

Kizuri chajiuza!?

Something good sells itself!?

Chibukuu

Chibukuu

Improving sales at Darbrew limited

By
Jeroen Haselager

**Darbrew Limited
Sales and Distribution Department**

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***Improving sales at Darbrew
limited***

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Jeroen Haselager
s0027413
Technische Bedrijfskunde
University of Twente



First supervisor: Ir. F.M.J.W. van den Berg
Second supervisor: Ir. S.J. Maathuis



Supervisor: N. Ngaillo

Management summary

Over the last few years Darbrew's sales level is declining. The aim of this research was to attain insight why Darbrew's sales level is lower than targeted and how it can be improved. The research resulted in four recommendations.

In order to improve sales Darbrew should:

1. *Decrease retail price and increase outlet agent's profit margin and promotional activities.*
2. *Manage the sales and distribution process by setting objectives and organizing sales meetings.*
3. *Limit the area of operation to Dar es Salaam.*
4. *Improve working conditions for sales drivers.*

Decrease retail price and increase outlet agent's profit margin and promotional activities

Sales of products in Darbrew's market are highly influenced by retail prices and outlet agent's profit margin. Compared to competitors Darbrew's retail prices are high and profit margin is low. Hence, consumers start to buy from competitors and Darbrew's sales levels starts to decline. To turn this tide, Darbrew needs to decrease its retail price and increase the profit margin for outlet agents. A lower retail price will stimulate consumers to buy from Darbrew. The higher profit margin encourages outlet agents to promote Kibuku and Shake-shake. Combining a lower retail and higher profit margin with an increase in promotional activities will boost Darbrew's sales level.

The above can only be attained by a lower cost price. Darbrew can lower its cost price by:

- Communicating to the Tanzania Revenue Authority that carton sleeves are made of paper in stead of plastic. This will reduce cost price from 106.86 Tsh. to 94.04 Tsh..
- Replace Nampack's filling line by Bowler Brothers' filling line and start to buy carton sleeves from a supplier in Tanzania in stead of buying from Nampack.
- Collaborate with other breweries owned by the Bowler Brothers in order attain economies of scale and efficiencies due to sharing of knowledge

Manage the sales and distribution process by setting objectives and organizing sales meetings.

Darbrew should set objectives for sales and distribution department and for the individual sales driver. Afterwards Darbrew should organize a weekly sales meeting. In the sales meeting sales drivers and sales management can discuss current market developments and share information on problems they encounter. As a result Darbrew can reduce the gap between the organization and the market and thus increase its sales level.

Limit the area of operation to Dar es Salaam.

Currently, efforts of selling products to further located regions aren't worth the extra benefits. Therefore Darbrew should limit its operation to Dar es Salaam.

Improve working conditions for sales drivers.

Sales drivers are unsatisfied with current working conditions. Darbrew needs to improve current working conditions by:

- Giving the sales drivers a day off every now and then.
- Training sales drivers on selling skills and marketing strategy.
- Improving current working facilities. For example by doing preventive maintenance on regularly basis.

Preface

This report describes the results of a graduation project for the Bachelor program 'Technische Bedrijfskunde' at the University of Twente. In order to qualify for this degree, I performed a research at Darbrew Limited in Dar es Salaam, Tanzania.

The project addresses Darbrew's sales problem: Over the last few years sales of Darbrew's products are not at the desired level. Because Darbrew's Sales and Distribution department is directly responsible for sales, the research is carried out within this department.

For a period of three months I went to this astonishing part of East-Africa. Thinking of the country and the people I met, makes me want to go back. Back to Tanzania, back to Dar es Salaam. In this preface I would like to show how grateful I am for getting the opportunity to do an internship at Darbrew. Therefore, the words in subsequent sections are aimed at all the people that supported me in whatsoever way during my stay in Tanzania.

First of all, I would like to thank Narcisius Ngaillo, for all the things he has done. From the first to the last minute of my stay in Tanzania, Narcisius has been the one teaching me how to be a Tanzanian. I will never forget: the days we spent at Darbrew or out in the field, the weddings we crashed together, our trip to Arusha, the way we celebrated your birthday, your bright son Nathan, your big-hearted wife Grace, and of course Bibi. You're my African brother!

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Asante sana!

Jeroen Haselager
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1 Darbrew's sales problem

This chapter's aim is to describe Darbrew and its sales problem. This description consists of two parts. In the first part, the context of the problem is given. This is done by describing Darbrew itself, its products, the sales and distribution process and the Tanzanian beer market. In the second part of this chapter, Darbrew's sales problem is defined. This is done by formulating the management question and research questions, and by setting the boundaries of this research.

