



Applied Project Final Report

By Ebenezer Aboagye Asamoah

Developing A Distribution Strategy To Improve The Availability Of Recyclon Ghana
Products To Customers



Applied Project

Final Report By:

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Ashesi University College

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An Applied Project Final Report submitted to the Department of Business
Administration, Ashesi University College. In partial fulfillment of the requirements for
the award of Bachelor of Science degree in Business Administration

(April 2015)

Declaration Page

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

Candidates Signature:

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Date: 2nd April 2015

I hereby declare that the making and presentation of the Applied Project Final Report were supervised in accordance with the guidelines on supervision of applied projects laid down by Ashesi University College.

Supervisor's Signature:

Supervisor's Name:

Date: 24th April 2015

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Executive Summary

Recyclon Ghana LLC is a privately owned company, which was established in September 2014. The company recycles waste into functional products to generate revenue.

The central purpose of this project is to identify and define a major problem faced by Recyclon Ghana LLC and develop a functional solution to curb the problem.

Presently, Recyclon Ghana LLC does not have a strategized distribution system, which will assist the company to make its products always available to its customers. The founder chiefly and exclusively does most of the activities pertaining to distribution. Accordingly, when the founder is absent from operations or highly engaged, distribution stops. To solve this issue, a Two-level distribution model was developed to strategically assist Recyclon Ghana LLC to improve its supplies to its customers. Also, it will assist Recyclon Ghana to reduce cost, retain its customers and maximize profit.

This distribution strategy was developed based on interviews with the founder and co-partner, customers and insights obtained from distinguished writers in the field of product distribution.

Cost-benefit analysis, SWOT and PESTLE, and other analysis done shows that the use of this strategic distribution strategy by Recyclon Ghana LLC would improve its ability to reach its customers. This is because customers will have access to an online shop and other sales avenues where they can make regular purchases.

Keywords: Distribution strategy, Distribution system, Recycling, Customer service

Operational Definition Of Key Abbreviations

SWOT: Strength Weakness Opportunity Threat

PESTLE: Political Economical Social Technological Legal Environmental

DIY: Do It Yourself

LLC: Limited Liability Company

CEO: Chief Executive Officer

EPA: Environmental Protection Agency

NESSAP: National Environmental Sanitation Strategy and Action Plan

MMDAs: Metro, Municipals and Districts Assemblies

UESP: Urban Environmental Sanitation Project

UDPs: Urban Development Projects

NGOs: Non-Governmental Organizations

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Chapter 1

Introduction to Project

1.1 Chapter Overview

This project was purposely undertaken to develop a distribution strategy, which will make the products of Recyclon Ghana Ltd. always available to its customers.

1.2 Significance of Distribution Strategy

By the Government of Western Australia, distribution strategy is the technique businesses can use to get their products or services through different distribution channels to the end-users (Gov. of Western Australia , 2015).

Significantly, distributing strategy helps new companies such as Recyclon Ghana Ltd. to better determine the number of channel levels it must establish to properly bring its products to the final buyers. Distribution strategies assist companies to better evaluate and understand the behavior of the channel(s) chosen. Chiefly, distribution strategy assists in the identification on suitable intermediaries for efficient delivery and the delegation of responsibilities (Kotler & Armstrong, 2012). Primarily, distribution strategy help companies to analyze customer needs effectively in order to establish the most efficient distribution system to enhance fast delivery, optimize cost and maximize profit (Kotler & Armstrong, 2012).

In relation to the project, distribution strategy will assist the Recyclon Ghana LLC to locate and analyze the needs of its target market, identify the most appropriate distribution channel to reach its customers on time, reduce cost and maximize its profit.

Principal Purpose of the Model to Be Developed

To develop a distribution strategy, which will assist Recyclon Ghana LLC to define its target market, identify how to deliver its products to the target market, reduce cost and maximize profit. This distribution strategy is a framework of distribution channel, which defines the manner in which the products of Recyclon Ghana LLC can be moved from production to outlets where customers can purchase them always. Also, this distribution strategy will assist Recyclon Ghana LLC to retain its cherished customers.

Rationale for Selecting Recyclon Ghana Limited

Recyclon Ghana LLC exists to assist in the reduction of waste, such as plastic waste in Ghana (Addo, 2014). Strategically, Recyclon Ghana Ltd. intends to build an efficient distribution strategy, which will improve the company's supplies, sustain its customers' support and confidence in the company's mission. Presently, the company has undefined distribution channels and marketing intermediaries, which assists the company to establish a stable and enduring distribution system that delivers and makes products always available to potential customers. This project aims to develop a distribution strategy, which if implemented will assist the company to identify the appropriate distribution channel to make its products readily available to its customers always and maximize profit. Impliedly, if the company implements this strategy, it will be able to achieve its mission, which is to contribute to waste management in Ghana.

1.3 Company Profile of Recyclon Ghana Limited¹

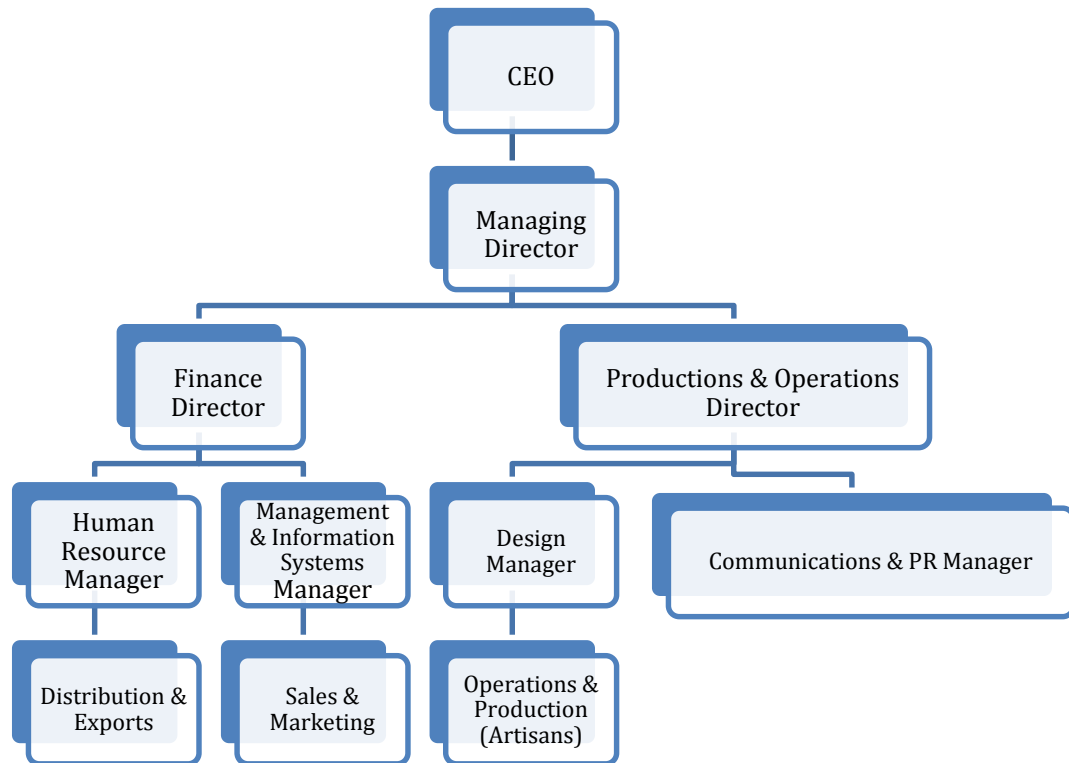
About Recyclon Ghana Ltd.

The Company's name is Recyclon Ghana Limited Liability Company (LLC). It is a newly registered recycling company, whose operations have been ongoing over the past 5 years through a non-profit entity called Energy Solutions Foundation. The company recycles waste materials into functional products for revenue. The company focuses on dynamism, innovation, eco-consciousness and so on to produce sustainable and best quality artisanal products. Recyclon Ghana LLC aims to provide best quality recycled product mix² for its cherished customers (Addo, 2014). Currently, Recyclon Ghana LLC is a small sized company with an undefined client base. It is mainly located at New Gbawe (Accra) and has a workshop at Ahwerase, near Aburi. Currently, the founder is the registered worker of the company, however she temporarily hires external workers to assist her. Presently, the founder mainly does the production and distribution of products, however distribution halts and the company's products become unavailable to customers when the founder is highly busy. The figure below shows the ideal organization chart that the company intends to use to improve the availability of its products to customers.

¹Information on the Company was obtained from the Company's Business Plan

² Refer to Section on Product below for product specifications.

Figure 1: The Ideal Organizational Chart of Recyclon Ghana LLC



Source: (Addo, 2014)

The Figure 1 shows a line organizational structure. The Managing Director takes supervision from the CEO, while the Productions & Operations Director, and Finance Director take orders from the Managing Director. Duties are organized to make responsibility, authority and accountability relationships more simplified and clarified. For instance, duties of Distribution & Exports, which are to define the target market and deliver end products, are made simplified as the department takes orders solely from Human Resource Manager. This promotes fast decision and flexibility. Moreover, the structure promotes unified control and strong discipline, which will ensure that end products are always readily available for distribution through the various channels to customers. This effect can be translated that end products can

be always available for customers, which is the distribution goal the company wants to achieve. By careful analysis of the organizational chart, it is more recommendable if the firm has Supply Chain & Marketing manager at the third rank who will oversee sales, distribution and marketing activities at the lower level. This is because Distribution & Exports cannot get the appropriate information from the Human Resource Manager to function effectively.

Recyclon's Mission

To be the key innovator of affordable and sustainable recycled products that are functional, competitive and environmentally friendly, which aims to reduce waste in Ghana and West Africa.

Recyclon's Vision

To be the reference point and the benchmark for all material recycled in West Africa.

Recyclon's Strategy

Recyclon Ghana LLC wants to build an efficient distribution strategy to make its products available to its customer always. This strategy entices the company to be proactive to develop a strategy to improve the availability of its products to customers. Initially, the company targets expatriates, students and income earners. Generally, the company targets anyone who appreciates and can purchase its products.

Recyclon Ghana LLC Values:

Some of the core values of the company are discussed below:

- **Affordability** – The Company provides affordable products for its target market. As a result, the company ensures that it manages its production cost efficiently.
- **Innovation** – The Company aims to introduce a new method and ideas of recycling discards in Ghana.
- **Aesthetic** –The Company aims to incorporate vibrant designs and vivid colors to make its products very attractive.
- **Durability** – Recyclon Ghana LLC aims to provide long-lasting products that provide sustainable impact in the life of its consumers, the company, and the environment.

Products

Recyclon Ghana LLC produces and offers a mix of recycled products, instead of a single product line. So far, the company's main product³ lines are beads, wooden and non-wooden furniture, Household fuel, metal installations, eco-journals, Carpets and Rugs, and Crafts and Art pieces. The figure below shows the product mix of the company.

³ For visuals of products, refer to **Appendix I**

Figure2:

Product Mix – Recyclon Ghana LLC						
Beads – Product line 1	Wooden & Non- Wooden Furniture – Product line 2	Metal Installations – Product line 3	Eco- journals – Product line 4	Household Fuel – Product line 5	Carpet s & Rugs – Product line 6	Crafts & Art Pieces – Product line 7
Glassware & glass beads	-Car-tyre poofs. - Seats & Chairs. E.g. Eco-Corner seats - Eco-Rocker. - Car tyre tables	-Room dividers -Folding doors -Metal & Glasswork Panels	Notebooks	- Sawdust Briquettes Dawadawa briquettes - Cow dung & Sawdust briquettes	-Fabric cut-offs & old clothing - Eco Rugs	-Plastic crafts - Paintings from all sorts of elements .

This Product mix aims to satisfy the household needs of its customers. Raw materials include metal discards, plastic discards, and so on. Products also come in varieties that include affordable product lines. Customized products are often sold at premium price. Some of the qualities of the product mix are:

- Aesthetics – very attractive and enthralling
- Unique – vibrant designs, vivid colors, sentimentality and so on.
- Eco-friendly – Most products use a minimum of 30%, average of 60% or a maximum of 100% of discard component (Addo, 2014).

