



**CHANNEL COMMUNICATION STRATEGY
INFLUENCE ON THE PERFORMANCE OF CEMENT
MANUFACTURING FIRMS IN KENYA**

**Jairus M. Kitainge¹,
Gilbert Bor²,
Lucy Wanza³**

¹The Catholic University of Eastern Africa
P.O. Box 908-30100
Eldoret, Kenya

²PhD, The Catholic University of Eastern Africa
P.O. Box 908-30100
Eldoret, Kenya

³Sr., PhD, The Catholic University of Eastern Africa
P.O. Box 908-30100
Eldoret, Kenya

Abstract:

This study investigated the influence of channel communication strategy on the performance of cement manufacturing firms in Kenya. The study used survey research design. The target population was 469 comprising of 220 distributors, 60 customers, 35 finance staff, 140 sales and distribution department employees and 14 heads of department. A sample size of 216 was chosen using stratified sampling technique. Data was analysed using both descriptive and inferential statistics. The study found that there existed strong positive relationship between communication ($r=0.600$) and performance of cement manufacturing firms in Kenya. The study recommends that cement companies should ensure regular provision feedback to their clients.

Keywords: endorsers' credibility, brand image, purchase intention

1. Background

Firm performance is the outcome of both individual and collective efforts of human elements in the work environment (Makeyoh, 2012). Makeyoh, (2012) perceived organisational performance as a measure of how efficient and effective an organisation is, that is, how well it achieves appropriate objectives. Ogunsiiji (2005) viewed organisation performance as the totality of organisational goodness representing the sum of such elements as production, cost performance, turnover, and quality of output, profitability and efficiency. Performance measures include market share, sales volume,

marketing cost, return on investment, gross earnings, total assets, profit before tax and current ratio (Osugwu, 2006). Organisations are faced with choice of distribution path or strategy that will make their products readily available to potential customers (Obaji, 2011). Bowersox, Closs and Cooper (2010) argued that distribution is strategically important in many industries as it is central to achieving desired competitive advantage and longer sustainability.

Unless problems in the distribution channel are effectively handled, delivering the goods to the target market can result in high costs (Sagbansua & Alabay, 2010). Thus, it is a difficult, yet highly critical task to build a dynamic, dependable and well-functioning distribution channel for the companies operating in the highly competitive markets. To improve channel performance, communication is key. The sharing of intelligence between channel members has been an important management driver. The sharing of intelligence between channel members has been virtually ignored by proponents of single channel distribution. Yet, intelligence can be thought of as information on the marketplace processed and retained by channel members that could potentially reduce decision making uncertainty (Ng'endo, 2013). Channel members with better intelligence than their competitors are arguably more market oriented and enjoy an advantage in both forming and implementing marketing strategies and if this intelligence is shared between the upstream and downstream distribution channel members, the supplier firm stands more chances of profiting from multi-channel distribution patterns. However, content communications between channel members involve joint planning efforts, performance appraisals, and outcome-based and behaviour-based coordination efforts. These communication facets enable the distribution channels in re-orienting and influencing their channel member belief-attitude-intention formation in relation to individual channel programs and the adoption of new products (Ng'endo, 2013). This study intends to look at how performance of the cement manufacturing industry is affected by communication channel of distribution strategy being used.

The cement industry in Kenya is composed of seven companies: Bamburi Cement Limited (Nguvu brand), Athi River Mining Company Limited (Rhino brand), East African Portland Cement Company Limited (Blue Triangle), National Cement Company Limited (Simba brand), Mombasa Cement Limited (Nyumba brand), Savannah Cement Limited (Savannah brand) and Rai Cement Limited (Dumu Blue brand). The focus of the study was on cement manufacturing firms in Kenya. It was not known whether their channel of communication strategy influences their performance.

