infrastructure that appeals in the market context. This is particularly important for agricultural production (Poulaki & Katson, 2020) because such products have a limited period and face stiff competition. But for those organizations that fail to establish effective distribution channels, there is a likelihood of business failure (Kulinska et al., 2020).

Distribution channels have been emphasized by researchers as a potential framework for overcoming marketing challenges(July, 2015 Addis Ababa, Ethiopia, (2015); (July, 2015 Addis Ababa, Ethiopia, (2015) Ezeze (2020). For tea products, an effective distribution channel gives tea producers a competitive advantage in the market (Rambocas et al., 2015). A distribution channel deals with how products are delivered to the market. Besides selective and intensive distribution, exclusive distribution is used to deliver tea products directly to key customers without intermediaries.

A burgeoning body of empirical literature such as Supriadi et al., (2023); Ezeze, (2020); and Ikegwuru, (2019) has established a link between distribution channel strategies and sales performance. However, there is a dearth of knowledge regarding the link between exclusive channel distributions and sales performance for agricultural products, and more so in the tea sector. The lack of literature, therefore, implies that managers use generic information to make decisions regarding the distribution of tea products.

This study is anchored on the need to have efficient distribution of tea to guarantee performance of tea products. Thus, farmers are able to realize better market yields for tea products. Additionally, 20 percent is consumed locally, while 80 percent is exported to the global market. A significant proportion of the local tea is distributed by Kenya Tea Packers Limited (KETEPA), a subsidiary of the Kenya Tea Development Agency (KTDA). Kenya Tea Packers has developed four variants: hexagonal pack, Ketepa Pride Tea, Purple Tea, and Hibiscus tea, which are exclusively distributed through retail outlets that high-end customers patronize.

Therefore, there is a need for the local distributor to set up a responsive distribution mechanism for improved sale performance and, in effect, guarantee value to tea producers. The study conceptualized sales performance as a measure of sales volume, market share and penetration. Thus, sales performance is a desirable market outcome that shows the effectiveness of organizational strategies in the market.

The study's contribution is both theoretical and practical. Theoretically, the study will seek to extend the Channel control theory proposed by Bucklin in 1973. In this theory, actors in the distribution ecosystem demonstrate tension that stems from authority, power and control of resources. As this tension plays out, a player seeks the most beneficial intersection. From a practical standpoint, the findings will provide managers with insight for developing strategies, policies and procedures on exclusive distribution and enable them to improve their channel management knowledge.

Problem of Research

The sales performance of the tea industry is important and crucial. As such, for tea packaging companies to function competitively, tea industries must exhibit successful distribution tactics, such as exclusive distribution channel strategy. The World Tea Directory (2023) states that

Ombui et al

KETEPA Company Limited is a critical component to tea sector because it is dedicated to finding, blending, packing, and distributing the best teas to the Kenyan market and beyond. As industry reforms gain momentum, KETEPA has worked to restructure the distribution of its tea products in an effort to offer excellent and varied distribution services. When exclusive as marketing strategy is effectively put into play, the sales performance is expected to increase. (Waitathu, 2023). Even with efforts to offer high-quality and varied distribution options, tea product sales performance continues to be a significant source of concern. The sales performance of KETEPA Company has been falling and fluctuating over the years (KTDA 2021). The overall revenue generated from the sales of tea products experienced a sharp decline between 2016 and 2020, as demonstrated by two factors: first, the total revenue generated from tea sales in billions of shillings fell from 83.97 in 2016 to 79.02 in 2020; and second, the average percentage return to farmers was 75 in 2016 and 66 in 2020 (KTDA, 2020). However, no study has been cited to determine the role of exclusive distribution channel strategy in enhancing sales performance of tea packers in Kenya. Studies such as Gikunji (2018) focused on the advancement of technology as a tool for strategic management and a factor in the Mt. Kenya Region tea industry's success; Namu and Kiamba's (2014) examined the performance of tea in Embu County and was limited to cost reduction strategies; Fesseha (2019)focused on the processing and packaging of Addis Tea. As it is clearly reflected in these studies, none of the scholars looked at the effects of exclusive strategy on the sales performance of tea sector. Thus, this literature gap necessitated the need to investigate the enhancing sales performance of tea packers in Kenya the role of exclusive distribution channel strategy.

Literature Review and Research Focus

Studies have examined the role of exclusive distribution strategies on sales performance in different sectors of the economy. There is, however, limited investigation of the subject in the agricultural industry. Kim and Lee (2023) investigated the impact of exclusive distribution on online retailers' sales. The study used panel data for 3285 ready-made meal products, newly introduced from August 2018 to August 2021, at a leading online grocery retailer in Korea. Rrandom-effects panel regression was applied to test the proposed model. The study established a significant relationship between exclusive distribution and sales. Though the findings add to the existing knowledge, they focused on online rather than offline distribution.

