

The development of a sustainable and cost effective Sales and Distribution Model for FMCG products, specifically Non Alcoholic Beverages, in the Emerging Markets of the greater Durban area.

By

**Trevor Stanley Brand
Student # 202 526 503**

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Graduate School of Business
University of KZN, Durban

Supervisor: Dr A. S. Gani

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TO WHOM IT MAY CONCERN

RE: CONFIDENTIALITY CLAUSE

This dissertation contains current sales and financial information as well as detail pertaining to current strategic sales and distribution methods. The dissertation is, in its own right, the theory and methodology behind the development of a new Sales and Distribution model which is currently being implemented Company wide in the Republic of South Africa.

Thus, due to the strategic importance of this research to ABI, it would be appreciated if the contents remain confidential and not be circulated for a period of three years.

Sincerely

T. S. Brand



DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

A handwritten signature in black ink, appearing to read 'T. S. Brand', written in a cursive style. The signature is positioned above a horizontal line.

T. S. Brand

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ABSTRACT

ABI has a sophisticated and effective distribution fleet which delivers canned and bottled non alcoholic beverages to 12000 wholesale and retail outlets in the Durban Metropole and to 46000 outlets nationally. Delivery is normally executed once per week, 48 hours after a separate order is taken by an account manager.

In the more rural or “emerging market” areas traditional retail outlets such as supermarkets and superettes are scarce and reliance is made on spaza and house shops. Cash flow and storage space is limited. The sales and distribution calls are expensive, relative to the size order that the spaza would place. Spaza shop owners rely on distributors or collect from wholesalers. These outlets often run out of stock. Sales revenue is thus not maximized. Outlet development is marginal.

The writer embarked on a research project to develop a sustainable and cost effective Sales and Distribution model in order to address these constraints in the Emerging Market territories of ABI Durban.

Traditional theory turns to channel distribution as a means to effectively reaching an entire retail market. Levels are thus added to the distribution channel. The research however showed that service levels are sometimes compromised. The model that was developed returns ABI to DSD (direct service delivery) via specially designed vehicles and combines the function of “preseller” and “delivery merchandiser” on a dedicated route.

Although a marginal increase in cost per case has been experienced, deliveries are direct to store, at least twice per week. Sales growth in these routes have been in excess of 85% while the total Umlazi area grows at 13%. Customer service levels, as surveyed, are exceptional.

Although the model was specifically designed by ABI Durban for use in Durban, the concept has been adopted as a best practice and is being “rolled out” across the business. By the end of 2005, 10% of ABI’s fleet nationally will function as MOTD (Merchandiser Order Taker Driver) routes. Additional vehicles have been ordered for delivery during the period July 2005 to September 2005 in order for this to be achieved.

This model has assisted ABI in achieving its goal of maximizing DSD and lifting service levels to its customers (retailers). Revenue has increased significantly along with volume in these areas. Invariably MOTD acts as a significant barrier to competitor entry in those geographic areas where it is utilized. The Merchandiser Order Taker Driver (MOTD) model is successful and has potential for wider use, even in more developed markets.

TABLE OF CONTENTS

CHAPTER 1. INTRODUCTION	1
1.1 Synopsis	1
1.2 The Problem Statement	1
1.3 The Rationale (or reason) for the research.	1
1.4 The Objectives of the Research.	6
1.5 Limitations of the study.	6
1.6 Brief Overview of the research methodology.	7
1.7 Structure of the dissertation.	12
Chapter 2.1 is a brief overview of, (or introduction to,) the Umlazi township.	12
Chapter 2.2 is a review of current literature. This includes:-	13
Chapter 3 addresses the Research Methodology.	13
Chapter 4 measures the results of the implementation of the new model.	13
Chapter 5 draws the entire research project to a conclusion.	14
CHAPTER 2: OVERVIEW OF UMLAZI AND THE LITERATURE REVIEW	15
2.1 OVERVIEW OF THE UMLAZI TOWNSHIP	15
2.2 LITERATURE REVIEW	17
2.2.1 Analysis of current sales and distribution methods utilised in the FMCG industry.	17
2.2.2 Pulling it all together – marketing (sales) and distribution symbiosis.	24
2.2.3 Sales and Distribution methods utilised by Amalgamated Beverage industries in the Umlazi Township.	25
CHAPTER 3: THE RESEARCH METHODOLOGY	34
3.1 Cost analysis of the different sales and distribution methods utilized by ABI in the Umlazi territory.	34
3.1.1 Direct delivery via owner driver.	35
3.1.2 Delivery via Distributor.	35
3.1.3 Delivery to Wholesaler.	36
3.1.4 Sales and Distribution Margin generated in Umlazi	37
3.2 Determination of current execution levels, potential total retail outlets in Umlazi and potential total volume if all outlets are serviced adequately and directly by ABI.	37
3.2.1 Determination of the outlet base in Umlazi.	38
3.3 Development of a new Sales and Distribution methodology and cost analysis of the new methodology.	41
3.3.1 Determining whether the current DSD Owner Driver scheme can or can not deliver the required output.	42
3.3.2 Development of a new Sales and Distribution model for ABI Durban.	45
3.3.3 Sales and Distribution cost of the MOTD model.	52
3.4 Acceptance of the Model and Activation of the entire area.	55
3.4.1 Activation of the outlets.	56

CHAPTER 4: RESULTS OF THE IMPLEMENTATION OF THE NEW MODEL	59
4.1 All outlets to be serviced by ABI directly.	59
4.2 Two sales calls to each outlet required every week.	59
4.3 Multiple deliveries to each outlet per week.	60
4.4 Increased Customer service and in outlet activation as measured by a detailed questionnaire.	61
4.4.1 The Questionnaire.	62
4.5 Analysis of sales volume.	74
4.6 Cost, Revenue and Profitability.	74
CHAPTER 5: CONCLUSION.	78
5.1 Review of the results of the MOTD model against initial criteria.	78
5.2 Future application of the MOTD model.	79
CHAPTER 6: BIBLIOGRAPHY.	81
6.1 Text Books.	81
6.2 Reports.	82
5.2 Internet articles.	83
ANNEXURES.	84

LIST OF FIGURES:	Page
2.1 Umlazi LSM profile	15
2.2 Umlazi – Types of dwelling	16
2.3 Marketing Channels	17
2.4 Cost versus service levels desired	21
2.5 Quadrant Model – cost vs service	22
2.6 ABI Marketing Channels	26
3.1 Map of Umlazi	39
3.2 MOTD vehicle	51
3.3 Comparative costings for sales and distribution options	53
3.4 Signage in Umlazi	57
4.1 Cases Purchased per week	64
4.2 Packs held in stock	65
4.3 Number of retailers selling Coca-Cola products	66
4.4 Activation Levels – Signage and other Point of Purchase	67
4.5 Presence of outside signage	68
4.6 Price communication	69
4.7 Primary ordering methodology	70
4.8 Number of ABI deliveries per week	71
4.9 Retailer assessment of the order placing experience	72
4.10 The delivery experience	73
4.11 Sales volume MOTD route N3N	76
4.12 Sales volume MOTD route N3L	76

LIST OF TABLES:	Page
3.1 Cost to deliver to Umlazi	34
3.2 Revenue and margin before the introduction of MOTD	37
3.3 Potential volume in Umlazi area	40
3.4 DSD current vs DSD with new service levels implemented	44
3.5 Pay model for MOTD	47
3.6 Costings for MOTD model	52
3.7 Financial comparison: Current practice vs MOTD	54
4.1 Order taking methodology for MOTD	61
4.2 MOTD route – Sales volumes	75

ANNEXURES:	Page
Annexure 1: Preliminary Umlazi survey form	84
Annexure 2 : Owner Driver tariff model	85
Annexure 3 : MOTD variable payment model	86
Annexure 4 : MOTD Questionnaire	89

CHAPTER 1. INTRODUCTION

1.1 Synopsis

ABI remains one of the largest producers and trade marketers of the Coca-Cola Company brands in the Southern Africa region. The Company's core skills lie in the manufacture, trade marketing, sales and distribution of a variety of the world's leading soft drink brands, including carbonated soft drinks, sports and energy drinks, bottled water, fruit juices and iced tea.

One of ABI's core strategies is to drive volume growth and strengthen market share of Carbonated Soft Drinks as well as the newer Alternate Beverages (i.e. Iced Tea, Waters, Carbonated Fruit Juices and Pure fruit juices). This strategy is targeted at both the developed as well as the emerging market.

1.2 The Problem Statement

“Emerging Market dealers that do business with Amalgamated Beverage Industries (ABI) often do not have the storage capacity or the cash flow to remain in stock of ABI's beverages for a full week. ABI, on the other hand, does not have a cost effective model that ensures multiple deliveries per week as well as ensuring the best possible outlet activation, sales and distribution service levels.”

1.3 The Rationale (or reason) for the research.

ABI has a sophisticated and extensive distribution fleet that is utilised effectively to deliver product to approximately 12000 retail and wholesale outlets in the greater Durban Metropole. Forty eight hours before the delivery is scheduled, an Account Manager or “preseller” visits the outlet and carries out various tasks, one of the most important being the generation of an order to be delivered to the specific outlet two days hence. This order is either captured electronically on a Hand Held Terminal or else on a manual route card. On returning to the

Distribution Centre, the captured orders will be processed, picked and loaded into full truck loads (which could constitute multiple outlet deliveries) for delivery at the appropriate time. This methodology is excellent in preselling to, and delivering to, sales channels such as Wholesale, Grocery, Petroleum food mart and general trade outlets found in the developed consumer market. These outlets generally have adequate cash flow and on site storage space to order sufficient stock of carbonated soft drinks and alternate beverages from ABI, to last for the entire week (thus until the next delivery cycle).

However, a conundrum exists within the more rural or emerging market townships in the greater Durban metropole. Infrastructure is underdeveloped and traditional retail outlets are scarce. Unemployment is high and many of the local population, in order to earn income, open house or “spaza” shops. Distances from shop to shop could vary from 100 metres to 500 metres, but shops are small and storage space limited. Due the inherent poverty of these areas, as well as the vibrant competition in the number of spaza outlets, sales volumes are small. Dealers or spaza owners have multiple concerns:-

- Storage space to hold adequate stock for a week’s sales not available.
- Cash flow to purchase a week’s stock not available.
- Cash to pay for the deposit of, and hold adequate empty crates and bottles, is not available.

Retailer needs and ABI’s ability to service and fulfill these needs lay in stark contrast. This on 2 fronts: the sales effort and also the distribution capability.

1.3.1 The sales call.

ABI Durban traditionally calls on all DSD (Direct Service Delivery) outlets. An order is generated in agreement with the retailer in store and returned to the Distribution Centre for downloading into a mainframe computer system for order generation, stock picking and load making. The tasks that the Account Manager has to do in trade include business reviews, promotional notification, order

generation and POP activation amongst others. The Account manager can only handle a limited number of sales calls per day. This, due to the fact that multiple tasks need to be fulfilled at each stop. Spaza type outlets that might only place an order of four to six cases per call will allow the Account Manager do approximately 25 calls on a single day. Then again, this cycle only occurs once per week. Reasons previously stipulated prevent the retailer from ordering more. However, the Account Manager does not have the capacity to call on the outlet for a second time in any particular week.

Further to this, the number of serviced outlets (DSD) by ABI in Emerging Market territories seemed very low. For the surface area of the townships, number of houses and population, it became apparent that many outlets either did not trade with ABI directly or purchased soft drinks elsewhere. The Account Manager has no incentive to open new outlets as the call rate on any day would become impossible to handle. At the envisaged case sale rate, additional Account Managers too became marginal in that salaries are high, commissions need to be paid, and sedan motor cars need to be provided.

1.3.2 Distribution Capability.

ABI Durban traditionally used three distinct methods to deliver stock/have stock delivered to retail outlets in Emerging Market areas:-

- **Owner Driver direct service delivery.** The owner driver scheme is so designed to allow individuals to run their own small enterprise by delivering products of the Coca-Cola company to retail and wholesale outlets. Owner drivers are paid according to a model which pays primarily for cases delivered, but also takes size of outlet and distance into account. A limitation exists when it is required or the owner driver to deliver two to six cases to each and every outlet on his route. Thirty outlets (about the maximum outlets that can be delivered by a single driver per day) will consist of 180 to 200 cases. The owner driver vehicles normally carry between 500 and 800 cases per day, depending on pack size ordered.

The owner driver carries three assistants whose primary function is to offload the stock and move it into the storeroom of the retailer. At a third of a truckload, the route becomes unprofitable for the owner driver as he needs to cover depreciation, maintenance, staff costs and make business profit. Thus, delivery to all spaza shops in Emerging Market territories via owner driver is cost inefficient and not viable.

- **Distributor.** In this distribution method, an outlet with adequate space for bulk storage is utilised as a distributor due to its proximity to the market under discussion. The distributor is afforded a trade discount as well as a distribution allowance.

The smaller outlets are handed to the distributor for sales and distribution execution. For the discounts and allowances afforded it, the distributor, who is in close proximity to the market, is expected to telephone the outlets for an order or call on the outlets for an order and thereafter deliver the required order to the retail outlet.

A number of issues arise from this model: -

1. The distributor generally only calls on the outlet, under most circumstances, once per week and the out of stock situation is not addressed in any significant way.
2. The distributor often becomes the "competitor" of ABI, in that it tends to migrate toward servicing the larger outlets that ABI services as they are more profitable to deliver to (economies of scale exist). Given the discounts passed in order for the distributor to service the smaller outlets, and its proximity to the market (speed of service), ABI often finds itself returning ordered but unrequired stock to the depot.
3. Distributors do not traditionally develop the entrepreneurial skills of spaza shop owners, nor do they have the ability to develop in outlet

execution similar to what ABI does for DSD outlets. Promotional activity is also not readily available to the emerging market outlets so serviced.

- **Wholesaler.** In emerging market territories, ABI will often make use of strategically placed independent wholesalers as an extension of its distribution chain. These wholesalers may either be located inside the emerging market territory, or else just adjacent to the township in an area accessible to the emerging market retailer. This is seen primarily as a top up destination to the larger, ABI serviced outlets that require extra stock during the week, or else as the primary source of stock for small spaza outlets that ABI is not servicing. Some wholesalers will deliver stock to spaza shops against a premium payment for transport services provided. This additional cost normally makes the spaza uncompetitive in comparison to the larger general trade outlet that receives stock directly from ABI at wholesale price. An alternative is for the spaza owner to collect his own stock from the wholesaler, but transport costs need then to be carried. Often the spaza shop owner works alone and can ill afford to leave his business unattended at peak trading times. The spaza will often run short of stock and would need to wait for an appropriate time to travel to the wholesaler. Sales are lost to the retailer, wholesaler and ABI.

It is evident, from the above discussion that the current sales and distribution model does not meet the needs of an emerging market territory. The cost of separate sales and distribution legs makes it non viable to exploit every available opportunity. In-outlet execution lacks substance and new business is often relegated to the bottom of the priority list. Multiple deliveries per week are not feasible. Alternate methods of supply are utilised but are also inadequate for the task at hand.

1.4 The Objectives of the Research.

The basic tenet of the research is to create a model from first principles that meets the requirements and criteria for servicing emerging market territories.

The model must accommodate the following objectives:-

- It must be cost comparative: the financials must be acceptable when compared to existing models.
- Excellence in service is required, and “in-outlet” execution needs to be according to the benchmark of ABI limited. An objective measurement for in outlet measurement exists.
- Multiple deliveries per week must remain feasible and be the norm for the territory.
- The model must be self liquidating for each and every outlet on each and every delivery. This will promote the ideology that new outlets will be absorbed into the structure and system with ease. New and/or additional retail outlets must be fully exploited
- The model developed must be a significant barrier to competitive entry. It must embrace activities that competitors do not do or cannot readily copy or do.
- Volume in the emerging market area under test must grow at a much higher rate than the balance of the territory.
- The model must allow for the return to Direct Store Delivery (DSD) wherever feasible, thereby reducing reliance on third party distribution.

1.5 Limitations of the study.

It is acknowledged that limitations will be placed on this study. These limitations are discussed hereunder:-

- ABI Ltd produces, sells and distributes non alcoholic beverages throughout an extensive portion of South Africa. ABI accounts for approximately 64% of the national volume sold. However, the research

will be limited to a single “Emerging Market” township called Umlazi, situated on the southern side of the Durban Metropole.

- The research will, it is envisaged, resolve the problem stipulated above. It will thus not build upon or test some other theory. Neither will it re-evaluate any other study. It will focus on an industry specific problem that requires a unique solution.
- Qualitative techniques will not be used in the analysis of the results. More formalised quantitative studies will be utilised. The primary quantitative technique that will be used is the questionnaire which will be distributed to the dealer in order to collate data that can be used in the analysis of the new sales and distribution technique. Tables and graphs will, however, be utilised to indicate the success or otherwise of the intervention.

1.6 Brief Overview of the research methodology.

Research design and methodology is the blueprint for the collection, measurement and analysis of data. It determines which of experiments, interviews, observations, analysis or simulation (or a combination of these) will be utilized. Further, it must be determined whether the research will be narrowly defined or broad in scope. Will quantitative or qualitative analysis (or a combination of the two) be appropriate? How (by what method) will data be collated (collected)?

From the introductory paragraphs above, it is known that Umlazi Township is rather poorly serviced in relation to the standard as mentioned in 3.1 above, that ABI desires to be recognised for. Reasons are diverse and were briefly touched on, but included the following:-

- A plethora of spaza type outlets exist that purchase small quantities. Under current models, it is economically not viable and physically (time related) impossible to deliver the small quantities required of ABI.

- The current ABI model allows for a presell call and delivery once per week. The outlet size and cash flow constraints predict that two deliveries per week are actually required.
- Numerous alternative methods of distribution have been tried, such as active distributors and passive wholesalers. In the perfect world these would be ideal, but in reality the distributors eventually compete with ABI for its outlets and Spaza owners have difficulty in acquiring stock from the wholesaler due to staff and transport constraints.

Thus, how will the author go about resolving the conundrum? What research methodology amongst all those available will be most appropriate in seeking the answer to the dilemma.

In the initial stages of the research, a very broad definition of research will be used. The entire Umlazi needs to be surveyed in order to determine the potential volume and number of outlets in the area. Thus **quantitative analysis** will be used to determine these requirements. From these results a new sales and distribution model can be developed and implemented. Thus, an initial survey of the entire area, street by street, retail outlet by retail outlet must be undertaken. This calls for the use of interviews and observations. A questionnaire will be filled out which can be utilized for defining the activation required in each outlet, as well as to estimate potential volume of the outlets and thus the entire Umlazi area.

Once the activation of the area has taken place, and the new sales and distribution model has been developed, the success of the initiative needs to be determined. The profitability of the MOTD system is easy to calculate. The revenue from sales can be determined and the actual cost per case to sell and deliver can be calculated on any monthly data. Margin is thus easily determined. What becomes more subjective is the determination of the retailers experience of service levels in comparison to past experiences and also expectation.