Services

Recyclon Ghana LLC also organizes training sessions and workshops for persons interested in artisan and crafting. Also, the company makes data available to entities that need information in policymaking, recycling, and so on.

Primary Customers

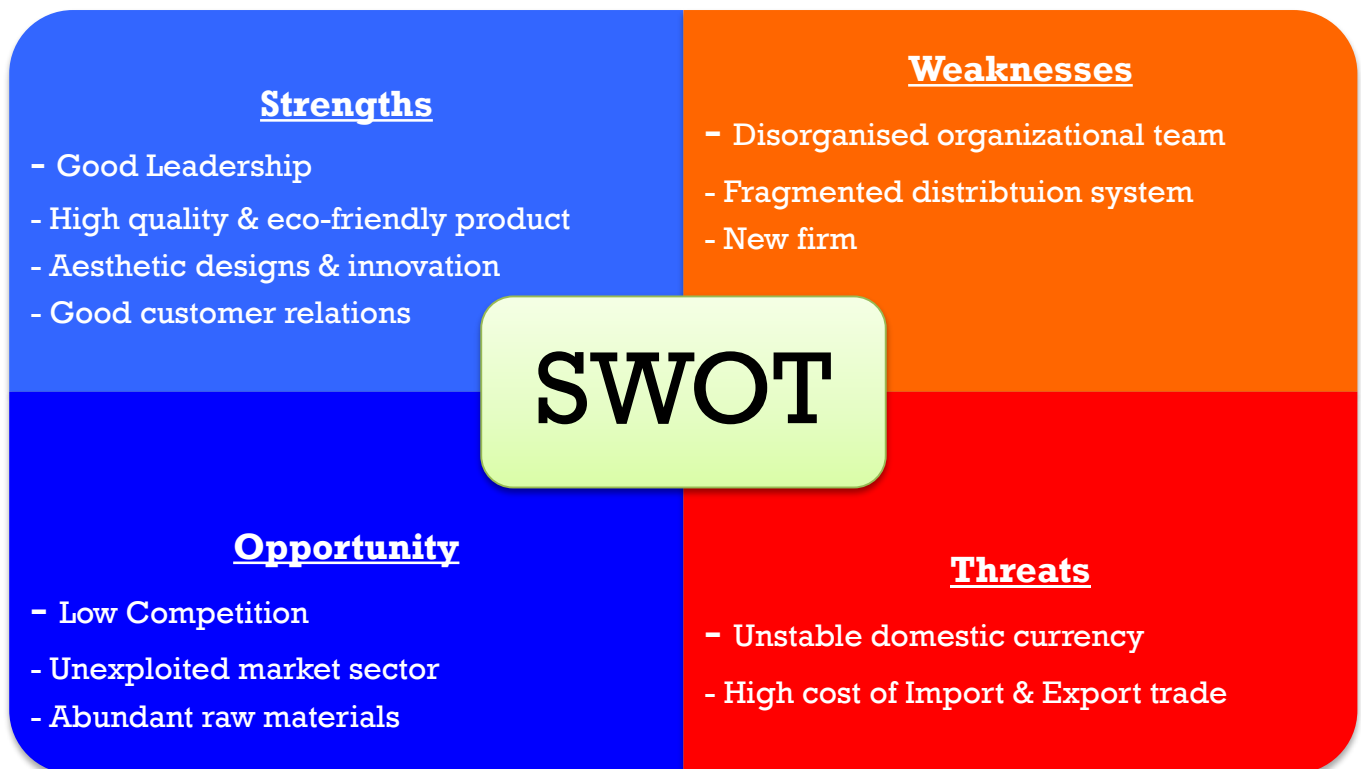
The company targets its primary customers to be between 15 and 45 years old. These are customers who have the purchasing power and appreciate Recyclon Ghana LLC's product mix, either in connection with sustainable efforts or environmental consciousness (Addo, 2014). These primary customers need household facilities such as furniture, household fuel, and so on for basic household functions such as sitting, cleaning, and so on.

Primary Market

Recyclon Ghana LLC has a broad-spectrum target market. The company considers its primary market everywhere (Accra, Ghana, West Africa, Africa, and globally at large). The Company does not have a specific target market(s), because it broadly considers its customers at educational institutions, health institutions, and so on. The market is broadly segmented based on demography, psychograph (personality), customer behavior, and so on.

1.4 SWOT Analysis of Recyclon Ghana LLC

An article by Val Renault asserted that a SWOT analysis would help a firm to modify its plans to better steer through its business ventures. (Renault, 2014). As such, a SWOT analysis was used to assist Recyclon Ghana LLC to revise its intended plans to navigate through Ghana's Recycling industry, which intends to reveal the opportunities and constraints. Impliedly, Recyclon Ghana LLC would be able to make informed decisions concerning the distribution of its products. The SWOT analysis has been outlined below:



Strengths

- ⇒ **Good leadership:** Recyclon Ghana LLC has good leadership, which is based on honesty, confidence, innovation and so on. These make its operations successful.

- ⇒ **High quality and Eco-friendly products:** The Company produces high quality and eco-friendly recycled products, which looks more durable than newly engineered products. This unique feature of the company enhances customers' appreciation of recycled products and waste management in Ghana.
- ⇒ **Aesthetic designs & innovation:** Beauty and alternate restyling are vital in the continuing success of the company. These are the hallmark that makes the company the fast becoming innovator in Ghana Recycling industry.
- ⇒ **Good customer relations:** The Company also has good relationship with its cherished customers. Good customer relationship management helps the company to retain its customers.

Weaknesses

- ⇒ **Disorganized team:** Presently, the company has not yet fully built its management team to go into full production.
- ⇒ **Fragmented distribution system:** Currently, the company has disintegrated distribution system. As a result, free flow of information and movement of vital elements of the chain are not coordinated.
- ⇒ **New firm:** The Company is new, hence not highly recognized by the general public. This curtails the company from privileges such as economy of scales and strong brand recognition.

Opportunities

- ⇒ **Low domestic competition:** Competition in the company's market niche is currently almost non-existent. Recognized indirect rivals are Kagyah, The Design Niche and Trashy Bags. However, there is co-opetition among these companies. Co-opetition is a revolutionary new mindset that combines cooperation competition based on game theory strategy (Adam & Barry, 1996). Impliedly, Recyclon Ghana LLC has the chance to exploit this market sector before the emergence of new entrants.
- ⇒ **Unexploited market sector:** From the industry analysis, there are numerous untouched segments of the market. These segments include the renewable energy sector (which uses human, plant and animal excreta for alternate energy), plastic waste sector, and so on. This means that Recyclon Ghana LLC can fully take advantage of these economic sectors.
- ⇒ **Availability of abundant raw materials:** Undoubtedly, there are numerous discarded materials in Ghana. Hence, Recyclon Ghana LLC has the opportunity to obtain raw material at a very low or no cost for production.

Threats

- ⇒ **Unstable domestic currency:** One of the major threats of the company is the fluctuation of the Ghana cedi. This is because when the cedi depreciates, the significant rise in price of inputs adversely affects the production and delivery.

⇒ **High cost of Import & Export trade:** The cost of import and export in Ghana is very high. Hence, the company is likely to face challenges concerning cost when it starts its international trade.

1.5 Overview of Ghana's Recycling Industry

Recyclon Ghana LLC is in the recycling industry, which is not well recognized by most Ghanaians (Addo, 2014). There is actually very low statistics in Ghana's recycling industry, because most of the activities are informally done. Currently, competition in the industry is very low. Also, there is co-opetition in the industry, as industrial members support each other in diverse ways. By scrutiny, the industry will be competitive only when supply increases enormously over demand. As a result, the increased numbers of suppliers will cause each rival to be competitive enough to retain its buyers (Kotler, 2003).

Barriers to entry and growth in this creative industry are technology (machinery, appropriate technology, and so on) and market demand (Addo, 2014). Actually, an entity needs a wide range of technology in order to efficiently transform a wide variety of discards into various kinds of functional products. Additionally, most of these technologies are produced and sold in foreign countries. As a result, firms need extra effort, organization, and funds to purchase and transport such technologies into the Ghana (Addo, 2014). Also, most of the machineries are built to handle commercial quantities of waste. As a result, they are large, technical and expensive, which most local operators are unlikely to be able to operate profitably with, unless the firm for training purposes commits extra funds. Also, most of these technologies come with accessories, parts and after-sales services that might be hard to acquire in Ghana

(Addo, 2014). By scrutiny, appropriate local technologies can assist to fill this gap of the industry, however an entity needs skilled professionals to design and produce these inventions, as well as skillful labor to operate such inventions. In an attempt to produce these inventions, firms are mostly faced with fierce problems (Addo, 2014).

Additionally, there are economic barriers to growth in this industry. This barrier relates strongly to how much market share a company has and how huge the demand is in the industry.

Changes in the economy can hugely affect this industry (Kotler & Armstrong, 2012). Recycling is heavily linked to the consumption habits and quantities of a country, as well as the 'waste-full' or 'waste-less' mentalities of the people. Changes in the economy that are felt by people always resonate in the recycling industry (Addo, 2014). If the people are deprived economically, firms get less of raw materials to produce more for sales (Addo, 2014).

The concept of recycling is still new to Ghana and data on it is still being gathered (Addo, 2014). This makes it difficult to quote relevant figures and statistics, as credible sources are few. As a result, this analysis was made based on a research conducted by Recyclon Ghana LLC. Actually, the size of the industry undefined.

1.6 PESTLE Analysis

In Ghana, waste management has become one of the crucial issues confronted by government and other organizations such as Zoomlion Ghana Ltd. As a result, there are numerous policies set by Environmental Protection Agency and other Government bodies to firmly control and regulate the activities of people and businesses dealing with waste in Ghana (Badoe, 2014). Such policies have effects on people and firms dealing with waste in Ghana. On this account, a PESTLE analysis was used to assist Recyclon Ghana LLC to make decisions that will help the company to understand the macro environment that it operates in. Moreover, it will assist the company to know where its products are in the context of what is happening outside the company, which can eventually affect its distribution and internal affairs. The PESTLE analysis has been discussed below.

Political Analysis

Over the past 10 years, the Ghana government has shown keen interest in promoting recycling. Government aims to encourage re-use, recycling, and recovery of solid waste to create a standard shift from the current 'generate-collect-and-dispose' philosophy (Monney, 2014). As a result, Government has established various public institutions, policies and funds such as the Plastic Waste Recycling Fund to accelerate the development and growth of the industry (GNA, 2014). The Ministry of Environment Science and Technology, The Ministry of Local Government and Rural Development, and MMDAs are some of the key institutions whose work affects the Recycling industry of Ghana. The Ministry of Local Government and Rural

Development has established Recycling and Scavenging guidelines to help promote the Recycling industry of Ghana (Ministry of Local Gov & Rural Dev., 2002). Government has also embarked and is still embarking on project such as UESP and UDPs to support the industry. The Ghana Export Council has also collaborated with the Ministry of Trade and Industry to give special incentive schemes for exporters, which largely includes firms in the Recycling industry. Some of the schemes include a Corporate Tax Rebate that allows any manufacturer to claim tax rebate between 40% and 75% of his tax liability and so on (GCNet, 2009). Recyclon Ghana LLC can take advantage of these benefits.

Economic Analysis

Economically, the recycling industry has not insignificantly contributed to Ghana's economy, as there is no existing statistics to back its contribution (Addo, 2014). Labor cost of the industry is relatively very cheap, because unskilled labor workers are mostly used. Currently, most of the workers used are Junior and Senior High School leavers and the unemployed (Hodges & Baah, 2011). Currently, low competition in the industry makes the industry an attractive venture for new entrants (Addo, 2014). Product demand is relatively low, as most Ghanaians have not yet appreciated the concept of recycling (Addo, 2014). Firms mostly find it difficult to get access to funds to purchase the various technologies needed for production. This is because most financial providers do not trust the financial credibility of firms in the recycling industry (Addo, 2014). Transportation and goods movement cost in Ghana is fairly affordable depending on the destination, and certain terms and conditions. The prices and

terms are even subjected to negotiation. For instance, transportation cost normally ranges from Ghc0.88 to Ghc20 when moving from Aburi to Accra central. (Numbeo, 2015)

Socio-Cultural Analysis

Socially, the Ghana consumption pattern of recycled products is undefined. Initially, Ghanaian used to attach inferiority to all recycled products because they deemed those products as waste (Addo, 2014). However, most Ghanaians are beginning to accept the concept of recycling, which intends to create opportunities for people who want to enter into the industry (Williams, 2015). In other instance, most media centers in Ghana such as Green Ghana are embarking on rigorous recycling and waste management campaign in order to promote the industry and help reduce waste in Ghana (Green Ghana , 2013). These campaigns help to create public awareness for firms in the industry. By scrutiny, this shows that Ghana's recycling industry has numerous potentials for existing firms and new entrants.

