



**ASHESI UNIVERSITY**

**IMPROVING THE DISTRIBUTION SYSTEM OF BREAD BOUTIQUE  
LIMITED THROUGH AN EFFECTIVE CHANNEL STRUCTURE AND  
LOCATION STRATEGY.**

Undergraduate Applied Project Report submitted to the Department of Business  
Administration, Ashesi University in partial fulfilment of the requirement for the award  
of Bachelor of Science degree in Business Administration

B.Sc. Business Administration

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DECLARATION

I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

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## **EXECUTIVE SUMMARY**

Bread Boutique Ltd is a wholly owned Ghanaian Bakery Chain that uses state of the art technology to produce assorted bread of the highest possible quality. The company was founded by William Hwanompe in the year 2013 with just one branch at Dansoman. Currently the company has six shops, a bread factory and franchise shops.

A needs assessment was conducted in the organization for its customers and potential consumers, and research showed that though the company has potential in managing its resources it needs help in their management skills in distribution. This is because it is not the best and majority of customers argue that the company needs more channels to increase awareness, accessibility, penetration and availability. Literature suggests that with bread distribution, timing is a major factor for induced customer satisfaction and loyalty. It is more of supply based than demand based as it is a convenience good and has very short shelf life.

In conclusion, channel management for the bread industry can be tackled strategically, paying attention to the right distribution channels. focusing on the objectives of the company and developing the bread market effectively, which will aid in increasing of sales. Aside developing a strong channel management system, social media is a good platform to build awareness for the company as well as improving its physical availabilities such as creative bill boards.

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## CHAPTER 1: INDUSTRY ANALYSIS, EXTERNAL ANALYSIS, COMPANY

### ANALYSIS

#### 1.1 Background

Distribution is the movement of products from the manufacture to where consumers can access the product easily through transportation, warehousing, inventory management and order processing (Cant et al., 2009). The distribution of products of a company is what helps goods reach their final consumer to meet consumer needs, improve customer satisfaction and in the long run increase sales. Many companies have different forms of distribution, based on the kind of products characteristics and a company may decide to use either of the two or both the direct or indirect form of distribution. The difference between these two systems are the involvement of intermediaries (Cant et al., 2009). With the direct system, the product moves from the producer straight to the customer but with the indirect system there are middlemen involved.

In the food industry, the distribution system is different because, it involves getting the product in a good condition where it is convenient for consumers to access in a setting that is brand's image (Fram, 2019). Most customers look for products that are convenient to buy, and that is why companies ensure that they provide their products at the right places and at the right time through effective distribution channels for their customers to reach easily (Musisi, 2008)

In the year 2008 when there was a global economic crisis, a lot of fast food companies were hit harder than expected. Companies like McDonald, Domino's Pizza, Wendy's and Starbucks were affected by this crisis. Due to this unexpected event, a new

location strategy had to be drawn. Starbucks used a system called ATLAS - Advanced Train Location Simulator – an in-house mapping and business intelligence platform to determine where to open new locations (Ungerleider & Ungerleider, 2014). Their technique of using the ATLAS approach was a breakthrough for the company. This shows how important coming up with a good location strategy can improve the distribution channels of a company to improve sales.

This paper will be analyzing Bread Boutique Ltd. which is in the food industry. Bread Boutique uses the direct distribution system for distribution. This is because the products of the company move from the producer straight to the consumer.

The project focuses on some concepts of distribution channel structure in marketing and the concepts of location strategy in operations management.

- Marketing

The firm will be using one level of an intermediary to help transport the products from the producer to the final consumer. In establishing an effective channel strategy, a good channel structure must be developed. Finally, for channel control/management, it involves managing channels associated with reaching and satisfying the customer, managing partners who help with the distribution process and managing vendors who keep your internal controls working smoothly.

- Operations management

The location of a business position is not only to attract its customers but also to attract the right talents and skills to make the business a success (Luthor, 2019). The benefit of a location strategy is to make the company accessible for customers to buy

their products. Location decisions can be lengthy. It involves identifying corporate requirements, consulting with stakeholders, assessing potential locations, conducting site visits and negotiating the best deal.

## 1.2 COMPANY PROFILE

### *1.2.1 About Bread Boutique Limited*

Bread Boutique Ltd is a wholly owned Ghanaian Bakery Chain that uses state of the art technology to produce assorted bread of the highest quality. The company began with one bakery located in Dansoman in 2013, and currently has geographic and marketing presence in eight out of the sixteen regions of Ghana with four in Accra.

The company since its inception has become a household name synonymous to quality bread in Ghana. Their slogan – “Fresh from the Oven”, is a direct reference to Bread Boutique’s policy of only providing consumers with freshly baked bread. The company commands a respectable following of customers across the various strata of the society majority of whom are from the middle to high income class. Thus, blue-chip and white-collar professionals, technocrats, politicians, clergy, traditional rulers, celebrities in the sport and entertainment industries among others are but a few of the key patrons of Bread Boutique. This is partly explained by the exquisite ambience of our bakeries and sales shops.

Presently, the company is managed by some key internal shareholders, topmost being the CEO and the two managing directors. Aside these shareholders, the company is also managed by the financial manager, marketing manager and the production and

operations manager. The CEO makes major decisions, manages the overall operations and resources of the company. The managers assist the CEO in his tasks. The financial manager is responsible for monitoring accounts, preparing activity reports and economic forecasts. The role of the marketing manager is to develop and come up with marketing strategies and serves as a link between the customers and the company. The production and operations manager is responsible for the daily activities of production, and these activities include ensuring the supply of products to all the bakeries, taking records of the daily output and comparing it with sales. Under the operations manager falls the salesgirls, the bakers, and the shop managers. The salesgirls are responsible for selling the products, bakers are accountable for making the product, and the shop managers manage the daily affairs of the shop he or she is leading and reports to the operations manager. See *Figure 1* for the ideal organizational chart of Bread Boutique Ltd.

### *1.2.2 Bread Boutique's Mission*

To give Ghana the ultimate experience with bread. Fresh, healthy, and innovative bread.

Fresh from the oven.

### *1.2.3 Bread Boutique's Vision*

To flood the country and hopefully the continent with bread birthed from Ghanaian innovation with customer consciousness and health in mind.

### *1.2.4 Bread Boutique's Strategy*

The company wants to give Ghana the ultimate experience with fresh bread and how they do that is by a product strategy. The company provides a wide variety of the

product and makes sure the product in the right state. Since the product is always fresh from the oven, the marketing strategy automatically happens through word of mouth. In their case, product strategy is more important than a marketing strategy.

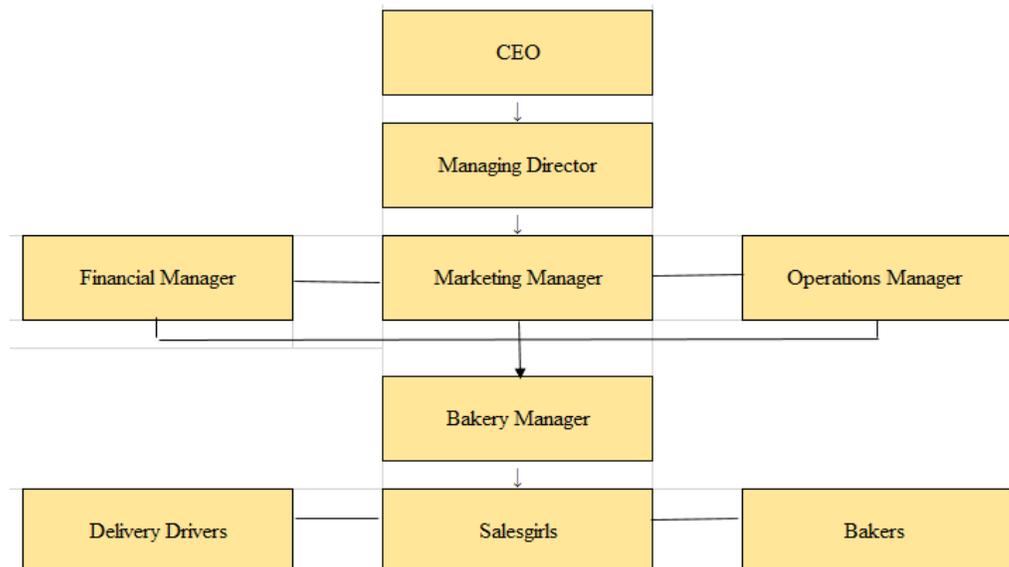
#### 1.2.5 Bread Boutique Values

The values of the company can be listed below:

- Quality - The company makes sure the final product is of high and luxurious quality. As a result of this, they tend to use quality ingredients in making their products and a state of the art technology for preparing the product.
- Affordability – The company ensures that though its product is of high quality, its prices are suitable for consumers
- Safety – The company has the customer’s health in mind. It makes sure the environment and equipment used in making the product.

*Figure 1: The Ideal Organizational Chart of Bread Boutique Ltd*

Organizational Chart of Bread Boutique Ltd



## 1.3 SWOT ANALYSIS

### *1.3.1 Strengths*

- Bread Boutique Ltd. brags about its mode of baking its bread that sets them apart from other known bakeries in Ghana. None of the processes used in baking are made by hand. From the measurements, mixing, kneading, molding, baking, and slicing, all are performed by state-of-the-art technological equipment.
- Due to the technological nature of the bakery, the final product is a high-quality product. The bread is always sold fresh, and the old bread is never re-shelved for sale, hence the slogan, 'Fresh from the oven.' The bread is of high quality because of the kind of ingredients used. Majority of the materials used in baking the product are imported from outside the country which gives the product a different taste from the rest of their competitors.
- The bread is high-quality bread that has won many hearts in almost all regions in Ghana. The news of the company has spread in a lot of places (such as schools, homes, supermarkets and many small shops) in Ghana without embarking on any form of formal advertisement. This has come about because of customer and customer's experience and spreading the good news by word of mouth. This achievement makes the company know that they are doing something right, which attracts a pool of customers. Unlike most Bread Boutique's competitors, the company has a reach in about six regions as compared to other bread producers.

### *1.3.2 Weaknesses*

- One of the shortcomings of the company is the confusion or difficulty when it comes to knowing who is responsible for a task. This is because, at the initial

stages of the company, there was no firm structure to understand the functions of the job positions; the CEO was responsible for running a lot of job positions at the beginning stages.

- In the initial stage of the business, the CEO managed all the significant jobs until he decided to employ an accountant, an operations manager, and marketing manager. As a result of that, there was an unclear chain of command. Employees were not sure of their roles at the time because there were no written down job specification for them to follow hence running into each other. Other effects of the unclear chain of command was poor communication, the unreliability of suppliers, and poor delivery of products to franchise shops which can be found in various regions in the country. Some of the franchise shops have closed down because of the poor communication that exists in the company.