1.1 Statement of the Problem

Cement manufacturing firms in Kenya today, face numerous challenges in distributing their products at low cost. According to the Economic survey (2015), infrastructural projects such as the standard gauge railway, roads and houses have led to the growth in the construction industry reaching 13.1% in 2014 which is more than double the previous year (Republic of Kenya, 2015). However, according to Athi River Mining,

(ARM) the increase in domestic demand has not resulted to good profits for the cement manufacturers. Net profit margins for Kenya's cement firms were at an all-time low of 11 percent in 2014 (ARM, 2015). An effective distribution channel can be a source of strategic advantage for a firm. Channel design and channel management are therefore important elements in a company's ability to perform better (Mulky, 2013). Despite distribution being very important to the performance of manufacturing organisations, in actual operation, many indigenous and multinational firms do not realise this point completely, as there are always several problems in the distribution channel that affect the performance of organisations (Kahia & Iravo, 2014). Despite distribution logistics being very vital, many production organisations do not meet customer expectations because of either lack of knowledge on channel strategy or inability to effectively design and implement a good channel strategy. This paper looks at the contribution of channel of communication strategy and performance of cement manufacturing firms in Kenya.

2. Literature Review

Communication processes underlie most aspects of organizational behaviour and are critical to organizational success (Mohr & Nevin, 1990 as cited in Ng'endo, 2013). The relationship literature identifies three aspects of communication behaviour that are important to successful relationships; communication quality, extent of information sharing between partners and participation in planning and goal setting. Communication quality includes the accuracy, timeliness, adequacy, and credibility of information exchanged. Participation refers to the extent to which partners engage jointly in planning and goal setting. When one partner's actions influence the ability of the other to effectively compete, the need for participation in specifying roles, responsibilities, and expectations increases. Input to decisions and goal formulation are important aspects of participation that help partnerships succeed (MacNeil, 1981 as cited in Ng'endo, 2013). The ease of communication and negotiability with the suppliers decide the long-term relation between the supplier and manufacturer. Since languages, business customs, ethics and communication devices vary from country to country, good suppliers should be best communicators, good message in good time (Mwikali & Kavale, 2012). Development of Information and Communications Technology (ICT) has created new possibilities for improving organizations' performance. Investments in (and thus the increased use of) IT influences performance of organizations. Simatupang and Sridharan (2005) included information sharing as one of the dimensions of supply chain collaboration. Assuming that distribution collaboration has a positive effect on firm performance, the Simatupang and Sridharan (2005) framework can be interpreted such that increased information systems support is linked to better performance by enabling deeper distribution an supply chain collaboration (Mahulo, 2015).

Distribution is an important marketing field to generate alternatives for the customers. Utilization of technology in the distribution system is observed as an important competition factor since it enables unlimited location, time and even product

types to the customers. Thus, the companies have had to change or improve their channel designs or structures related to the recent technological developments. Generation of distribution system which is a vital cost figure in global competition and adopting it according to the innovations and developments by time have become an important function for companies (Sagbansua & Alabay, 2010). Several studies have been conducted to determine the degree to which communication as a strategy in distribution channel affect organizational performance. In a research conducted in Canada, Sagbansua and Alabay (2010) it was observed that distribution as a function of marketing, consisting distribution channel management and physical distribution, has significantly improved the physical distribution because of developments in the field of information and communication technologies. In this sense, the companies are working towards establishing alternative distribution channels. The most important tool that strikes us in this sense is technology. The research provided examples of the innovative distribution systems enabled by ICT and the role and importance of ICT in these systems. There were positive results achieved using technology.