Technological Analysis

Actually, Innovation and technological change play huge roles in the industry. Most technologies required in this industry are for sorting, collection, disassembly and reprocessing (Addo, 2014). Entities in the industry need a wide range of technology in order to efficiently change discards into market products. Most of these technologies are produced outside Ghana. As a result, most firms need extra funds to purchase and transport such machines to the Ghana, which most firms find it

difficult to because of financial challenges. Also, the machineries built are mostly technical, which most local operators find it difficult to operate efficiently for its purpose (Machinex, 2014). In order to achieve efficiency, most firms need to commit extra funds to train their workers (Green Ghana. 2013). Also, most of these machineries come with accessories, parts and after-sales services that might be hard to acquire in Ghana (Green Ghana, 2013).

Legal Analysis

Actually, there is no direct and specific constitutional law that governs the recycling industry (SYND, 2013). However, Government has instituted environmental protection legislation and waste management policies, which are heavily connected to recycling in Ghana (SYND, 2013). These legislations are very fundamental to the existence of the Recycling industry, because recycling is greatly connected to environmental protection. Entities like the Metropolitan Municipal District Assemblies (MMDAs) and other government agencies oversee and support the activities of most firms in the industry. Chiefly is the Environmental Protection Agency Act – 1994 (ACT 490), which stipulates the function of EPA and its regulations to firms dealing with waste or discards. EPA Act 1990 (b) states that the function of EPA is to co-ordinate the activities of bodies concerned with the technical or practical aspects of the environment and serve as a channel of communication between such bodies and the Ministry (Ghana Legal, 2013).

Environmental Analysis

Environmental analysis considers the ecological and environmental aspects such as climate change and pollution. Environmentally, most activities of firms in the recycling industry are not hazardous to the environment. There is less pollution and disposal of toxic substances (Green Ghana, 2013). As such, there are less strict policies and legislations made by Government, Non Governmental Organizations (NGOs), and other environmental protection agencies to strictly regulate the activities of firms in the industry (Addo, 2014). This serves as an opportunity for new entrants to enter into the industry.

Deliverables

The project will deliver a needs assessment report, distribution strategy and implementation plan, its significance to the company's delivery system, which will assist Recyclon Ghana LLC to improve the availability of the products to customers.

Cost-Benefit Analysis of Model

Recyclon Ghana LLC will bear design and administration cost when implementing the distribution strategy. If this model is implemented, the company will increase its revenue constantly by **10%**⁴, because it expects its revenue to increase constantly by **10%** in the first five years of operations. The company will be able to deliver value and retain its customers if it implements this strategy. The cost-benefit analysis shows that it is highly essential for the company to apply this distribution strategy.

⁴ Refer to Appendix Section 3 for the Financial Model

Chapter 2

Project Overview

This chapter of the project focused on the problem statement of the company and a practical scenario was given to back the problem statement. Further, the chapter discussed the procedures undertaken to assess the company's need and the how data was obtained for analysis.

2.1 Problem Statement

Recyclon Ghana LLC currently faces challenges that curtail it from making its products always available to its customers. Some of these challenges can be related less arranged transportation and logistics, undeveloped distribution channel partners, and undefined distribution channel(s), which results in the company's inability to improve its supplies to customers (Kotler, 2003). Some of the challenges faced by Recyclon Ghana LLC include disorganized distribution team, delay in delivery, relatively high cost of delivery, disloyalty from external partners, and so on. This leads to low product awareness and level of patronage of the company's products, which leads to low availability of the product. Conventionally, the founder mostly delivers ordered products to customers at near and far places within and beyond Accra. However, when the founder is absent from operations, she cannot get end products delivered to customers. Moreover, issue concerning disloyalty discourages the founder to fully delegate delivery to external agent. Thus, a well-structured distribution strategy of Recyclon Ghana LLC is essential for the company to always make finished products available to customers.

2.2 Scenario

During a dialogue with a customer at Chale Wote Street Art festival, the customer said that products produced by Golda (the founder) are very difficult to be obtained. Most often, he has to ask friends closer to Golda before he can initiate an ordering process. Consequently, it takes some days before he finally gets the finished products. Sometimes the whole purchasing process gets tedious for him (the customer) that he feels discouraged to search for Golda's products again. Truly, the founder affirmed the aforementioned concerned that she (the founder) had to work hard to get finished products delivered to cherished and potential customers. When she (the founder) is very busy with other activities such as a lecture series, she had to reschedule delivery time with customers. Sometimes delivery stops because of other pressing engagement she (the founder) encounters. The founder asserted that the company is new and there is no well-established distribution channel(s) with a supporting team to get products delivered. Additionally, the founder asserted that cost involved in delivery soars unreasonably juxtapose the returns from sales. She was positive that a distribution strategy would assist the company to improve the availability of its products to customers.

2.3 Significance of Project

Developing this distribution strategy would be of great value to the company because the firm would be able to make its products available to its customers. From the scenario, the major reason why Recyclon Ghana LLC could not get its finished products always to its customers is chiefly because of its weak distribution system, which does not define the company's distribution channels, distribution centers and

other factors. The projected distribution strategy for Recyclon Ghana would define the appropriate distribution channel(s) that assists the company to reach most of its defined customers, while reducing cost and maximizing profit. It has features such as a spreadsheet, which would allow Recyclon to identify and evaluate potential intermediaries and centers in order to assess their proficiency and profitability. This strategy will be a comprehensive one in the sense that anything concerned with getting products always to customers would be dealt with. Recyclon Ghana LLC is likely to continue facing the unpleasant experiences with delivery for a year or two without this projected distribution model. This is because the current unstructured distribution system is likely to cause challenges such as delay in delivery, which could preclude the company from fully creating values intended for its customers.

2.4 Needs Analysis and Methodology

The needs assessment objectively centers on future possible conditions and aims to identify feasible interventions that will make the future better rather than past conditions. After obtaining online information on needs assessment, I practically did an assessment with the founder of Recyclon Ghana LLC to affirm the decision to develop a distribution strategy to assist the company to make its products always available to customers. The assessment followed a 3 phases model, which are Pre-assessment, Main-assessment and Post-assessment.

Pre- assessment:

Pre-assessment mainly centers on exploration, which aims to identify crucial issues and major areas of concern to the target entity. A discussion was held with the

founder of Recyclon Ghana LLC to help identify the various crucial issue(s) faced by the company. During the discussion, an inefficient distribution system was identified to be one of the most pressing issues that hinder the company from delivering value to its customers.

Main-assessment:

Main assessment mainly set preliminary priorities, gathers data and analyzes causes related to all the levels of the need assessments. The researcher obtained most of the essential information from the founder of the company, who actually manages the entire distribution system of the company. Actually, the founder solely makes decision and administers almost all activities concerning moving finished products from manufacturer to consumer. Initially, the founder referred the researcher to a customer, after which the researcher was able to obtain several customers for the interview. In all, the researcher got 35 customers for the interview via Facebook.

Post-assessment:

This phase of the assessment sets criteria for solution and devises action plans for change. This project undertaken was qualitative in nature. The qualitative nature made it possible to investigate and understand the dynamics of distribution decision(s) made by the company. Moreover, it helped to capture the language and imagery customers and the owners use to describe and relate to the distribution system of the company (QRCA, 2014). Data collected was both primary and secondary sources. The primary data was obtained through detailed interview with the founder and customers. Secondary data was obtained through existing literature on distribution strategy.

2.5 Responses from Interview

In terms of distribution efficiency, the company was rated 2.5 from a measure of 1 to 5. The company's distribution strategy is not all that efficient because the founder solely does most of the activities. The founder said the support of an established distribution team would make the company's distribution strategy more efficient.

Currently, Recyclon Ghana LLC does not have a well-established distribution structure, which facilitates the company's distribution strategy. Most of the activities are disjointed. Currently, the company does not have an existing management team.

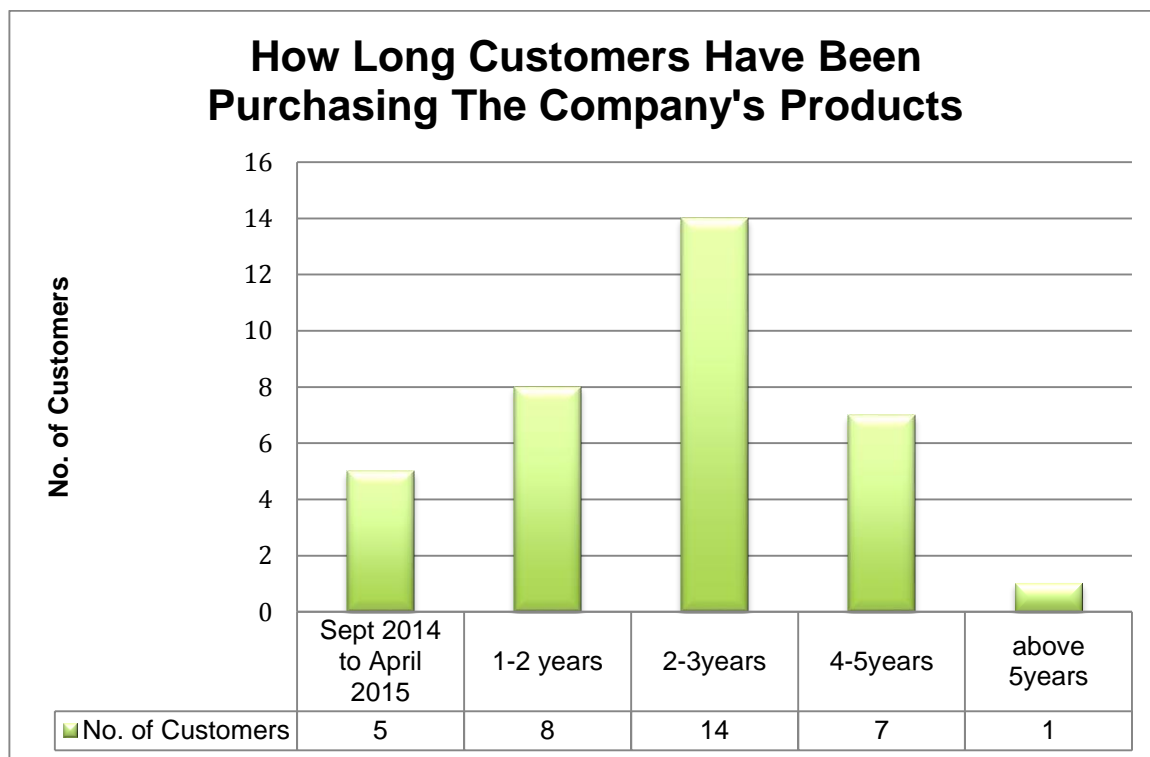
Normally, Recyclon Ghana LLC receives orders from the few known customers and the founder personally delivers to customers at their various destinations. Also, customers come over to the founder's house or appointed place to receive ordered products. Occasionally, the company sells at special events such as Chale Wote Street Art festival. Basically, this is how the company delivers its products.

Recyclon Ghana LLC gets feedback from customers via phone calls and through the various social media. Some of the challenges faced by company in its traditional distribution system are high cost, trust and loyalty from external agent, unpredictable customer demand and sometimes delay in delivery. With customer demand, orders normally come when the founder is engaged in other activities outside business operations. Certainly, it will be very ideal for the company to have a better distribution structure, which will facilitates a newly built distribution strategy that will enhance the supplies of the company to customers. So far, the most effective ways to reach customers are through social media such as Facebook, and through phone calls.