### *1.3.3 Opportunities*

- The company has only used word of mouth to market their products, and there has been no other form of advertising. An opportunity for the company is to go into digital marketing since it does not have a presence there yet. Some digital marketing sources that the company can use is social media. Though the company already has social media pages it is not active as its suppose to. Digital marketing will help the company increase sales and exposure because it has a lot of influence on this generation. If Bread Boutique Ltd became a household name just by word of mouth, how much more through digital marketing.
- One opportunity for Bread Boutique Ltd is by partnering with other organizations to increase their presence. They can partner with restaurants, companies to feed

their employees, and other organizations. Bread Boutique can partner with the government through various ways such as; providing their product to senior high schools in most part of the country at a generous amount, be the sole producer of bread to workers at the ministries since they are clustered together and even join in the sale of the Ghana Food Distribution Corporation (Quaye, 2017) This can help them increase sales as well as build a good brand in the country and ensure healthy eating.

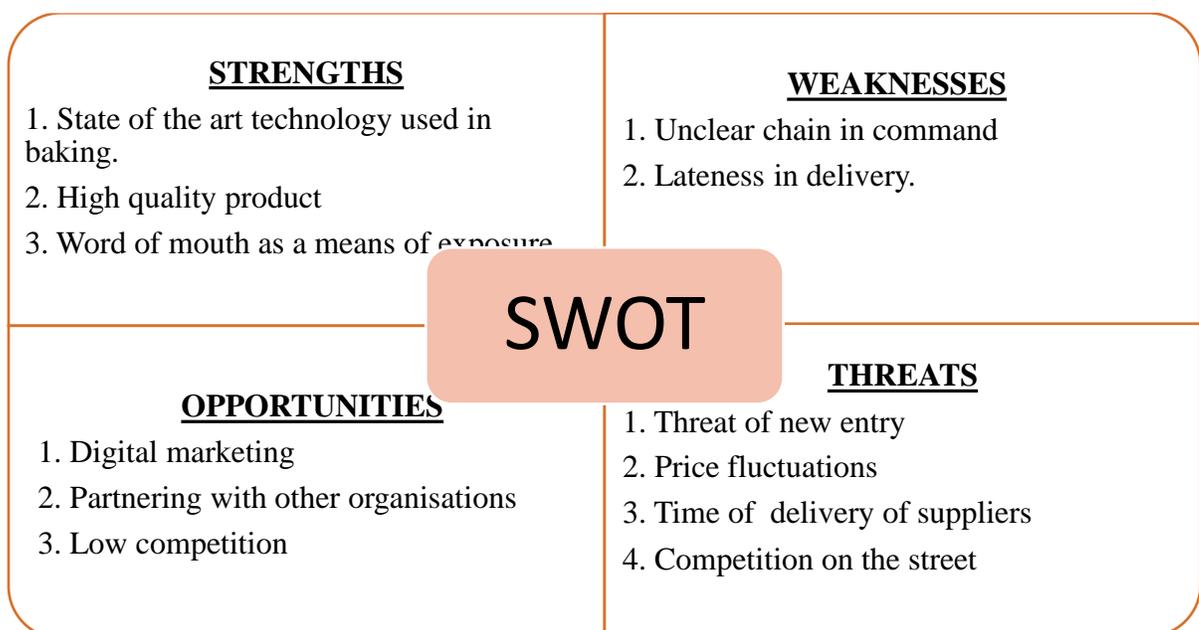
- Furthermore, there is also an opportunity for low competition due to factors such as technology, staff, and a high quality product. The company is believed to be the only locally private owned company of this sort as a result of this it puts the company ahead of its competitors.

#### *1.3.4 Threat*

- There is a threat of a new entry in the market. Since Bread Boutique is a unique brand, there is a fear of a new company that can emerge, and this will cause the market share of Bread Boutique to reduce. Once this happens, this company can lose some of its share it with that new company that may arise.
- When there is inflation in the country, the prices of goods increase, and this will affect the outflows of the company because the prices of the products used in production also fluctuate. The threat of price fluctuations will cause the cost of goods to fluctuate, and this makes production more expensive, which will cause the company to shift the burden of the increase to its consumers by increasing the prices of their products.

- Since the products are freshly sold from the oven, it means that time is a significant factor. The time at which the product is sold is dependent on the time at which materials are supplied - a delay in the delivery of supplies is most likely to affect the final product. This will cause the consumers to seek another option other than Bread Boutique because the company is not sticking to its time of opening and closing its shops.
- How easy available a product is makes it convenient for consumers to buy. Bread sold on the street and during traffic on the road makes purchasing easier for consumers. Unlike Bread Boutique who has a fixed shop at various places, other bread companies are not fixed and are free to roam about the street to reach out to more customers. To buy from Bread Boutique, the consumer has to go to the producer to get what he wants but on the street, the product is brought to the consumer.

Figure 2: SWOT Analysis of Bread Boutique Limited.



## 1.4 OVERVIEW OF THE BREAD INDUSTRY IN GENERAL

Bread is a staple food prepared from a dough of flour and water, usually by baking. Throughout recorded history, it has been a prominent food in large parts of the world and one of the oldest human-made foods, having been significant importance since the dawn of agriculture. History has revealed that bread is as old as 30,000 years, and evidence of bread making has been found in 14,400 years old Natufian site in Jordan's northeastern desert (Arranz-Otaegui et al., 2018).

Bread has significance beyond nutritional purposes in many cultures due to its lasting history and importance. Bread has a massive significance in Christianity as part of the elements of Eucharist and paganism (Blidstein, 2014). In many cultures, bread is used as a metaphor for basic amenities and living conditions. For instance, a breadwinner is the main contributor in terms of resources for the family.

The Global bread industry is worth over 200 billion dollars, with an average 2% annual growth, and it has its largest market in Europe. Global Bread Market is segmented by product type, which is classified as loaves, baguettes, rolls, burger buns, sandwich slices, ciabatta, frozen bread, and others. The demand for functional ingredients in bakery products is rising, owing to their nutritional benefits. This is the evidence of how it has moved from just a household product into a full-blown industry. The distribution channel mainly used in the global bread industry are convenience stores, specialist retailers, supermarkets and hypermarkets, online retail, variety stores, and others.

Some benefits of bread in the human body are it provides the body with calcium (for healthy bones and teeth, fiber (helps the body's digestive system and controls the

blood sugar and cholesterol level in the body primarily whole meal wheat bread), protein (repairs and renews tissues), iron (for energy and concentration) and some vitamins (2019).

### 1.5 OVERVIEW OF THE BREAD INDUSTRY IN GHANA

Bread is one of the most common food one can find on the streets. On the streets of Ghana, one can find many brands of bread and many kinds; the kinds of bread that are well known by Ghanaians are butter bread, sugar bread, tea bread, wheat bread, and chocolate bread.

Breakfast is considered to be essential for the body because it helps to up the body's energy, protein, and calcium it used overnight (Brown, 2018). For breakfast in Ghana, some of the dishes bread is used for or accompanied by are hot beverages, porridge, and some people bread is used to make sandwiches, hotdogs, burgers, and toasts.

Though this industry has gained a lot of attention - though it had already existed – Ghana does not have information about the bread industry (Adede, 2006). To get information about the industry, the Association of Ghana Industries (AGI) and the National Board of Small Scale Industries (NBSSI) are the best places to get information from but unfortunately there is no information about the Ghanaian bread industry.

From observations, the most popular kinds of bread sold in the country are A1 bread, Batsona total, B foster, Koala bread, Max mart bread, Shoprite bread, Kiseman bread, Bread Boutique bread and of course the regular loaves of bread sold in small shops by homes.

In Ghana, bread forms part of the daily diet (Ellis et al., 1997). It grew from being a small house – made product into a well-structured industry with an interest in capital investment increasing around the world. The growth of the bread industry in Ghana is severe that lately, it is no longer uncommon to find at least three brands of bread selling in traffic or busy areas.

## 1.6 INDUSTRY ANALYSIS USING THE PESTLE FRAMEWORK

The overview of the external industry focuses on the conditions of the overall environment in which Bread Boutique Ltd. operates in Ghana and how these conditions are likely to affect the operations and success of the company. This analysis will be done using the PESTLE analysis - Political, Economic, Social, Technological, Legal and, Environmental (Natural) (Mullerbeck, 2015). These factors can be extensively demonstrated below and how it can affect Bread Boutique Ltd.

### *1.6.1 Political Analysis*

Ghana was the first country to gain independence in sub-Saharan Africa in 1975 (Boafo-Arthur, 2008.), the political environment over the years has remained one of the most stable in Africa. In 2006 it was rewarded for being Africa's most stable democracy (2008). Its peaceful environment has led to investors investing in the country. Its judiciary, for instance, has proven to be independent and has generally gained the trust of Ghanaians even after the dismissal of 22 justices implicated in a corruption scandal (World Bank, 2019.). Due to the peaceful nature of the economy starting a legal business is not difficult. In Ghana, the food business is one of the thriving companies with high demand. Since bread is also considered as food, Bread Boutique can even soar in Ghana

because of the political environment which will not disrupt business activities and cause the business to soar.

### *1.6.2 Economic Analysis*

Ghana has been experiencing positive economic growth so far this year. According to the World Bank, the country has expanded its GDP in the first quarter of 2019. This year its GDP growth was estimated to be 6.7% this first quarter. This was a massive improvement since last year was 5.4%. However, it is the opposite of inflation, and it continues to be on the rise. Last year prices of goods and services shot up (Business News, 2018), leading to most suppliers increasing their estimates of the products since the cost of materials had also increased. Bread Boutiques was no exception. Last year it increased its prices by GHS 1.00 (14%) to try and balance their inflows and outflows. Currently the inflation rate of Ghana, according to the World Bank, is 9.1% (“World Bank, 2019), and it is mainly driven by low food inflation. The tax rate on imported equipment in Ghana is based on the volume, weight or value of the item and it is subject to change each year (*Ghana Import Duty*, 2017). Insurance, the cost and the freight value of the imported item is calculated to determine the import duty of the item (*Ghana Import Duty*, 2017)

### *1.6.3 Social Analysis*

The population growth rate in Ghana is about 2.3 percent. Currently, the population of Ghana is above 30 million (*World Population Review*, 2020). This is good for Bread Boutique because more the population, the more significant the market share. Since the company has a variety of product which are tailored to the lifestyle of its customers, each of their product is made for each age bracket. It is indicated that nearly

43% of Ghanaian adults are either overweight or obese. The national prevalence of overweight and obesity was estimated as 25.4% (95% CI 22.2–28.7%) and 17.1% (95% CI = 14.7–19.5%), respectively (Ofori-Asenso et al., 2016). Individuals who fall into this category can go for the company's whole wheat bread, coconut bread, and fruit bread to live a healthy life. One of the values of Bread Boutique Ltd. provides safety to its consumers, and it is evident in their products. For the youth whose body is still growing, they have to eat good quality food and the right kind to match their energy level (2019). The category of the youth can go for tuna, marble, milk, and butter bread.

