



**Riara School of Business**

*Nurturing business innovators*

**SEPTEMBER – DECEMBER 2015 TRIMESTER**

**EXAMINATIONS FOR BACHELOR OF BUSINESS ADMINISTRATION**

**BMK 306: CHANNELS MANAGEMENT**

**DATE: DECEMBER 2015**

**TIME: 2 HOURS**

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**INSTRUCTIONS**

- i) Answer question one and any other two**
  - ii) Marks allocated to each question are shown at the end of the question**
  - iii) Arrange your work neatly and indicate the questions answered in the Examination booklet**
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**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.

### **QUESTION ONE (30 MARKS COMPULSORY)**

- 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 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 that of giving that parties the sole task of managing their distribution channel. Discuss and explain other new trends in channel distribution. **(9 Marks)**
- d) EABL want to put in place mechanism to motivate channel members explain THREE factors to consider when motivating channel members **(6 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 international market can be a daunting task. Highlight any Ten factors that a company wishing to enter into international market might factors to attain its target of servicing international markets **(10 Marks)**

### **QUESTION THREE**

- a. Highlight and explain the Physical distribution decisions that the EABL may be involved with as they distribute their products **(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 how distribution of services greatly differ from distribution of product **(10 Marks)**