Potentially, email system would be an effective way to reach customers, because most of the customers give email addresses as their contact.

Also, these are the responses obtained from interviewing the customers of Recyclon Ghana LLC. Chiefly, most of the company's customers are based in Accra and expatriates form the greater percentage of the undefined number of customers (Addo, 2104). The **figure3** shows the distribution of how long customers have been purchasing the company's products.

Figure3:

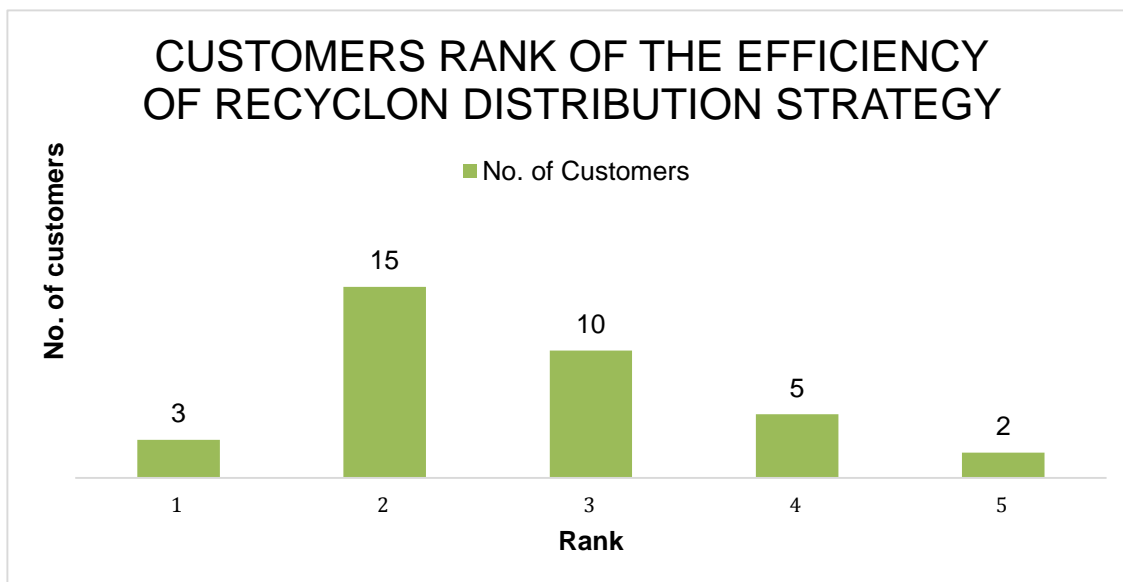


From the figure above, 14 customers have been purchasing the company's products for a period of two to three years. Only one customer has been purchasing the company's product for over five years. Five customers have been purchasing the company's product since September 2014.

From the interviews, customers said they could get access to the company's products through personal orders and through social events such as Chale Wote Street Art festival. Unlike customers who have been with the company for over 4 years, current customers said that they have no idea about the distribution structure of the company. Further, customers who have been with the company for over 4years clearly said the distribution system has not been formed well by the company.

Figure4 below shows customers' rank of the efficiency of the Recyclon Ghana LLC distribution strategy.

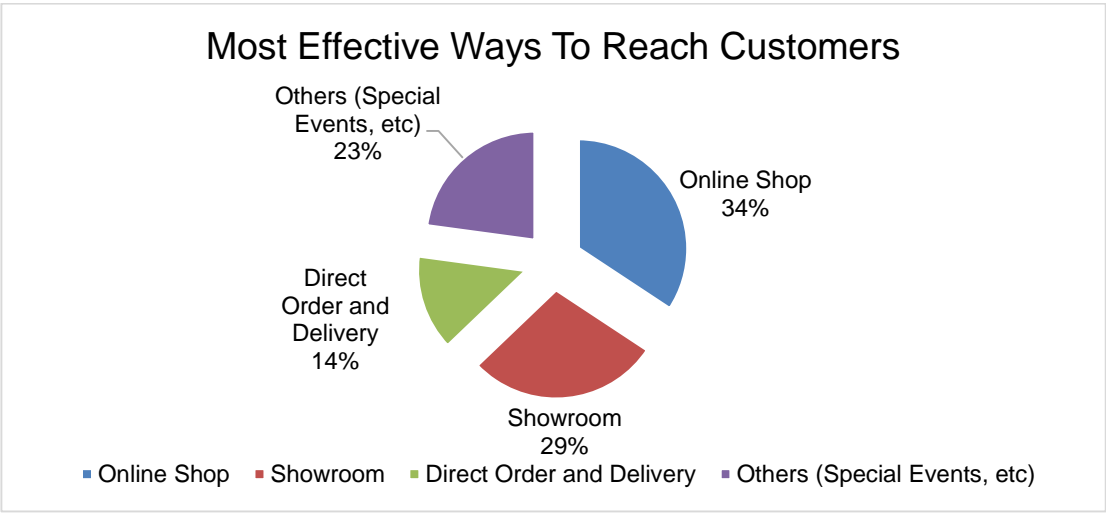
Figure4:



From figure 4, 15 customers ranked the efficiency of Recyclon distribution strategy as 2, which is fairly inefficient. Further, 10 obtained customers ranked the distribution strategy as 3, which is mediocre. Nonetheless, two customers ranked the distribution strategy as 5, which is very efficient. Comparably, most customers deemed the distribution strategy as not very good. All the 35 customers said that they would prefer any personalized service, but at affordable rates. Other services requested by

all the customers are an easy payment system, a ‘platform’ for customer feedback, and so on. Considering online stores and physical stores, 25 customers indicated that they are more likely to purchase the company’s products online and the other 10 customers would like to purchase at physical stores. Figure 5 shows the statistics on how customers would want to be reached.

Figure5:



From the above, most customers want to be reached through online shops. 29% of the customers preferred showroom for their regular purchases. The 14% describes customers who preferred direct order and delivery from manufacturer’s premise.

An average of 48% of customers fairly know more about Recyclon Ghana LLC, hence they recommended an intense education by the company on the company’s products and services through social media such as Facebook and Twitter.

Chapter 3

Literature Review

3.1 Outline of Literature reviewed

- How To Build A Distribution Channel Strategy
- How To Create A Distribution Strategy
- Integrating Distribution Strategy and Tactics: A Model and an Application.
- Distribution Strategies that Minimize Transportation and Inventory Costs
- How Many Distribution Channels?
- Optimal Price and Product Quality Decisions in a Distribution Channel
- Reducing Distribution Costs in a Two-Level Inventory System at Ciba-Geigy
- Three-Step Method to Better Distribution Channel Analysis
- Consumer Heterogeneity, Product Quality, and Distribution Channels
- Utilization of time-based strategies: Creating distribution flexibility/responsiveness
- Manufacturers' Distribution Strategy in the Presence of the Electronic Channel
- The influence of virtual communities on distribution strategies in the Internet

3.2 Chapter Overview

This chapter of the project examines the various frameworks used by other authors to build an efficient distribution strategy. By scrutiny, the most ideal frameworks were used and employed for the purposes of this project. The outline of the various frameworks reviewed has been listed above.

How to Build a Distribution Channel Strategy

In the article, Linton (2011) asserted that firms could choose from a number of distribution channels, which includes wholesalers, distributors, the Internet and so on. To ensure efficiency, the firm's strategy must incorporate the right level of control and support in order to ensure that distributors operate effectively on the firm's behalf (Linton, 2011). Linton gave five key factors that firms must consider when building a distribution strategy. These factors are reach, cost, contribution, support and customer service (Linton, 2011).

Reach considers the firm's geographical reach. If the firm's strategy is to grow its business regionally or nationally, Linton (2011) said that the firm must highlight the geographical areas and identify a network of distributors or retailers that provide existing coverage of the territories. In relationship to this project, Recyclon is focusing on reaching its customers in Accra initially, after which it will extend its reach to other regions of Ghana (Addo, 2014). Moreover, the article clarified that if the plan is to export products, the firm must focus on establishing distributors with detailed local market knowledge and must consider marketing its products online (Linton, 2011). The cost aspect advises firms to compare the cost of dealing through indirect

distribution channels with the cost of setting up the firm's own network or direct sales operation. Without a distribution network, the firm has to commit resources and efforts to order processing, stockholding, delivery, invoicing, and customer service (Linton, 2011). Moreover, Linton asserted that the firm must compare cost of establishing its own network with lower margins the firm will make by giving distributors a discount for providing a similar level of service and providing them with a program of marketing and training support.

Also, the firm's strategy should take account of the potential contribution of each distribution channel. It advises the firm to focus on working with distributors that give the firm access to an additional customer base, with no additional direct sales and marketing costs. The firm must consider also distributors that provide the firm with local market knowledge and so on (Linton, 2011).

Linton (2011) stated in the article that support and control are critical factors that must be considered in the firm's distribution strategy. The firm must appoint managers to work with distributors, which will enable the firm to monitor distributors' performance and identify their support needs (Linton, 2011). As such, the firm must develop marketing support programs to meet the needs of the different channels. Most importantly, operating a training program will improve distributors' product and marketing knowledge, and will enable distributors to deliver a higher standard of service to customers (Linton, 2011).

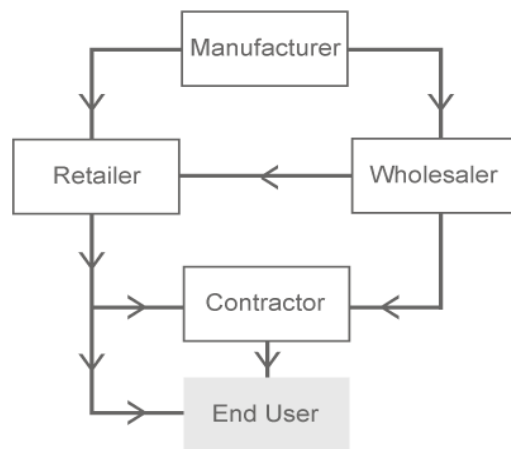
Customer service is very important to identify the types of customers the firm wish to serve directly. In the article, Linton asserted that firm must use its channel partners to

cost effectively deal with large numbers of smaller customers, so that the firm can focus its resources on its budget (Linton, 2011). **Source:** (Linton, 2011)

How to Create a Distribution Strategy

In the article, Holland (2012) asserted that a distribution strategy outlines the details on how firms plan to get its product to its customer. Figure 6 below, Holland (2012) shows a simple traditional distribution model, which is mostly used my firm.

Figure6: A traditional distribution model:



In figure 6 above, Holland (2012) asserted that a firm's distribution strategy would identify which paths the firm intends to take in order to get its products to its customers. The firm may decide to sell to wholesalers, retailers, or both. Either way, the firm needs a strategy to plan how to move its product so it can generate the best return on its investment.

In the article, Holland (2012) outlined five steps that a firm could follow to develop and implement an efficient distribution strategy. These steps are the evaluation of the end-user, the identification of potential marketing intermediaries, researching on

potential marketing intermediaries, narrowing in on the profitable distribution channels, and the management of channels of distribution.

Evaluation of the end-user is chiefly centered on conducting a marketing research to have a better understanding of what the firm's customers want and how customers would want to go about purchasing the firm's product (Holland, 2012). Results from the project shows that most customers of Recyclon Ghana LLC want to purchase the company's product through an online shop; hence Recyclon Ghana LLC must build an online store to satisfy most of its customers.

Once customers need have been identified, the firm must identify potential intermediaries in order to serve customers. Generally, there are two ways to sell to customers. These are direct and indirect sales (Holland, 2012). Potential categories of marketing intermediaries are agents and brokers, retailers and so on.

Further, the firm needs to find which types of distribution channels are available and then narrow in on the most profitable distribution channels.

Finally, the firm needs to manage its channel(s) of distribution to ensure that the firm maximizes its returns on investment (Holland, 2012). Firm must employ measure(s) to track the progress of each distribution channel against its goals laid out. If a distribution channel starts to underperform, the firm must meet its distribution partners and identify the issue(s) of the distribution model.