Ghanaians love social gatherings, and this involves food (2018). Foods such as sandwiches, burgers, and hotdogs are some of the bread dishes that are eaten are some social gatherings. As a result of this Bread Boutique Ltd supplies some of its products for these gatherings. One of the most requested bread for social gatherings is tuna bread because it is like a substitute for a sandwich.

#### *1.6.4 Technological Analysis*

There is a continuous surge in mobile subscriptions in Ghana. As of July 2017, there was a total of 22,103,467 mobile subscriptions with a 77.58% penetration rate (National Communication Authority, 2017). Ghana was the first country to launch a mobile cellular network in sub-Saharan in the year 1992, and in 2013, the country was ranked with the highest mobile broadband penetration in African by the International Telecommunications Union (ITU) (Ghana Web, 2019.). Though the country is not well skilled in advance technology like the Westerners, the country can still brag about being awarded and acknowledged with these rankings. The introduction of mobile money alone has made a lot of transactions more comfortable and faster (Bank of Ghana, 2017). Bread

Boutique has taken advantage of these opportunities in the country by using the mobile money system for its franchise shops and using high tech equipment to produce their products. The company also has taken advantage of these opportunities in the country through its automated equipment set up in the production of its goods. Importing technological equipment in Ghana is quite cumbersome but achievable once one fully complies with all legal requirements (Daoui, 2017).

#### *1.6.5 Legal Analysis*

In starting a new business in Ghana must be registered with the Registrar General in order to operate legally (*Registrar General's Department, 2020*). For a company like Bread Boutique Ltd. it will require two certifications from the Registrar General – a certificate of incorporation and a certificate to commence business. In Ghana it is possible to acquire a certificate of incorporation – a documentation that approves an existence of a business – but may not be given the license to acquire a certificate to commerce due to reasons given by the Registrar General.

When it comes to the food industry, the legal authority at work in Ghana the Food and Drugs Authority (FDA). The FDA is responsible for the “Right to health” right of citizens in the country (*Food And Drug Authority, 2020*). For food company, they are required to get a food and hygiene permit from the FDA before operation.

Finally, local government permits must be acquired as well from municipal assembly. Bread Boutique had to attain a suitability assessment from the environmental health department from municipal assembly as well as a business operation permit (*Accra Metropolitan Assembly, 2020*).

### *1.6.6 Environmental (natural) Analysis*

Environmental analysis has to do with natural occurrences that affect the way of life of individual and organizations. Global warming is one of the biggest threat to the environment for a long time now and has caused a lot of change in the climate. Africa has had its share of climate change with an increase in temperature, less crop yield, some waterbodies drying up, and less rainfall (Shepard, 2019). All these effects of climate change will affect a lot of business in the foods industry. Bread Boutique's main raw material, flour will be affected. Wheat and corn flour used in the production of the bread can fall which will make these raw materials scarce which may lead to an increase in price for them. Currently the soil in Ghana is conducive for the planting corn and wheat to make flour but the issue of climate change can transform this narrative in the next ten years to come.

## 1.7 PORTER'S FIVE FORCES

### *1.7.1 Threat of substitutes*

A substitute is a product or service which provides the same benefit or satisfaction of a product but in a different industry. They are basically alternatives to a product but are not within the category of that product in question. For example, bread is a product that is mostly taken as a complement to hot beverages in the morning, porridges among others, a product that can provide the same benefit are pastries of different kinds. From biscuits, to doughnuts, to buff, to cakes etc., serves a substitutes of bread for breakfast. industries hence biscuits are substitutes or alternatives to bread.

Switching cost and price performance ratio are some factors that affect the profitability of the industry. If the switching cost of moving from bread to biscuit is low, then then profitability is high. With price performance ratio it is ratio between cost and the value of the product, that is, how much is one willing to give up in terms of cost for benefit. Once the price performance ratio is low, profitability is high.

### *1.7.2 Threat of new entrants*

Threat of new entrants describes how easy it is for firms to enter an industry and become rivals. These new entrants bring new capacity and puts pressure on prices, cost and rate of investment needed to compete. In the bread industry the threat of new entrant is quite high because it is easy to enter the market considering how many bread sellers are in the market today. A1 breads came into the bread industry for about two years now and has won the heart of some bread lovers within a short period of time. The arrival of this company and how its product has captured the hearts of people shows how high the threat of new entrants is.

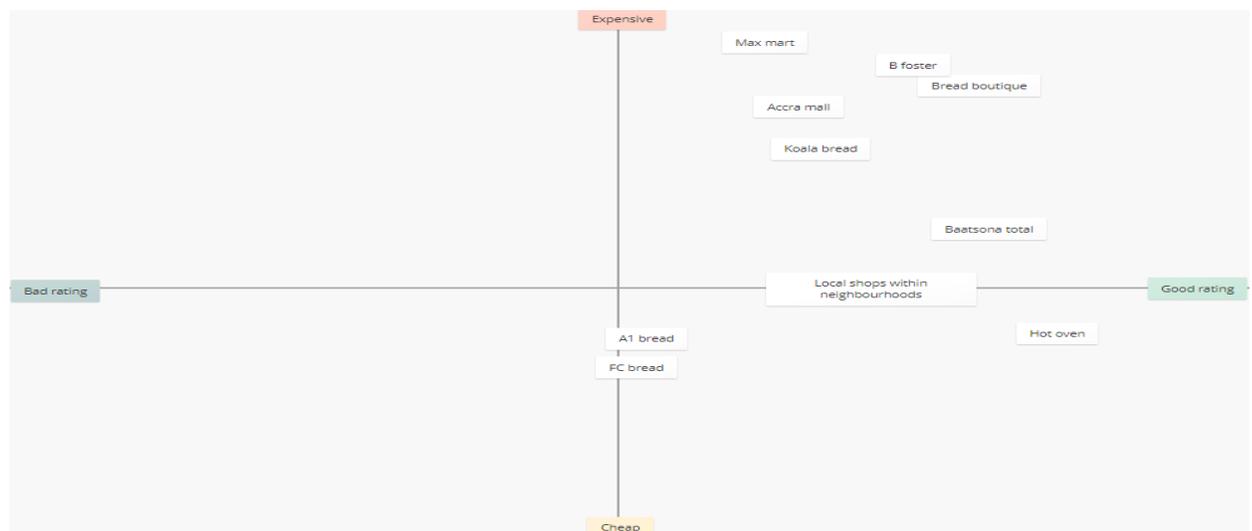
In order to prevent this, Bread Boutique can build some barriers to entries such as high capital requirement, and have a good supply side economies of scale to stop more firms from entering the industry. Barriers to entry are factors incumbent firms engage in to prevent new firms from entering an industry while making profit. Capital requirements such as the buildings is a factor that will make it hard for new firms to join the market because it may be expensive for them to enter. Also having a good economies of scale with suppliers gives incumbent firms the upper hand when it comes to materials needed for production which may be difficult for new firms to enjoy. Economies of scale

are the cost advantage incumbent firms enjoy due to their size, loyalty and period of existence.

### 1.7.3 Rivalry/ Competition among existing competitor

Due to the nature of the product, rivalry can be seen to be high in the bread industry. For Bread Boutique some of its rivals are A1 bread, FC bread, bread sold at the mall, bread sold within neighborhoods, among others. In the laws of Ghana, starting a small business is not cumbersome therefore some of these firms have the backing of the law to sell. However due to the target market of Bread Boutique, it does not have much competition because it targets middle income earners. If they decide to extend into a new market their competition will intensify. In a situation where one of these new bread firm wants to move up-stream within the market, incumbent firms can retaliate by lowering prices or offering more attractive deals to the customers just to drive the upcoming firms out of business. See *Figure 3*, a competitor map based on price and ratings of famous breads in Accra.

*Figure 3: Competitor map*



#### *1.7.4 Power of suppliers*

Power of suppliers refers to the authority suppliers of raw materials or production inputs exert over industry firms. In the case of the bread industry, the power of suppliers is high because they can raise the costs that the bread industry firms face. Price sensitivity and the relative bargaining power are factors that affect power of suppliers. The suppliers of the raw material used in the production of bread like flour from Takoradi Flour Mill, may refuse to deal with the producers of bread, increase price or make deals with rivals of firms within the industry. Since flour is the major product used in producing bread, firms in the bread industry have no choice than to buy it at the price their suppliers are willing to sell.

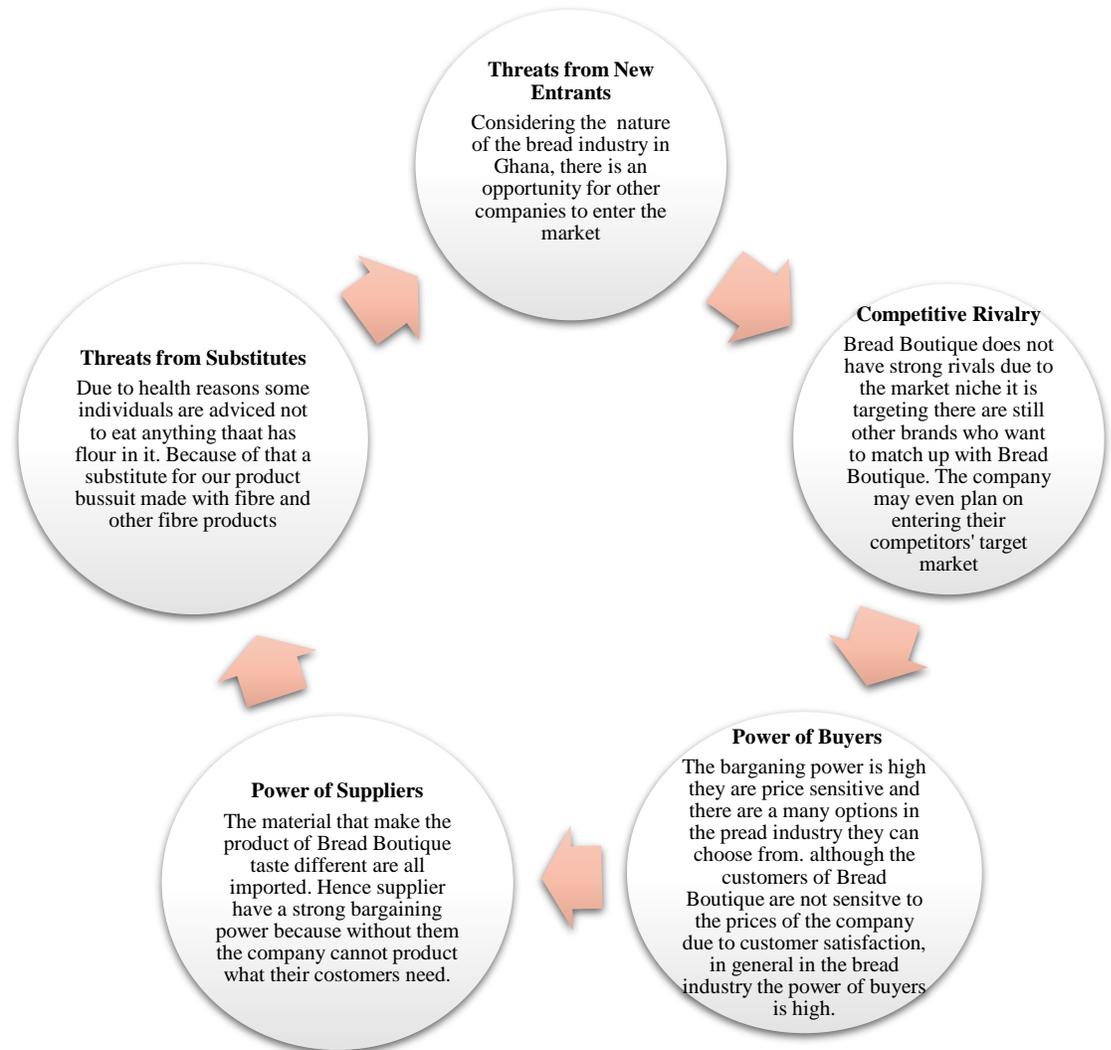
Furthermore, with price sensitivity it describes the extent to which suppliers are sensitive to prices that producers are ready to purchase a product. For example, if A1 is ready to buy a bag of flour from Takoradi Flour mill at GHS 40 and Bread Boutique at GHS 38, Takoradi will easily switch to serve the orders of A1.