Again the writer turns to **quantitative analysis** in the form of a comprehensive questionnaire, attached as annexure 5. **Customised** scales were developed and a number of alternative scales were utilized. These are listed below.

- **Simple or dichotomous scales** were used. These scales offer two mutually exclusive response choices. These could be a “yes” or a “no”, “agree” or “don’t agree” or any other set of mutually exclusive responses. Questions such as “Do you have an ABI cooler?” was posed. See question 7. Other such dichotomous questions can be found in 8 and 8F.
- **Multiple choice, single scale** questions were also used. These questions offer multiple alternatives, but requires only the most desired response. An example is question 8G where the question is posed: What is your desired delivery frequency? With possibilities of 3 times per week, twice per week, once per week or less than weekly where only the most desirous is indicated.
- **Multiple rating list scales** were also used. This allows for a number of questions to be answered on a standardized scale. It allows for the visualization of the results and a mental map of the most important aspects can be formed. This is evident in the results displayed in chapter 4. Question B1 on the survey form asks the respondent to rate the ABI delivery service with regard to delivering orders at times convenient and flexible to the retailer.

A score is given along a continuum as follows:

1. Exceeds expectations
2. Meets expectations
3. Almost meets expectations
4. Fails to meet expectations.

Two further ratings indicate that the respondent feels the question is not applicable or else does not know what to answer.

Causal Studies have also be applied in the project. This has been used to determine the effect of the implementation of the MOTD sales and distribution model on sales volume and customer service levels. The essential element of causation is that A produces B. In this instance we desire to see what the MOTD model (A) does to perceived and actual service levels in Umlazi (B). We would seek to identify an assymetrical response in that certain actions by ABI influences retailer perception of service.

The **causal hypothesis** is to test whether or not the implementation of MOTD actually increases sales volume and customer service levels. By selecting certain elements of the customer population, we can, from their responses, draw conclusions about the entire population. Once a certain portion of the Umlazi area has been activated and the MOTD concept introduced, questionnaires will be filled out on a sample of 40 to 50% of all of these activated outlets.

This sample size is significant and relevant and will give a reliable indication of the acceptance or otherwise of MOTD as well as excellent information regarding ABI's levels of service. The causal hypothesis will be answered in the positive if the MOTD concept gains acceptance by retailers and if service levels improve and are acceptable to the surveyed or sampled retailers.

Thus, in order to develop a new model, the following process is to be applied. This is but a brief overview. A full description of the process is included in the appropriate chapters hereunder.

1.6.1 Determination of current costs of sales and delivery, split by different methods. Each different method of ensuring that stock reaches the final consumer carries a cost. Each of the current methods is quite different to the other and must be analysed to ensure that an accurate and reliable record of sales and distribution costs are created.

1.6.2 Determination of current execution levels, potential total retail outlets in Umlazi and potential total volume if all outlets are serviced adequately. ABI will need to firstly determine from reports, the exact number of outlets currently serviced as well as the volume generated. It will also need to determine the volume generated by active distributors as well as the volume that is generated at Wholesalers in the proximity due to outlets fetching stock there. A full street by street survey will be carried out to determine potential number of outlets (not serviced as depicted above) as well as the potential volume to be generated by the area.

1.6.3 Determination and development of a new Sales and Distribution methodology and cost analysis of the new methodology. This step requires dynamic and “out of the box” thinking and debate. A sales and distribution model, unique to the industry must be developed in order to solve the conundrum. It must allow for more than one delivery per week, ensure acceptable and to the required level “customer service and in outlet execution” and above all costs comparable with existing models. In summary, a model is required that overall supplies better customer service at equivalent cost.

1.6.4 Activation of all outlets not serviced by ABI directly or by ABI's appointed distributor. All outlets that are neither called on by ABI nor delivered to by an ABI appointed distributor need to be activated and brought into the DSD system. This requires activation with regard to signage, cooling, point of purchase, sales call and delivery of stock at predetermined intervals.

1.6.5 Collation of sales volume data, financial data and service level data (improvement vs decline via questionnaires). Data regarding sales volumes before and after the intervention are collated. The data is analysed and various techniques for displaying such information is used to identify sales trends and achievements. Activation levels are measured via the standard ITOS (In Trade Outlet Survey) measurement and perceptions of the retailer regarding a host of issues is collated via questionnaire and analysed. Again, tables and charts are used to display results so determined.

1.6.6 Decision around model viability, rollout to further emerging market territories and determination of feasibility for use in developed market trade channels. Finally, ABI must decide on model viability and applicability. If positive, the model can be implemented in other emerging market territories. Finally, the model's potential application in certain sub trade channels of the developed market can be determined (and tested).

1.7 Structure of the dissertation.

Chapter 2.1 is a brief overview of the Umlazi township. It is important for the reader to implicitly understand exactly what constitutes an emerging market.

Inherent challenges regarding disposable income (for consumer and retailer alike) will be evident when LSM (Living Standards Measures) categories, household incomes and other measures are tabulated.

Chapter 2.2 is a review of current literature. This includes:-

- An analysis of current sales and distribution methods (marketing channel analysis) utilised in FMCG industries
- A detailed description of each of the methods utilised by ABI to supply stock to the Umlazi area. This includes the pro's and cons of each method used.

Chapter 3 addresses the Research Methodology. In this chapter, the precis discussed in 1.6 above will be expanded upon and the research methodology will include detail pertaining to:

- The current situation regarding outlet activation in Umlazi.
- Current financial and cost structure of servicing the area.
- The development of a new strategic model. This includes determining the cost structure of the new model.
- Detail of the methodology utilised to implement the new model and activate the entire area.

Chapter 4 measures the results of the implementation of the new model.

This incorporates:-

- Measurement of service levels (pre versus post implementation) by means of a questionnaire administered to a representative sample of outlets serviced.
- Analysis of the data so collated and the processing thereof into useful information. The results will be displayed in both graphic as well as tabular form, depending on the most appropriate application.

Chapter 5 draws the entire research project to a conclusion. A decision will be taken on the financial and practical viability of the intervention. Do the actual financials correlate with the costs determined during the development of the model? Is the model sustainable and can it be executed with ease?

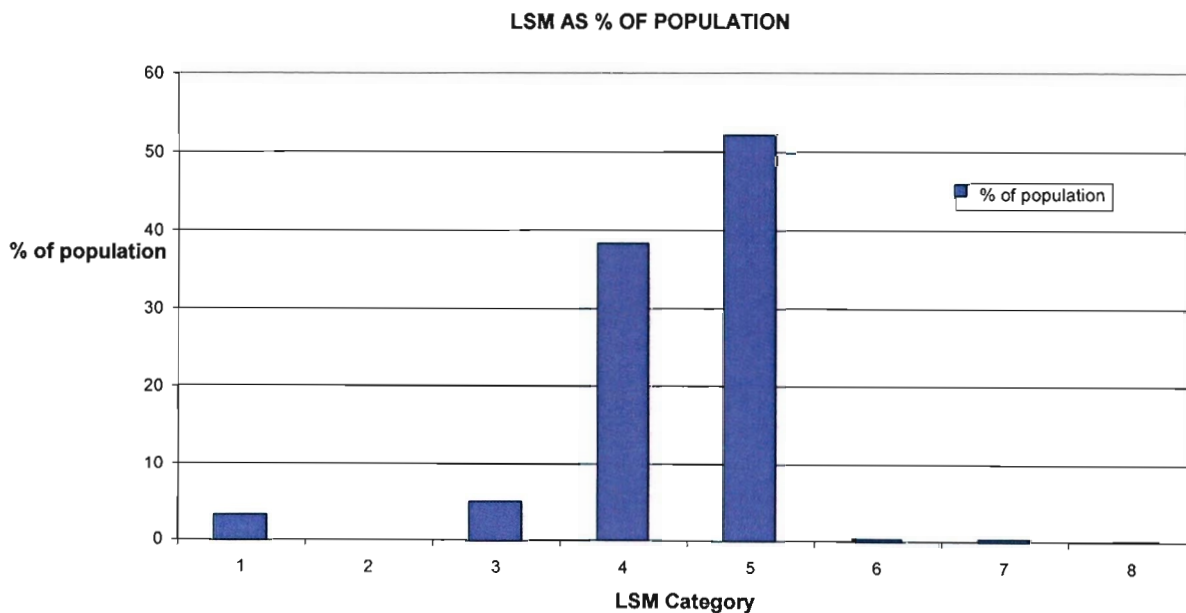
A further decision that needs to be made is the model's potential for expansion into further emerging market territories as well as the potential for use in other (different) channels.

CHAPTER 2: OVERVIEW OF UMLAZI AND THE LITERATURE REVIEW

2.1 OVERVIEW OF THE UMLAZI TOWNSHIP

Umlazi is the largest township in Kwa-Zulu Natal and the third largest township in South Africa. It is situated south of the Durban Metropole and covers an extent of 4824 hectares comprising 24 individual sections. Umlazi has a population of approximately 340 000 people. To illustrate the demographics of the area, graphical representations of LSM and Type of dwelling follow in figures 2.1 and 2.2 below. These measures will highlight some of the issues that FMCG companies face in such markets.

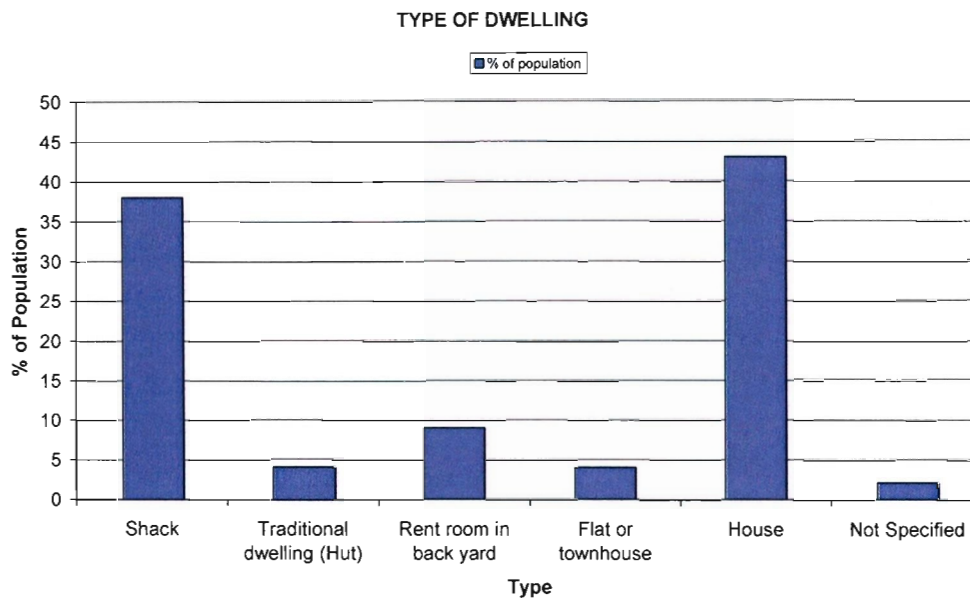
Figure 2.1 Umlazi LSM profile.



The LSM profile of Umlazi shows that the average monthly household income lies between R2000 and R3000. (90 % of the Umlazi residents earn less than R3000 per month!). Consumers will be price sensitive and will purchase soft

drinks for special occasions, as well as over weekends when families are together. It is thus critical for retailers to have stock available at all times.

Figure 2.2 Type of dwelling owned/rented in Umlazi.



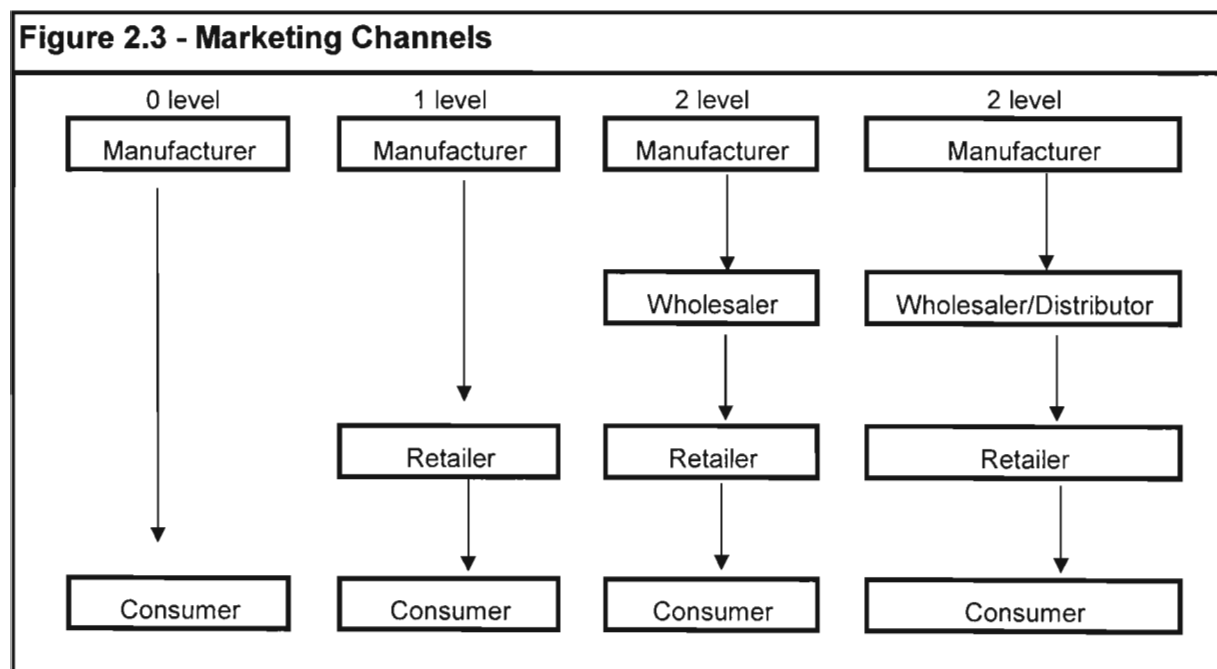
It is clear from figure 2.2 that almost 50% of residents in Umlazi own or rent a brick and mortar house. This means that the balance of the population (50%+) live in shacks, huts or else rent a room in the back yard of a house. The unemployment figure in Umlazi is unofficially set at 36%, which ties in reasonably accurately with the figure of residents staying in unsatisfactory housing conditions.

For any business operating in the area, including ABI, the challenge is to ensure the availability of relevant, competitively priced products. Packs must tie in closely with the refreshment needs of the population (in this case LSM 4 and 5 predominantly).

2.2 LITERATURE REVIEW

2.2.1 Analysis of current sales and distribution methods utilised in the FMCG industry.

In the FMCG industry, most producers do not sell their goods directly to the final user. Use is made of a set of intermediaries performing a variety of functions. These intermediaries are commonly known as marketing, distribution or trade channels. Figure 2.3 below is a typical schematic of marketing channels.



The **zero-level channel** is one in which the manufacturer sells products directly to the end user or consumer. This channel is not widely used in the FMCG industry. The **one-level channel** contains one selling intermediary and is normally a retailer. The **two-level channel** contains two intermediaries such as a wholesaler and a retailer.

Typically, firms use different channels in different markets. In smaller markets it is often possible to sell directly to the final consumer. In larger markets distributors may be utilised. Much reliance is placed on marketing intermediaries

such as Wholesalers, agents and distributors to ensure that products reach the final consumer. Existing channels may decline in popularity over time, while new channels may develop unnoticed by a firm. This is particularly so in the FMCG industry worldwide where creeping change in distribution methods is taking place. Retailers often utilize distribution centres where individual stores can order smaller quantities and order them more frequently. This reduces inventory holding costs as less retail space is needed to hold supplies.

In order to ensure that the firm's products are made available in the entire market that has been identified, the aspect of "coverage" needs to be addressed. **Coverage** describes both the number of areas in which the product is made available as well as the quality of the product representation. There are three basic approaches to the concept of coverage:-

- **Intensive coverage** allows for the distribution of product through the maximum number of intermediaries as well as the maximum number of different types of intermediaries.
- **Selective coverage** entails the selection of a number of intermediaries for each area to be penetrated.
- **Exclusive coverage** calls for only one entity in any one market.

The firm needs to manage these intermediaries in order to maximise sales volume and revenue. The two most common strategies are the push and pull strategies. The **push strategy** involves the manufacturer utilising its sales force and trade promotion money to induce intermediaries to carry, promote and sell the product to end users or consumers. The **pull strategy** is normally used where there is high brand loyalty and the manufacturer utilises advertising and promotion to induce consumers to ask intermediaries to order and stock it.

2.2.1.1 Sales Methods.

Selling can be defined in several ways. One definition, published by the The UK's Chartered Institute of Marketing (1996), defines selling as "the process of

persuasion leading to a continuing trading arrangement, initiated and perpetrated at either a personal or impersonal level but commonly confined to oral representation supported by visual aids”.

Despite the importance of marketing research, product development, sound pricing and well devised advertising, the success of almost any marketing campaign often (or usually) depends on the outcome of the interaction between the salesperson and the prospective customer. Invariably, manufacturers (and their sales people) must understand customers on an individual level and deliver to them information and products targeted to their specific needs. This way, firms can develop long term annuity streams that translate into worthwhile profits.

People often tend to lump together all manner of selling roles under the general title of “selling”. If we consider this, we will realise and understand that there are marked differences in the tasks of each of these roles. Four of the main roles are highlighted below:

- **Roundsman Selling** where goods are delivered door to door. A mobile shop is used to sell goods as a street type vendor.
- **Retail Store or showroom selling** is where the customer visits the salesperson in a showroom type environment. This role includes skilled diagnosis of customer needs and effective presentation of the goods on offer.
- **External selling** entails going out to the customer in order to obtain orders. These orders are then taken back to the factory (or distribution centre) for processing and delivery at a later date.
- **Direct selling** which includes the functions of telemarketing, telesales and web-based selling. Here, technology has provided the platform for the communications process. Call centre can be based virtually anywhere. During every communication there is opportunity for the salesperson to add value to the call, for instance, selling in a new range or carrying over product knowledge to the customer.

Sales methods, when discussed in the literature, most often relate to the method of **personal selling**. Personal selling relates to both direct, face to face contact with the Wholesaler, Distributor or retailer or else telesales (telephonic order taking) with the same group of customers.

Personal Selling is mainly concerned with two marketing activities, namely the tracing of the consumer and the task of selling. According to Lucas, "Personal selling can be defined as the process whereby a prospective customer is assisted and/or persuaded to buy a product or a service and act favourably upon an idea that has profit advantages to the seller". Personal selling entails face to face contact with the customer whether he be a retailer, wholesaler or distributor.

Personal selling normally encompasses both qualitative as well as quantitative aspects and includes some or all of the following:-

Qualitative aspects of personal selling:-

- Maintaining good customer relations.
- Tracing new customers
- Informing customers of changes in products and the product range
- Assisting middle men with the training of their staff
- Collecting and reporting information about changes in the enterprise's marketing environment to management.