In Bulgaria, Maya (2017) examined the approaches for a successful market coverage Strategy. The study used a qualitative approach to compare the effectiveness of intensive, selective and exclusive distribution strategies. Data was collected through a content analysis approach where common patterns pertaining to four main inductive categories, including product, brand positioning, promotion and distributor's attributes, were examined. The results showed that manufacturers of office products that position their brands on the high-quality dimension would pursue exclusive distribution.

Rodolfo and Vazquez (2001) researched the moderating effects of exclusive distribution agreements on distributor satisfaction in the beverages industry. The study was done in Spain. The surveys were sent to the entire population of 1120 wholesalers, and the response ratio was 21.5%, equivalent to 241 questionnaires returned by wholesalers. The cover letters and envelopes were addressed to the purchase manager and were often filled out by the owner or general manager.

Ombui et al

Therefore, the Z-test yielded very good findings, and the predicted Z values fell short of the crucial threshold of 1.96 (Z=0.45). Comparing the last 25% of respondents who responded to identity non-responsive sample bias with the remaining 75% of respondents who returned the questionnaire was done using the previous wave approach (David et al., 2022). The results were that the distributors in exclusive dealers' relationships do not feel more satisfied than in nonexclusive dealers since the sample was divided into two sub-samples: exclusive and nonexclusive relationships.

Amara (2012) studied how distribution channel methods affected the success of sales in farms across Kenyan commercial banks. Both primary and secondary data were gathered for the study through a questionnaire. The data was then processed and displayed in his network using percentages, the mean, and the standard deviation. The banks also employed electronic banking and different distributors. However, some producers deliberately restrict the number of middlemen handling their products.

Hidajet & Halit (2015) researched the strategies of distribution channels. The story was done in Kosovo. In their conclusion, they recommended that Enterprises must formulate the objectives of their distribution channels in terms of the targeted consumer's service levels and that a good strategy of distribution channels affects achieving the distribution objectives in target markets. Above all, therefore, should be the motivation of the members in distribution channels.

Methodology of Research

General Background of Research Methodology

The researchers targeted all four territories of KETEPA Company Ltd in Kenya: the West, East, Nairobi, and Coastal territories. The target population was 159 employees comprised of a Sales and marketing manager, Area sales manager, Area sales representatives, Distributors, Merchandisers and Transport and logistics.

Sample of Research

The sample was scientifically drawn using Yamane (1969). Out of this approach, a sample size of 143 respondents from the target population. The study used a stratified random sampling technique to select the respondents. The researchers distributed questionnaires to the sales staff in their respective areas of representation. Out of the sample size, 122 were found to be complete and thus accepted.

Instruments and Validation

The study variables were tested using a multi-item scale to test the hypothesis. The data analysis constructs were measured with a 5-point Likert scale that ranged from "strongly disagree" (1) to strongly agree (5). The study further analyzed the validity and reliability of the questionnaire items. The standardized factor loading, Cronbach's Alpha, averaged variance explained (AVE), and composite reliability of the instruments were presented. Each of the indicators loading must be above 0.50 at t-value. All the factor loadings in the study were above 0.50 and retained for further analysis.

Data Analysis

At the onset of data analysis, the researcher went through that data, ensuring it was complete, consistent, and right. A decision was made on whether or not to continue with data processing. After these preliminary

Ombui et al

checks, data was entered into the Statistical Package for Social Sciences (SPSS V21) for analysis. The study checked for missing values to avoid messing up the inferential analysis. Afterward, the study checked for any missing data, whereby 13 cases were identified. Outliers were also deleted and excluded from the analysis and cleaning of the data from outlier and missing cases, and thus, the study retained 122 units of inquiry.

Findings of the Study
Analysis was done on demographics, descriptive and regression. They were presented in tables as follows**:**

Demographics
The study sought to establish the representation of age, gender and level of education of the sales staff. The findings are shown in Table 1.

Table 1. Demographics

	F	%
Gender		
Male	62	50.8
Female	60	49.2
Age		
18-25 years	13	10.7
25-35 years	36	29.5
35-45 years	41	33.6
45-55 years	28	23.0
>55	4	3.3
Educational Level		
Form four and A-level	4	3.3
Certificate /Artisan	11	9.0
Diploma	37	30.3
Degree	43	35.2
Postgraduate	27	22.1

Source: Survey (2023)

There were more male sales staff (50.8%) than their female counterparts (49.2%). The difference was, however, small. This indicates that KETEPA had a policy of gender representation. Furthermore, findings suggested that the number of sales staff decreases with age. This is because 3.3 percent were above >55 years, 10.7 percent were between 18-25 years, 29.5 percent were between 25-35 years, 33.5 percent were between 35-45 years, and 23 percent were between 45-55 years. With regards to the

Table 2.

level of education, the majority of the sales staff (35.2%) had undergraduate degrees, followed by those with diplomas (30.3%) and postgraduate qualifications (22.1%). Few staff had form four (3.3%) and artisan (9%) qualifications.