#### *1.7.5 Power of Buyers*

Just like power of suppliers, power of buyers also has two factors that influences it; price sensitivity and relative bargaining power. In the bread industry buyers have a high bargaining power hence the industry firms will have to force to charge the standard price buyers know bread is supposed to be sold.

However, the customers of Bread Boutique are not price sensitive. This is because anytime the company changes prices, they still come to buy and do not complain of the price changes, hence the power of buyers of Bread Boutique is low.

*Figure 4: Summary of Porter's five forces*



## CHAPTER 2: PROJECT NEEDS ASSESSMENT AND ANALYSIS

### 2.1 Needs Assessment Plan

A needs assessment is done in order to find the gaps within the processes, operations, and business strategies within Bread Boutique Ltd through extensive research into these areas. According to James Altschuld and Ryan Watkins (Altschuld & Watkins, 2014), a needs assessment is "a need" that measures the gap between two conditions, which are what currently is and what should be. As indicated in the previous chapter, the main objective for Bread Boutique is to identify alternatives in new distribution channels to increase sales and get their product closer to the consumer. The main focus of the needs assessment is to:

1. Analyze customer's willingness to purchase their exotic bread from Bread Boutique.
2. Examine customer's preference in the expansion of more distribution channels
3. Analyze the company's capacity to handle the increase in distribution channels.

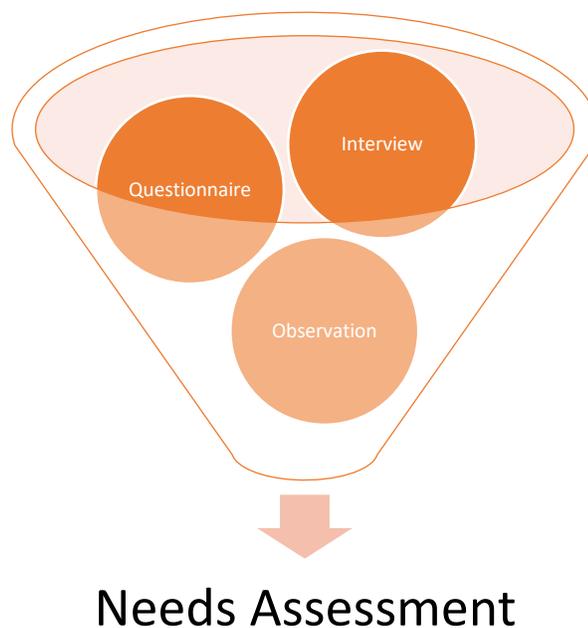
In conducting the needs assessment, an approach that will be beneficial has to be one that is more descriptive than predictive and has a goal to understand the intricate details of the problem at the problem at hand. The research was conducted on both Bread Boutique's target market and employees in the company. Qualitative research will be the right kind of approach because the goal is to understand in-depth of the participants and differences in the interpretations of individuals. It pays attention to why things happen.

research in a grand narrative way which means it explores the meaning of experiences – how people define, describe, and metaphorically make sense of experiences.

### *2.1.1 Methodology*

Throughout the needs assessment process, data will be collected and analyzed to help identify sales and marketing gaps, production and design gaps as well as administrative and management gaps within the organization. Data collection tools that will be used include interviews, questionnaires, and observation.

*Figure 5: Needs Assessment Used in the Research*



### 2.1.2 Population, Sampling Tools, Sample Size

<b>Data Collection Instrument</b>	<b>Population</b>	<b>Sampling Tools</b>	<b>Sample Size Intended</b>	<b>Sample Size Attained</b>
Interviews	*Management of Bread Boutique *Employees of Bread Boutique *Bread Boutique's target market	Stratified	40	25
Questionnaires	* Bread Boutique's target market	N/A	200	164
Observation	*Employees at Bread Boutique	N/A	N/A	N/A

*Table 1: Population, Sampling Tools, Sample Size*

### 2.1.3 Sampling methods

The sampling method used in conducting interviews was simple randomization where both customers of the company and people who are customers were chosen randomly to ask questions related to distribution. Randomization will be used because it influences the power of group balance (Shibasaki & Martins, 2018).

Stratified sampling was used for the sales team. This method separates the workers of the company into subdivisions. The subdivisions were done according to the various branches of the firm. Thereafter, the employees are selected randomly from each

subdivision. Two strata were generated and they consisted of the bakers and salesgirls. Two workers were selected per each stratum (which are the bakeries) amounting up to twelve bakers.

### *2.1.3.1 Interviews*

Interviews will be conducted either one on one or in focus group for the sales teams and individuals who eat bread with the use of informal, guided, and or structured questions. Management and Supervisory Officers will be approached with the one on one informal interviews. The one on one interview will be most appropriate for this target group because it is more professional and at the same time comfortable for the interviewees in their offices in order to build rapport with them and also encourage them to be more open to share their experiences. Consequently, focus group interviews will be conducted for the sales teams and customers which will be informal because it yields unexpected discoveries, but it requires preparation and skills to direct the conversation to achieve the goal stated.

### *2.1.3.2 Observations*

With observation, it will only be conducted with the sales team to study what goes on in their working world on a day to day basis. The workers have to be captured in their natural state when they are working, observation will be done both secretly using the CCTC cameras the company has in its various shops and paying workers visits to observe how they work for a time period. Using the CCTV camera will capture more of what is actually happening in with the sales team since they will not be aware they are being observes. Moreover, with paying regular visit which is more opens though it is not in

secret and false attitudes may be captured, it will help gather data by hearing their conversations, and noting physical characteristics.

### *2.1.3.3 Questionnaires*

Questionnaires will be sent to both the customers of Bread Boutique and individuals who do not buy from the company. The questionnaires sent to the customers of the company will determine how satisfied they are with the distribution channel system of the company. This system was also chosen because of the large customer-base and since all of them could not be reached at the various shops since they were scattered, there was a need to contact these individuals online using information from the firm's database. It will help reach out to individual who have stopped purchasing from the firm.

For people who do not buy from the company, the questionnaire will help discover where they buy bread from, whether they know about the company, and reasons they do not purchase from the company. The answers from this will help discover how distribution plays a role and how the company can change its distribution channel strategy to add these prospective customers to their customer base.

## 2.2 Problem Statement

Bread Boutique Ltd, over the last six years, has experienced a downside in sales, profits, meeting customer needs and its investments not matching returns like it is supposed to do. Increasing distribution channels is what the company believes it needs to help curb some of their problems. Since bread is a convenience product, proximity and easy access for customers is key in increasing sales.

## 2.3 Research Design

A one on one informal interview will be conducted with the CEO of the company about whether the company has the capacity or means to increase its channels. Leading questions were used during the interview because it encourages the participant to provide the interviewer with a more in-depth answer (White & Levitas, 2019). Moreover, an observational study was employed to see the procedures the company uses to manage its day to day activities.

## 2.4 Key Findings and Insight from Interviews

- From the customer

On the 7th of January 2020, which was a public holiday (Constitution Day), a door to door interview was organized at East Airport. The purpose of this interview was to ask families how well they knew about Bread Boutique, how often they buy, if their distribution outlets acts as a form of hindrance to their purchases and are opened to an expansion of more outlets. The interview was conducted in an estate at East Airport with a target sample of 30 homes in mind, but at the end of the interview, only 15 homes responded because some families were not home.

The caliber of people who were interviewed were high-income earners with busy schedules, so it can be assumed that they may want the bread to be delivered to them due to their busy schedules. Below are the findings from the interview.

Availability was one confounding factor that kept coming up during the interview. Since the people who were interviewed were working parents who leave their homes

between 5:30 am to 6:00 pm. These parents who have children must fix breakfast and snacks for their kids and must make sure they have all they need the night before or early in the morning when they wake up. From the interview, most of the respondents often buy bread from a local food shop close to their homes when coming back from work or they buy in bulk for a week or less and freeze it, when they are ready to eat it, they microwave it and then eat it. From their explanations buying in bulk saves time. Due to the busy nature of these parents, the availability of the product is essential to them; how easily they can find bread helps then reduce downtime.

The second striking theme that came up from the interview was concerning health. It is no surprise that this category came up because when parents begin to grow older, they tend to be more careful about their health, hence what they eat. These are the group of people who either did not want to purchase products from the company or interested in a much healthier option. About eight people wanted a much healthier alternative. Some were on a keto diet, and others wanted gluten-free bread. One woman mentioned that if the company starts to bake with cassava flour, she will buy from the company, and it will open a new market for the company because gluten-free bread is not ordinary in this country. This finding will help the company come up with a new customer to target, that is if they are willing to start producing gluten-free products.

### *2.5 Key Findings and Insight from Bread Boutique Ltd.*

- Key insight from CEO

An interview was conducted in the company to find out the loopholes in the company to determine if the company has what it takes to increase its distribution

channels, or they should focus on other things like their supply chain, customer satisfaction, human resource, among others for now before veering into distribution channels. The interview was conducted with the CEO.

To identify the nature of distribution the company engages in, that is if they have enough resources in terms of materials, how their inventory works and their method of distribution. The general manager was asked if their product produced will be based on order or not to know how they have an inventory system and how it is managed. From the response of the manager, the products are produced in anticipation of demand, based on demand and in anticipation that it will be demanded. According to him, 80% of their products are based on the expectation of demand base.