Quantitative aspects of personal selling:- Against the background of the enterprise's quest for profitability, personal selling enhances the following **quantitative** aspects:-

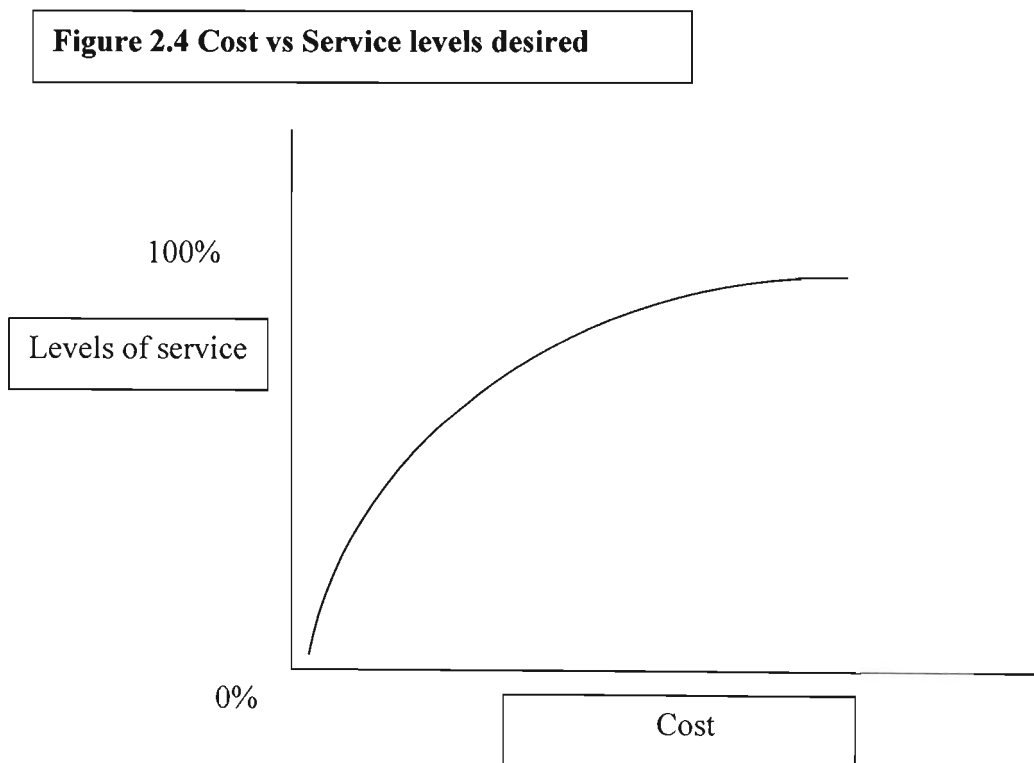
- Striving toward a set sales target.
- Grow sales volumes.
- Increase total net profit.
- Effectively utilise all assets employed in the sales department (and specifically during personal selling.)

2.2.1.2 Logistics (Distribution aspect only)

It matters not how many intermediaries are utilised, and whether the manufacturer utilises the zero, one or two level channels or a combination thereof; the product sold to the intermediary (or final consumer) must still reach its destination. Logistics (the despatch or transport arm) needs to execute this activity.

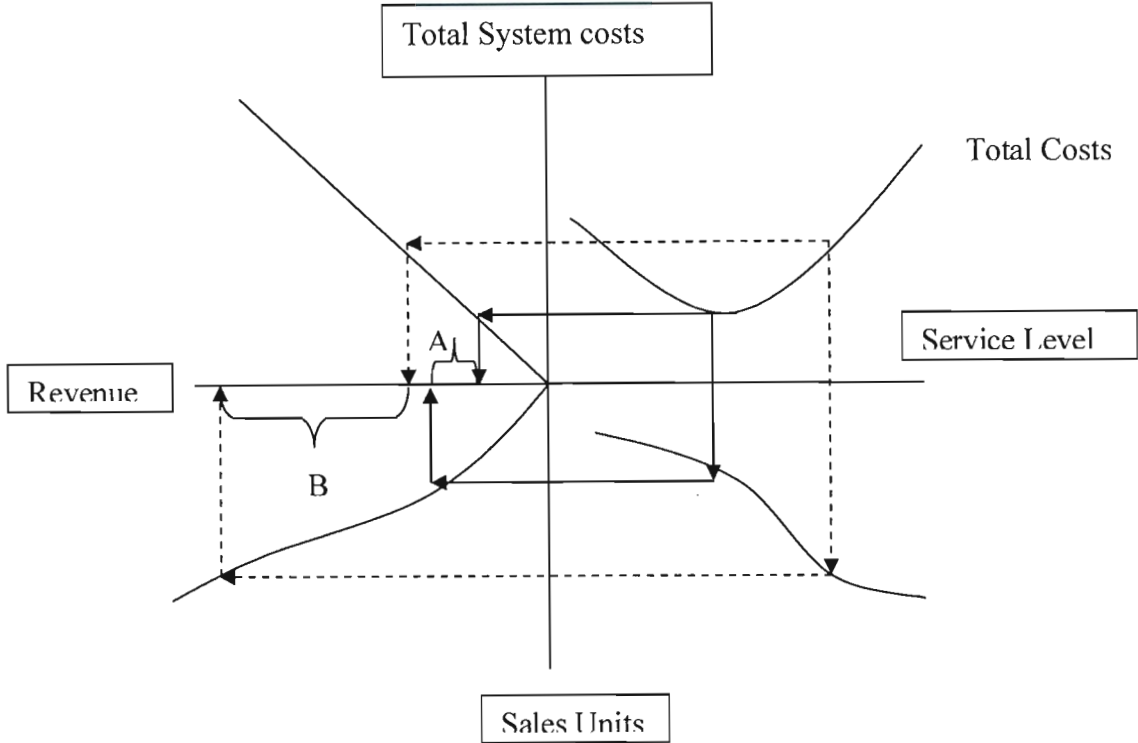
The tendency in much of the recent thinking has been the almost exclusive emphasis on approaches and techniques that provide the lowest possible distribution system cost. However, cost minimisation does not necessarily lead to profit maximisation.

Conversely, a policy of service maximisation is also unlikely to lead to an optimal profit situation. Figure 2.4 below illustrates a frequently occurring cost situation where the total systems costs are shown as a function of the level of service offered.



Somewhere, therefore, there must lie a trade-off between the level of service offered and the total system costs that results in an optimal profit situation. A quadrant diagram can be used to illustrate this concept.

Figure 2.5 Quadrant Model showing cost/service trade-off.



The solid line at the inflection on the total cost curve indicates a point where total system (distribution) cost is minimised. From the other curves it is evident that service levels, sales volumes and revenue are suboptimal. However, there are revenue gains = A due to a cost minimisation solution. By turning to improved customer service, total cost is increased, (dashed line) but so are sales volumes as well as revenue. The distribution contribution to revenue improvement is B which is at a substantially higher level. Clearly, cost versus service level tradeoffs can be utilised to maximise revenue.

Distribution is a crucial component of the service-marketing mix. A truism that is increasingly accepted in industry is that while marketing is a demand-creating activity, distribution is a demand-satisfying activity.

There are a number of short term or tactical advantages associated with an effective distribution policy which can make a company more competitive than others in the marketplace. These are briefly discussed hereunder:-

- **Fluctuations in demand.** When unforeseen fluctuations in demand occur, an efficient distribution system can be a great asset. An efficient distribution system can cope more readily with sudden spikes than can a system that is ineffective. In the FMCG industry, and as an example the beverage industry, sudden increases in average temperature can cause extreme fluctuations in volume takeoff, that an efficient distribution will cope with.
- **Competitive activity.** Responding quickly to competitive moves is of key importance in many market sectors. The ability to do this effectively can reduce the impact of the competition's promotions or new products. The company can utilise efficient distribution to place stock pressure on the competitor in both the wholesale and retail channels. Excellent distribution can increase customers' switching costs and help build barriers to entry, thereby contributing to a sustainable competitive advantage.
- **Changing product demand.** As products age, the demands on the distribution system change. The product life cycle affects the distribution requirements. When the product is first introduced, the company will want the widest distribution possible, in order to force trial of the product. During the growth stage of the product, high levels of distribution efficiency needs to be maintained in order to maximise repeat purchase. During maturity when the product is firmly established, the firms objective must be to maximise profitable distribution. During the decline stage, selective and well controlled distribution can reduce stocks and market commitment, thus maximising revenues.

Many companies state their market-logistic objective as “ getting the right good to the right places at the right time for the least cost.” (Kottler, 2003). Unfortunately, this is often a contradiction of words in that it is deemed that no system can simultaneously maximise customer service and minimise distribution cost. Decisions must be made on a total system basis. Customer requirements must be studied. Most importantly, the competitors' service standards must be considered. **The objective must be to maximise profit, not sales!**

An aspect that demands brief mention at this stage is the fact that, to the casual observer or uninformed logistics person, conventional methods of distribution in any given industry remain relatively static. This is not so. Changes in the distributive environment occur relatively slowly, existing channels decline in popularity over time and new channels develop, sometimes unnoticed. According to Lancaster, “nowhere has this creeping change been more apparent.....than in the retailing of fast moving consumer goods”. ((Marketing and the organisation's micro- and macro-environments.) Clearly, changes in distribution channels are occurring. Firms must utilize the best possible methods in order to remain competitive, increase the barrier to competitive entry, maximize return and ensure excellence in customer service.

Transportation choices will affect product pricing, on-time delivery performance and the condition of the goods when they arrive. All of these are known to affect customer satisfaction.

2.2.2 Pulling it all together – marketing (sales) and distribution symbiosis.

As part of the marketing effort of the company, distribution plays a key role in satisfying the firm's customers and achieving a profit for the company as a whole. Customer satisfaction involves maximising time and place utility to the firm's suppliers, intermediate customers and final customers. All marketing activities (product, price, promotion and place (distribution)) need to be integrated in order to achieve synergistic results which means that the total is greater than the sum

of its parts. Decisions need to be made around regional, national or controlled (selective) distribution. In order to reach a given market share goal it may be necessary to have intensive distribution, while seeking vertical market growth will require specialised distribution.

Being market oriented (the marketing concept) requires that everyone in the business recognises that “the customer is the boss!” In essence, **the marketing concept** is a customer needs and wants orientation backed by an integrated marketing effort aimed at generating **customer satisfaction** as the key to satisfying or **achieving organisational goals**.

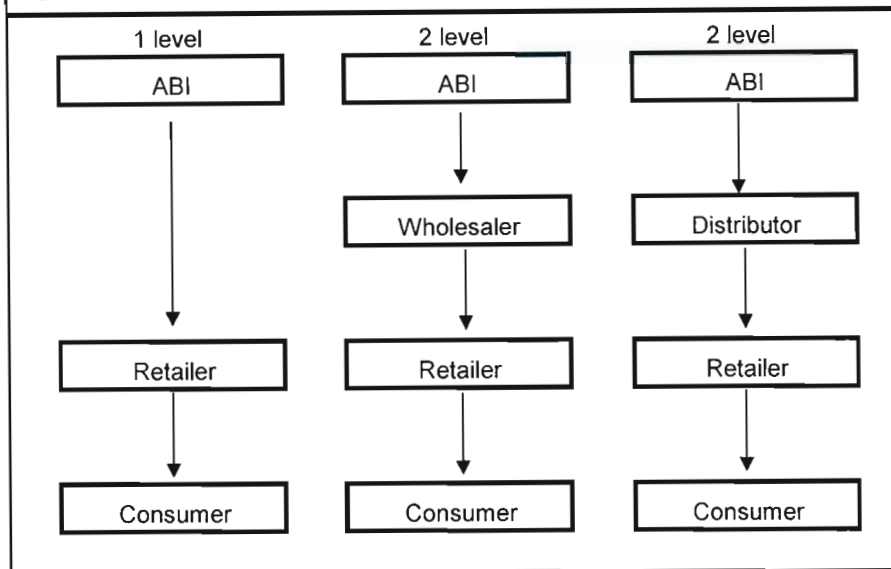
2.2.3 Sales and Distribution methods utilised by Amalgamated Beverage industries in the Umlazi Township.

The theory discussed above indicates the most common practices utilised nationally (and globally) by firms in the FMCG industry, as the vehicle whereby sales and distribution are executed and achieved.

To progress the argument for developing a new and unique sales and distribution model, ABI's route to market (sales and distribution effort) needs to be discussed. The different marketing channels need to be identified and described. Advantages and disadvantages of each channel are to be considered and ultimately a financial costing for each marketing channel determined.

In Umlazi (the selected study area for this dissertation), a number of channels are utilised by ABI in order to make Non Alcoholic beverages available in the market place. A diagram of these channels is included in figure 2.6 below. A brief description of each channel will follow.

Figure 2.6- ABI Marketing Channels



2.2.3.1 ABI sells and delivers directly to the retailer.

This is a 1-level channel where ABI services the retailer directly and bypasses any intermediary. Before the development of a new model, ABI serviced 250 outlets in Umlazi via a Direct Service Delivery or 1-level channel.

Account manager calls on the outlets (or visit the outlets) on a weekly or fortnightly basis, depending on the size of the order. The account managers utilise a motor vehicle to travel from the Distribution Centre to Umlazi, to visit each outlet on the route and then to return to the factory. The account managers do approximately 25 calls (or customer visits) each per day.

The account manager has a number of strategic functions to carry out in each retail outlet, and these include:-

- Taking stock of fulls and empties and generating an order for delivery 48 hours hence.
- Implementing promotions. Selling the concept into the dealer and erecting displays and relevant point of purchase.

- Store room management and merchandising.
- Business and relationship building.
- Documentation of ullages and other returns.

The account manager returns to ABI with the orders so generated on the specific route. The order has been captured by the account manager on an electronic hand held terminal. This order is now downloaded into a mainframe computer and during the night, load making manifests are generated. During the course of the next day the individual orders are made up into truck loads. That night the stock is loaded onto the appropriate delivery vehicles for despatch the next day.

Distribution of the load is executed via owner driver. The rig belongs to the owner driver whilst the articulated trailer belongs to ABI. The owner driver is an entrepreneur in his own right and earns income according to an agreed contract of service. This contract takes into account services rendered, stem times and distances, case quantity, truck assistants required, fuel, maintenance and depreciation of the vehicle.

The owner driver delivers to all the outlets on the specific route for the allocated day. The delivery task includes offloading the full stock into the retailer's store, uplifting empties, rotating stock in the storeroom, completing invoices and documentation as required as well as collecting payment when necessary. Once the entire route has been delivered, the vehicle returns to the factory for the process to be repeated.

The outlet, should it experience stock shortages, is required to collect stock from the wholesaler, which as discussed, is sometimes not feasible.

All activities in this process (sales and distribution) are well documented. Accurate costings are available and comparisons with other channels can readily be made.

However, there are advantages and disadvantages to ABI in applying this 1-level strategy into parts of Umlazi.

Advantages

- The account manager calls on the outlet and has interaction with the retailer. It allows for ABI to build good business relationships with the retailer and ensure that the correct packs for CSD's and AB's are agreed upon and supplied.
- Direct service delivery ensures that the retailer pays ABI's wholesale price and not a price premium. This allows for the retailer to sell at competitive and affordable prices.
- Promotional activity can take place in the outlet, thus either allowing for reduced pricing from time to time, or else allowing for value added promotions to be carried out.
- In outlet activation (coolers, signage, stock stands, point of sale etc) is initiated by the account manager in ABI. By the fact of his calling on the outlet, the retailer is assured of receiving appropriate activation.

Disadvantages

- The volume per outlet serviced in Emerging Markets is often small when compared to the average volume per outlet of the entire Durban territory. This sales and distribution method becomes costly when volumes are small. This, due to the fact that the account manager travels a (long) distance to the territory to take the order. Forty eight hours later the owner driver travels the same distance to deliver the stock, which could be as little as four to six cases per outlet. Productivity for the owner driver is often low on such routes.
- The account manager is calling on twenty five plus outlets per day. This is close to the maximum feasible outlets that can be serviced per day. The account manager is unlikely to go out and find additional (new) outlets as

this will just add to his call rate and work load. New outlets are thus often not brought into the system speedily.

- The smaller retail outlets often run out of stock, especially close to weekends. Outlets that receive their weekly order on a Monday are more likely to go out of stock than an outlet that receives stock on a Thursday. However, the logical solution is to call on the outlet twice or more weekly and to deliver twice or more weekly. This will have adverse consequences for costs as additional (and relatively expensive) account managers need to be added to cope with the additional calls. The large owner driver vehicles are likely to carry less per trip too and the days work becomes less and less attractive to the owner driver due to his margin being squeezed.

2.2.3.2 ABI sells to the Wholesaler.

This is a 2-level channel strategy where ABI services the wholesaler/s in the selected area and the wholesaler in turn holds stock for retailers.

The DSD (Direct Service Delivery) model is costly and somewhat ineffective in the Emerging Market territories. As discussed, the sales and distribution cost structure is quite unfavourable due to size of load as well as case sales per outlet. Sales staff, due to workload, are unlikely to open dialogue with new outlets. ABI has, as many other firms do too, decided to, as one of the routes to market, rely on the entrepreneurship of the independent wholesaler in Emerging Market townships. The wholesaler is frequented by the local retailer who shops to stock his outlet with items such as sugar, maize, oil, sweets, tinned food and beverages.

Wholesalers do serve as a strategic link between the producer and the retailer in the Emerging Market. This is especially so, for businesses who do little or none of their own distribution (deliveries). Wholesalers hold a large number of stock keeping units and generally sell in bulk. Prices are normally very keen and

operating margins low. Operating profit is made through high volume sales. ABI passes a discount of between 3% and 7.5% to the wholesaler. This is done in order that the wholesaler can sell to retailers at a price no higher than the normal wholesale price of ABI.

The wholesaler holds ABI's stock, but sometimes not every one of ABI's SKU's. The wholesaler normally holds competitor products as well and so does not have the same passion for ABI's products as what ABI has. Retailers are free to purchase any products that they so wish, and when buying beverages they have a wide choice, depending on what price, quality and pack size they wish to stock.

The retailer purchases a range of goods in keeping within his means. This could result in only certain of ABI's SKU's being stocked by the retailer. The retailer may be price sensitive and thus purchase a cheaper beverage product for resale. These factors will negatively influence the sales of ABI products through these retailers.

There are advantages and disadvantages to relying on wholesalers for stock movement.

Advantages.

- Independent Wholesalers are open 6 or 7 days per week and availability of ABI's products is ensured.
- Wholesalers are situated close to the markets that they service, and retailers do not travel excessive distances to purchase goods.
- They are normally very price competitive and mostly sell ABI products at wholesale price.
- Wholesalers are often prepared to deliver stock to frequent customers, and also to offer credit terms.

Disadvantages.