Source: (Holland, 2012)

Integrating Distribution Strategy and Tactics: A Model and an Application

A distribution system is a network of organizations linking a supplier to its various customer segments (Stern & El-Ansary 1982). In this article, the authors defined certain decisions required when developing a distribution system, which are strategic and tactical decisions (Lilien & Kotler 1983). They asserted that designing distribution systems requires two decisions. One is strategic which is concerned with the number of levels between the producer and the customer (Rangan & Jaikumar, 1991). The other is tactical which is concerned with the channel management policies such as trade discounts and rebates. By careful examination, while the modeling literature focuses on one or the other, evidence from the field indicates that the two decisions are very interactive. In this article, the authors developed and applied an integrated model that solves the strategic issue of channel levels and the tactical issue of price rebates simultaneously.

Strategically, McGuire and Staelin (1983) and Moorthy (1988) studied conditions under which firms would forward-integrate to assume the distributor's role. Coughlan and Wernerfelt (1989) studied the same problem, but from the point of view of downstream delegation rather than integration. Tactically, Jeuland and Shugan (1983) addressed the issue of coordinating channel members through quantity discounts; Eliashberg and Steinberg (1987) examined the nature of coordination within the channel under conditions of unstable demand, studying questions of channel prices and inventories. In principle, as the discipline has matured, there has been a tendency toward compartmentalization. From the study, the field studies

provided increasing evidence that strategic and tactical issues cannot be easily separated.

In this paper, the authors propose an integrated view of channel strategy and tactics, which consist of two levels between the producer and the end users (See Figure 7 below). Members of the second level have the choice to buy the product from any of the preceding levels. The authors considered an avenue where the firm announces the list price of a product and a rebate structure, which is a function of the delivery location. The rebates and procurement costs differ from one level to the other, and thus channel members at the second level are forced to choose the location from which they would like to take delivery. The goal is to structure the optimal buying arrangement such that customers minimize their procurement costs simultaneously, while the manufacturer maximizes profits.

Figure7: An Illustrative Two-level Distribution System

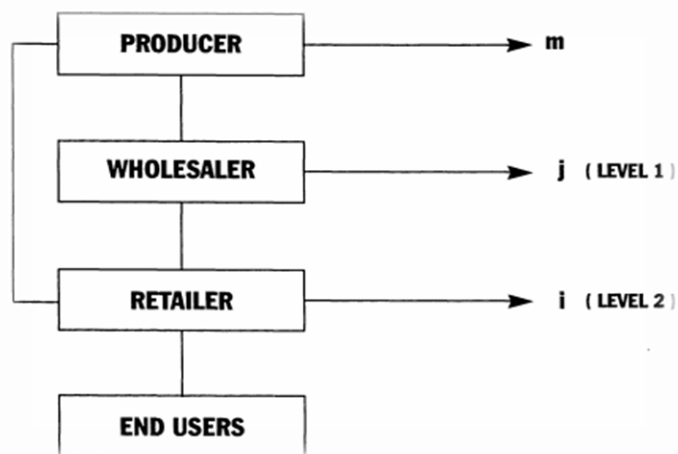


Figure 7 gives a simple description of a two-level distribution system: Level 1 consists of wholesalers, and Level 2, of retailers. Ownership of the wholesale or retail levels (company owned or independent) is not important to the formulation; rather the

authors were interested in the structure. There was an assumption that each retailer may purchase from one and only one wholesaler or the manufacturer's warehouse, but not both. The manufacturer's decision rule for channel optimization is to maximize with respect to retailers.

In relationship to this project, Recyclon must identify and establish the common relations with its strategic and tactical goals in order to build an efficient distribution system. Moreover, Recyclon must consider establishing a very simple distribution system in order to ensure efficiency. The application demonstrated to the company's management the value of using a tactical tool such as price rebates to affect a strategic shift. Further, the company's modification of the recommendation to use direct channels in certain territories shows the strategy versus tactics trade-off. Likewise, Recyclon can employ the direct channels in certain market areas in Accra in order to reduce cost and ensure proximity. Korns' differential discounting policy for goods shipped out of Korns' warehouse demonstrates its tactical solution for a channel structure it did not wish to change. Recyclon Ghana LLC could establish a discounting policy in just as Korns did in order to increase its sales. The model structure may be used by Recyclon Ghana in those circumstances to effectively segment customers along channels by picking the appropriate discount structure.

Source: (Rangan & Jaikumar, 1991)

Distribution Strategies that Minimize Transportation and Inventory Costs

In the literature, the writer developed an analytic method for minimizing the cost of distributing freight by truck from a supplier to many customers. It derives formulas for

transportation and inventory costs, and determines the optimal trade-off between these costs. Further, the paper analyzes and compares two distribution strategies, which are direct shipping and peddling. Direct shipping considers shipping separate loads to each customer and peddling considers dispatching trucks that deliver items to more than one customer per load (Burns, et al., 1985).

The paper examines that the cost trade-off in each strategy depends on shipment size (burns, et al. 1985). The results from the study indicate that, for direct shipping, the optimal shipment size is given by the economic order quantity (EOQ) model, which considers carrying and ordering cost among others. Also, the peddling cost trade-off depends on the number of customers included on a peddling route. This trade-off is evaluated analytically and graphically. **Figure8** below shows graphical presentation of the Peddle stages.

Actually, this paper focused on an analytic approach to solving distribution problems. Likewise, Recyclon Ghana LLC must clearly define its customer base region(s) in order to clearly assess its cost effectiveness. The company must also clearly define values cherished highly by customers in order to be efficient. This approach simplifies distribution problems substantially while providing sufficient accuracy for practical applications. It allows cost trade-offs to be evaluated quickly using a hand calculator, avoiding the need for computer algorithms and mathematical programming techniques. In relation to this project, Recyclon Ghana LLC, while developing its distribution structure, must consider establishing factors that will help the company to reduce its transportation and inventory cost, which will help the company to achieve

an optimal trading cost between its costs. Economic Order Quantity model can be a measure for the company to manage it cost effectively.

Results indicate that peddling is less expensive than direct shipping when items are valuable. This cost advantage increases with distance from supplier, customer density, item value and carrying charge. It also increases as average customer demand decreases. Shippers and carriers can use the peddling formulas as an aid in developing optimal distribution strategies. Likewise, Recyclon can consider using the peddling approach to reduce general cost of its distribution structure.

Figure8: The Peddle Stages:

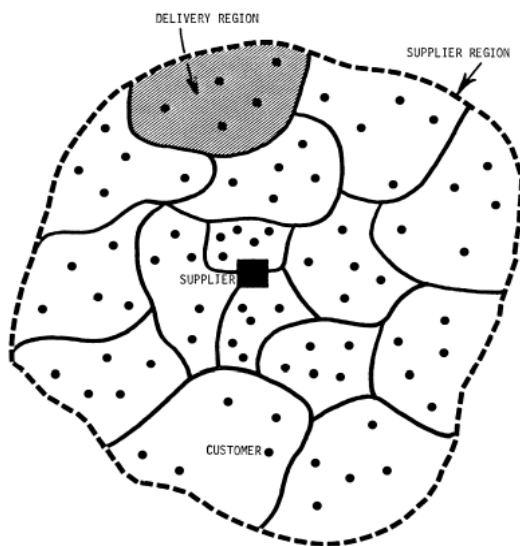
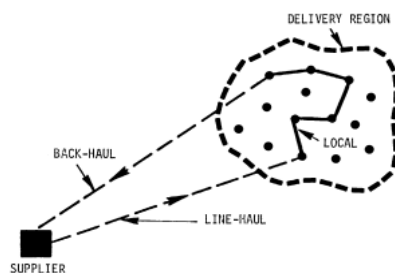


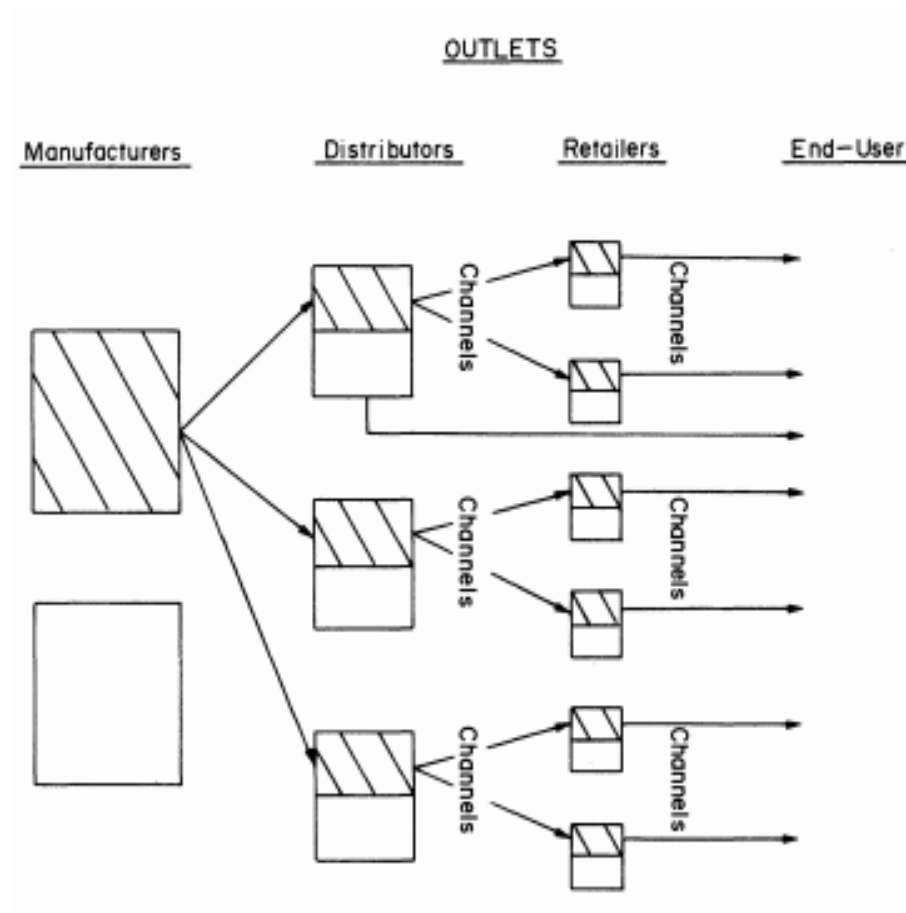
Figure 2. Delivery regions.



How Many Distribution Channels?

In the article, the existing distribution network of the company under study was complex (see Figure 9 below). Manufacturers deliver to their appointed distributors and these distributors act as independent agents for several manufacturers with competing products. Most retailers maintain links with several distributors in an attempt to avoid over dependence on a single distributor. The retailers sell direct to the end-user, particularly the domestic market. The company is faced with two specific problems, which are: existing retailers applying to be upgraded to distributor status and existing distributors who are not meeting defined guidelines for performance.

Figure9: Distribution Network



A probabilistic gravity model was employed to represent the interaction between consumers and the distribution channels. This type of model has been widely used in planning and transportation studies. The model is driven by a set of consumer zones and a set of distribution channels and it considers certain factors, which are individual consumer in a zone, attractiveness of a single distribution channel consumer, the time travel to consumer, per capita expenditure of individual consumer, number of consumers at a zone, total expenditure of a distribution channel, and the market share of the company. The writer asserted that these are factors that make a distribution network very efficient (Sibley, 1981).