In order to have an effective distribution channel one of the key items a company must have is vehicles to help with transportation. The manager was asked about how the transportation system works in his company According to him, the transportation route is both outsourced and done by the company for delivery to customers. The company uses Pizarea and are yet to include Jumia Foods for delivery purposes. He mentioned that currently, the company has four vans and three tricycles for transportation purposes.

Furthermore, when it comes to the human resource of the company, the manager mentioned that the bakers in the firm have an apartment rented by company on their behalf. The bakers have their basic needs met like food, water and shelter – they do not pay any bills whatsoever, they are just paid their salaries. With the salesgirls, their shelter is not taken care of, workers are given bonuses on holiday seasons and some employees at the management level are given cars. The aim of this part of the interview was to

experience the employees working environment and their attitude to work. Given a positive environment to work, it seems employees are up to the task of an increase in channels. Despite the positive working conditions stated, the manager complained of thefts. He claimed daily reports show something suspicious.

Finally, there was the question about customer satisfaction: to determine whether customer satisfaction is a cause for a reduction in sale? From his response, the decrease in sale does not suggest that customers are not satisfied with the product but are not seeing more of their products that is why he wants to increase the company's outlets. He mentioned he still gets a lot of calls in a day from customers about several issues like when the shops open or close, if they do delivery, if they sell cake, if they still have bread in stock among others. All these call suggest to him that customers want more of his products and because of this their satisfaction in terms of taste does not affect the decrease in sales the company is facing.

- Key Findings and Insight from employees

Interviews were conducted with a selected group of the sales team to find out how true sales have dropped and whether it might be as a result of less distribution channels or the company does not have the capacity to increase its distribution outlets.

After the interviews with all the selected individual, one striking thing they all said was how production has decreased. What was used as a baseline for the measured of production was the number of bags of flour used daily. According to the sales team an average of 6 to 8 bags was produced daily but currently the number of bags have dropped

to an average of 2 to 3 bags per day. Whether the problem is as a result of less distribution channels, they cannot tell.

They also mentioned most of the company vans are damaged and it makes delivery to shops slow. The company had about four vans, a motorcycle, and three tricycles but they are now down to just the motorcycle and one company van plus the manager's personal van. From this problem they say for more distribution outlets to be done, the company must repair their damaged vehicles.

Currently the company has six shops, franchised shops plus a bread factory. The six shops are located at Ave Maria, Tema, 18 Junction, UPS, Kumasi and Takoradi. These shops are responsible for selling directly to customer and supply to some franchised shops. Bread Boutique has about ten franchised shops currently, it lost some of them due to poor delivery timing. The bread factory only deals in mass production; this is where orders placed come to. Bread is not sold at the factory only orders are made.

## *2.6 Key findings from observation*

As stated earlier observation was done at Bread Boutique Ltd – at three of the branches – to observe the day to day activities of the company and see if the responses given during interviews correspond to what is being observed. Shops open at 6:30am and close by 9:30pm or depending on the time the bread sold out. But the bakers start baking at 3:00am and finish by 6:00am for the salesgirls to start slicing the bread and then open the shop at 6:30am. Baking is done more than once due to number of purchases.

From the observation, one of the key notices was the attitude of bakers. When bakers do not produce on time it affects the rest of the production process. Some of the

bakers are hardworking while others tend to be slack. Comparing their statement of production falling as compared to the previous years, they should be more hardworking because their workload has reduced.

Looking at the daily reports each bakery submits, there seemed to be a lot of lapses. The manager mentioned there was a problem of theft. He said one of the members of the sales team reported to him that the salesgirls' partner with the bakers to cut tweak reports for their benefits.

Furthermore, from the observation it seems the management team is understaffed. Job descriptions are not clearly defined as an employee working in management is supposed to handle a task that comes to him or her whether it is part of their job or not. This act has led to unclear instructions and miscommunication from the management team to the sales team.

Finally, when it comes to raw material or ingredients purchasing the company buys in smaller amounts which makes them go to the market very often, instead of just buying in bulk. Their way of buying material slows down work sometimes as management sometimes forget to restock some materials needed

### *2.7 Key findings and insight from the questionnaire from buyers and prospect buyers*

A period of about two weeks was used in collecting data from the questionnaire. The target of the questionnaire was 200 respondents, but at the end of the survey, 164 filled the form. The purpose of the study was similar to the interview. According to the survey, 85% of the responses had heard about Bread Boutique. Out of the 85%, 100 people buy from the company sometimes, seven always buy, 20 never buy, and the rest

rarely buy the product. Majority of the respondents buy their bread from the mall, others in their neighborhood, others are not committed to one shop, and others are committed to some companies such as A1, Hot Oven, Batsona, B Foster among others. See *Figure 6*.

To test if the participants will buy into setting up more distribution channels, some questions were asked. "Do the locations of the company make the company's brand more visible," was one question asked to see if the company gets noticed. 38.7% of the participants who know the company said yes, 20.6% said no, and 40.6% said maybe. See *Figure 7*. Another question asked was, "How close do you want the bakery to be – that is if their nearest branch is far from you?", a more significant percentage of the responses said it should be within their neighborhood. In contrast, the rest of the population doesn't mind, or they want it to be in a prominent area. Finally, "Do you think the company should increase its distribution channels? Why?" was one of the questioned ask as well, and a significant proportion of people agreed that the company should increase its distribution channels. See *Figure 8*. The various reasons given have been grouped into four themes, which are availability, awareness, penetration, and accessibility

- **Availability:** From the responses given, some participants who knew the brand gave said they don't buy often because the products is not something they can get easily so they look for other options that are available to them. Another comment given was the product has been heard of from people but it is not present to be purchased.
- **Accessibility:** Some comments revealed that the product is not accessible in terms of location. One participant said though she heard there is a branch in Spintex, she kept looking for it but could not see for a while until later. She advised the

company must do something about their signage. Some people said they have to travel long distances just to buy and it's sometimes worrisome so they opt for a closer alternative. Therefore, when the product is available it must become more accessible and closer to the customer.

- Awareness: When customers are aware of a product that product always resonate with people and it's always in the mind of people when they think about the industry that product is found in. According to some responses the brand should create more awareness to increase their customer base because they have been in existence for a while now. Advertising was also mentioned as a means of an awareness strategy to increase distribution outlets.
- Penetration: This theme means skillfully selling products into a specific market which in this case the bread market. Penetration comes easily when there is awareness of a product. One of the comments said, "I believe that there are a lot of people into the bread business and so in order for Bread Boutique to make more customers, it needs to spread across. Also it helps people who are interested in the bread to spend less time to get bread". This statement suggests that Bread Boutique needs to penetrate into the bread business more through the creation of more channels.

Figure 6: Places people buy bread from.

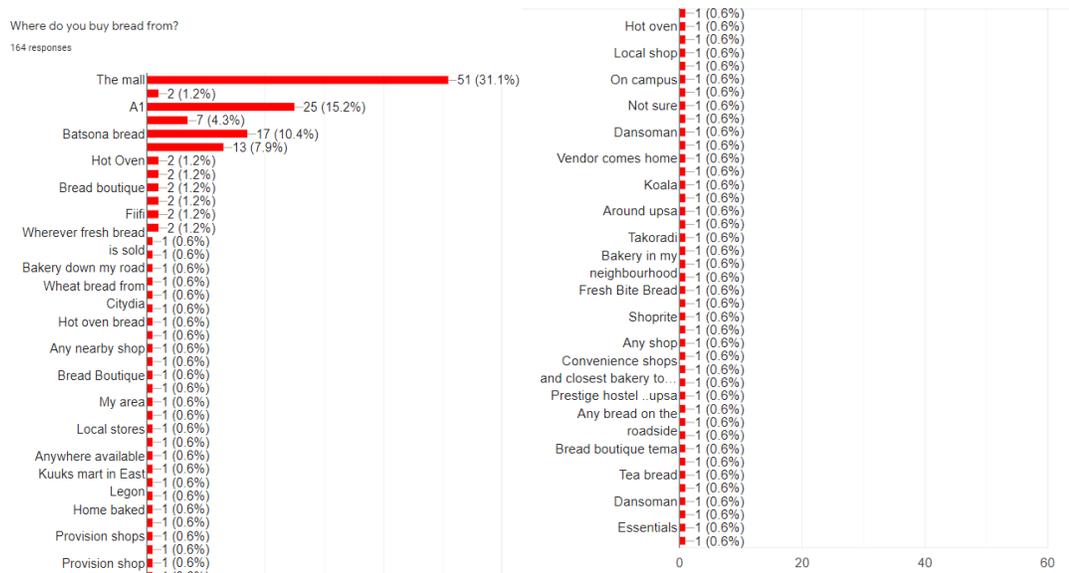


Figure 7: Visibility of the Brand

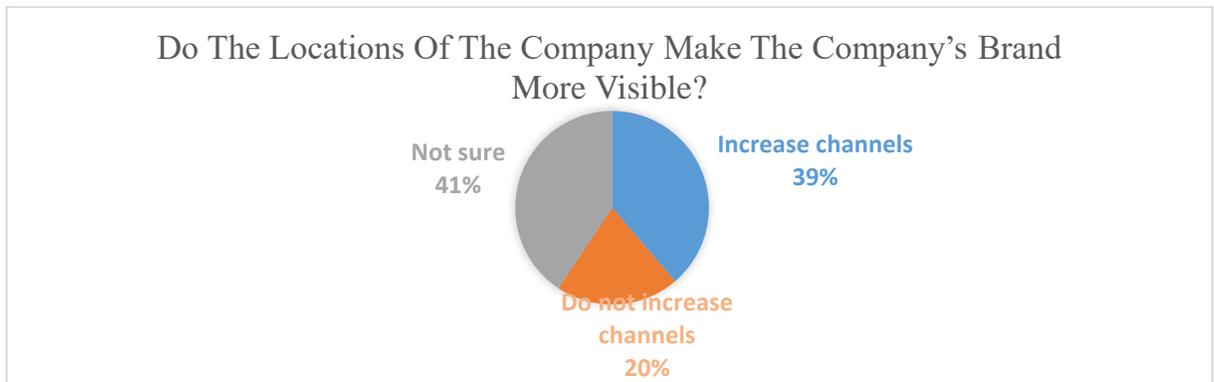
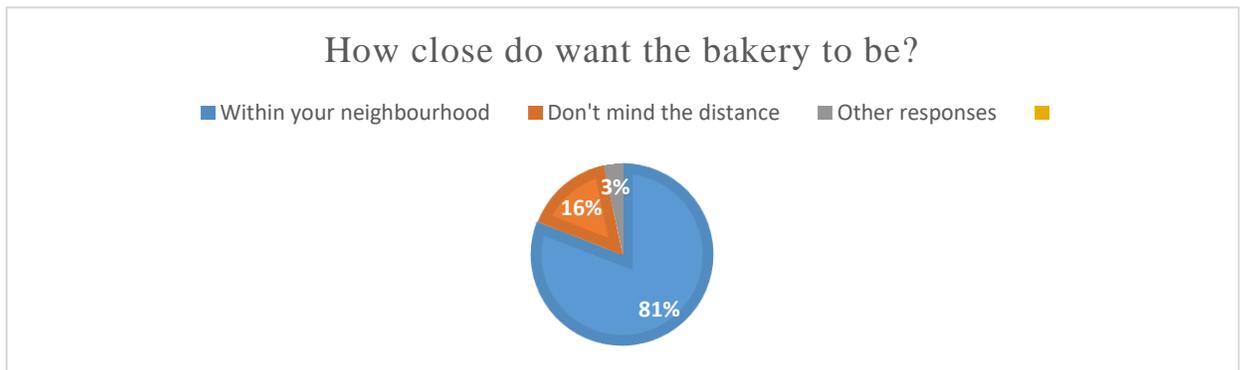


Figure 8: Consumers' Proximity Level



After the needs assessment was conducted another observation was made that looked different from the problem statement. During the lockdown period of the COVID-19 era, sales of Bread Boutique total transformed from bad to outstanding. The company which was baking two to three bags in a day all of a sudden started producing an average of six bags in a day. The sales are both from new and old customers.