Kuswantoro *et al.* (2012) observed that the impact of innovation in distribution channel functions on firm performance, particularly among export-oriented, agro-based Small and Medium Enterprises (SMEs) is under researched. Based on this literature gap, the study examined the impact of distribution channel innovation on SMEs performance in Indonesia. A total of 120 samples were collected from export-oriented, agro based manufacturing SMEs in Yogyakarta and the surrounding areas. Using a regression analysis, the findings showed that innovation in assortment, information sharing and transportation coordination had positive and significant relationships with firm performance. This study also found that distribution channel effectiveness mediated the relationship between innovation in assortment and transportation coordination and firm performance. This result is crucial for firms, which intend to remain competitive in the global market both in Kenya and outside Kenya. This research determined whether cement manufacturing firms in Kenya uses this strategy. Makeyoh (2012) examined the impact of innovative distribution strategies on performance of the firms (MNC's and DE's) in Lagos industrial areas. The study in its descriptive nature, adopted a cross-sectional survey design. One hundred and seventy-five participants were randomly selected from six multinational and indigenous firms. Five hypotheses were stated and tested. The findings revealed that the sales turnover of Multinational Corporations (MNCs) with high level Innovative Distribution Strategies (IDS) and Domestic Enterprises (DEs) with low level of innovative distribution strategies is significantly different at $t= 68.442$, $df= 89$ and >0.05 and that, innovative distribution teams/ strategies adopted by MNCs and DEs when compared and analysed have a significant effect in predicting annual overall profitability at $F (1,174) = 13.086$. The findings also revealed that there is a significant effect of IDS of MNCs and DEs on their capacity to increase market shares at $F (1,174) = 18.237$ and there is positive relationship between the obstructive distribution parameter confronted by MNCs and DEs on their annual sales turnover to distribution mix and internal channel

management. The study revealed that MNCs because of their size, sophisticated distribution strategies and channels, were able to be more innovative than indigenous firms and thus achieve better performance. Thus economic and competition from rival companies were major challenges affecting the performance of distributing channel of KWAL products in supermarkets outlets in Kenya. Ngendo (2013) sought to establish the effect of buyer – supplier relationships on organizational performance among large manufacturing firms in Kenya. The research design involved a cross sectional survey of 56 large manufacturing companies in Nairobi, Kenya. Data was collected using a questionnaire that was administered through “drop and pick” method. The study only focused on the large manufacturing companies in Nairobi while this study focused on cement manufacturing companies operating in Kenya. In the study by Kahia and Iravo (2014), majority of the respondents do not agree that information systems affect distribution performance, on the other hand majority are agreeable that material handling technology is a factor affecting distribution performance while a majority of the respondents are neutral on tracking of transit goods and communication as technology related factors affecting distribution performance.

3. Theoretical Framework

This paper is grounded on information technology approach. This approach stems from the impact of information technology and the internet on the conduct of organisations, managers and workers alike (Harnowo, 2015). Among the management theories applicable from this view are technology and Knowledge Management (KM) theories, Supply Chain Management (SCM) [including the logistics, distribution and inventory theories], and Strategic Management (SM) theories of competitive advantage and collaborative advantage (including that of Industrial-Organization [I/O] perspective). This is also due to the impact of information technology on the conduct of organizations about KM, SCM, and SM, and also the managerial evolution and revolution in response to dynamic environmental changes that are taking place. In the business environment, Information Technology (IT) plays an important role for firms’ performance. It provides information flow that makes the supply chain more robust and resilient without undermining its efficiency (Ming-Lang, Kuo-Jui & Thi, 2011). Recent progresses in both information and technology and scientific management have enabled many industries practices of acquiring, sharing, and using information (Fu & Zhu, 2010). IT integration supports a better supply chain integration and flexibility. With the increasing use of an integrated information systems and enabling technologies, it has become possible now to create seamless supply chains linking suppliers to customers in order to eliminate poor performance of the suppliers, unpredictable customer demands, and uncertain business environment (Bayraktar *et al.*, 2009). This explains the importance of information technology approach in supply chain management process and performance of manufacturing firms.

3.1 Conceptual Framework

The conceptual framework illustrates the relationship that exists between independent and dependent variable.