To be efficient would depend on the degree of control the company could exercise over a distributor in terms of the selection of particular retail outlets. Considerably, Recyclon Ghana must have the ultimate decision control to choose a very attractive channel, but helps it to reduce cost, maximize customer value and become efficient in travel time. Also, considering the small size of the company, Sibley (1981) recommends a very simple distribution channel that will assist the company to reach its customers on time. **Source: (Sibley, 1981)**

Optimal Price and Product Quality Decisions in a Distribution Channel

In this paper, Xu (2009) studied a joint pricing and product quality decision problem in a distribution channel, in which a manufacturer sells a product through a retailer. The manufacturer jointly determines the wholesale price and quality of the product and the retailer determines the retail price. The studies discovered that if the marginal revenue function is strictly bowl-shaped, then the manufacturer chooses a lower

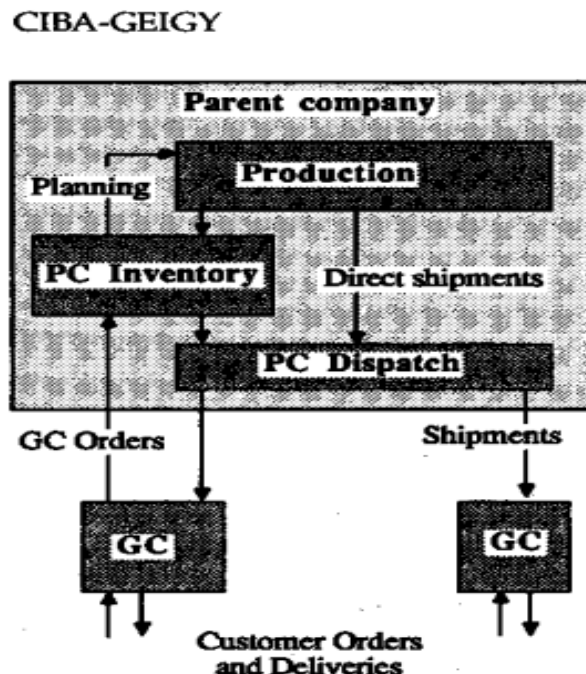
product quality level than if selling the product directly to customers. If the marginal revenue function is parallel, then the manufacturer's optimal product quality decision is independent of the distribution channel structure. If the marginal revenue function is strictly convex, then the manufacturer chooses a higher product quality level than if selling the product directly to customers. Although Recyclon Ghana LLC has existed for only eight months, the company must carefully study its revenue as proposed by Xu (2009) in order to determine its effect on product quality, selling strategy and price. As such, this will assist the company to make effective decisions pertaining to its chosen distribution channel(s). The study compared two distribution channel structures: (1) the manufacturer sells the product directly to customers (the direct-sell case) and (2) the manufacturer sells the product through a retailer (the indirect-sell case). With direct sales, the manufacturer determines an optimal direct-sell price and product quality to maximize profit. With indirect sales, retailers also make decisions, which affects product quality and price. By scrutiny, Recyclon Ghana LLC can initially start its distribution system with direct sales in order to maximize profit and reduce initial cost associated with retailers.

Reducing Distribution Costs in a Two-Level Inventory System at Ciba-Geigy

Fincke and Vaessen (1988) gave an account of a simulation model of a two-level inventory and distribution system constructed by Ciba-Geigy (Multinational Corporation) to develop and analyze strategies for reducing overall distribution costs. The model covers all stages of distribution, beginning with production planning and ending with delivery of goods to customers in different countries. Besides

considerable expected reductions in distribution costs, the model led to insight as to where to concentrate future efforts to reduce the capital tied up in the distribution chain. Also, It showed that a planned, highly automated inventory and distribution center removes the incentives for using a distribution strategy that "pushes" finished goods to the group companies immediately after production. Ciba-Geigy developed a simulation model, which helps to determine the effect different stock levels in the parent and in the group companies on the service levels, overall distribution cost, and so on. It also helped to determine the advantages of direct shipment distribution policy, and the influence of group company order periods. Key factors that determines the efficiency of the company's distribution system centered on material and information flows, production planning, inventory control policy, customer demand and so on. **Figure10** shows the distribution system of the company.

Figure10: Customer Orders and Deliveries of Cina-Geigy



The company's products are delivered to the finished goods inventory or in the case of direct shipment, to the PC dispatch inventory for immediate transport. Orders from the group companies (GC) are taken from the finished goods inventory, prepared for shipment to the group companies. The distribution of Ciba-Geigy advises companies such as Recyclon Ghana to first assess its cost when it uses direct or indirect shipment in order to efficiently reduce the overall cost of the distribution system. Considerable factors such as efficient inventory management and production planning can massively assist companies such as Recyclon Ghana to reduce its distribution cost. By careful examination of the article, it would be appropriate for Recyclon Ghana to take advantages of direct shipment distribution policy, since the company is small. Its revenue base is primarily approximated; hence decentralizing safety stock will certainly increase its overall distribution cost.

Source: (Fincke & Vaessen, 1988)

Three-Step Method to Better Distribution Channel Analysis

In this article, Christian (1958) asserted that analysis and evaluation of industrial distribution channels is a continuous problem facing nearly every industrial firm. This paper further assessed that when sales shrink, and profits do likewise, companies can do well to take a good look at their channels. This paper assesses that to provide management with adequate distribution knowledge, marketing research must develop a pattern of analysis, which can lead to specific recommendations for action (Christian, 1958). The effective three-step technique for analyzing distribution performance was discussed in the paper. The first step is reviewing the commonly

accepted basic factors needed for a successful manufacturer channel marketing relationship. These are selection, working relationship, written policy and profits. Selection basically considers certain crucial factors/situation that existed when the original selection of the present distribution channels occurred. Profits determine seeks to determine whether the chosen distribution channel makes a fair profit from the product line.

This second step aims to perform an evaluation which is facilitated detailed "performance evaluation checklist." This checklist must be tailored to specific companies, to specific channels and to specific marketing operations

Christian (1958) indicated in his article that the third step reviews the current marketing trends, which directly affect the channel performance. The trends are the increasing need for thorough marketing coordination at every level, closer control of the channels, and Formalized and Creative Marketing Research. Perhaps, the most important factor is for a company such as Recyclon Ghana LLC to understand the underlying economic effects and possible changes will provide the company with a sound foundation from which to study distribution channels (Christian, 1958). The economic effects of the recycling industry seems to be less risky, hence Recyclon Ghana must exploit those potential in order to build a firm distribution channel.

Source: (Christian, 1958)

Consumer Heterogeneity, Product Quality, and Distribution Channels

Shi (2013) shows that the effect of different distribution channel structures on product quality depends on the type of consumer heterogeneity (diverse character) and its

distribution in a market. When consumer heterogeneity is uniformly distributed either vertically on willingness to pay or horizontally on transaction costs, a manufacturer may provide the same or lower product quality in a decentralized channel than in a centralized channel. The willingness to pay by Recyclon customers follows a more general distribution on consumers' heterogeneity. The company must continue to provide higher product quality as it has defined in the company's value proposition. In the article, Shi (2013) asserted that when consumer heterogeneity follows a more general distribution on willingness to pay, under certain conditions, the manufacturer might provide higher product quality in a decentralized channel than in a centralized channel. Also, Recyclon Ghana can consider a direct distribution system as proposed by Fincke and Vaessen (1988) in order to reduce cost associated with a distribution channel.

Source: (Shi, et al., 2013)

Utilization of time-based strategies: Creating distribution flexibility/responsiveness

In the article, Pittman and Daugherty (1995) explored how firms can use time-based strategies within their distribution operations. The results indicated that firms who had competitive advantage had proactively worked to make their operations more flexible and allow them to respond more quickly to customer requests. Considerably, a simple online avenue for sales can make Recyclon Ghana have the flexibility to response to its customers' needs quickly (Wu, et al., 2008). From the studies, firms

who had competitive advantage had developed the capabilities to customize or tailor services to specific market segments in a timely manner, learned to prioritize requests and respond with differentiated service programs, and strategically exploited information capabilities in order to alternate “information for inventory” in a cost-effective manner. Likewise, Recyclon Ghana must customize its unique recycled products and tailor its unique services to a clearly defined market segment in a timely manner. As one of the pioneers of Ghana’s recycling industry, Recyclon Ghana must strategically exploit the few but useful information of the industry in order to reduce cost and maximize profit. Recyclon Ghana LLC cannot compromise the use of communication platforms such as Facebook.

Source: (Pittman and Daugherty, 1995)

Manufacturers' Distribution Strategy in the Presence of the Electronic Channel

Wu asserted that the Internet provides an additional channel for manufacturers to provide information about and sell their products. Moreover, it helps to reduce cost and helps companies to reach their customers (Wu, et al., 2008). This paper examines how Internet technology affects a monopoly manufacturer's distribution problem in an environment where product information is important for consumers to identify their ideal product. The model developed suggests that a manufacturer uses the electronic channel in addition to the physical channel when the product information is very valuable and product information is largely about digital attributes, or when the product information is not valuable. Efficient cost management is a key factor in this regard if Recyclon Ghana wants to have competitive edge in the field of

intense competition. Therefore Recyclon Ghana must build consumers' search strategy, which takes into consideration products information and pricing strategy. The study pointed out the fact that these are some of the factors consumers consider when choosing avenue for purchase (Wu, et al., 2008). This article advises companies such as Recyclon Ghana LLC to choose a distribution structure that maximizes its profits. (Wu, et al., 2008).

By scrutiny, the Internet is an additional channel for manufacturers to provide information about and sell their products. The electronic channel has properties that are different from the physical channel, which helps to reduced cost and increasing reach, but limited capability to provide product information, influences the manufacturer's distribution problem. Recyclon Ghana must consider building an online platform to reach its customers. When building such platform, Recyclon Ghana must make sure to give out more product information in order to favorably influence consumer search and purchases.

Source: (Wu, et al. 2008)

The influence of virtual communities on distribution strategies in the Internet

Flavián and Guinalíu (2005) presented the virtual community as a strategy that can increase the chance of success in the distribution of products over the Internet. The article describes the concept of a virtual community and analyzed how some well-known companies such as Amazon and Apple Inc. are using virtual communities to back up the distribution of their products over the Internet. Following the study of the various companies, the additional benefits arising from the use of virtual communities

are explained and a series of recommendations for managing them. Through the conceptual analysis of the virtual community and the descriptive study of five real cases of companies, the article showed, among other things, how it is possible to attain greater brand awareness, more precise market segmentation and the highest degree of supply differentiation. Other benefits from the use of virtual communities include the income from advertising in the community, information sources and increased security and trust (Flavián & Guinalíu, 2005). Flavián & Guinalíu (2005) said that some key aspects that should be considered when developing a virtual brand community are the analysis of members' needs, promoting self-management, minimizing cost, using the most suitable technology structure, specializing roles and strengthening the community feelings. From the interviews, most customers preferred an online store where they can make regular purchase of the company's products. Recyclon Ghana can better analyze the needs of its target market by using online shops to differentiate its supplies.

Source: (Flavián & Guinalíu, 2005).

3.3 Chapter conclusion

By scrutiny, distribution strategy is one of the key functional plans, which generally helps a firm to have a competitive advantage, attain superior brand awareness, get more precise market segmentation, minimize cost, retain customers, and obtain the highest degree of supply differentiation (Flavián & Guinalíu, 2005). A firm must understand its customers and their needs, corporate value and operations, delivery chain members, among other factors to effectively establish and implement a successful distribution strategy. Most of the articles recommend that new firms such

as Recyclon Ghana LLC need to build a very simple distribution channel, which will help the firm to reduce cost and maximize profit. Also, the company must know its customers and target market to choose the appropriate distribution channel, which will assist the firm to deliver their values. Most of the articles suggested that Recyclon should incorporate the services of an online shop in order to gain competitive advantage and it's improve brand awareness.

Chapter 4

Designing the Model

4.1 What Inspired the Decision to Design the Model

The information obtained from the interviews and literatures on distribution strategy inspired the decision to develop this distribution model as a strategic tool to make the distribution structure of Recyclon Ghana more efficient. The proposed distribution strategy for this project was developed following and using Linton (2011) and Holland (2012) literatures on how to develop a distribution channel strategy⁵.