The lockdown period in Ghana came as a blessing to the company rather than a curse to other companies. Due to the new policies set in place by the president of Ghana to keep the nation safe some businesses in the bread industry are not working, and it is not an easy process to buy materials for production. This has caused some of the customers of these businesses shift to Bread Boutique because Bread Boutique is still running in this era due to the nature of their shop which is hygienic. The company now has to keep and grow their new customer base.

## CHAPTER 3: MASTERY OF SUBJECT MATTER

### 3.1 Chapter Overview

The previous chapter helped to clearly define the problem through a qualitative form of research that involved workers of the company and the target market. Now, the problem of Bread Boutique has been identified which is a weak distribution system. This chapter seeks to explore various articles or literature that relates to the topic and develop critical insights into the problem statement. Since the product produced is bread, all information in this chapter will be related to the bread industry.

### 3.2 Distribution Channel

From the Collins dictionary of Economics, a distribution channel is “the route used to distribute a good from the producer to the ultimate consumer of that good.” (“Collins Dictionary of Economics,” 2020). Organizations with a good distribution channel make their product available when, where, and in which quantities the customer wants, and this, in the long run, increases customer base (Aashish, 2019). The goal of every firm is to make a profit and to increase market share in that industry. Other factors can account for an increase in revenue, and the distribution channel is one of the factors that can increase it by making the product available for consumers.

Moreover, where there is a weak distribution channel, customers tend to fall on the next best option available to them. Competitive advantage is developed when a company comes up with a unique distribution channel. An exclusive distribution channel can be a great way to differentiate your company and build a competitive advantage,

often in industries where the product or service itself may be at risk of being undifferentiated (Mason, 2014). If a company can develop a more effective or less expensive channel to bring a product or service to the marketplace, one can develop a significant advantage over companies that do not have a distribution channel. It is even better if there is some reason a competition cannot utilize a channel because of channel conflict or the expense of building out the distribution channel (Mason, 2014).

### 3.3 Functions of Distribution Channels

- **Marketing/ Promotion.** This is where development and spreading persuasive communications about an offer to the target market
- **Sharing risk/ Risk-taking:** Producers using their intermediaries to carry out the risk with them assuming there is risk involved in distribution.
- **Physical distribution:** Channels help to transport and store goods.
- **Research:** It helps gather information about actors and forces in the marketing environment needed for planning and aiding exchange.
- **Contact:** Finding and communicating with prospective buyers is another function of distribution channels
- **Negotiation:** Finally, reaching an agreement on price and other terms of offer so that ownership can be transferred is another function.

### 3.4 Types of Distribution Channels

- ***Direct selling:*** This type of channel involves selling directly to the consumers; here, the manufacturers do not require intermediaries in their distribution process.

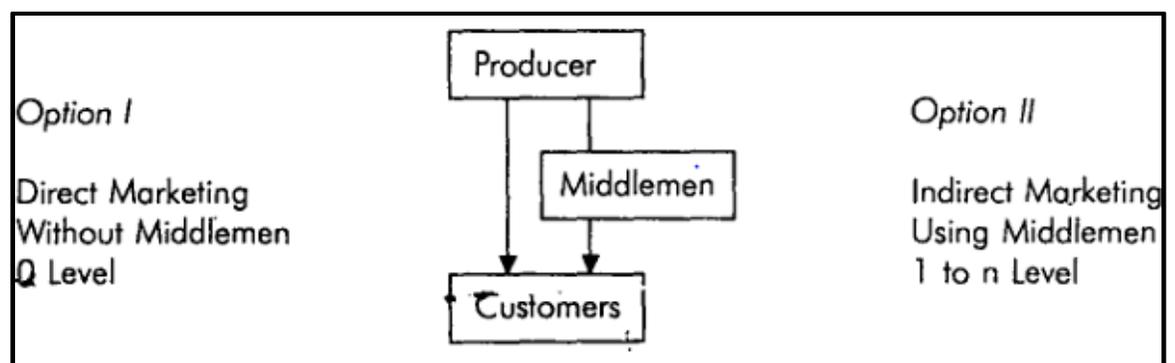
It is also known as the zero-level channel or manufacturer to the customer.

Because of the direct nature of the distribution, the manufacturers do not have to pay an extra cost to let their product reach their target. This causes companies to use this form of distribution to share all the risks of distribution and not involving external sources.

- *Selling through intermediaries*: The process of selling through intermediaries is also known as indirect channels. Here, the manufacturers involve intermediaries to sell their products to their target market. There are three types of this method, and they are one-level channel (manufacturer to retailer to the customer), two-level channel (manufacturer to wholesaler to retailer to the customer), and three-level channel (manufacturer to the agent to wholesaler to retailer to the customer).

Unlike direct selling, the producers will have to incur an extra cost for their product to reach their consumers

*Figure 9: Types of Distribution Channels, (Dhotre, 2010).*



### 3.5 How to Choose a Distribution Channel

In selecting a distribution channel, the company needs to study the kind of business it is operating, the type of product, and its target market. This is because the channel is the series of companies, sellers, or other intermediaries the product of a company goes through until it reaches the targeted consumers. The characteristics in choosing the right channel are;

- *Market characteristics* are among the factors that help in channel selection. It involves the geographic location, demographic, psychographic, and behavioral patterns of individuals or customers. The geographic location will help producers discover the consumer dense areas to position a distribution channel as well as the rest of the marketing characteristics. Demographics describes the age group, sex, race, ethnic group, marital status, among others. With psychographic, it will help determine the psychological behavior of individual be it their interests or habits. Understanding how individuals react towards changes analysis their behavioral patterns. Some factors that affect market characteristics include the customers since they are the target, the rivals in the industry and the existing distribution channels available; their strengths and weakness (Lokare, 2019).
- *Product characteristics* are the attributes that can be added to the product definition to extend the description of each product. In order to provide value to consumers, it is essential first to understand the key consumer product characteristics. Production cost is one of the factors product characteristics and it helps customer to know whether the price of a product correlates the value it

gives. Technicality is another factor that has to deal with the how the product behaves or looks like, whether it is bulky, technical or large in size. Another product characteristic is the perishability which determines the shelf life of the product (S, 2018)

- *Competition characteristics* are exhibited at its best when a company stands out for the usual distribution trends of its competitors. For example, most smartphone companies decide to use a direct channel to distribute their product. Still, other companies chose to think outside the box by involving Amazon, a middle man to aid in their distribution. (Aashish, 2019).
- *Company characteristics* include factors such as the financial capacity of the company (whether the company is stable financially), the size, product mix( product, price, place and promotion), management expertise, and the desire for control (P, 2017). The companies that want to have tight control over the distribution prefer direct channels. Whereas, those companies to whom such control doesn't matter or those who are just interested in the sales of their products prefer indirect channels.

### 3.6 Channel Management

Channel management deals with the effective way a company can manage its distribution channels. Channel management has to do with a company using its existing channels properly through planning, organization and analysis, management of these channels must be in line with the company's objectives (Mehta et al., 2000). Channel management can be divided into six decision areas; formulating channel strategy,

designing market channels, selecting channel members, motivating channels members, evaluating channel performance, and managing conflict.

- I. Formulating channel strategies is the first step in managing channels and it involves setting distribution objectives which are aligned with the company's objectives or mission. Objectives for distribution channels must have a perfect timing, the movement of goods through channel members has to be effortless and products must always be available for distribution.
- II. Designing market channels is the second step that reveals the number of levels of channels a company wants to use, the intensity at the various levels and the types of intermediaries. For example, if the firm is using only intermediary which is a retailer, a one level of channel will look like, producer → retailer → consumer. And if the company wants to use two levels of channel it will look like, producer → consumer and producer → retailer → consumer or producer → consumer and producer → wholesaler → retailer → consumer.
- III. Selecting channel members refer to how to choose a distribution channel. The means of selecting a good distribution are already explained above. Other criteria that is used to first select the selection process you want to use be it advertising, trade shows or even using customers (Gupta, 2015). The next criteria are applying the selection criteria and finally securing the channel member(s) of your choice(Gupta, 2015).
- IV. Motivating channel members is what is done after selecting channel member. The aim of this to give the members a reason to continue being a channel

member. Motivation can be done through incentives, training, rewards and organizing programs.

- V. Evaluating channel performance is a process of measuring the performance level of the distribution objectives stated within a given period. Evaluation can be done by checking sales projections, sales or unit sold and revenue achieved over a given period.
- VI. Managing conflicts is a measure of preventing future conflicts or curb existing conflicts. There are two main types of conflicts that occur in distribution; horizontal conflict and vertical conflict (Cant et al., 2009). Horizontal conflicts between retailers selling the same product to at target market at different prices. On the other hand, vertical conflicts happen when producer bypass retailers to directly sell to consumers. Regular checkups on each member, regular feedback, organizing small get-to-gathers are some means of avoiding conflicts.

### 3.7 Bread Distribution Channels

Perishable goods tend to have shorter distribution networks due to their shelf life (Firoozi et al., 2013), and bread is no exception. The manufacturers of perishable product would ensure that their customer receives the product in the freshest state possible. The same applies to indirect channels. In the UK bread and bakery sector only, the industry is worth about £3.9 billion at retail sales value, employs over 75,000 people and supply the majority of the nation's bread, and almost 11 million loaves and packs are sold every single day (*Federation of Bakers, 2020*).