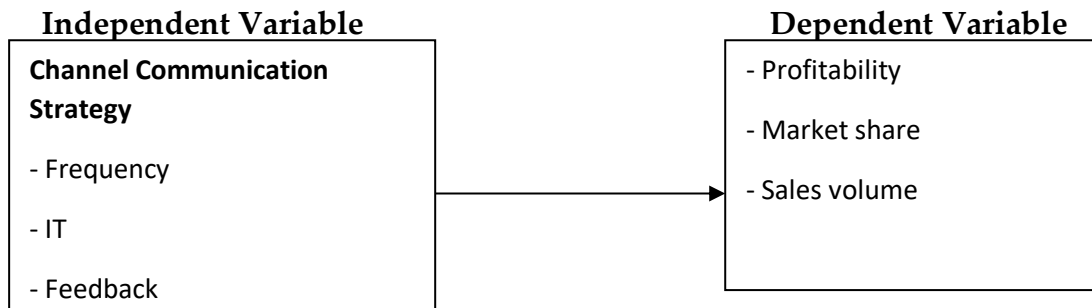


Figure 1: Conceptual Framework

4. Materials and Methods

This study was guided by correlation research design strategy. This is because; the study looked at the relationship and association that existed between channel communication strategy and performance of cement manufacturing firms in the country. The target population comprised of employees working in the following departments and areas: distributors, customers, sales and departmental managers in the seven cement manufacturing firms in Kenya. The researcher used stratified sampling procedure due to the heterogeneous nature of the study population to select a sample size that adequately represents the population. Thus, the sample size for this study was 216. Primary data was collected using researcher - designed questionnaires. Validity test was carried out in order to ensure that the research instrument measured what it was meant to measure. In establishing reliability, the instruments were prep-tested before actual data collection by determining their reliability and validity indicators. In addition, descriptive, statistical and content analyses techniques were used in the analysis of the data collected. The findings of the study were tabulated, graphically illustrated and presented in the next section.

5. Results and Discussion

5.1 Working Experience in the Cement Industry

For respondents to understand how channel strategy influenced performance of cement companies, it was necessary to request them to indicate their work experience. The results are summarised in Figure 1 below.

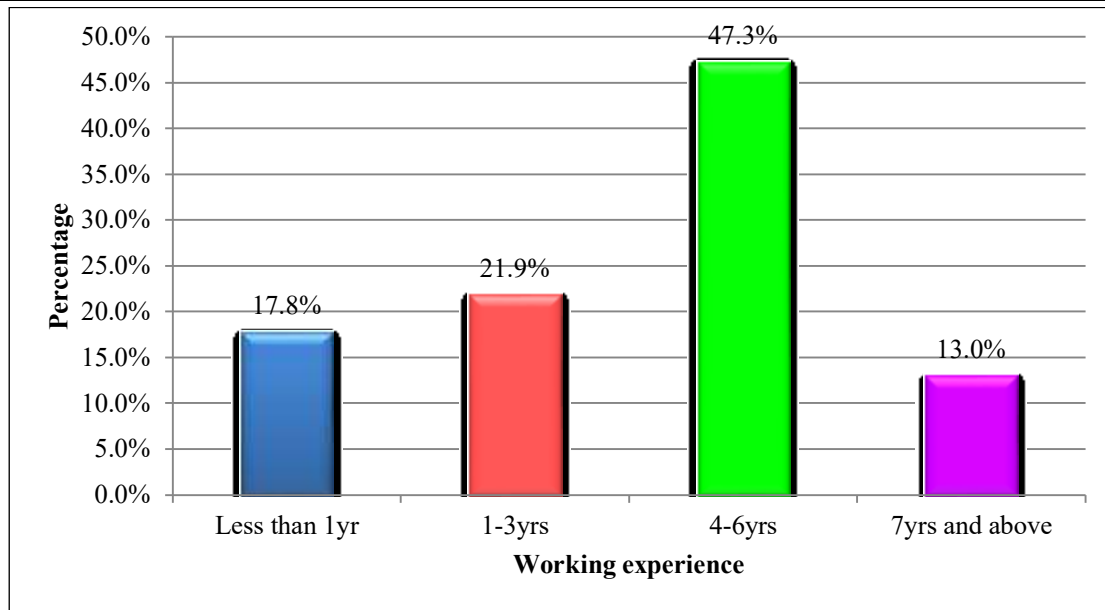


Figure 1: Respondents Working Experience in the Cement Industry
 (Source: Field Data (2018))