- The wholesaler does not always keep the entire range of ABI's products. Retailers that purchase here do thus not have the entire offering in turn for their customers (the consumer).
- The wholesaler will often hold a number of competitor products. These products can be at a price advantage, and will affect the offtake of ABI products in the wholesaler.
- Wholesalers do offer a delivery service, but this is often at a fee to the retailer per LDV load. In turn the retailer lifts his price in order to recoup the delivery cost.
- The wholesaler will (sometimes) utilise the trade discount to cut margins and thus compete with ABI for the orders of retailers that ABI calls on and delivers to directly. This puts the wholesaler in direct competition with ABI around ABI's own product portfolio.
- Outlets that collect stock from the wholesaler are normally not activated by ABI. Signwriting is not done. Coolers are not placed in store, neither is any form of POP supplied. Promotional activity is not afforded the retailer.
- The owner of a small retail outlet in the Emerging Market sometimes has no transport to the wholesaler, and often works alone. For these reasons the retailer often runs out of stock and makes a decision not to replenish immediately, but rather when it is much more convenient.

2.2.3.3 The services of a distributor are utilised.

This is the third and final method that ABI, in Durban, utilises for delivery in the Umlazi territory. A specific geographical area with specific accounts or outlets are allocated to the wholesaler for activation.

Two appropriate sales methods are embraced when the services of a distributor are utilised:-

1. ABI's sales force (Account Managers) call on the selected outlets allocated to the distributor for delivery. The account manager will take the

order, sell in new packs and products, ensure merchandising standards are maintained and carry out all tasks associated with the sales function previously discussed. The account manager returns to the distributor with the orders, which he hands to the distributor for processing and delivery the next day. The distributor utilises a small vehicle (usually between one and three ton carrying capacity) to deliver to the outlets on the orders captured the previous day. **This is the method that ABI utilized to service the Umlazi territory.**

2. In the second method, it is the duty of the distributor to call on the specified outlets. This is sometimes a face to face call, but sometimes a telephonic contact. Again a specific geographical area (possibly a section or two) is allocated to the wholesaler. As in 1 above, the order is taken and processed for delivery the next day.

This method has, as per the previous discussions, its own positive factors, as well as a number of disadvantages.

Advantages.

- The distributor operates in close proximity to the market or designated territory. His reaction time (time to market) easily surpasses that of traditional DSD.
- Due to the distributors proximity to the market, should the spaza run out of stock, it can fetch from the distributor or else have top up stock delivered. This is especially relevant over weekends.

Disadvantages.

- The major disadvantage is that the distributor system only works well for a while. The distributor, although being paid adequately for work done, realises that margin increases according to size of outlet. Economies of scale dictate that this is so, and soon the distributor competes with ABI for

its own outlets. The discount that is passed to the distributor to keep small outlets in stock is used against ABI. This has a twofold effect. Firstly, the outlets designated to the distributor are not serviced at all and volume and revenue is adversely affected. Secondly, the retailer now receives stock from two sources – certain packs from ABI and other packs (where the discount allows for the distributor to cut margin) from the distributor. When ABI delivers, certain packs must thus be returned to the factory, and logistics expense has been incurred that is not recoverable.

- The distributor may not carry all SKU's, especially on the Alternate Beverage range as well as on the slower moving CSD's. Consumer preference might jeopardise sales volume and thereby reduce the barrier to entry of competitor products.
- Promotional execution in outlet becomes difficult for ABI to control via the distributor, especially when the distributor is responsible for the sales call as is evident in the Umlazi territory.

CHAPTER 3: THE RESEARCH METHODOLOGY

3.1 Cost analysis of the different sales and distribution methods utilized by ABI in the Umlazi territory.

The different cost models for selling and distributing in the Umlazi territory are tabulated below in table 4.1 All figures have, in the final line, been converted to cost in rands per case for ease of comparison.

Table 3.1 Costs to deliver to Umlazi via standard methods.

	Direct delivery via Owner Driver	Delivery to Wholesaler	Wholesaler/Distributor	Total
Physical case sales per annum	85903	310675	220000	616578
Average contents cost per case	R 49.03	R 49.03	R 49.03	R 49.03
Sales costs per annum - Account Managers (inc car) Merchandiser	195195 69901		390390	585585 69901 0
Owner Driver costs per annum	432580			432580
ABI driver costs per annum		169519	120043	289562
ABI vehicle cost per annum		334122	236603	570725
				0
Distribution allowance to distributor			220000	220000
Trade discount 7.5%		1142430	808995	1951425
Total costs per annum	697676	1646071	1776031	4119778
Cost per case. (Rands)	8.12	5.30	8.07	6.68

Each of the models above will be discussed briefly in order to give clarity to the expenses tabulated. "Physical case" is the term used for a complete yet single case of product. A case could vary from 12x1,25 litre bottles , 24x340ml cans or a case of 24 x 300ml King Size. The average cost per case was determined for the entire area. Note that table 3.1 is the actual sales and delivery costs experienced in the Umlazi territory prior to a new model being developed.

3.1.1 Direct delivery via owner driver.

85903 cases of product were delivered to the Umlazi territory during the period under review. One account manager and one merchandiser were utilized to call on the 250 outlets, mostly on a fortnightly basis. The annual cost of R195195 includes the account Manager package as well as the cost of the vehicle, running and maintenance costs.

The owner drivers are utilized to do the DSD deliveries into the area. The owner driver earns a rate per case, depending on stem time, case volume and size of outlet. The delivery cost per case is $\frac{432580}{85903}$ and equates to R5-04 per physical case.

The total sales and delivery cost to Direct Service Delivery outlets is R8-12 per case.

3.1.2 Delivery via Distributor.

220 000 physical cases were delivered via distributor in the same period given in 3.3.1 above. To recap, under the distributor model, ABI delivers full truck loads to the distributor. ABI also collects orders via presell from the retail outlets and takes these orders to the distributor for delivery on behalf of ABI.

There is therefore a distribution cost to be borne for delivery ex ABI to the distributor's premises. These costs include the cost of the driver, vehicle operating costs and the depreciation value. This cost is R 356 646. In addition, due to the number of outlets (302), two account managers are required to take the orders. This equates to a cost of R390 390.

The distributor also receives allowances from ABI. Firstly a trade discount of, on average, 7.5% is passed to the distributor. Against this the distributor makes his margin as he onells the stock to the retailers at ABI's wholesale price. The distributor also receives R1-00 per case as a distribution allowance to cover delivery expenses. The total cost of utilizing the distributor is R1 776 031 at a case rate of R8-07.

3.1.3 Delivery to Wholesaler.

Recall that in this method, ABI delivers to wholesalers, who hold the stock and make it available to the retail trade. There is thus no sales staff costs to be considered as well as no distribution allowance to be applied. Retailers travel to the wholesaler to collect stock.

The total sales and distribution costs are thus limited to the cost of the ABI distribution system delivering in bulk to the wholesaler. Again, a trade discount is passed to the wholesaler as most wholesalers on sell to the retailer at ABI's wholesale price. In the period under review, 310 675 cases were delivered to the wholesalers in the Umlazi territory. The 7.5% trade discount equated to R 1 142 430 and the delivery cost to R503 641. Total cost is R1 646 071 at a case rate of R5-30. This is by far the most economical method on a rands per case basis, but carries with it all the disadvantages previously discussed above.

3.1.4 Sales and Distribution Margin generated in Umlazi

It is important to take a wholistic view of the Sales and Distribution Margin generated for the entire Umlazi before the intervention in which a new sales and distribution model was formulated and instituted. In order to compare like with like, cost of sales and other operating expenses have been excluded from the calculation. In other words, the effect of the new model on volume, sales and distribution margin and sales and distribution cost per case can be compared equitably. Figure 4.2 below shows profitability before intervention with a new sales and distribution model.

Table 3.2 Revenue, Margin and profitability before the introduction of a new model.

	Traditional methodology
Case volume	616578
Average contents cost per case	R 49.03
Sales Revenue	R 30,230,819
Less: Trade Discount	R 1,951,425
Gross Profit	R 28,279,394
Less: Sales and Distribution costs	R 4,119,778
Sales and Distribution Margin (rands)	R 24,159,616
Sales and distribution costs per case	R 6.68
S&D Margin/case	R 39.18

3.2 Determination of current execution levels, potential total retail outlets in Umlazi and potential total volume if all outlets are serviced adequately and directly by ABI.

The only known facts about the volume and outlet execution in Umlazi, are those that have been revealed so far. Existing outlets on ABI's data base were the 250 DSD outlets and the 302 Distributor delivered outlets.

However, 52% of the existing volume (see figure 3.1) was achieved through wholesalers in the Umlazi township and this needs to be considered in more detail. This volume, when compared to DSD and distributor serviced outlets, indicated to ABI that at least a further 500 outlets in Umlazi were serviced by wholesalers. Outlets picking up from wholesalers would be exposed to two separate issues:-

- It could be assumed that retailers would only travel to wholesalers a limited number of times per week, and then only when stocks were running low. This would mean that the spaza type retailer could be out of CSD's before doing a trip to the wholesaler and sales volumes would be compromised.
- Wholesalers carry a large range of items and this would no doubt include softdrinks that are competitors to ABI. Retailers could purchase on cost, preference or availability and could well purchase a range of competitor products. Again, due to the indirect nature of the relationship, volume of ABI's products are compromised.

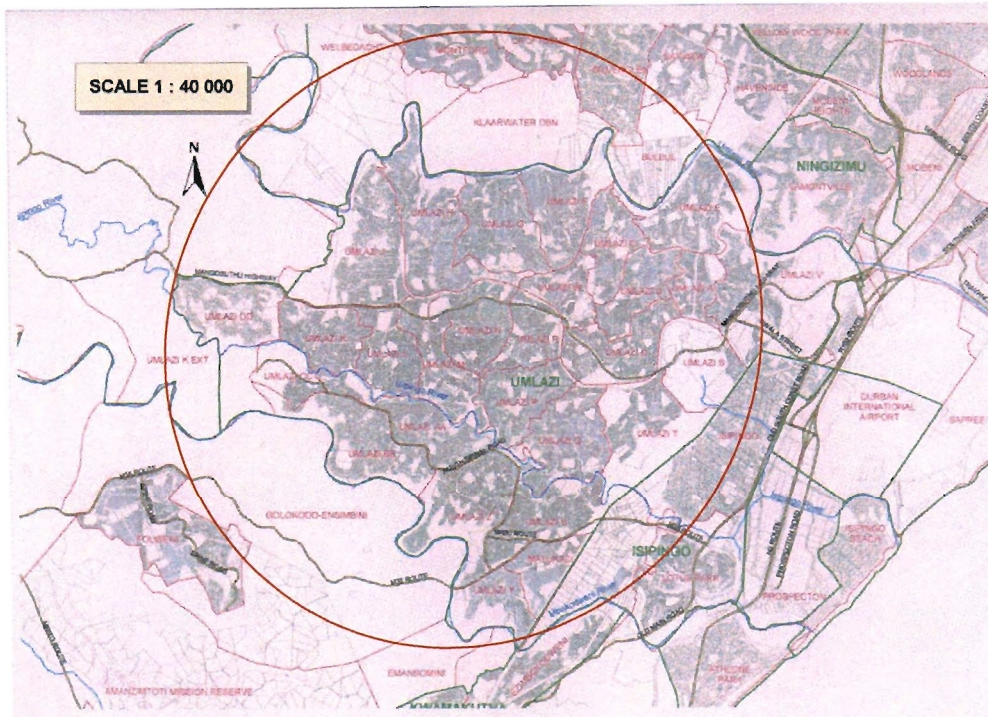
3.2.1 Determination of the outlet base in Umlazi.

The assumption above that 500 outlets were being serviced by wholesalers was just that: an assumption. It was assumed that like volume through DSD and distributor, would deliver a similar quantity of outlets. However, this assumption needed to be tested stringently. It was important to accurately determine the number of outlets in Umlazi as well as the potential volume that could be generated in the total area. These figures would be required in order to test the theoretical viability of any new model and would serve as the basis for determining resource requirements such as personnel, vehicles, point of sale and coolers. It would also indicate the time required to activate all outlets to the required standard.

In order to accurately document the position of all outlets in Umlazi, a separate "operations room" was created out of which the entire project could be run. A full

time project leader was identified and appointed out of existing staff. In the operations room, a 1 in 40 000 map was set up on one of the walls.

Figure 3.1 Map of Umlazi.



Two teams of two persons were appointed and trained to do surveys in Umlazi. These teams were allocated a specific section that was to be surveyed on a daily basis. The teams walked each street in order to find every spaza or house shop, every formal store and every tavern that could potentially stock beverages of the Coca-Cola company. Attempting to do this by motor vehicle would probably lead to outlets, especially at the back of properties and having no signage, being omitted from the list. “Walking the streets” allowed for the surveyors to find most, if not all of the (potential) outlets. The surveyors carried with them basic survey forms/questionnaires. The type of data collated at the early stage included:-

- Name of owner and contact details.
- Address and exact location on map (geocode)
- Is the outlet activated – i.e. sign, cooling, Point of purchase available.
- Where does dealer buy soft drinks. (ABI direct, distributor, wholesaler).
- How many cases sold per week.
- Extent of running out of stock and potential volume if always in stock.

Annexure 1 contains a copy of the form utilized in the survey as reference.

The survey team would then, at end of day, return to the factory and plot the outlets on the map with map pins in different colours in order to differentiate between

- ABI deliveries via Owner Driver
- Distributor deliveries
- Collects from wholesaler
- Does not stock soft drinks but would like to.

From the survey forms, information was gathered concerning total outlet base, estimated volume per outlet (VPO) as well as the amount of POP, signage and coolers required to activate the outlets. Cost and manpower to activate could then also be determined. Figure 4.4 below consolidates the potential of Umlazi should a new model be capable of servicing the entire area directly as DSD. The “Before survey “ column is the actual figures for the prior year. The “After survey” column is the estimated potential of Umlazi. It is against these numbers that a new model will be defined.

Table 3.3 Potential volume in the Umlazi Area

	Before survey	After Survey	Increase %
Case sales	616578	1145872	86
Outlets	552	1574	185
Cases/outlet/week	21	14	-35

The above figure (3.3) is very significant in the development of a new model. The case volume is expected to increase by 86% should ABI be able to deliver directly to all outlets and ensure that stockouts are kept to a minimum. However, for an increase in case sales of 86%, the corresponding increase in the outlet base will be 185%. This is due to the fact that the wholesalers were selling to outlets that ABI did not deliver to. ABI achieved volume by selling to the wholesaler and so the volume was captured, but not the outlet base per se. Servicing this massive increase in outlet base needs to be answered within the new model. Also significant in determining the way forward is the fact that the volume in average cases per outlet per week is predicted to fall by 35% from 21 cases to 14 cases per week. The challenge will be to service these, on average smaller outlets, effectively and efficiently. Clearly, the distributor was servicing the smaller outlets, or else they were not being serviced at all and had to collect from the wholesaler. Taking all outlets back into direct distribution lowers the average drop size significantly.

3.3 Development of a new Sales and Distribution methodology and cost analysis of the new methodology.

Before a new model can be envisaged, ABI Durban needs to clearly articulate exactly what this model would be required to deliver against. The following are the pertinent deliverables required:-

- All outlets to be serviced direct service delivery by ABI.
- Two sales calls per week.
- Multiple (at least 2 deliveries) per outlet per week. This, due to the fact that smaller outlets have neither the storage space nor the cash flow to fund an entire week's purchases.
- Improved Customer Service Measure. This is both the externally measured CSM score and an internal survey of customers in order to compare the old and new models.
- Increased sales for the area.

- Cost - to be comparable with previous models, however it is required to deliver on new requirements set out above.
- Increased revenue and profitability.
- Improved in-outlet activation.

3.3.1 Determining whether the current DSD Owner Driver scheme can or can not deliver the required output.

The question that must be asked is whether the current owner driver scheme cannot deliver against the requirements for servicing of the Umlazi area. The envisaged increase in service levels will require quite some change to the current operating levels, but it is important to determine the costs before deciding on a totally new model.

- The new service level requires that each outlet be called on twice per week. The number of account managers required can be determined as follows:

$$\begin{aligned}
 \# \text{ Account Managers} &= \frac{\text{Total outlets} \times 2 \text{ calls per week}}{5 \text{ days per week} \times 30 \text{ calls per day}} \\
 &= \frac{1574 \times 2}{5 \times 30} \\
 &= 21 \text{ account managers.}
 \end{aligned}$$

For each two account managers, one merchandiser needs to be accounted for.

- Owner driver delivery costs need to be considered. Currently, as noted in Table 3.3 above, average drop size is 21 cases due to the fact that ABI services the larger outlets on the whole. In taking back all distribution, the weekly drop size will change significantly from 21 to 14. Given that deliveries will occur twice per week, the average drop size becomes 7 physical cases per outlet.

Currently, due to the drop size, owner driver costs (actual) are R5-03 per case. Going forward, the standard cost can be determined from the owner driver payment model (**see Annexure 2**).

The owner driver model is a reasonably complex model that takes into consideration factors such as:-

- Developed versus Emerging Market (terrain differences)
- Drop size.
- Stem distance (<20km, <75km.....etc divided into zones)
- Vehicle lease costs, staffing, maintenance, depreciation
- Case configuration (returnable vs Non returnable).

However, adequate information is available, and in annexure 2 it can be determined that Umlazi, under the new service requirements is classified as follows:

- Emerging Market
- Zone 2: Max 75km round trip
- Category A = 8 case/drop average.

Reading off from the table, the new cost per case for owner drivers (averaged) is R7-80. It is now possible to set up a comparative table for Owner Driver delivery under the current service levels and the proposed service levels. Table 3.4 below sets out the costs for the current and proposed service levels.

Table 3.4 DSD current versus DSD with new service levels implemented.

Current DSD 552 outlets		Comparative solution DSD 1574 outlets	
Case volume	85903	Case volume	1145872
	Rands		Rands
Account manager x1 (inc car)	195195	Account Manager x 21	4099095
Merchandiser x 1	69901	Merchandiser x 10	699010
Owner driver costs @ R5.03/case	432580	Owner driver @ R7-80/case	8937801.6
Total S&D cost	697676	Total S&D cost	13735907
S&D cost per case	8.12	S&D cost per case	11.99

The current modus operandi delivers an S&D cost of R8-12 per case. However, there are shortcomings as previously discussed. The account manager only calls once per fortnight, in outlet activation is at best mediocre, and outlets often run out of stock. From the literature survey and research done, it is clear that sales volume has a direct correlation to customer service levels, and in this case, stock availability plays a key role in maximizing volume.

Utilising the same technique, but bringing all outlets onto direct service distribution, gives the expected increase in case volume achievement. However, as indicated previously, the average case drop size reduces significantly. In addition, ABI Durban has decided that two sales and two distribution calls per week will significantly increase the levels of service, reduce out of stock situations and increase sales volume significantly. The important aspect here is to ensure that costs are contained. It is possible to increase volume and service levels at significantly increased cost. But can service levels and volume be increased without significantly increasing S&D costs per case? By utilizing the same model, but bringing all outlets onto DSD twice per week, it is calculated that S&D costs increase from R8-12 per case to R11-99 per case.