Descriptive Statistics
The study sought to examine the use of exclusive distribution strategy in distributing tea products in Kenya, particularly in KETEPA Ltd Company, as presented in

Ombui et al

Table 2. Exclusive Distribution Strategy

Aspects	N	Mean	S.D
There are superior variants of tea products	122	3.992	1.3330
Products are appealing in the market	122	4.189	1.2354
Agents use diverse means to approach the market (e.g., local transport)	122	3.408	1.2365
Our brands have market visibility	122	3.975	1.3934
We continuously explore new markets for tea products	122	4.172	1.1620
The products are sold to a given niche	122	3.959	1.3508
Average	**122**	**4.049**	**1.2851**

Source: Survey (2023)

Findings show that companies produce superior tea variants (Mean =3.922, SD=1.333) and that these variants appeal to the local Kenyan market (Mean = 4.189, SD=1.235). Furthermore, findings revealed that the tea products were visually appealing to the market (Mean=3.975, SD=1.393). The study also revealed that the tea distributor continuously explores new markets for tea products (Mean=4.172, SD=1.162), although they seek to find new niches (Mean=3.959, SD=1.35). However, the sales team was indifferent to the approaches used by the agents to use diverse means to approach the market (Mean=3.40, SD=1.236).

Hypothesis Testing
The study used simple linear regression to test the hypothesis. The regression analysis examined the relationship between exclusive distribution channel strategy and sales performance, as shown in Table 3.

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.933[a]	.871	.868	.34481

Source: Survey Data (2023)

The results showed that R=0.933 indicates a strong relationship between exclusive distribution strategy and sales performance. It further shows that a unit change in distribution would result in a shift in performance by 87.1%, while exogenous variables can explain the remaining percentage. After this test, the study sought to test the model fitness, as shown in Table 4

Table 4. ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	95.061	3	31.687	266.511	<.001[b]
	Residual	14.030	118	.119		
	Total	**109.091**	**121**			

Source: Survey Data (2023)

Ombui et al

From ANOVA results, it was established that F=266.511, p=.001 at a significant level of 5%. Therefore, exclusive distribution strategy indeed measures performance.

Furthermore, the study *sought to examine the relationship between the construct. The findings are presented in Table. 5.*

Table 5. Regression Coefficients

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	.161	.168		.957	.340
Exclusive	.569	.085	.511	6.664	<.001

Source: Survey Data (2023)

The results (B =.569, t =.6.664, p. <0.05) show that exclusive distribution plays a significant role in the performance of tea products. On this basis, the study rejected the null hypothesis that exclusive distribution strategy has no statistically significance influence on sales performance.

The regression equation was derived as follows;

$$Y=.161+.569X_1+\varepsilon$$

Exclusive= X_1, Y= dependent variable and ε= is the Error term

Conclusion
The Kenyan tea producer has diverse variants of tea products, including hexagonal packs, Ketepa pride tea, purple tea and hibiscus tea, which are exclusively distributed through retail outlets patronized by high-end customers. The tea products are visually appealing with good packaging, and the companies continuously seek new markets. It was also observed that exclusive distribution significantly influences the performance of tea products.

Recommendations
Implication to theory
The study adopted the Channel Control theory proposed by Bucklin in 1973. The theory describes the obligations of the suppliers and distributors of goods and services. In this case, the supplier spent resources to create superior products, demonstrating that buyers demanded quality products. This shows that authority, power, and control of resources exist among players in the distribution ecosystem.

Implication to Practice
The study confirms that organizations practice exclusive distribution strategy. It is usually deployed in cases where organizations deal with specialized or exclusive products. In most cases, the products are distributed through retail outlets that high-end customers patronize. Thus, the findings call for managers to develop strategies, policies and procedures on exclusive distribution and enable managers to improve their knowledge of channel management.

Recommendation for Future Studies
The study covered the distribution mechanisms applied by KETEPA industry, which is perceived to represent a small proportion of the entire market. As such, the

Ombui et al

findings of this study may not reflect the situation of tea distribution. Therefore, the researcher recommends that the study be replicated among other distributors.

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Ombui et al