Result show that 30 (17.8%) of respondents had worked with cement companies for less than one year, 37 (21.8%) had worked for between one to three years, 80 (47.3%) had worked for a period of four to six years and 22 (13.0%) had worked with cement companies for more than seven years. The above findings suggest that 60.0% of respondents had worked for more than four years in the cement companies and therefore would provide information on how channel strategy had influence their organisation performance.

5.2 Channel Communication Effect on the Performance of Cement Manufacturing Firms in Kenya

The research question sought to determine how channel communication affects performance of cement manufacturing firms in Kenya. Therefore, respondents were asked to indicate the degree to which channel communication affected the performance of organisations on a Likert scale of five; Strongly Disagree (1), Disagree (2), Undecided (3), Agree (4) and Strongly Agree (5). The results are given in Table 1.

Table 1: Channel communication effect on the performance of cement manufacturing firms

| Communication areas | SD | D | U | A | SA | Mean | SD |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|---------------|---------------|--------|---------|
| The company has invested in communication equipment to communicate effectively and efficiently with customers and channel members | 7 (4.1%) | 4 (2.4%) | 11 (6.5%) | 49 (29.0%) | 98 (58.0%) | 4.3432 | 1.00028 |
| The distribution department regularly communicates with distribution channel members on the intended distribution strategies and collects their feedback | 13 (7.7%) | 12 (7.1%) | 13 (7.7%) | 52 (30.8%) | 79 (46.7%) | 4.0178 | 1.23671 |

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|------------------------------------------------------------------------------------------------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|----------------|
| Both the company and distribution channel members network can access any information concerning distribution with ease | 8 (4.7%) | 10 (5.9%) | 17 (10.1%) | 52 (30.8%) | 82 (48.5%) | 4.1243 | 1.11374 |
| Channel members feedback is incorporated in distribution decisions by the company | 10 (5.9%) | 11 (6.5%) | 18 (10.7%) | 65 (38.5%) | 65 (38.5%) | 3.9704 | 1.13613 |
| Communication between the company and its channel members is effective and efficient | 9 (5.3%) | 14 (8.3%) | 12 (7.1%) | 62 (36.7%) | 72 (42.6%) | 4.0296 | 1.14656 |
| Channel members feedback is timely and constructive | 9 (5.3%) | 16 (9.5%) | 15 (8.9%) | 62 (36.7%) | 67 (39.6%) | 3.9586 | 1.16166 |
| Composite / average | | | | | | 4.0740 | 1.13251 |

Source: Research Data, (2018)

Key: SD-Strongly Disagree, D-Disagree, U-Undecided, A-Agree and SA-Strongly Agree