Clearly, the R11-99 (or 47% increase) per case is not acceptable and a new model needs to be sought.

3.3.2 Development of a new Sales and Distribution model for ABI Durban.

In the introductory portion of paragraph 3.3, the requirements for a new service oriented approach is clearly articulated. All of these issues need to be addressed, as far as possible, in the new model.

The first three requirements form the crux of any sales and distribution model that ABI would desire to implement:

- All outlets to become DSD (direct service delivery)
- All outlets to have 2 sales calls per week.
- All outlets to be delivered to at least twice per week.

In table 3.4 it was noted that direct delivery twice per week to all outlets, with a double sales call via a different structure, increases cost significantly by 47% per case. Even the envisaged increase in volume cannot compensate for the excessive increase in sales and distribution costs.

The only possible solution to this conundrum would be to combine tasks – but will this allow for all the other requirements to be met too? ABI Durban viewed this as a day 1 problem. They had never been able to deliver into emerging markets successfully against the criteria stated. Here was the opportunity to develop a model from basics or first principles. This model was constructed, base up, over a period of weeks, and refined as progress was made. Each and every deliverable had to be considered individually and also as part of a single contained model. Each and every deliverable had to be possible in the new model. Each aspect is discussed in some detail below:-

3.3.2.1 Combining Sales and Distribution functions.

In ABI, the sales and distribution functions have generally been viewed as distinct and separate entities. It is the Account Manager's role to call on the outlet and develop the account and take or suggest an order from the dealer. The

distribution function likewise is separate and the owner driver or ABI delivery driver has the function of delivering to the outlet, the order taken by the Account Manager.

In order to improve service and call on all outlets twice weekly, there was little option but to combine the task of Account Manager and Delivery Driver. In order to do this, the week had either to be reduced from 5 to 4 days, or to be increased from 5 to 6 days. The decision was taken to expand to 6 days so that the new function could call on outlets as follows:-

- Monday and Thursday
- Tuesday and Friday
- Wednesday and Saturday.

It is rather easy to say "Combine the two tasks". In reality it was rather more complex in the development stage. Is the function a sales function, which just happens to execute delivery at the same time? Or is the function one of a delivery driver, with the sales being an add on? Or are both functions of equal importance?

The stance taken by ABI Durban is that the function is predominantly one of sales as well as account development. This includes promotional activity, merchandising and other related sales functions. That the same person would be expected to deliver the ordered stock as well, would be a secondary function, but would still be considered to be strategic in increasing the level of service to the retail trade. The new position was named after the function that this person would be required to carry out:- namely "**Merchandiser Order Taker Driver**" or **MOTD**.

A comprehensive rationale for the position was documented, and an **appropriate pay model determined**. This pay model is important for two reasons:

- The payment of the MOTD will be an overall part of the new S&D costing.

- The payment, more importantly, must attract the right caliber of person, ensure that the MOTD is remunerated for output and achievement and ensure that remuneration is market related and comparable to the Account Manager remuneration.

Annexure 3 sets out the MOTD pay model. It is designed to pay for performance and gives the MOTD the potential to earn a total cash component of R16500 per month. This is comparable to an account manager who earns between R11 000 and R12 000 per month as well as a company car worth approximately R4500 in his/her pocket. The MOTD earns the higher salary as the position has no need of a company car. Account managers have controlled free mileage as well as use of a vehicle to work and home, and thus the MOTD earns more in cash equivalent to compensate for the vehicle.

The MOTD salary is broken down into two portions – Guaranteed and Variable pay. Guaranteed remuneration is 45% of total and is thus a maximum of R7500. Variable pay is 55%. Table 4.6 sets out the remuneration schedule for the MOTD.

Table 3.5 Pay Model for the MOTD.

Guaranteed pay	Basic Salary	75%	45%
	Travel allowance	25%	
Variable Pay	Volume	60%	55%
	ITOS	30%	
	Strike Rate	10%	
Total Cash Component			100%

Guaranteed pay is 45% of total possible. This is broken down into a basic salary component as well as a travel allowance. Variable pay is the remaining 55%. Of this, 60% relates to volume achievement, 30% relates to the “In Trade Outlet

Survey” and 10% to outlet strike rate. The latter three will be discussed briefly hereunder.

- **Volume** – A volume target or budget is set. The MOTD starts to earn on achievement of 86% of target or higher, up to a maximum of 10% over target where R5400 is earned for the month.
- **ITOS** – The In Trade Outlet Survey measures a host of aspects relating to the account manager function in the retail outlet. In brief, ITOS measures the account manager’s (and in the new model the MOTD’s) activation in outlet and his/her management of the account. Some of the items measured independently in outlet are:-
 - Is the outlet in stock of all key packs all the time?
 - Are the correct brands and packs stocked?
 - Is the outlet correctly merchandised? (Including cooler)
 - Is all stock within “best by” limits?
 - Is pricing clearly communicated?
 - Is the correct POP displayed according to the relevant sales channel?
 - Is promotional material displayed?

A score of 95% or higher earns for the MOTD, variable pay according to the schedule in Annexure 4.

- **Strike Rate** – Strike rate simply measures whether the MOTD has called on all outlets in order to take the order, according to his/her route schedules. Between 95 and 99.99%, R450-00 is paid, while at 100% strike rate an amount of R900-00 per month is paid.

It was further clear that all the functions required of the MOTD were too many to handle single handed. In order to assist the MOTD in completing the sales and distribution call effectively, an assistant was allocated to the Merchandiser Order Taker Driver. The task of the assistant is to take the ordered stock from the

vehicle into the retail outlet. The assistant will pack the stock as directed by the retailer and return the empties to the vehicle for return to the Distribution Centre. The truck assistant would then return to the outlet to assist the MOTD in diverse functions such as merchandising and cleaning the cooler, building displays and erecting promotional point of purchase.

The remuneration of the truck assistant is pegged at 50% of that of the MOTD. It is also paid on the exact same logic/parameters as the variable pay model of the MOTD.

3.3.2.2 Vehicle Design

Due to the size and nature of the outlets to be serviced in Umlazi, the standard 18 pallet vehicle was found to be unsuitable for a number of reasons:

- **Capacity.** The number of cases per pallet differ for each pack size, depending on the size and weight of each case. For 1,25 litre returnable glass, there are 32 cases per pallet, and an entire rig would carry 576 physical cases. For 340ml cans, each pallet carries 90 cases, and the rig would carry 1620 cases. Other packs would include 300ml King size, the 150ml Bibo pouch and 2 litre PET. The actual volume would vary, depending on pack configuration, between 576 and 1620 cases. However, the Umlazi market is predominantly a returnable pack market and packs would normally be, in the main, 1,25 litre returnable and 300ml returnable. Normal carrying capacity is between 680 and 720 cases per load into Umlazi. If we assume the survey to be correct, average drop size will be 7 cases per outlet, twice weekly. Assume then that the MOTD can cover off 30 outlets per day, $7 \times 30 = 210$ cases per load. Therefore the vehicle that carries at least 576 cases is too big. Operating costs will be excessive for this type of vehicle.
- **Access to the market.** One of the lesser reasons why certain outlets in Umlazi were not delivered to, was due to the issue of accessibility. The large 18 pallet rigs (articulated) were too long and cumbersome to traverse

some of the narrow and steep roads. To this end a different vehicle would be required for the MOTD.

- **Security.** It is unfortunate that stock is often stolen off unsecured vehicles. Under normal operations, the 18 pallet vehicle has a driver and three truck assistants. Normally one truck assistant takes stock off the vehicle and stacks on the ground next to the truck. This person acts as a security measure for the stock on the truck. In the MOTD model, only one assistant is available, and this person is responsible to wheel stock into the outlet as well and the vehicle will be left unguarded for long periods of time.

Clearly a new vehicle design was needed. It needed to be smaller than the current 18 pallet configuration. It needed to be more maneuverable and required a method of securing stock whilst on the delivery route.

An eight pallet rigid vehicle was designed. This has a carrying capacity of 256 cases 1.25 litre returnable or 360 cases of 300ml Returnable, or 720 cases of cans. Due to the stock mix normally delivered into Umlazi, the normal truck load is calculated to be between 270 and 300 cases.

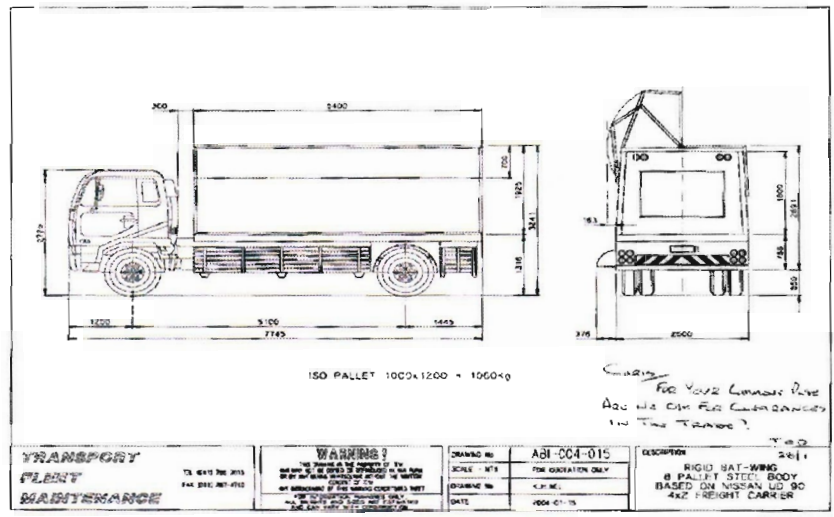
The vehicle has two “bat like wings” that are operated hydraulically. These wings slide down the side of the vehicle by the push of a button and secure the stock on the vehicle while the MOTD and assistant are inside the outlet.

Further to this, the load body has been manufactured of aluminium, which is both lightweight (in comparison to steel) as well as corrosion resistant. Below is a schematic of the vehicle (design) as well as a photograph of the first vehicle delivered to the Durban site.

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Figure 3.2 Schematic diagram and photograph of the MOTD 8 pallet vehicle.



3.3.3 Sales and Distribution cost of the MOTD model.

Adequate information is now available to theoretically determine the cost of the MOTD model. Information is at hand for the following:

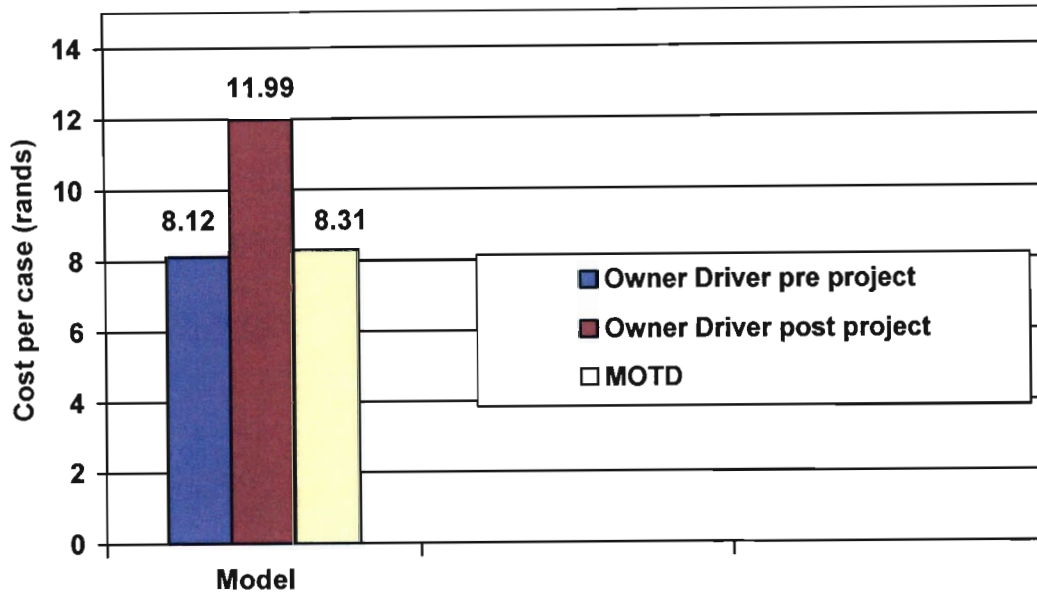
- MOTD costs and assistants costs
- Vehicle depreciation, maintenance, licensing and fuel.

Table 3.6 Costing of the MOTD Sales and Distribution Model

Physical cases		1145872
Outlets per day		30
cases per drop		7
Days per week		6
weeks per year		52
# MOTD's required		17
	Rands	Rands
Staffing Costs: (Annual)		
17 MOTD's (R16500 x 13 x 17)		3646500
17 Assistants		1823250
Vehicle costs		4050216
Depreciation (17x 12 x 7790)	1589160	
Fuel/Tyres	1214616	
Maintenance	1246440	
Total annual costs		9519966
Expected total cost per case.		8.31

In summary, comparative costs can be tabulated for Owner Driver delivery before MOTD, Owner driver costs for delivering all Umlazi outlets and the MOTD cost. The increase in costs as a percentage can then be tabulated and compared.

Figure 3.3 Comparative costings for sales and distribution options



The blue chart is the traditional owner driver cost, given that only the larger outlets are serviced. This sales and distribution cost equates to R8-12 as previously determined.

The red chart indicates the cost of utilizing the current owner driver model to deliver to all outlets in the Umlazi area. This is a sales and distribution cost of R 11-99 per case which equates to a 48% increase in costs over the current model. It is not feasible to increase the sales and distribution cost by close on 50%, given that such increases would need to be absorbed somewhere else in the business. Further to this, this model would still only allow a sales call once per week and the delivery cycle would be weekly too. This means that outlets receiving stock very early in the week will possibly run out before or during the weekend when beverage consumption is highest in the area. The retail outlet would either remain “out of stock” or would need to proceed to the nearest wholesaler at his/her own cost in order to pick up beverages. The cost is inhibitive, and service levels would still not be as envisaged.

The yellow graph is the new model that has been developed. At a calculated cost of R8-31 per case, this is only a 2.3% increase over the current owner driver model. However, many advantages accrue immediately to this model:-

- **All** outlets in Umlazi can now be serviced and be supplied directly.
- Outlets are given both a sales and distribution call twice per week, once early in the week, the other close to, or over the weekend.
- The retail outlet is likely to remain in stock until the next sales call and this obviates the need to fetch from the wholesaler or simply remain with no stock until the next call.
- The account can now be developed on the sales front. Correct packs can be sold in, promotion run in the outlets and business reviews can be conducted with the owner.
- Costs of the new model are very comparable to the old model (owner driver delivery to larger outlets).

The sales and distribution revenue, margin and profitability of the new MOTD model can now be computed. The numbers generated by the current method have been carried over from figure 4.2

Table 3.7 Financial Comparison of current sales an distribution model and MOTD.

	Current Method	MOTD	Variance %
Case Volume (physical cases)	616578	1145872	85.8
Average contents cost per case	49.03	49.03	
Sales revenue	30,230,819	56,182,104	85.8
Less: Trade discount	1,951,425	0	
Gross profit	28,279,394	56,182,104	98.7
Less: Other Sales and distribution costs	4,119,778	9,519,966	
S&D margin (rands)	24,159,616	46,662,138	
S&D cost per case (rands)	9.85	8.31	-15.6
S&D margin/case	39.18	40.72	3.9

Table 3.7 delivers some very interesting results that require some comment.

- **Volume:-** Volume increases by 86% if ABI develops all outlets in Umlazi and delivers directly to all outlets via the MOTD model. It has previously been shown that the MOTD model is feasible and can be utilized to adequately service all outlets in Umlazi.
- **Sales Revenue:-** Sales revenue increases in line with physical case volume and increases by 86% when all outlets are serviced via MOTD.
- **S&D cost per case:-** This decreases for the entire Umlazi area by almost 16% per case. (R1.54 per case). This can be explained by the fact that certain overheads are fixed and are amortised over a phenomenal increase in case volume (86%). Note that service levels have increased - twice per week delivery as well as ABI having the ability to service all outlets directly. The greatest financial advantage is clearly noticeable when one turns to revenue that is generated as well as the S&D margin that results from the project.
- **Sales Revenue and S&D margin:-** Sales revenue increases by a phenomenal 85% as stated previously, and this rolls down into a margin increase of R22.5 million rands. The margin increase is 79% while the S&D cost decreases by 16%. The model is clearly viable and a necessity with regards to implementation.

3.4 Acceptance of the Model and Activation of the entire area.

Given the potential lift in volume and resulting profitability, it is evident that the MOTD model is financially viable. The next step is to develop the entire area and bring all outlets on board. Simultaneously, as sections or routes are developed, sales and distribution to these areas need to take place via MOTD in order to test the model physically.

The model cannot be rolled out as a “big bang” approach, as physical work needs to be done in bringing outlets on board. Further to this, vehicles need to

be imported, staff employed and trained and management routines defined and executed. Thus a decision was taken to roll out the MOTD model one section at a time. As adequate outlets were brought on board to constitute an entire MOTD route, so a vehicle was put in place and the crew appointed and trained.

3.4.1 Activation of the outlets.

In Chapter 3, paragraph 2 above, the detail around determining the total number of outlets in Umlazi was discussed. Included in this determination were issues surrounding level of activation (signage, inside POP and cooling) as well as whether ABI or the distributor delivered.

In order to activate the outlets before delivery, two full time activation teams were put in place. One section of the township was activated at a time. (Umlazi is divided into sections, rather than suburbs).

The leader of each team utilized the information gleaned during the initial survey of each outlet. The team leaders then visited each outlet in the given section and determined the following:-

- Whether or not outside signage was required. If required, how many and of what dimensions. What name was to appear on the privilege panel?
- What inside point of purchase is required? Framed advertising? Washline banners, display stands and pricing boards.
- What size cooler is required for the outlet? 1 door, 2 or 3 door, as determined by current or potential purchases?
- What packs and brands need to be kept in the outlet (decided by size of outlet and estimated offtake).

It is then that the activation teams followed through.

Signwriting. ABI Durban has its own signwriting facility where sophisticated signage work can be carried out. White Chromadec sheets are used as the base onto which seven year vinyl is applied. The Coca-

Cola logo is evident on all the signs and the name of the account or outlet is applied in the appropriate space.

A decision is then made as to where exactly the sign must be mounted on the outlet or whether it must be mounted as a free standing sign, in which case the appropriate structure (pole) is also manufactured. This team then proceeds to the outlet and mounts the sign in the appropriate agreed to position. This sign identifies the outlet as one that sells softdrinks and other items that can normally be found in spaza type outlets.

Figure 3.4 below depicts a typical Coca-Cola spaza shop sign.