Bread distribution is one of the severe forms of distribution because producers have to supply in hours and minutes, unlike some industries that produce in weeks and months (O’Byrne, 2003). Bakers have to wake up early to make sure that the bread is delivered hot and fresh to their customers for their morning breakfast, they also bake at odd hours to make sure that bread is always fresh on the shelf to appeal to their customers to buy. Maurice Sinclair, a specialist of Logistic Bureau, a leading international consultancy firm, said that “Distribution is a major driver of manufacturing efficiency and once you understand its role in fresh food you know you can’t afford to get it wrong” (O’Byrne, 2003).

### 3.8 Bread Supply Chain

A research was conducted on George Weston Foods (GWF), a company that produces bread, flour, and processed meat in Australia and other countries (O’Byrne, 2003). Maurice Sinclair was the researcher on this project, and it took him four years to complete it at their main branch in Australia. Below are his findings and his observations on the bread sector of the company.

As stated earlier, bread is one of the products with a vigorous distribution system due to how it has to be delivered to customers in terms of hours and minutes for it to be fresh at all times. GWF faces the same pressure hence deliver thousands of loaves daily to several thousand sales outlets in the mornings (8 – 10am) and late afternoons (4 – 7pm).

From Maurice's research, he found out that empty shelves at sales point do not mean that sales are increasing but rather lower sales. This is because empty shelves mean that supplier is not supplying the product on time or are not being requested for. Therefore, supplying enough bread to fill shelves is a critical tactic in the overall strategy of distribution. According to the researcher, bread distribution is a supply function rather than a demand function. He believes this industry engages in supply more than demand because the manufacturers are required to deliver fresh bread daily to a one-day marketing life span and the closeness of production function to distribution activity – since the product is a necessity for the individual. The fundamental strategy is to match volume and variety to demand. Variables such as weather, promotional activities in the market, among others, still affect demand.

The research discovered that GWF focused on the following to aid in their effective distribution system which has improved their impact of distribution cost on profitability;

- Cost to serve various customers and channels – involves analyzing customer types and their respective distribution issues, which will help improve value to service opportunities.
- Stock item profitability – helps to assess the profitability of each item considering cost and price
- The profitability of different customer types – how profitable each segment of customer is
- Distribution channels – such as retail, route, industrial, and food services

- Fleet maintenance approach – is the money and effort a business puts into ensuring its vehicles are sufficiently safe.

### 3.9 Distribution Channels Strategies for Bread

According to a research in Nigeria about bread channel strategies for Enugu state (Anonymous, 2019), when a distribution strategy channel is active it is supposed to reduce the cost of damage and delay delivery, and consequently, the market price to the customer. Once the distribution channel is useful, it will create satisfaction for both producers and consumers. As stated earlier in Maurice's research, the distribution of bread is more supply based than the demand based. When channels are effective, producers will be able to supply as they should make their consumers satisfied.

Considering the nature of this product, the type of distribution used plays a significant role in making marketing decisions. In a situation where producers decide to use intermediaries who have the same objectives as theirs - with factors such as the location of the market, the undulating economic conditions within the economy, customer requirements by way of varieties, quantities and time of product requirements in mind – then distribution techniques can be clear. In the bread industry, note the different marketing utilities of distribution economy, market coverage, channel control and adaptation to changing environments, interplay and influence the choice decision

Wholesalers are not used in this industry since it requires buying in bulk to be then sold to the retailer before the final consumers. The retailer is mostly used in bread distribution, or customers purchase directly from producer stores. Retailers share the risk

of delivery with producers. Whenever the producers do have a chance of affecting the retailers. For example, if producer produce late, it will affect the time retailers have to deliver to consumers. Because bread is a perishable product, it has a life span; hence its distribution must be timely and be sold quickly. An active distribution channel can help fight competition in the industry.

The bread industry employs the following distribution level strategies;

1. Distribution from producers → retailers → customers,
2. Distribution from producers → consumer

Some producers adopt intensive distribution (manufacturers make use of more than one channel to distribute their products and reach their customers), and not selective distribution (few outlets are chosen through which the product is made available to the customers based on a company-specific set of rules) (Chand, 2013). An exclusive distribution (an agreement between a distributor and a manufacturer, whereby the manufacturer authorizes only one distributor to carry out the distribution of goods) is also not used (2020). Intensive and selective distribution is based on vendors' willingness to carry out a brand.

## CHAPTER 4: SOLUTION AND IMPLEMENTATION

### 4.1 Chapter Overview

This chapter aims to outline a solution and an implementation plan for the problem of how to improve the distribution channels for Bread Boutique Ltd. Since the company wants to enable its existing product into an already existing market, they have to penetrate the market. The literature review given in the previous chapter and the needs assessment is what inspired the solution of channel management. The chapter will focus on proper channel management for Bread Boutique Ltd to help increase sales because the needs assessment highlighted poor distribution channel management.

### 4.2 The Solution

Channel management has to do with a company using its existing channels properly through planning, organization and analysis. Management of these channels must be in line with the company's objectives. Channel management can be divided into six decision areas; formulating channel strategy, designing market channels, selecting channel members, motivating channels members, evaluating channel performance, and managing conflict

Since the firm already has an existing distribution channel, they have to modify these channels or create new ones to create awareness and then increase sales in the long run. In doing that, that have to ensure that when designing distribution channel for any organization, it must align with the company's objectives and competitive strategy in order not to lose focus on what the company does (Mehta et al., 2000).

### *Formulating channel strategy*

Bread Boutique must set objectives and expectations from its channel members. It must not be assumptions or dreams but these objectives must paint a big picture as to what or where they want to see their distribution channel to look like.

#### *Distribution objectives*

1. Increase in sales and market share by 15% and 10% respectively by the end of 2021.
2. Be the best in delivering bread on time to channel members by cutting down the delivery time.
3. Be present in every vicinity or areas where bread could be sold by the second quarter of 2021.
4. To make Bread Boutique the most preferred bread in that bread industry due to easy access and awareness.

#### *Designing market channels*

Bread Boutique's mission is, "To give Ghana the ultimate experience with bread. Fresh, healthy, and innovative bread" with a strategy of not developing an effective marketing strategy but by using product strategy to compete among its rivals. In designing marketing channels for Bread Boutique it must be in-line with the company objectives. This is because the designing of these channels must develop new channels or modify an existing one while avoiding veering off from the company's original makeup. That is why setting channel objectives must be done first so the company knows where it

is going. Some elements that will help in designing their market channels are the number, intensity of levels and the types of intermediaries that will be used.

The number of levels in channels – The company already has two sets of levels in their channels and they are; producer → consumer and producer → retailer → consumer.

Aside from these channels, the company can include non-conventional channels which are channels which are not part of the normal status quo – some of which include,

- ✓ Door-to-door: From the needs assessment conducted, when individuals were asked whether they want the bread to be delivered at their doorsteps the answers given were positive meaning the company has a great chance of using a door-to-door approach as one channel. The company can do this in the mornings just like how traditional bread sellers sold bread on their head by moving street by street and yelling their existence in the neighborhood. The company can also do this more professionally, instead of yelling, they can use a specific jingle to alert people that they are around.
- ✓ Company-sponsored selling: This is where Bread Boutique and other companies make contracts to be selling bread to their employees, either as breakfast, snacks or just to buy and to be sent to their various homes. Bread Boutique can get access to the company's employee database and interact with them to know the type of bread to want.
- ✓ Social media: In an era where social media is trending and intertwining in the lives of individual, Bread Boutique can use this to their advantage. They can take orders on social media platforms, do promotions, come up with fun ads to engage

with their target market and even partner with organizations which serve as a complement to their product.

Intensity at various levels – The number of intermediaries used in the bread industry is really important. From the literature review in the mastery of subject matter chapter, the bread industry does not engage in the use of wholesalers in the distribution of its product due to how the supply of the product is essential. Wholesalers may also slow down the process of distribution. Therefore, Bread Boutique should only engage in retailers to march up with their slogan, “Fresh from the oven”.

Types of intermediaries – The type of intermediaries the company can engage in is retailers and agents. Retailers will let the product reach the final consumer unlike wholesalers, have less inventory, operate in local areas and less risk involved than wholesalers. Agents will facilitate the movements of the product and will not take the title of the product but represent the company.

#### *Selecting channel members*

As stated in the previous chapter, in selecting channel members a company must know the kind of business it is operating, the type of product, and its target market. One of the distribution objectives of Bread Boutique is to make its product the most preferred in the country and to do this they have to study and know what they are dealing with. The following characteristics will aid in their quest to understand what they are dealing with.

- a. Product characteristics: Factors that influence the company's product is the perishability of the product, nature and variety offered. Due to the nature of the product which is highly perishable, the company must engage in a shorter

distribution channel and because the nature of the product is a consumer good, it is purchased by a large number of people more frequently.

- b. Market characteristics: From the needs assessment, what influences the company's market characteristics are customers, competition and existing channels. The large nature of customers proves that the company needs shorter distribution channels and retailers are good to be used due to their numbers for mass distribution of convenience goods. It is also clear that the company needs a channel for its distribution and are capable of distributing the products of the company. Finally, with the competition, a competitor like A1 used mass distribution for its distribution strategy, Bread Boutique can also use that technique but be innovative about it. An innovative way they can go about a mass distribution strategy is by using bus stops at a point of sales and leveraging on their distinctive assets such as their color, slogan and variety of products.
- c. Company characteristics: Since the company's sales are decreasing, they are not financially capable to design its channel of distribution. They should rather settle for the traditional means but innovate their means to their advantage. An example is a door-to-door approach mentioned earlier in this paragraph. Bread Boutique, on the other hand, has a positive reputation according to the needs assessment. The company must maintain its reputation by establishing their loyalty to their consumers by giving them what they want and according to the research conducted accessibility and awareness the company can ensure loyalty.
- d. Environmental characteristics: The company fits all the requirements of environmental factors. It has legal grounds to perform its distribution strategies.

For example, with the COVID 19 pandemic, the company had permission to continue with its distribution processes. Again with the door-to-door approach, they will need permission from local authorities to execute that agenda. The economic conditions of Ghana also affect distribution strategies. The COVID 19 pandemic is an example of a threat of economic recession and has affected a lot of businesses, however, the company is still thriving against the odds.

### *Motivating and training channels members*

Bread Boutique has already lost some of its existing channel members due to inadequate management with some reasons that bread gets to channel members so late that anytime the company delivers on time they get surprised. As mentioned in the literature review, empty shelves imply low sales and producers must make sure they supply on time to avoid empty shelves. For Bread Boutique not to get replaced by their channel members due to its bad time management they have to be the market leader of time when it comes to distribution in their industry. Doing this will motivate their channel because they can trust the company will deliver at all cost. Supplying strong advertising, incentives, rewards and promotional support also serve as a means of motivating their channels.