Table 1 results shows that most 98 (58.0%) strongly agreed that their companies had investment in up to date equipment to enhance communication with channel members and customers. This showed that most respondents appeared agreed (M=4.34 and SD=1.00). The installation and usage of new communication equipment ensures that clients' orders are taken in time and ensures that accurate and reliable information is communicated between channel members. Secondly, 79 (46.7%) of respondents strongly agreed that the sales and distribution department regularly communicates with channel members on the intended distribution strategies and collects their feedback. The respondents appeared to agree with the statement (M=4.01 and SD=1.23). This implies that constant and regular communication is maintained to ensure that customers' feedbacks are handled well. Thirdly, 82 (48.5%) strongly agreed that companies and distribution channel members network always access any information relating distribution with ease. The result shows that most respondents appeared to agree with this view (M=4.12 and SD=1.11). This implies that cement companies ensure that members of their distribution network can access information relating to distribution with ease. Findings also show that 65 (38.5%) of respondents strongly agree that channel members feedback is incorporated in distribution decisions by the company. This implies that respondents agreed (M=3.97 and SD=1.13) that cement companies incorporates channel members feedback during the process of decision-making. This ensures that members' issues are adequately addressed to ensure their satisfaction during decision-making process. Fifthly, 72 (42.6%) of respondents strongly agreed that communication between the company and its channel members is effective and efficient (M=4.02 and SD=1.15). This ensures that communication is improved so between members in the distribution network. Study findings also show that 62 (36.7%) of respondents agreed while 67 (39.6%) strongly agreed that channel members feedback is timely. The result implies that most cement companies ensure that all channel members are given responses on time immediately that is useful. Composite values show that majority of respondents agreed (M=4.07 and SD=1.13) that communication channel strategy influence performance of cement manufacturing firms in Kenya.

5.3 Correlations of Channel Communication Strategy and Performance of Cement Manufacturing Firms

A correlation analysis was computed between channel communication strategy and performance of manufacturing firms in Kenya. Table 2 shows the results.

Table 2: Correlations

| Channel of communication strategy | | Organisation performance |
|-----------------------------------|---------------------|--------------------------|
| | Pearson Correlation | .600** |
| | Sig. (2-tailed) | .000 |
| | N | 169 |

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data, (2018).

The correlation statistics presented in Table 2 shows that there exists a significant positive relationship ($p < 0.05$) between channel related distribution factors and performance of cement companies in Kenya. This result implies that increased in usage of communication channel strategy had a positive effect on performance of cement manufacturing firms in Kenya. The research therefore concludes that there exists a significant positive relationship between communication strategy and performance of cement manufacturing firms in Kenya. The research found out that as part of improving communication processes in distribution activities, most companies ($M=4.34$ and $SD=1.00$) had invested in installing new communication appliances to efficiently communicate with their channel members. Like the study findings, Ntale (2016) established channel management technologies of Monitor Publications Limited significantly positively associated with its sales performance. The use of modern communication equipment enhances interactions, exchange of ideas, consultation and transfer of information from one end to another at a faster and reliable rate. It also emerged from the study findings that channel strategy has been enhanced to ensure that both the cement company and channel members could access any information with ease. Similar to the study findings, Kalubanga *et al.*, (2012) found out that there was better information, products and services flow between manufacturer and consumer with more distribution nodes. This ensured that incidents of delay and long procedures of accessing information relating to distribution of cement products had been dealt with. It also ensures that communication between the cement companies and distribution channel members was efficient and effective. Computed correlations showed that there exists significant strong positive relationship between communication strategy and performance of cement manufacturing firms in Kenya. In agreement with the study results, Kuswanto *et al.*, (2012) research found out that innovation in information sharing and inventory could improve distribution channel efficiency in terms of time to market the product, delivery time and cost efficiency, which would positively affect SME's performance. This implies that performance improvement will occur when communication is improved through adoption of new technologies.

6. Conclusions

The study found that most cement companies' utilised communication as a channel strategy of distribution aimed at improving organization performance. It came out clear that most cement companies had invested in communication equipment that was used to effectively and efficiently communicate with channel members and their customers. Most cement companies to defend their image always ensured that channel members' feedback was considered during decision-making processes in their organisation. They also ensured that the feedback to channel members was timely and constructive. This explains why a strong positive relationship was established to exist between communication strategy and performance of cement manufacturing firms in Kenya. This was because of communication strategy that was used being effective and efficient. The study found out channel members' feedback mechanism was lowly ranked and therefore there is need for cement companies to give a standard waiting time through which clients would expect feedback from the companies. If the feedback takes long or is not provided, channel members may switch to rival firms.

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