Figure 3.4 Typical signage erected in Umlazi



Inside Point of Purchase (POP)

From the initial survey, the activation team has knowledge of what POP already exists in the outlet. Depending on the size of the outlet, various pieces of POP and equipment are delivered to the outlet and mounted in appropriate places. Inside POP includes, but is not limited to:-

- Framed Coca-Cola, Sprite and Fanta internal signs.
- Washline banners
- PVC pricing boards
- Warm product stands

Cooling Equipment

Depending on the size of the outlet, (space availability) as well as the expected sales through the outlet, a cooler or fridge of a specific size is allocated to the outlet. This would normally be a 1 door, 2 door or 3 door cooler.

Initial Order

The activation team would also discuss the outlets first order with the owner, so that the dealer could start functioning fully as soon after activation as is possible. For a spaza type outlet in Umlazi the following packs and brands are likely to be available:

300ml RGB – Coca-Cola, Sprite, Fanta, Granadilla and Crème Soda

1250ml RGB – Coca-Cola, Sprite, Fanta, Twist Granadilla and Twist Lemon.

150 ml Pouch – Bibo ready to drink.

Larger outlets will also stock various flavours in 340ml can, 500ml PET and 2000ml PET.

This initial order is taken back to the factory and the MOTD driver will deliver it within 48 hours.

CHAPTER 4: RESULTS OF THE IMPLEMENTATION OF THE NEW MODEL

In chapter 3, paragraph 3.3, certain deliverables of the new model were required. In brief, ABI Durban set out to address the following requirements in setting up the MOTD.

1. All outlets to be serviced by ABI directly.
2. Two sales calls to each outlet per week.
3. Multiple (at least two) deliveries to each outlet per week.
4. Improved customer service as measured by a detailed questionnaire.
5. Increased sales volume in the Umlazi area.
6. Cost , revenue and profitability – cost comparable to previous models in use, while revenue and profitability increase.

Each of these aspects will be discussed here following to see whether all criteria are being met.

4.1 All outlets to be serviced by ABI directly.

The MOTD model that has been developed assumes that every outlet in Umlazi will be delivered directly by ABI. The survey of all outlets was instituted to identify outlets that stocked ABI products as well as outlets that did not stock ABI products. Further to this, the survey identified the potential sales of each outlet going forward. The design of the MOTD model caters for direct distribution to all outlets in Umlazi. The costings indicate that cost effective DSD to all outlets is possible.

4.2 Two sales calls to each outlet required every week.

This was a further requirement: Two sales calls are required per week in order to take take stock, determine offtake and compute a new order. At the same time, the salesperson has two opportunities per week to develop relationships at store level, merchandise (the cooler or ambient equipment) build displays and sell in

promotions. The MOTD has, due to the duality of the function, the ability to carry out two sales calls per week.

4.3 Multiple deliveries to each outlet per week.

The MOTD delivers stock and takes the next order at the same time. The delivery routes are as follows:- Monday and Thursday route 1. Tuesday and Friday route 2 and Wednesday and Saturday, route 3.

It is often deemed illogical and inaccurate to deliver and take the next order at the same time. ABI traditionally takes an order and delivers 48 hours later. During the delivery, no order is taken as the driver delivers separately to the sales call. It is also felt that some lead time between delivery and the next sales call is required in order to accurately gauge off-take.

However, the MOTD concept has shown that two orders per week, and taken at the same time as the delivery, works effectively. A simple spreadsheet for a single product is utilized below to show how it works. For example, the MOTD delivers on Tuesday and takes an order for Friday delivery. On Friday while he delivers this order, he takes an order for Tuesday delivery. This cycle continues.

The MOTD takes stock. It is known what last weeks delivery was, and what the stock level at the previous delivery was. Sales can thus be computed. From the current stock on hand as well as the same days delivery, the MOTD can compute the total stock holding. An estimate of the sales for the next three days needs to be determined. This can depend on, for instance, local activity (volume driver), weather forecast and promotional activity. Safety stock and lead time contingency is computed/added and the proposed order generated.

Table 4.1 below indicates the order methodology over a period of 2.5 weeks or five sales calls. The ideal method to take such orders is no doubt the computerized hand held terminals. (HHT).

Table 4.1 Methodology of physical order taking for MOTD

	week 1 Tuesday	week 1 Friday	week 2 Tuesday	week 2 Friday	week 2 Tuesday
Last time stock on hand	3	5	6	4	6
Add: last time delivery	12	10	7	15	5
Less: Stock on hand today	5	6	4	6	4
= sales (for 3 day period)	10	9	9	13	7
Stock on hand today	5	6	4	6	4
Plus delivery today	10	7	15	5	9
Total stock on hand today	15	13	19	11	13
Computed sales next 3 days	11	14	12	10	11
*2 lead time and safety factor (stock required)	22	28	24	20	22
Order (stock required less on hand)	7	15	5	9	9

4.4 Increased Customer service and in outlet activation as measured by a detailed questionnaire.

The theoretical financial model developed around the Merchandiser Order Taker Driver indicates clearly that the MOTD concept is feasible and viable. Once implemented, the theory must be tested on two fronts:-

- Are the financial predictions accurate?
- Are the activation and service levels improved and are they at a level acceptable to ABI?

ABI Durban rolled out the model as envisaged section by section. After the first 384 outlets of a potential 1574 had been activated in sections AA, BB, C, DD, F, G, H, K, L, M and N, a survey was conducted at 180 outlets. This means that

the sample size is approximately 50% of the thus far activated outlets and is relevant and meaningful.

4.4.1 The Questionnaire.

The questionnaire is a formalized, quantitative analysis technique, relevant for data collection in the type of project carried out in Umlazi. The author designed a comprehensive questionnaire which is incorporated in the annexure as it is too large to incorporate in the body of the dissertation. However, it can be referred to easily as and when necessary.

Customised scales were developed as standardised questions around this project will not exist as this is a development initiated by the author. A number of different scales have been used and are tabulated hereunder and an example of each stipulated in order to clarify the use of the rating scale.

4.4.1.1 A simple or dichotomous scale which offers two mutually exclusive response choices. These could be a “yes” or a “no”, agree or don’t agree or any other set of mutually exclusive responses. A typical question (question 7) posed in the survey (see annexures for questionnaire) asks **“Do you have an ABI cooler?”** This is typical of the simple or dichotomous scale.

4.4.1.2 Multiple Choice, single response scale which offers multiple alternatives, but requires only the most desired response. An example of a multiple choice single response question is question H1 where the question is posed: **“For products that you routinely receive from ABI, how often would you say you run out of stock prior to the next delivery schedule?”** The list of answers, of which only one can be chosen are:- Every week, Twice a month, monthly, rarely, never.

4.4.1.3 Multiple rating list scale allows for a number of questions to be answered on a standardized scale. This allows for the visualization of the results and a mental map of the most important aspects can be formed. Question B1 on the survey form asks the respondent to rate the ABI delivery service with regard to delivering orders at times convenient and flexible to the retailer.

A score is given along a continuum as follows:

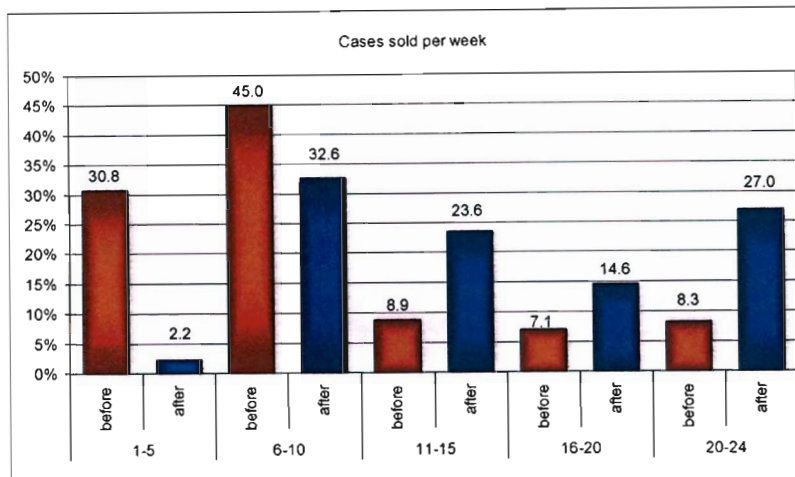
1. Exceeds expectations
2. Meets expectations
3. Almost meets expectations
4. Fails to meet expectations.

Two further ratings indicate that the respondent feels the question is not applicable or else does not know what to answer.

In order to demonstrate that activation levels and service levels have improved dramatically after the introduction of MOTD, certain questions from the survey (survey questionnaire attached in annexures) have been displayed graphically and are discussed immediately thereafter. Note that a selected number of questions are used to illustrate the results, as space prevents an in depth discussion around every question.

Figure 4.1 Cases purchased per week.

How many cases do you buy per week?



In this single response scale question, the candidate was asked :

1. How many cases of ABI stock were purchased by the outlet or business per week before the MOTD model was introduced.

And a similar, further question was posed:

2. How many cases of ABI stock are purchased, on average, per week, after the MOTD concept was introduced.

The case volumes were subdivided into quantities of five, that is 1 to 5 cases, 6 to 10 cases and so on. The two questions results have been charted graphically on the same set of axes for clear visual representation.

The following can be read off from the responses:-

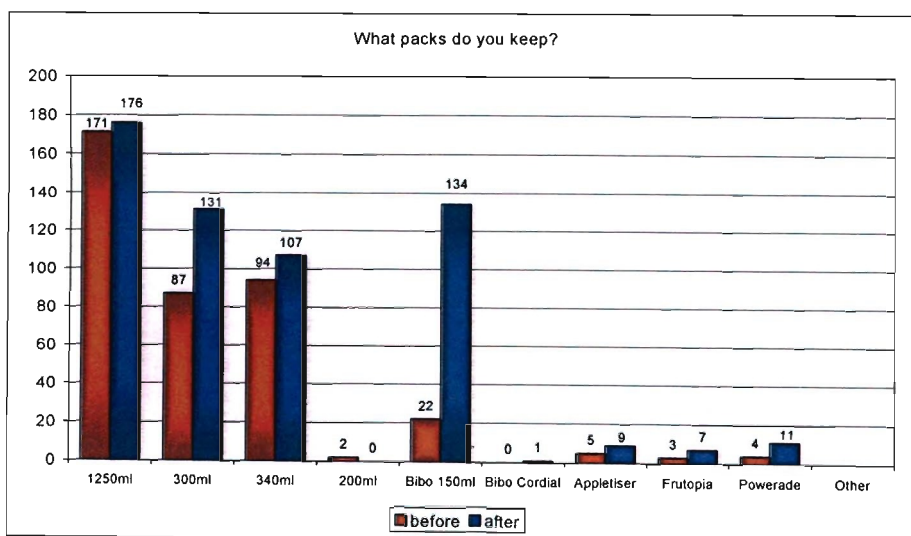
- 76% of the respondents purchased less than 10 cases of ABI product per week before the introduction of the MOTD routes.
- 24% of respondents purchased eleven or more cases of stock per week after the introduction of the MOTD routes.

- 66% of the same respondents purchase eleven cases or greater from ABI since the implementation of the MOTD routes.

It is clear that the introduction of the MOTD routes has increased volume per outlet and thus total volume for the Umlazi area. Some questions on perceived customer service will also be discussed hereunder, but it is evident in the volume lift that customer service has improved. This is primarily due to the MOTD calling on the outlet, without fail, twice (minimum) per week. Prior to the new concept, many dealers had to rely on distributors, or if fortunate, a rather irregular call (maximum once per week) by the ABI account Manager and Delivery Driver. Out of stock situations were frequent and this issue is now resolved. The dealer margin per case has remained intact, but total profit has increased due to the significant increase in sales volume per outlet. The new system obviates the need for the dealer to collect top up stock from the wholesaler which is both time consuming and costly with respect to transport.

Figure 4.2 Packs held in stock.

What packs do you keep?

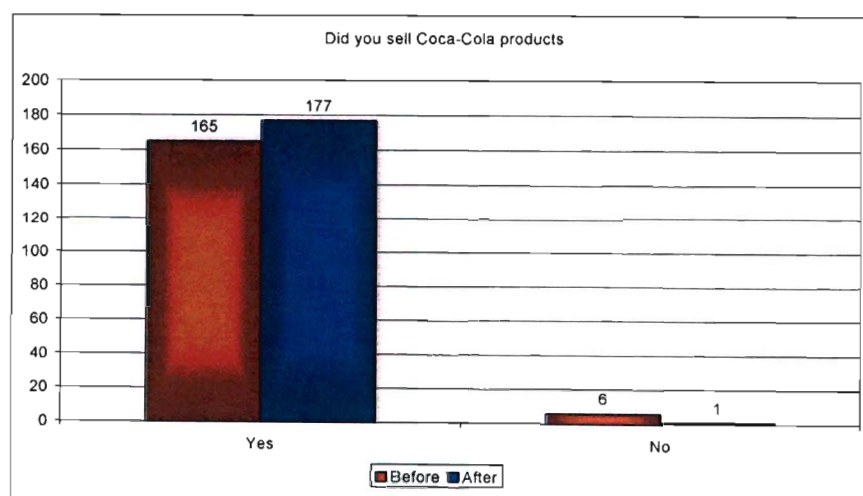


ABI produces and sells a number of package configurations and has developed a matrix of packages for each channel that it services. This matrix takes into account the profile of the “shopper” in the specific outlet as well as the LSM grouping (affordability). The packages most relevant to the needs state (requirement) of the consumer who shops at the spaza or house shop is the 1250ml returnable glass bottle, the 300ml returnable glass bottle and the Bibo 150ml pouch.

Figure 4.2 above shows the before and after MOTD scenarios. The increase by outlets in the keeping of strategic packs is indicative of the success of the MOTD concept. 1250ml returnable glass showed a 3% increase in outlet penetration. 300ml returnable increased significantly by 50% and the Bibo 150ml pouch showed an increase of 609%. Clearly, the direct service delivery and face to face sales call has had a positive effect on the availability of ABI’s products in the outlets.

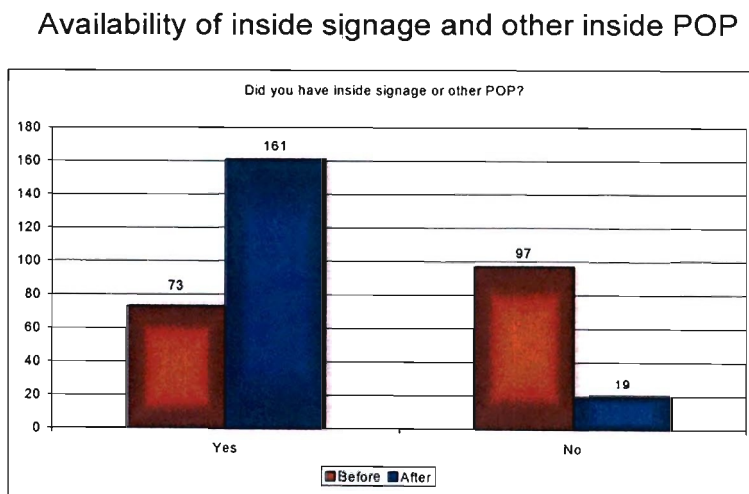
Figure 4.3 Number of retailers selling Coca-Cola products

Do you sell Coca-Cola products?



Before the introduction of the MOTD concept, only 165 of the surveyed outlets stocked ABI products in any format. Those that did not stock sold other items such as sugar, tinned foods, candles and oil and other items that are easier to transport from the wholesaler. Soft drinks are rather bulky and these outlets chose not to stock them. However, once the MOTD route was implemented, then it became viable for the outlets to hold Coca-Cola products as door to door deliveries were now available multiple times per week. The number of outlets stocking soft drinks increased from 165 to 177, which is an increase of 7%.

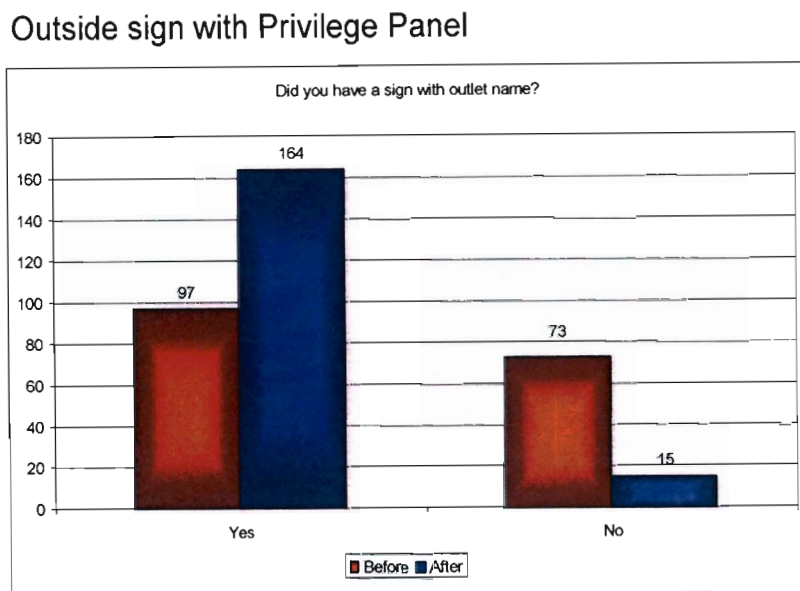
Figure 4.4 Activation levels – Signage and other Point of purchase.



The Coca-Cola system prides itself in the visibility of its products in store. This is achieved via various mechanisms, which include the availability of stock, the presence of branded coolers as well as the availability of inside point of purchase which calls the consumer to action. Admittedly, the Umlazi area before the MOTD was a poor example of what ABI is capable of achieving in the outlet. In a short space of time, the availability of inside Point of Purchase has increased from 73 to 161 outlets having some sort of inside presence.

This question specifically seeks to determine whether the MOTD programme has significantly changed the look of the retail store inside. Although not all outlets in the survey now had inside POP which calls the consumer to action, the number of outlets with inside POP has increased significantly and by more than 100%.

Figure 4.5 Presence of outside Signage

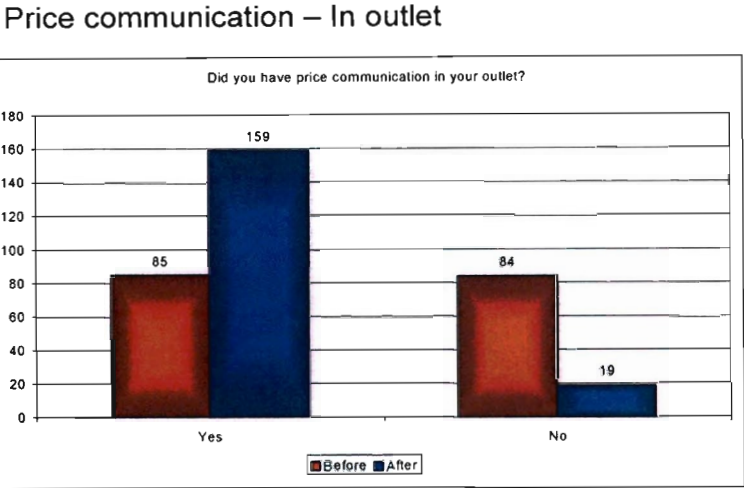


One of the most recognised facts about the Coca-Cola brand is that it is most easily recognisable and that, wherever a person travels (almost) anywhere in the world, one is assured of cold refreshment wherever a Coca-Cola sign is seen. Think of refreshment, and the first thing a person looks out for is the well known Coca-Cola sign in the traditional Spenserian script on a red background.