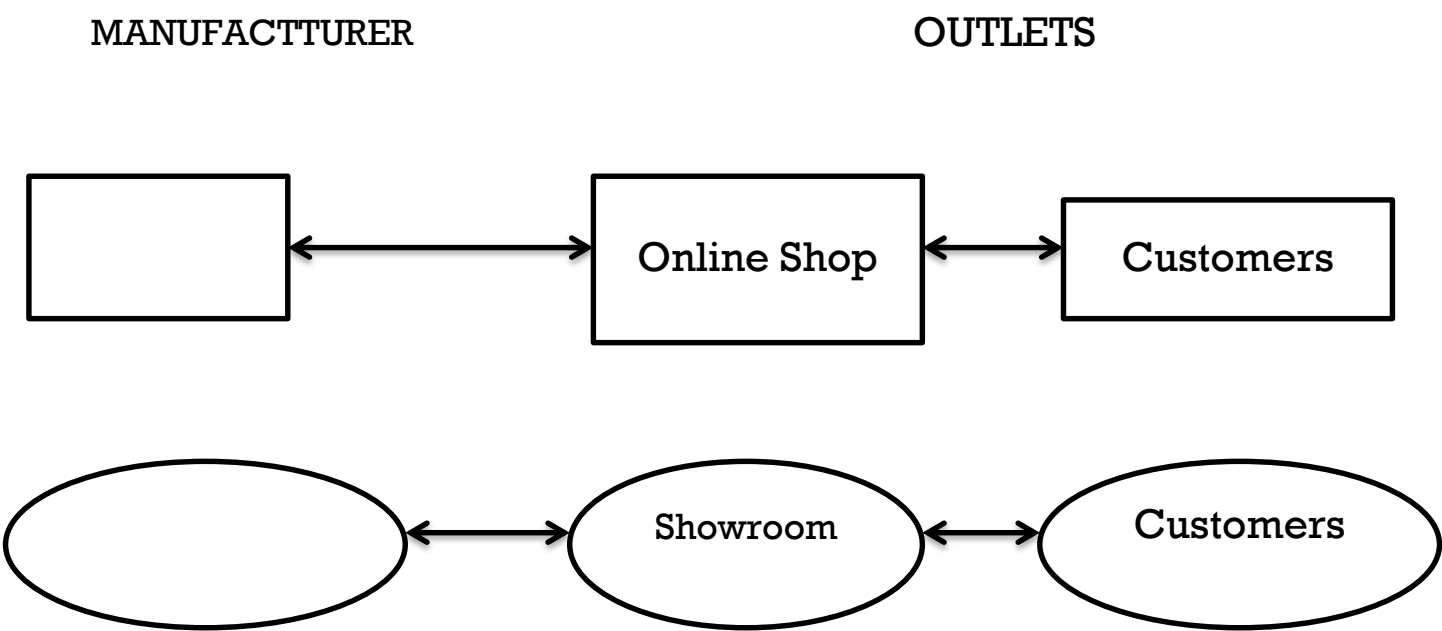
About the Proposed Distribution model

Ebenezer Asamoah developed the proposed distribution model during the applied project undertaken in the year 2015. Recyclon Ghana and any related firm can use this model when it realizes the adopted distribution strategy is inefficient. The strategic delivery model helps any entity such as Recyclon Ghana to efficiently identify the appropriate channels to deliver value to its customers.

The distribution model is a Two-level distribution model. It was chosen because it will assist Recyclon Ghana to develop a distribution system, which is based on strategic and tactical decisions (Lilien & Kotler 1983). The strategic aspect will assist Recyclon Ghana to build a firm relationship with its customers (Ranagan & Jaikumar, 1991). The tactical aspect, which is concerned with the channel management policies, will assist Recyclon Ghana to better assess and manage its distribution system.

⁵ Refer to Chapter on Reviewed Literature for Linton (2011) and Holland (2012) articles.

Figure11: The Proposed Two-Level Distribution Model



Key:

Figure 11 gives a simple description of a two-level distribution system. Level 1 consists of an online shop and Level 2 consists of a showroom. Ownership and management of the online shop and showroom is by Recyclon Ghana LLC. There is an assumption that customers may place a particular order and purchase from one and only one outlet (online shop and showroom) at a time, but not both outlets (Rangan & Jaikumar, 1991). However, delivery of purchased products will be done solely through the showroom, either by direct delivery to customer's destination or customer will receive product(s) at the showroom. There is also an assumption that product delivery to customers'

Level 1

Level 2

Back and Forward communication network

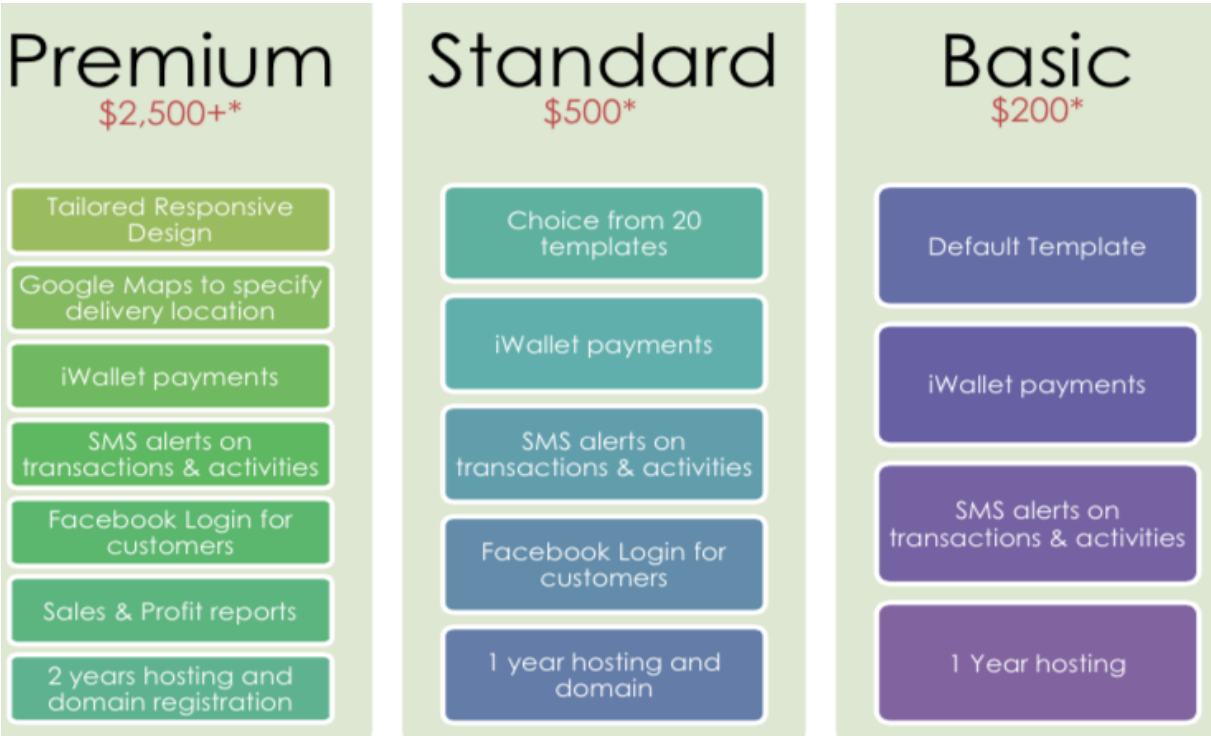
destinations attracts extra cost, however quantity discount would be given to customers. The showroom may be hired or completely owned by Recyclon Ghana LLC, based on the cost analysis of establishing a showroom. The cost analysis shows that Recyclon Ghana LLC may initially hire a showroom and later invest into building its own showroom. Also, the manufacturer's decision rule for channel optimization is to maximize convenience and respect to customers (Rangan & Jaikumar, 1991). The model development for Level 1 distribution channel structure considers an online-built payment and ordering platforms to enhance convenience for customers. Also, the additional assumption is that the rebate displayed at online shops will always enhance ordering and purchasing by customers (Jaikumar & Rangan 1990).

Steps Taken to Develop the Distribution Strategy

The initial step considered evaluating end-users needs. From studies, most customers preferred an online shop to make regular purchase. Also, a greater percentage of customers proposed a showroom where they can make regular purchases. After careful assessment based on Linton (2011) literature on Reach, Recyclon's reached market is initially based in Accra. Thus, informing the researcher to build a simple Two-level distribution level that will assist the company to reduce cost and fully satisfy the reached market in Accra. Nonetheless, the online shop, in future will assist the company to reach other customers in the other ten regions of Ghana, and even beyond Ghana (Flavián & Guinalíu, 2005). From the interview, customers proposed an ordering and payment system. By scrutiny, the researcher

released the online shop and the payment system can be provided by DreamOval Ghana Ltd. Figure12 shows the e-commerce packages by DreamOval Ghana Ltd.

Figure12: e-commerce Packages by DreamOval Ghana Ltd.

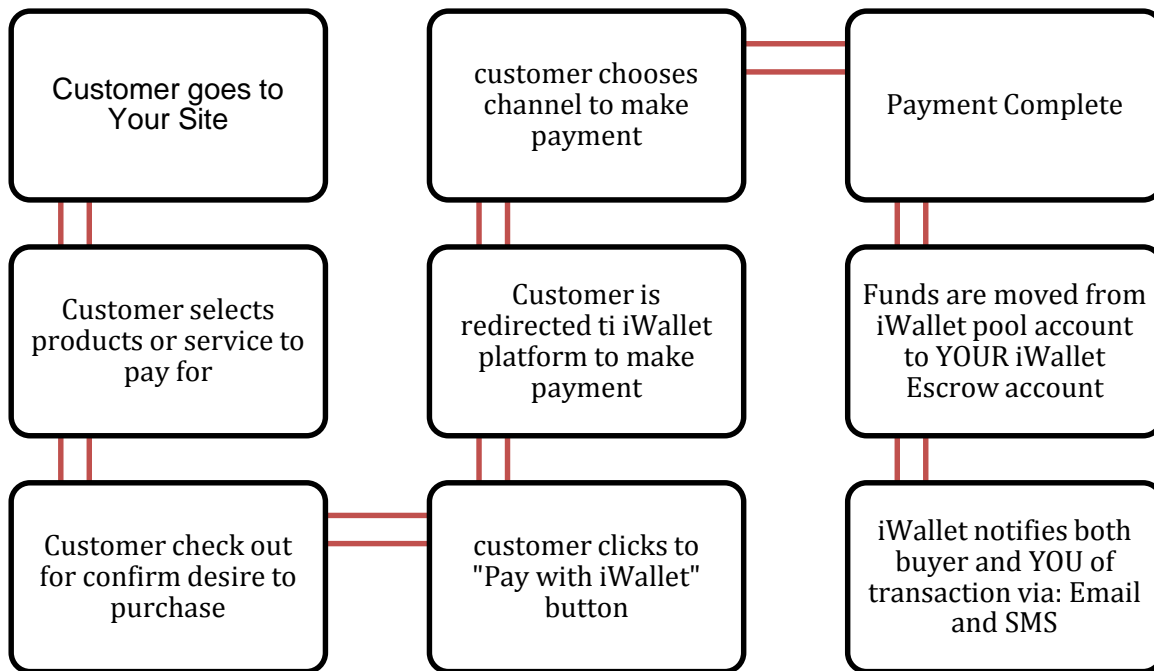


Source: (DreamOval, 2014)

E-commerce packages by DreamOval Ghana Ltd. include catalogue, customer manager, order manager and payment (DreamOval, 2014).

Figure 12 shows how the Process Flow of how customers will purchase the company’s product(s) using DreamOval’s iWallet.

Figure13: Process Flow of Online Purchases



Source: (DreamOval, 2014)

The second step focused on identifying potential marketing intermediaries, which will assist Recyclon Ghana LLC to satisfy its customers' needs.

The Spreadsheet shown in Table1 shows the identification of potential intermediaries

Table1: Potential Distribution Intermediaries:

Channel Name	Potential Intermediaries	Total number of Potential Intermediaries
Level 1	An Online Shop	1
Level 2	A Showroom	1 <i>(In future, there will be showrooms in all the ten regions of Ghana)</i>

Considering the current finances of Recyclon Ghana LLC, it is not advisable for Recyclon Ghana LLC to contract an agent to sell on its behalf (Fincke & Vaessen 1988). However, plans can be taken to contract agent(s) to sell on behalf of the company when it largely extends its market to other regions. **Table2** below shows the potential cost associated with each intermediary.