A way the company can have a competitive advantage in time over their competitors is by taking into consideration these few points (He, 2014).

- Big decisions are made on Monday
- Social media is quieter on the weekend
- Budget-conscious shoppers hit the shops on Thursday

- Weekends are about DIY (Do it yourself)
- Sunday is supermarket day
- Weekend deliveries make an impact

After motivation, the members have to be trained adequately. The company must organize orientation programs for channels members so they will be equipped with the skill needed to promote the brand. The company must share its objectives and goals with them so they are on the same page. Training will entail how to communicate with consumers to promote customer satisfaction, how to dress properly to represent the brand and how to carry themselves generally because they are now brand representatives. Bread Boutique must communicate regularly with their members and the channel members will benefit from these activities. The result of training will enable them to sell more.

#### *Evaluating channel performance*

Evaluation comes about when channel membership performance corresponds to the distribution objectives of the company. And the company has to do that by the following processes.

1. Define sales objectives: The first process is to clearly define what they want to achieve at the end of a period and looking at the distribution objectives, sales should increase by 15%. Bread Boutique must share this initiative with their members so they also work to achieve these objectives.
2. Determine channel performance metrics: a channel performance metrics that Bread Boutique must use is using sales or units sold to determine the number of

sales. This metrics is easier since it is easy to count the number of bread each member collects for sale daily.

3. Set channel partner targets: Setting benchmarks when implemented will determine the level of success with each member. Because the objective is to increase sales, the company must set a target for members depending on their size and location.

For example, a target for a local shop within an estate is fifty loaves per day. If the average price of a loaf is GHS 8.00 and it is being sold to channel members at GHS 6.50, then in a day with a profit of GHS 1.50, they will make  $GHS\ 1.50 \times 50 = GHS\ 75$  and the company will make  $GHS\ 6.50 \times 50 = GHS\ 325$ . This means that their daily target must be GHS 325 for the company. The more they sell, the more money they get for themselves but they must meet the benchmark.

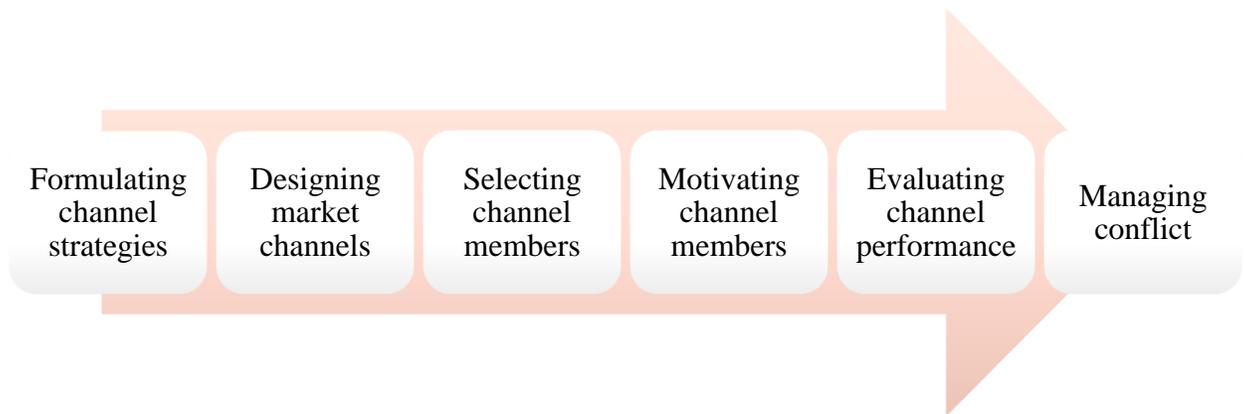
4. Manage channel performance: To manage the channel performance, the company must put all the processes together and find lurking areas, areas which have improved and even determine if an expansion of channel members will be essential. In doing so the company will identify the strengths and weaknesses of each member and find ways to improves them.

#### *Managing conflict*

After the company goes through all the key decision areas list above to effectively engage in channel management, it can turn a downside if they don't master the art of managing conflicts among their channel members. The company must always have regular checkups on each member. Regular feedback, organizing small get-to-gathers fir them to know how they want the company to improve their service and understand the

market trends. Another way they can go about it is by aligning the company goals with each channel member. They could also hire experts in the area of channel conflict management but I believe that can be done later when the above steps do not work.

*Figure 10: Channel Management Key Decision Areas.*



#### 4.3 Implementation Plan

The purpose of this implementation plan is to help Bread Boutique carefully strategize the solutions into steps, assign these steps to people, give details on what these steps are about and how the impact should be measured.

<b>Solution</b>	<b>Roles assigned to individuals</b>	<b>When</b>	<b>Details</b>	<b>How should the impact be measured</b>

<b>Formulating channel strategies</b>	*CEO *Marketing manager *Financial accountant *Operations manager	By the end of June 2020	Set objectives and goal for the company's distribution for a period of the next two years.  These objectives must specific, attainable and measurable.	Identify if the goals set were achievable by the end of the targeted period.
<b>Designing market channels</b>	*Marketing manager *Operations manager	From June -August 2020	Develop new and modify existing channels backed by the distribution objectives.	N/A
<b>Selecting channel members</b>	*Marketing manager *Operations manager	End of August – September 2021	Decide on the kind of intermediaries that will best suit the company and achieve the objectives derived	N/A
<b>Motivating channel members</b>	*Marketing manager *HR manager	Frequently	Discuss ways to enhance morale, reward and train their channel members frequently to gain their trust.	Feedback from sessions

<p><b>Evaluating channel performance</b></p>	<p>*Marketing manager *Financial manager</p>	<p>Every quarter from September 2020 to the end of 2021</p>	<p>This must be done every quarter of the year to follow up on the growth of the sales and determine if the company is reaping the benefits of their set objectives.</p>	<p>Following up on the sales growth of the company every quarter within the given period</p>
<p><b>Managing conflict</b></p>	<p>*HR manager *Marketing manager</p>	<p>Frequently</p>	<p>Come up and establish the techniques for managing conflicts that may arise.</p>	

*Table 2: Implementation Plan.*

## CHAPTER 5: CONCLUSION, LIMITATIONS AND RECOMMENDATION

### 5.1 Chapter Overview

This chapter highlights the closing remarks on the entire project. It gives limitations, challenges and struggles faced and how they were overcome. Recommendations are also made to the company due to the needs assessments done and the research from other literature. On the whole, it was a good experience.

### 5.2 Limitations and Challenges.

Finding information about the bread industry in Ghana was difficult as there was no written report of any kind about that industry. As a result of this impediment, analyzing the overview of the bread industry in Ghana seemed impossible, what was used in analyzing the overview of the industry were observations and opinions from people.

In addition to this, the door-to-door interview session had some challenges – as some participants changed the course of the interview into other concerns they had aside bread. When it came to questionnaires challenges that sprung up was the difficulty in collecting the data from individuals. The total target of response needed from the questionnaires as well as interviews was not achieved.

### 5.3 Recommendations

Other ways Bread Boutique can boost sales is by enhancing its billboards or increasing the number of signboards to attract people. One of the responses from the questionnaires said it was a struggle to locate where a shop was in a particular area. Directions to shops can be provided by the streets to also make accessibility easy. An

example is KFC as you drive closer to the nearest branch you are likely to see a signboard telling you how close you are in kilometers to their nearest branch. An idea like this can be part of a campaign strategy to attract more people.

Another recommendation is content creation on their social media platforms. Looking at how other bread companies around the world are using innovation to advertise on social media. There are lot of creative ways to keep and grow customer base on social media, some of which include social media challenges with rewards, favorite recipes with Bread Boutiques, an idea for recipes using bread from Bread Boutique among others.

Just as how Fam Milk uses storytelling as one of its strategies on social media, Bread Boutique can also do the same. *See Figure 11*. Storytelling is a means by which a brand captures the minds of its target using ideas and natural occurrences that resonate with them. Or, use these stories to make customers think of the company's brand first in a situation rather than other brands.

When analyzing the five forces in chapter one, it was identified that the threat of entry into the bread industry is quite high, therefore, Bread Boutique should always make sure they are ahead of their competitors to always stay on top. They can do this by finding latest trends in the market and investing in market research

The company can build a stronger human resource. Making their employees feel like family can improve their loyalty, and incentives such as employee of the month as well as employee outings can help build a stronger human resource.

#### 5.4 Key insights gathered from the project

A company may appear to excel outwardly yet it may not be the situation. For a company to thrive it must have a proper structure which should be tested to check whether it is a good fit for the company. Having a proper structure is not enough but implementation and the measurement of impact play a big role.

With distribution channels there are so many that in choosing a good fit for a company proper research must be conducted. And it is not advisable to try and do everything. It may be overwhelming and it can affect areas of the company which work well.

Another lesson derived from this research is that when it comes to bread distribution, the supply of the products forms an integral part of the distribution process in this industry and not solely on demand. When it comes to the distribution of bread, since it is a vital product for most people, it has to be delivered at the various points of sales on time for customers to purchase it. This shows how important timing is in the distribution of this product

Finally, the human resource of the company is essential for the health of the company and therefore a company must be very selective in employing individual for a job title. Job descriptions must be well defined and communicated.

#### 5.5 Lesson Learned

From this project I have seen how lesson thought in class can be applied in the real world and the importance of it. I realized that some of Ashesi's learning goals were at play in doing this project. Critical thinking, communication and leadership help in

conducting the needs assessment for the project. Being professional as well in terms of being responsible to time, and respect people's view taught me how the real world works. One thing I also learnt was that one person cannot have all the answers and will definitely need help. Through opening and talking to people especially friends helped in giving feedback and creative ideas for this project. Ashesi applied project is really opens one up to learn more and give back to the community what an individual has learnt over a period of four years.

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## APPENDIX

### Questions for questionnaires

1. How far are the closest branches from your place of residence?
2. Do you think the company should increase its distribution channels? Why?
3. Do the locations of the company make the company's brand more visible?
4. How close do you want the bakery to be - that is if the nearest branch is far from you?
5. What other bakery do you buy bread from when location of the nearest Bread Boutique shop becomes a challenge?
6. Would you want the company to do organize a delivery package for your place of residence every other day, weekly, monthly or when you want it? Why?
7. How would you want to pay for it?

### Interview questions for CEO

1. Do you think you have the right capacity to increase your distribution channels? Why?
2. How is your transportation system like?
3. Do you think your employees are comfortable working for you?
4. If yes. Are they ready for the pressure of increasing sale channels?
5. How sure are you that the reason your sales are dropping is not because of customer satisfaction?
6. Any questions or anything to add?

## Interview questions for employees

1. How are the working conditions here like?
2. Is it true sales are dropping? Elaborate your answer
3. Do you think the company is ready for an increase in distribution channels?
4. Any questions or additions?

Figure 11: Fanmilk Ghana Instagram page