So, too, it should be in Umlazi. Once again the effect of the implementation of the programme is evident, as outside signage, with its call to action has increased from 97 to 164 signs. This is an increase of 69% in outside signage. The sign on the outlet increases offtake through the outlet as the availability of soft drinks (as well as other consumables) is evident by the presence of the sign.

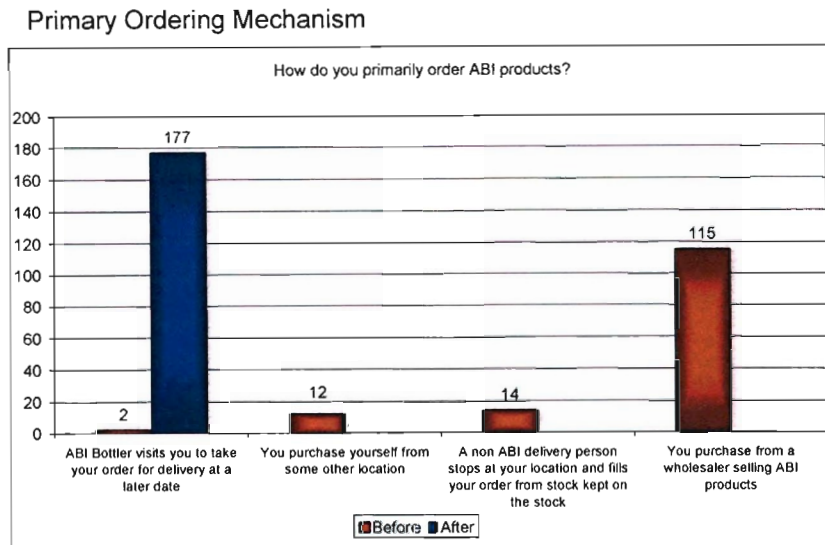
ABI Durban was at the time busy with the signage, but due to the number of outlets to be signwritten, not all were complete at the time of the survey.

Figure 4.6 Price Communication.



Price communication in outlet is very important to most shoppers/consumers. Many consumers want to know exactly what they are to pay for an item as they measure “value for money” before transacting at the tillpoint. It is recognised that consumers are often brand loyal and will sometimes purchase without considering price, but this is not so especially in impoverished areas such as Umlazi.

Figure 4.7 Primary Ordering methodology.

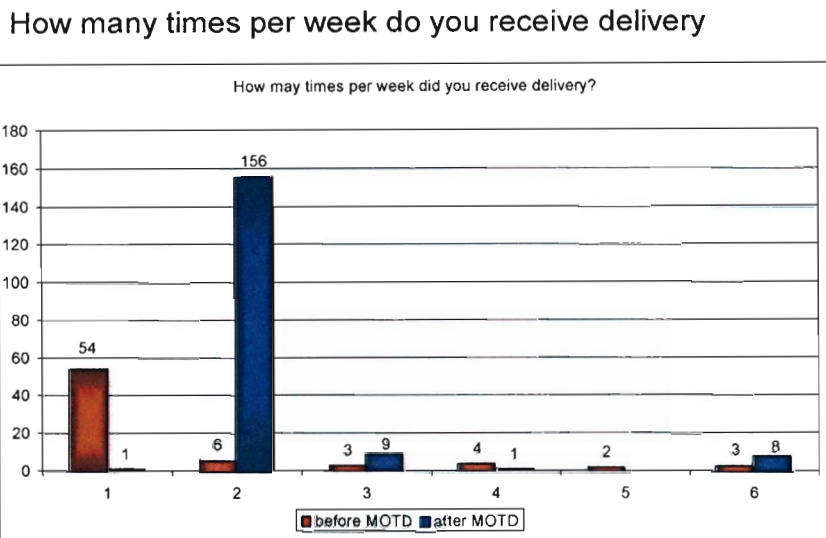


The intent of ABI in this development was to ensure multiple (at least two) deliveries per week to each and every outlet. This would ensure that the outlet has adequate stock for resale, has the correct brands and packs in stock and this product would act as a barrier to competitor entry as the retailer would not require the services of another supplier. The method of acceptable delivery will illustrate the success or otherwise of the MOTD concept in Umlazi. Figure 4.7 above illustrates the results achieved.

Before the implementation of MOTD, ABI delivered to only 2% of the outlets surveyed. 9% purchased elsewhere such as from another retailer in a more developed/urban area, 9% were delivered to by a third party such as a distributor or wholesaler and 80% collected stock from a Wholesaler with their own transport. The implication here is that the retailer runs out of stock and generally will wait for a convenient time to visit the wholesaler. He might need to shut up shop and lose sales or else put somebody else in charge (e.g. a family member) whilst he goes to collect stock. While collecting stock the retailer has the potential to also stock up on competitor products.

After the introduction of MOTD in Umlazi, the dealer/retailer has no need to have a distributor deliver, neither need he travel to the wholesaler at a cost to collect stock. Stock is delivered to the outlet at least twice per week. The increase in sales volumes clearly indicates that the MOTD concept is efficient and effective and acceptable to the retailers.

Figure 4.8 Number of ABI deliveries per week.

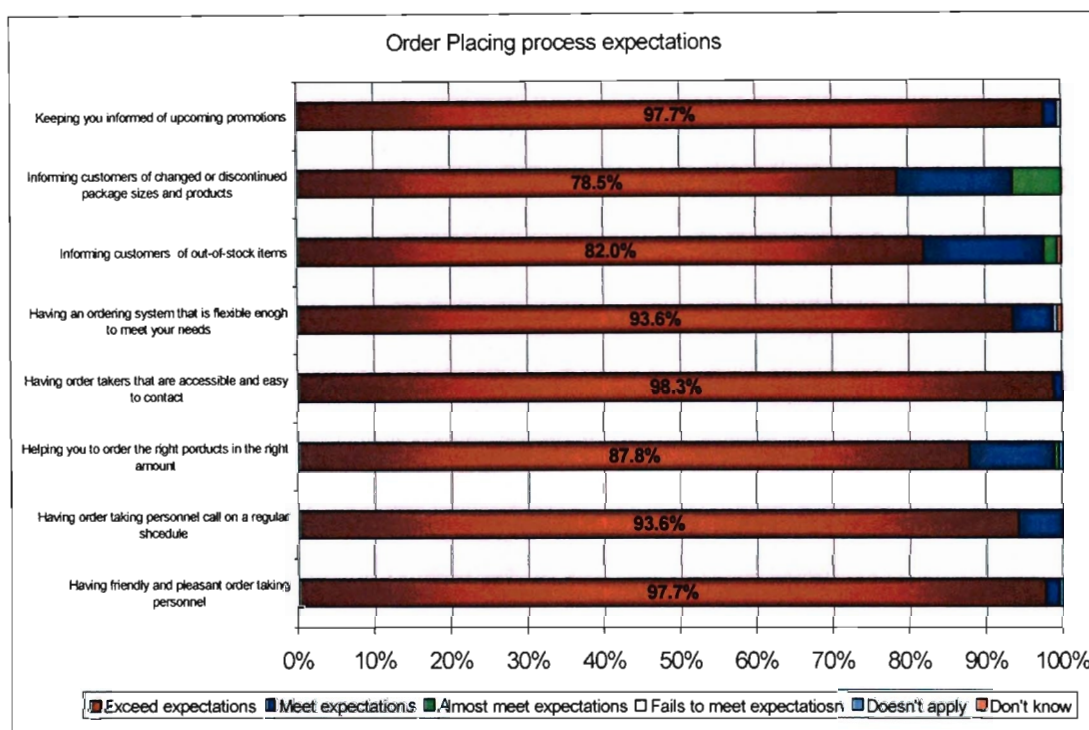


One of the preconceived aims of the new scheme was for ABI to make multiple (at least two) deliveries to each outlet per week. Has ABI succeeded in keeping to this requirement or have circumstances caused the system to fail to increase delivery frequency?

Only 16 of the outlets surveyed indicate that they received multiple deliveries per week before the introduction of the MOTD concept. After the introduction of MOTD, all except 1 respondent indicated that he received 2 or more deliveries per week.

The following two figures, developed from the results in the survey, indicate the level of satisfaction that the retailers have with the MOTD initiative. The figures indicate levels of satisfaction regarding firstly the ordering process and secondly the delivery occurrence. Each figure dissects the event into a number of critical or mandatory tasks that the MOTD must carry out.

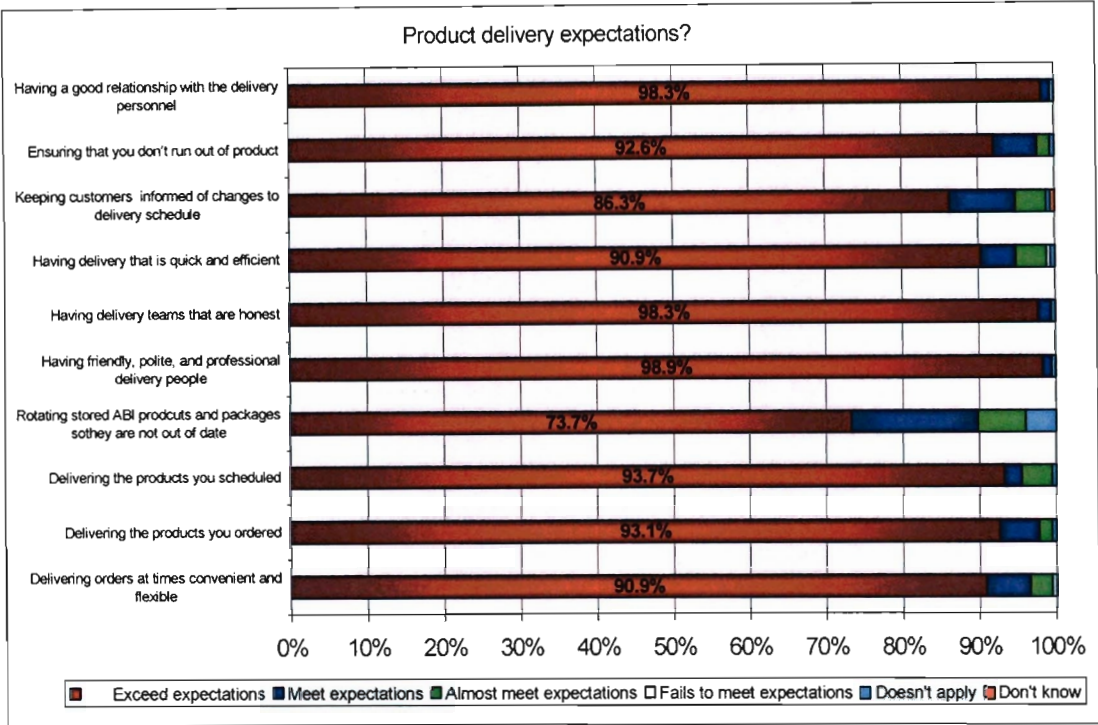
Figure 4.9 Retailers assessment of the order placing experience.



The red in the side bar graphs indicates that expectations of ABI have been exceeded in the area of order taking/ order placement. A number of questions were asked, such as keeping the dealer informed of upcoming promotions (97.7% of dealers rate this as exceeds expectation) and having friendly and pleasant order taking personnel (97.7% exceed). The lowest score (i.e. number of retailers) for “exceeds expectations” is 78.5% on a single question, but exceeds and meets expectation takes the score for the particular question to above 90%. Meets and exceeds expectation is above 97% on average for the ordering / order placement experience. This indicates a high level of acceptance,

trust and preference in the Merchandiser Order Taker Driver system as a sales and distribution mechanism for ABI products.

Figure 4.10 The delivery experience



The delivery experience, as seen through the eyes of the retailer, has delivered exceptional results. All issues relating to distribution and the delivery cycle score greater than 89% for meets and exceeds expectation. Delivering the correct (scheduled) products scores a high 93.7% on the “exceeds expectations” scale. Likewise, the image of the professionalism of the delivery crew exceeds expectation for 90% of the retailers interviewed. Less than 1% of retailers responded that the MOTD failed to meet expectations on any of the delivery questions. Extreme satisfaction with the MOTD concept is displayed in the Umlazi area amongst those retailers being serviced in this way.

4.5 Analysis of sales volume.

In Chapter 3, Paragraph 3.3, one of the required deliverables of the MOTD system is an increase in sales in the Umlazi area. From the initial street by street survey conducted in Umlazi, potential sales volumes for the entire area after activation, was determined. Table 3.3 indicates that an increase in sales volume at the time of introducing MOTD is likely to be in the order of 86%.

The first two MOTD routes were implemented in Umlazi and the sales tracked from August 2004 till May 2005, a time period of 10 months. In table 4.2 below the sales results are tabulated. ABI utilises a programme named "Margin Minder" to track sales volumes as defined by a host of different variables. In this instance physical case sales have been generated by sales route for the entire Umlazi. N3L and N3N are the two pilot MOTD routes. These routes are highlighted in yellow, so too the total of the two routes combined.

The two routes have grown 66 and 146% respectively and combined the growth has been an impressive 87%, one percentage point ahead of the initial estimate. From table 4.2 it is seen that the entire area has grown 12,7%. Non MOTD routes in total only grew 9.3%. Once all routes in Umlazi are converted to MOTD in the coming year, overall growth rates of 86% can be expected.

Figures 4.11 and 4.12 show the two MOTD route sales performance by month for the ten month period, compared to the same period a year ago. Figure 4.11 is route N3N and the bottom graph, figure 4.12 route N3L. In both instances the solid line is the current performance whilst the dotted line is the previous year's performance. In both instances the current performance is above the previous years performance for all months. It is clear that the MOTD pilot is delivering exceptional results.

Table 4.2 MOTD route – Sales volumes

Comp ME 2004/08 - 2005/05 vs. YAG
 Dataset: CCAFRICA_MM01 User:
 ABITREVORB
 Cube:Sales
 Path:Bottler:ABI Resplt:ABI PREMIER PLCE Geographic
 Area:UMLAZI
 By: Sales Route
 Sort:Sales Qty:This:DSC
 Modifiers:PCS/PMX TNKS

	Sales Qty This	Sales Qty Last	Sales Qty Diff	Sales Qty Chg %
N3E - L EKSTEEN	535172	454961	80211	17.63
N3B - A NGCOBO	190859	208913	-18054	-8.64
N3H - C KUNENE	142487	153950	-11463	-7.45
N3F - Z NTOMBELA	75600	56667	18933	33.41
N3L - J MKHIZE	55066	33204	21862	65.84
N3S - P RADEBE	30293	30140	153	0.51
N3N - G RADEBE	28992	11763	17229	146.47
N3Q - U MOODLEY	19526	8329	11197	134.43
N3R - A CHETTY	17968	8341	9627	115.42
N3P - M NCAME	17361	20056	-2695	-13.44
N3A - G MAZINYO	12926	12969	-43	-0.33
N3C - H JAQULA	3521	3184	337	10.58
N3M - VACANT	257	0	257	100.00
N3T - VACANT	230	0	230	100.00
N2E - S ZONDI	169	84	85	101.19
N3D - S MTHIMKHU	78	0	78	100.00
MOTD	84058	44967	39091	86.93
All Others (14)	1046447	957594	88853	9.28
Totals	1130505	1002561	127944	12.76

Figure 4.11 Sales volumes by month for MOTD route N3N.

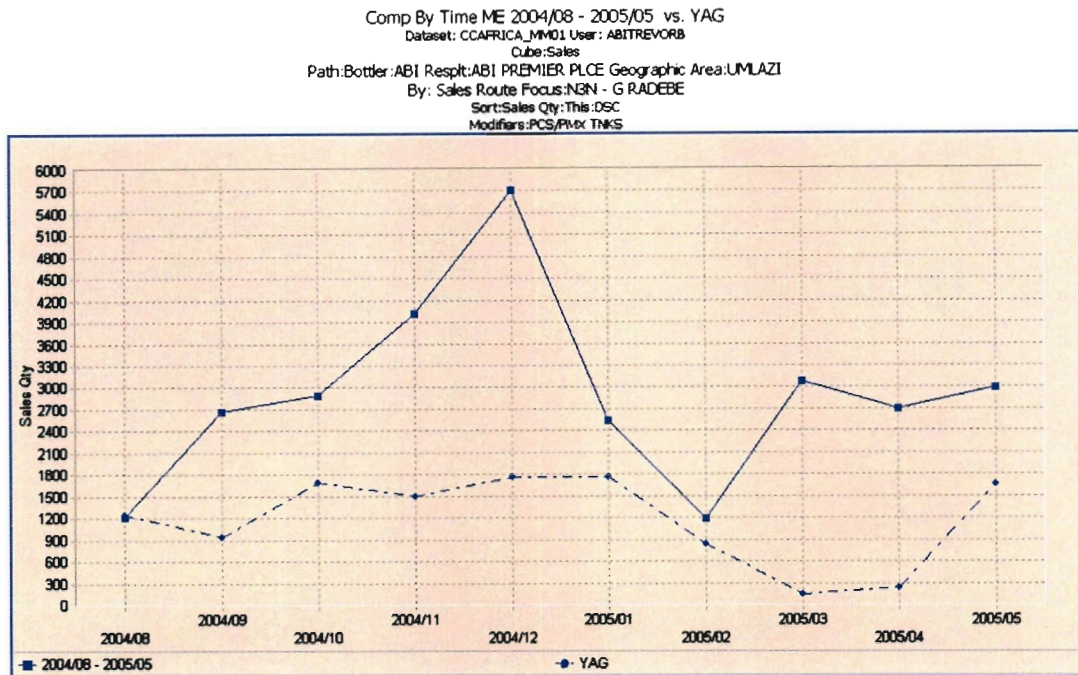
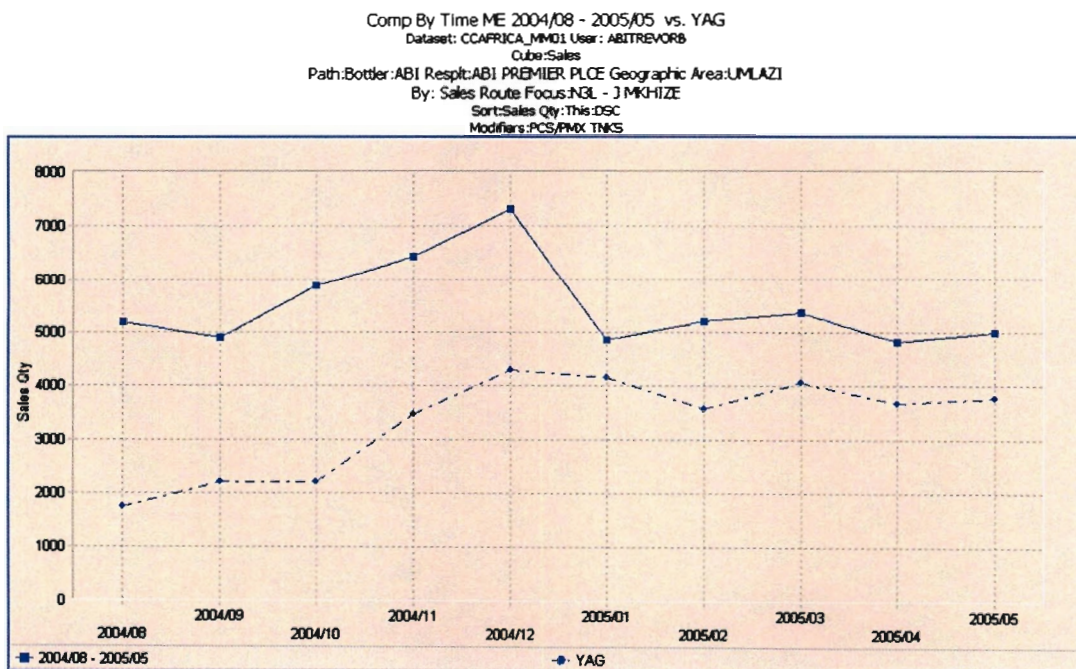


Figure 4.12 Sales volumes by month for MOTD route N3L.