Table2: Potential Cost Associated With Each Intermediary

Channel Name	Month 1	Month 2	Month 3	Month4	Total for the first 4 Months
Level 1	Ghc1000	Ghc500	Ghc350	Ghc300	
Level 2:	Ghc2700	Ghc1500	Ghc1000	Ghc800	
Total:	Ghc2500	Ghc2000	Ghc1350	Ghc1100	Ghc6950

The financial analysis done was estimated. At Level 1, the cost of Ghc1000 obtained for Month 1 was estimated based on the basic e-commerce package of Ghc800 by DreamOval. The researcher proposed the basic e-commerce package in order for Recyclon Ghana to reduce associated with establishing an online shop (DreamOval, 2014). Additionally, other cost such as Internet usage cost might raise the cost to an approximated total amount of Ghc1000. Cost might be more or less depending on price trends on the general market. In the follow months, cost associated with Level 1 will drastically reduce, because cost such as cost of website would be completely or partially eliminated. At Level 2, the cost of Ghc2700 obtained for Month 1 was estimated based on a shop rent charge of \$550 by Royal VoGo Realty at Abebresem

Street, Osu (Ghanafind, 2015). Costs in subsequent months is likely to reduce because other cost such as painting and rehabilitation cost is likely to be eliminated. Moreover, Recyclon Ghana LLC is likely to effectively manage and reduce its lighting and cooling cost. The researcher proposed a showroom at Osu because it is one of Ghana's most lucrative business hubs where most expatriates and potential buyers can be found (Travel Ghana, 2015). By critical examination, it is feasible for Recyclon Ghana LLC to consider both channels, because the company estimates to commit Ghc93426 into indirect expenditure, which will probably cater for rent, lighting and so on. Refer to section 5 of the Appendix to see the estimated amount of Ghc93426, which is intended for indirect expenditure.

The following step gives detail information of service providers at the various levels of distribution. Appendix 6 shows key information about the potential service providers.

Recyclon Ghana LLC produces and sells a particular and unique type of recycled products mix. As such, a selective distribution method would initially be ideal for its products. A selective distribution means there is a few intermediaries used to sell/distribute a particular type of product, which is only sold within a certain geographical area (Holland, 2012). The table below shows a comprehensive cost-profit simulation proposed by Holland (2012), which will assist Recyclon Ghana LLC to price its products and maximize profit. All amounts and margins used in the table were reasonably approximated without any basis.

Table3: Cost-Profit Simulation for Pricing

Product Name	Cost to make Product	Desired Profit Margin	Minimum Price
Glass Bead	Ghc15	20%	Ghc18
Eco-corner seat	Ghc30	42%	Ghc43

Room divider	Ghc60	40%	Ghc84
Car Tyre Table	Ghc50	40%	Ghc70
Saw dust briquettes	Ghc8	25%	Ghc10
Eco- Journal	Ghc10	60%	Ghc16

The final step proposed by Holland (2012) is concern with management of the Two-level distribution model. By scrutiny, Recyclon Ghana LLC can employ some of the elements outlined in the three-step distribution channel analysis proposed by Christian (1958) to effectively manage the distribution model. The elements proposed by the researcher are selection, working relationship, written policy, checklist for product-line and channels, studying marketing, analysis and closer control of channels, and creative marketing research and sales programs (Christian, 1958).

In the context of management, Recyclon Ghana LLC must have a written policy that defines and assigns roles of each player of the various channels. This will ensure accountability, transparency and easy identification of the source of a particular issue(s). Also, Recyclon Ghana LLC must establish a standardized checklist, which is based on the company's value to check the efficiency of product(s) at check distribution level. This will ensure that customers are served with the right products. At the bigger picture, Recyclon Ghana LLC must study the trend of the market, analyze and closely control its channels. This will assist the company to establish creative marketing research tools and sales programs in order to be efficient. By scrutiny, these elements, when taken into consideration will assist Recyclon Ghana LLC to effectively manage the proposed distribution model.

Other Features of the Distribution Model

Other features of the proposed distribution model are:

- Customer Order Manager: This manager is embedded in the online shop built by DreamOval Ghana Ltd.
- Product Delivery Manager: This manager ensures that ordered products are delivered safely to customers.
- Events manager: This manager reminds Recyclon Ghana LLC about certain important events to be attended to.
- Social Media Platform: This is a free application that will help Recyclon Ghana LLC to educate customers on its products and services. These media include Facebook and Twitter.
- Outlook Office365 Integration: This application is a free 'email' application should will enhance communication between the company, channels members, and customers.
- Cost Manager: This is a cost management application that will be produced by DreamOval Ghana Ltd.

How To Use Effectively use the Distribution model

To effectively use the proposed distribution model, Recyclon Ghana LLC must first define its target market clearly. Also, Recyclon Ghana LLC must compare the cost of dealing with the various distribution channels, which includes order processing, stockholding, delivery, invoicing, and customer service (Linton, 2011). Additionally, Recyclon Ghana LLC must focus and work with distributors that give it access to an

additional customer base, with no additional direct sales and marketing costs (Linton, 2011). The firm must appoint manager(s) to work with distributors, which will enable the firm to monitor distributors' performance and identify their support needs (Linton, 2011). To effectively manage customer service, Recyclon Ghana LLC must use its channel partners to cost effectively deal with large numbers of smaller customers, so that the firm can focus its resources on its budget (Linton, 2011). The article by Linton (2011) gives more information on how Recyclon Ghana LLC can effectively use the proposed distribution model.

Strengths of the Two-Level Distribution Model

- Its very useful when the company if faced with complex distribution system, which involves integrated and non-integrated channel members.
- The flexible state of the model will help the company to continuously change its strategies in order to perfectly fit the other strategies.
- Easy to understand and use

Weaknesses of the Two-Level Distribution Model

- The model did not consider potential expansion cost.
- The Model did not take into account the potential threats from rivals.
- The Model did not consider potential threats from substitute products.
- The Model did not consider the effects of international trade and globalization of the company's distribution strategy.

Chapter 5

Conclusions and Recommendations

The project was undertaken to assist Recyclon Ghana LLC to build a well organized and efficient distribution strategy in order to make its products always available to customers. The distribution tool developed would assist the company to identify, define and reach its target market. It was recognized that most of the customers at the reach market preferred an easy and convenient avenue such as an online store to make regular purchases. Although Recyclon Ghana LLC has good leadership team, most literatures reviewed claims that the company must clearly define its scope of activities and draft a written policy that will define, identify and assign role(s) to potential members of the company's distribution channel (Linton, 2012). Some of the limitations of the Two-level distribution model are its inability to capture potential threats from rivals and substitute products, its inability to thoroughly capture expansion cost, and its inability to capture the effects of international trade and globalization of the company's distribution strategy. It was suggested that Recyclon Ghana LLC must compare the cost of dealing with the various distribution channels, which includes order processing, stockholding, delivery, invoicing, and customer service (Linton, 2011).

Recyclon Ghana has built its ideal organizational chart in such a way that Distribution and Exports department will directly receive instructions and report to Human Resource Department. On this account, it was recommended that Recyclon Ghana LLC must restructure its organizational chart in the future in order to have **Supply**

Chain and Marketing department at the third rank. This is because the Human Resource department for instance deals with recruitment and other human related services, and the Distribution and Exports department does not need recruitment information to deliver goods (Kotler, 2003). Also, it was recommended that Recyclon Ghana LLC must study the trend of the market, analyze and closely control of its channels in order to effectively manage and make its distribution strategy efficient.

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Appendix

Appendix 1

Interview guide for interviewing the Founder of Recyclon Ghana LLC

1. When was the company established?
2. Does Recyclon Ghana LLC have a distribution strategy?
3. How will you describe the company's distribution strategy?
4. On a scale of 1-5, (*where 1 is inefficient and 5 is highly efficient*), rank the efficiency of the distribution strategy.
5. Does Recyclon Ghana LLC have a distribution structure/system, which facilitates the company's distribution strategy?
6. How will you describe your distribution team?
7. How does Recyclon Ghana LLC normally deliver end products to customers?
8. How does Recyclon Ghana LLC get feedback from customers?
9. What are some of the challenges the company face in its traditional distribution system?
10. Do you think it will be ideal for the company to have a better distribution structure, which facilitates a new distribution strategy?
11. What is the most effective way of reaching your customers?
 - a) Phone call
 - b) Social Media (such as Facebook)
 - c) Email
 - d) Visit

Appendix 2

Interview guide for interviewing the customers of Recyclon Ghana LLC

- 1) How long have you been buying products of Recyclon Ghana LLC?
- 2) How do you normally get access to the company's products?
- 3) Do you, by chance, know the distribution structure of Recyclon Ghana LLC?
- 4) If yes, how will you describe it?
- 5) On a scale of 1-5, (*where 1 is inefficient and 5 is highly efficient*), rank the efficiency of the distribution strategy.
- 6) Do you need any personalized service?
- 7) Considering online stores and physical stores, which one are you more likely to purchase the company's products?
- 8) What is the most effective way(s) you think the company can reach you?
 - a) Online Shop
 - b) Showroom
 - c) Direct Order and Delivery
 - d) Others (such as special events)
- 9) On a scale of 1-5, (*where 1 is very low and 5 is very high*), how much do you know about the Recyclon Ghana LLC?
- 10) On a scale of 1-5, (*where 1 is very low and 5 is very high*), how much will you need to be educated by Recyclon Ghana LLC on its products and services?
- 11) What is the most effective medium that Recyclon Ghana LLC can educate you?
 - a) Social Media, such as Facebook

- b) The Company's website
- c) Bill boards and posters
- d) Print and Audiovisual media (such as Daily graphic, Peace FM, TV)

Appendix 3

Visuals of Some of the Products



Car Tyre Table
Metal & Rescued Wood



Eco Corner Seat
Metal, Cushion, Scrap



Eco-Journals
Old fabric scraps, paint, cards,



Eco Rug/Carpeting

Appendix 4

FINANCIAL MODEL

FINANCIAL STATEMENTS

		0	1	2	3	4	5	Percentage Change
ALL AMOUNTS IN GHS		2015	2016	2017	2018	2019	2020	
INCOME & EXPENDITURE	Income	383,535	421,889	464,077	510,485	561,534	617,687	10.0% << Constant increase
	Direct Expenditure	(300,061)	(330,068)	(363,074)	(399,382)	(439,320)	(483,252)	
	Gross Earnings	83,474	91,821	101,003	111,103	122,214	134,435	
	Indirect Expenditure	(77,848)	(85,053)	(92,978)	(101,696)	(114,035)	(117,434)	
	EBIT	5,626	6,768	8,025	9,407	8,178	17,001	
	Finance cost	(6,837)	(6,337)	(4,236)	(2,112)	-	-	
	EBT	(1,211)	431	3,789	7,295	8,178	17,001	
	Tax	-25%	-	(108)	(947)	(1,824)	(2,045)	(4,250)
	Income Surplus/ (Deficit)		(1,211)	323	2,842	5,472	6,134	12,751

Appendix 5

FINANCIAL STATEMENTS		0	1	2	3	4	5
ALL AMOUNTS IN USD		2015	2016	2017	2018	2019	2020
INCOME & EXPENDITURE	Income	266,683	451,308	496,439	546,083	600,691	660,760
	Direct Expenditure	(210,658)	(356,496)	(392,146)	(431,361)	(474,497)	(521,946)
	Gross Earnings	56,025	94,812	104,293	114,722	126,194	138,814
	Indirect Expenditure	(93,426)	(101,344)	(88,757)	(96,208)	(107,153)	(109,019)
	EBIT	(37,401)	(6,532)	15,536	18,514	19,041	29,795
	Finance cost	-	-	-	-	-	-
	EBT	(37,401)	(6,532)	15,536	18,514	19,041	29,795
	Tax	-25%	-	(3,884)	(4,629)	(4,760)	(7,449)
	Income Surplus/ (Deficit)	(37,401)	(6,532)	11,652	13,886	14,281	22,346

Appendix 6

Service Provider	Service to be Provided	Website	Suitable Price package	Contact	Potential weakness that the provider can address	Potential opportunity that could be taken advantage of by Recyclon
DreamOval Ghana Ltd. (Crystal Plaza, Lashibi)	Online Store packages and other services such as iwallet	www.dreamoval.com www.iwallet.com.gh	GHC 800 (Basic E-Commerce package)	0303411045 0263775030	- Insufficient system organization	- Order manager - Payment platform - Security Manager - Statistic analytics and reports manager - Office (Admin) Manager -Etc.
Royal VoGo Realty (Osu)	Space for Rent	http://goo.gl/X9629M	GHC 2,200 per month	0544844444 0277552194	- Space Rental Issues	- Osu, as a lucrative business Hub in Accra - Affordable price as compared to other higher prices at Osu