4.6 Cost, revenue and profitability.

Accurate cost calculations were done during the development of the model. These were based on the cost requirements of the MOTD model and are the costs that have been realised. Cost has reduced by 16% per case, however total cost has increased substantially (57%) due to the increase in volume of 87% that has been experienced.

The revenue and profitability numbers in reality have held true and exceeded the model slightly. This is due to the fact that cost was determined accurately and volume has increased over forecast by a further percent.

CHAPTER 5: CONCLUSION.

5.1 Review of the results of the MOTD model against initial criteria.

The writer, in the initial stages of the project, set criteria that an emerging market sales and distribution model needed to meet. These were articulated in detail in both chapter 3 and chapter 4. In summary it is prudent to list the criteria that the new MOTD model has fulfilled.

- All outlets in the designated area are serviced directly (DSD) by ABI, at least twice per week..
- All outlets have a sales call at least twice per week.
- Customer service has improved as depicted in the graphical results discussed in chapter 4.
- Sales volume on the first two MOTD routes has increased year on year by 86%.
- Sales and distribution cost per case has decreased by 16%, however it has been determined that the sales and distribution margin will increase by 79%.
- In outlet execution has improved. The surveys and questionnaire indicates that improvements on many fronts have been achieved. These include reduced out of stocks, improved inside and outside signage, improved customer perception of service levels and improved merchandising. The rating of the MOTD on meets or exceeds expectation surpasses the 90% level.

The development and implementation of the Merchandiser Order Taker Driver model has been a resounding success in the Umlazi area. All required deliverables were met and generally exceeded. The application is viable as a sales and distribution model . It questions the formal theory that often indicates that market coverage and excellence in service levels is often only possible by

utilising different and multiple levels of marketing channels. The new model proves that direct service distribution of small deliveries can be carried out effectively and profitably in emerging markets.

5.2 Future application of the MOTD model.

The MOTD concept has been approved by the Managing Director for rollout in the entire company. Eight MOTD vehicles are now operating in the Umlazi area and the first routes have been created in Kwa Mashu, another township in the greater Durban Metropole.

The concept has been adopted by various of ABI's Distribution Centres, such as Devland, Welkom and Qwa-Qwa. The concept has, since the first two pilot routes were implemented in Umlazi, found favourable, if not exceptional acceptance throughout the company. Currently 10% of ABI's distribution fleet and routes are operating as, or are being converted to, MOTD routes. Forty one staff are operating as Merchandiser Order Taker Drivers.

The model has been developed and piloted successfully. Expansion is relatively easy as the methodology is well documented and easily applied. The MOTD concept is self liquidating. The financial figures discussed in this dissertation shows that volume and margin growth are more than acceptable and fund the salaries, vehicles and maintenance with ease.

Application in the more formal or developed market is also showing promise. A MOTD route has been implemented in the Durban Highway area between Westville and Hillcrest. This route services "on premise outlets" such as Nando's, Wimpy, Debonairs and Steers. Volume increases look promising and the feedback from customers is that service has improved dramatically.

The Merchandiser Order Taker Driver model is changing the face of sales and distribution in a large portion of ABI. It acts as a critical barrier to entry as it is

“first to market” and the writer is confident that it will be some time before a competitor will develop and perfect such a model.

MOTD has brought about a dynamic new route to market and reinforces ABI and Coca-Cola’s leadership position in innovation and competence in sales and distribution.

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ANNEXURES.

Annexure 1 : Preliminary Umlazi Survey form

OUTLET NO	OUTLET NAME	OUTLET ADDRESS	PHONE NO.	OUTSIDE	INSIDE P O P			COOLER			BB	SPAZA	H/SHOP	WEEKLY VOL	COMMENTS (eg. Purch from distributor/wholesaler/ABI Give outlet name:	GEOCODE NO
				SIGNAGE	WASHLINE	FRAMED	GRILL TIE PRICING	COOLER NO.	TOWN	UP/LIFT						
1																
2																
3																
4																
5																
6																
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Annexure 2: Owner Driver tariff model

		Emerging Market - Rigid				
	Category	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
<u>Customers per category</u>	A	11	2	34	5	10
	B	4	-	5	3	6
	C	1	2	1	1	1
<u>Annual Case Volume</u>	A	5,561	1,173	14,761	4,977	5,362
	B	9,413	-	20,087	9,750	22,636
	C	12,040	1,173	10,853	17,789	26,813
<u>Total Sales</u>		27,014	2,346	45,701	32,516	54,811
<u>Time Tariff</u>	A	22.28	23.93	25.42	28.64	31.74
	B	22.28	27.12	27.01	28.64	31.74
	C	55.71	55.83	55.60	79.55	79.36
<u>Handling</u>	A	3.12	2.87	3.97	1.71	3.30
	B	0.78	0.80	0.47	0.58	0.50
	C	0.71	0.71	0.78	0.49	0.40
<u>Distance Tariff</u>	A	5.27	12.74	24.48	44.20	85.38
	B	5.65	14.50	26.93	46.96	90.40
	C	21.66	50.54	93.85	179.54	376.67
<u>Empties</u>		3,905.22	314.36	6,865.24	4,577.08	8,155.96
<u>Annual Cost</u>		62,679.87	19,390.03	193,368.83	71,665.44	170,725.58
<u>Cost per Case</u>		2.32	8.27	4.23	2.20	3.11
Sales						162,388
Cost						517,829.74
Cost per Case						3.19

Annexure 3: MOTD variable payment model.

1. MOTD Pay Model

In designing the pay model, consideration was given to the emerging, pioneering nature of this business model, thus demanding a high performance component. Hence, the model is structured with a 1,0:1,2 guaranteed to variable ratio as indicated in the table below.

The job grade of the MOTD role is Peromnes 11 and that of the Crewman Peromnes 18.

1.1 Guaranteed Pay

A basic salary element making-up 75% of the guaranteed pay has been set. The remaining 25%, a factor of basic salary, is attributed to a travel component, to offset the “tool of trade” company car issued to employees performing sales functions. In the proposed model, the guaranteed component amounts to R7500 per month (40% of the total cash component), resulting in a compa-ratio of 87% of the Peromnes 11 grade. In external market terms this amount matches with the 75th percentile. Please bear in mind that the total earning potential (inclusive of variable component must be benchmarked).

Guaranteed Pay	Basic Salary	75.00%	45%
	Travel Allowance	25.00%	
Variable Pay	Volume	60.00%	55%
	ITOS	30.00%	
	Strike Rate	10.00%	
Total Cash Component			100%

The travel allowance is depicted merely to confirm its inclusion and will be reflected in actual pay as basic salary.

1.2 Variable Pay

A fairly aggressive variable ratio has been set for a role at this job level. Ideally, however, sales jobs should be similarly structured, and this is perhaps the first step in that direction. The variable component will be underpinned by three specific measures, linked to weights aligned to the core focus of the role. Each of the measures will be allocated multiple performance levels (targets), which upon measurement will yield a value associated to a reward factor. The calculation of the variable potential is detailed in the attached schedule (Appendix A). The variable component will add-up to 55% of the total cash component and is anchored at 120% of the guaranteed component.

2. Crewman Pay Model

The role of the Crewman is to support the MOTD and it is proposed that the MOTD pay model rationale is applied to the Crewman pay model, with the following modifications:

- **No travel allowance component.**
- **No performance measures or targets will be set. The MOTD measures and targets will apply.**

The Variable pay component will be linked to that of the MOTD and a maximum earning potential be set at 50% of the MOTD earning potential.

Merchandiser Order Taker Driver Pay Model

Total Cash Component (100%)		16,500		
Variable Pay (120% of basic)	Performance Measures	Performance Multiple	Unit Earning Potential	
	Volume (no of cases, percentage measure)	85% or less	0	Incentive Point
		86.0%	135.00	
		87.0%	270.00	
		88.0%	405.00	
		89.0%	540.00	
		90.0%	675.00	
		91.0%	810.00	
		92.0%	945.00	
		93.0%	1,080.00	
		94.0%	1,215.00	
		95.0%	1,350.00	
		96.0%	1,485.00	
		97.0%	1,620.00	
		98.0%	1,755.00	
		99.0%	1,890.00	
		100.0%	2,025.00	
		101.0%	2,295.00	
		102.0%	2,565.00	
		103.0%	2,835.00	
		104.0%	3,105.00	
		105.0%	3,375.00	
	106.0%	3,780.00		
	107.0%	4,185.00		
	108.0%	4,590.00		
	109.0%	4,995.00		
	110.0%	5,400.00		
	In Trade Outlet Survey (ITOS)	94% or less	0	
95%		1,350.00		
96%		1,800.00		
97%		2,250.00		
98% to 100%		2,700.00		
Strike Rate	95%-99.99%	450.00		
	100%	900.00		
Add-ons	New outlets opened for at least three months	R100 once-off		

Annexure 4: MOTD Questionnaire

MOTD SURVEY

Background information

ASK TO SPEAK WITH THE MANAGER AND/OR THE PERSON RESPONSIBLE FOR MAKING THE PURCHASE (BUYING) DECISIONS REGARDING COLD DRINK. INTRODUCE YOURSELF:

Hello, my name is (NAME) and I am conducting this research on behalf of ABI. I would like to ask you about cold drink products and related issues. This information is required by ABI to help them evaluate the service they currently provide and take decisions to improve gaps that may exist in customer service.

Outlet Type : _____ Date of Survey: _____

Outlet Name : _____ Outlet Number: _____

Address : _____

Name of owner : _____

Name/Position of respondent completing questionnaire : _____

Telephone Number : _____

Mobile Number _____

Explain that during this interview any question requiring the respondent to rate something would have the following guidelines applicable:

Exceeds expectations	1
Meets expectations	2
Almost meets expectations	3
Fails to meet expectations	4
Doesn't apply	5
Don't know	6

1. How long have you been running your business? (Tick appropriate)

Years of Trading	0-1	2-4	5-7	8+
Answer				

2. Where do you obtain Coca-Cola products now?

Delivery by:

ABI Truck

Wholesaler truck
(deliver)

Buy from:

Wholesalers
(fetch)

Other source

If other, details _____

3. How many cases do you buy per week?

Cases	Before MOTD	After MOTD
1-5		
6-10		
11-15		
16-20		
20-24		

4. How much do you pay per case when buying your stock?

Packs	Price Paid Before MOTD	Price Paid After MOTD
1250ml		
300ml		
340ml Cans		
200ml		
Bibo 150ml RTD		
Bibo Cordial		
Appeltiser		
Fruitopia		
PowerArde		
Other		

5. What packs do you keep?

Packs	Before MOTD	After MOTD
1250ml		
300ml		
340ml Cans		
200ml		
Bibo 150ml RTD		
Bibo Cordial		
Appeltiser		
Fruitopia		
PowerArde		
Other		

6. What are selling prices per unit of the following products that you stock?

Packs	Before MOTD	After MOTD
1250ml		
300ml		
340ml Cans		
200ml		
Bibo 150ml RTD		
Bibo Cordial		
Appeltiser		
Fruitopia		
PowerArde		
Other		

7. Do you have an ABI cooler? Yes No

MOTD SURVEY

Before MOTD No. of Doors	
ABI	
Pepsi	
Own	
Other	

After MOTD No. of Doors	
ABI	
Pepsi	
Own	
Other	

8. Please tick the correct block as it applies to your outlet.

	Before MOTD		After MOTD	
	Y	N	Y	N
Comments about service				
Did you sell Coca-Cola products?				
Did you have a sign with outlet name?				
Did you have a board for promotions?				
Did you have inside signage or other POP?				
Did you have price communication in your outlet?				

A. Primary Ordering

How do you primarily order ABI products?

Before MOTD	After MOTD
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Q1.

- The ABI Bottler visits you to take your order for delivery at a later date.
- You purchase yourself from some other location.
- A non ABI delivery person stops at your location and your order from stock kept on the truck.
- You purchase from a wholesaler selling ABI products.
- Some other way, Specify _____

B. Product Delivery Expectations

By product delivery I mean the ABI products delivered to your location by ABI.

Please rate ABI delivery service relating to questions below:

	Before MOTD	After MOTD
Q1. Delivering orders at times convenient and flexible to you		
Q2. Delivering the products you ordered		
Q3. Delivering the products as scheduled		
Q4. Rotating stored ABI Products and Packages so they are not out of date		
Q5. Having friendly, polite, and professional delivery people		
Q6. Having delivery teams that are honest		
Q7. Having delivery that is quick and efficient		
Q8. Keeping customers informed of changes to delivery schedule		
Q9. Ensuring that you don't run out of product		
Q10. Having a good relationship with the delivery personnel		

Q 11. Any additional comments relating to this above questions:

C. (a) Business Building and Marketing Support Ideas and Activities Expectations

How would you rate ABI business building service to you as their customer? (Statement).

	Before MOTD	After MOTD
Q1. The effectiveness of business building and promotional ideas		
Q2. The availability of promotional materials such as signs and banners		
Q3. Has your ABI rep explained the profit story?		
Q4. Has your ABI rep explained cooler positioning?		
Q5. Has your ABI rep encouraged you to stock more products?		
Q6. Have you been told about other products that you currently do not stock?		
Q7. Has your rep explained the bring back the bottle campaign to you?		

(b) Now please tell me which 1 of the above Business building and marketing support ideas and activities we just discussed is most important to you and why

D. Merchandising for ABI Products

When I say merchandising, I mean the activities that ensure product availability and appearance, such as restocking, product rotation, cleaning shelves and coolers, and the placing of signs and banners.

(a) Kindly rate ABI merchandising service as per the following questions:

	Before MOTD	After MOTD
Q1 Restocking your shelves and coolers with ABI products		
Q2. Determining appropriate product Inventory (stock) levels		
Q3. Cleaning, straightening, and restocking displays and coolers		
Q4. Rotating ABI Products in your cooler and Packages so they are not out of date		
Q5. Rotating ABI products in your store room when delivering so that old product is sold first and new product sold last.		

(b) Any additional comments relating to merchandising service provided? _____

E. Order Placing Process Expectations

(a) Please think about when you place your order over the telephone or when someone comes to this location to take or assist you with your product order and rate ABI in the following questions.

	Before MOTD	After MOTD
Q1. Having friendly and pleasant order taking personnel		
Q2. Having order taking personnel call on a regular schedule		
Q3. Helping you to order the right products in the right amount		
Q4. Having order takers that are accessible and easy to contact		
Q5. Having an ordering system that is flexible enough to meet your needs		
Q6. Informing customers of out-of-stock items		
Q7. Informing customers of changed or discontinued package		

sizes and products		
Q8. Keeping you informed of upcoming promotions		

(b) Any other comments about order taking service by your ABI rep

F. Delivery Frequency

Thinking of the current frequency of product delivery from ABI, does this meet your needs?

(DO NOT READ LIST. RECORD ONE ANSWER.)

- Q1. Yes (If answered "Yes" please check does not apply in Q40.)
- No

G. Desired Delivery Frequency

How many times per week would be often enough?
(DO NOT READ LIST. RECORD ONE ANSWER.)

- Q1. 3 times a week
- 2 times a week
- 1 time a week
- Less than once a week,

specify _____

H. How Often Without Stock

For products that you routinely receive from ABI, how often would you say you run out of stock prior to the next delivery schedule?
READ LIST. RECORD ONE ANSWER.

- Q1. Every Week
 Twice a month
 Monthly
 Rarely
 Never

Q2. How many times per week did you receive delivery?

Before MOTD	After MOTD

I. How to Purchase If Without Stock

If you run out of stock of a particular item, what do you do?
 DO NOT READ LIST. RECORD ONE ANSWER.

	Before MOTD	After MOTD
Wait until the next scheduled order		
Call in a new order		
Purchase from a Hyper Market or similar		
Purchase from a wholesaler		
Purchase from a supermarket		
Purchase from somewhere else,		

- Specify _____
 Never run out of stock

J. Likelihood To Recommend

And if the opportunity arose, how likely would you be to recommend ABI to someone in a business similar to yours? Would you be . . .

Q1.

	Before MOTD	After MOTD
Very likely		
Somewhat likely		
Somewhat unlikely		
Very unlikely		

K. Overall Satisfaction

(a) Thinking of ABI overall service as your soft drink supplier, how would you rate their service in the following broad areas?

	Before MOTD	After MOTD
Q1. Cold Drink Product Delivery: Product delivery from ABI.		
Q2. Repair Service and Maintenance: Installation, repair service or maintenance of your ABI cold drink equipment		
Q3. Business Building and Marketing Support Ideas and Activities: Business building and marketing support ideas and activities from ABI for cold drinks at your location		
Q4. Merchandising Activities/Product Rotation/Displays: Merchandising activities or service provided by ABI that ensure product availability and appearance such as product rotation, restocking and cleaning shelves and coolers, placing point-of-sale material, pricing and setting ABI product displays		
Q5. Sales Representatives/Account Managers: ABI personnel who visit or call you to bring business building and marketing support ideas, activities and expertise from ABI to improve cold drink sales		

Q6. Order Placing Process: The process of placing orders for products and services supplied by ABI.		
Q7. Vending/Dispensing/Refrigeration/Cooling Equipment: Equipment ABI provides to keep their products cold. This can refer to electrical or non-electrical (ice chilled) cooling equipment such as vending machines, dispensing equipment, and coolers supplied by ABI.		
Q8. Billing Services: The method and accuracy of invoicing for the payment of goods and services provided by ABI.		

(b) Any other comments about overall ABI service to you as their valued customer?

L. Closing

Those are all of the questions I have for you today. Thank you for participating.