1.1 Darbrew Limited

1.1.1 From Zambia to Tanzania

In 1966 Darbrew Ltd. started producing the traditional beer Kibuku. The knowledge of local beer production was transferred from Zambia to Tanzania. This resulted in the start of a private company. In that period, the government held 67 percent of the shares through the Dar es Salaam City Council. In that way the government was able to assure that the production of traditional beer was centralized and thus more controllable. It was the government's aim to provide the population with a hygienic product¹. The remaining part of the shares was held by another company called Lonrho Ltd.

In 1978, Tanzania breweries Ltd. (TBL), replaced Lonrho both in shareholding and management responsibilities. From 1978 to 1997, the management was done in a traditional type of administration. By then more types of local beer were brewed, including Mwamba and Iguge. Shareholders had a controlling say in the Organization. In 1997 it was realized that the ownership structure had to change. TBL had the ability to invest in the organization, but Dar es Salaam city council still kept a large part of the shares. The new ownership structure then became 40% Dar es Salaam city council and 60% TBL (Mohamed, 2006).

Currently, Darbrew's operations consist of producing the two traditional beers Kibuku and Chibuku. Since the 1st of September 2006 there has been another change in the ownership structure and a shift in management responsibilities. A company called Bowler Brothers from Malawi took over TBL's share of 60 %.

1.1.2 Mission and vision

Throughout the years Darbrew developed its business of being a brewer of traditional opaque beers. Darbrew sees it as its mission to be an efficient successful brewer and marketer of quality traditional beverages and at the same time being recognized as a good corporate citizen. This mission resulted in a way Darbrew visualizes its most critical values. While operating Darbrew continually seeks²:

- 1. Product Quality**

To provide quality traditional beverages that meets the needs of its customers and consumers.

- 2. Continuous Improvement**

To be creative and innovative in all we do to ensure continuous learning and improvement.

¹ Brewing process of home brewers tend to be less hygienic than brewing in a professional way.

² Darbrew's values where based on TBL's. They therefore might change in the near future.

3. *Wealth creation*

To optimize the creation of wealth, to provide security, fair reward and recognition for the contribution of all its stakeholders.

4. *Employee development*

To create an environment to allow all individuals and teams to develop to their full potential for the benefit of themselves and the company.

5. *Safe and Health Work Environment*

To ensure a safe and healthy work environment.

6. *Customer service*

To identify and meet the realistic needs of all its customers.

1.1.3 Darbrew's products

Currently Darbrew's operations are based upon two products: Kibuku and Chibuku. Both products are traditional opaque beers. The main characteristics of these opaque beers are their solid appearance and short shelf life. (See Appendix A for illustrations of both products). Due to the presence of active yeast in end products, the alcohol percentage is increasing within time. Therefore the shelf life of these beers is restricted to three days. Compared to clear beers, like lager, opaque beers differ a lot in taste, smell and perception. This is caused by the differences in use of ingredients and the brewing method. In stead of malted barley, the main ingredients for opaque beers consist of red or white sorghum and maize. No hops are used. Although Darbrew distinguishes two products, the products only differ in package. Ingredients used and the brewing method are equal.

Kibuku

Kibuku is mainly sold in plastic returnable bottles of 1 litre, but also available in kegs of 25 litres. The bottles are currently sold at a retail price of 350 Tsh.³ Kibuku packed in kegs is drafted and sold in cups of half a litre at 180 Tsh.. In 2006 (January to August), the sales level of bottles and kegs was at an average of, respectively 909,649 and 2,731 litres a month. Kibuku forms 90-95 percent of the total sales volume of Darbrew. The alcohol percentage of Kibuku is somewhere around 4.5 percent.

Shake-shake

In February 2006, Darbrew started to produce Chibuku. In stead of bottles or kegs, Chibuku is sold in carton packages of 1 litre at a retail price of 400 Tsh.. Commonly Chibuku is also called *Shake-shake*. To avoid confusion with Kibuku, Shake-shake will be used. Since its introduction the sales volume of Shake-shake is fluctuating between 90,180 litres in April 2006, down to 6,210 litres in June 2006.

The carton package has some advantages compared to the returnable bottle. First of all, there is no possibility for customers to dilute Shake-shake with water. Therefore quality of the product can be guaranteed to consumers. Sometimes outlet agents, dilute Kibuku with water to obtain higher revenue. Secondly, the shelf life of Shake-shake can be extended to five days. The carton packages are airproof, therefore the amount of oxygen to react with the beer is less.

³ 1000 Tsh. is approximately equal to 60 Eurocent (November 2006).

1.1.4 Sales and Distribution department

Darbrew's activities can be divided into main activities and supportive activities. The two main activities are: brewing the beer and distributing the beer. Brewing the beer is part of the operations department. An overview of the brewing process is attached in Appendix B. More detail on this process is omitted because this research focuses at distributing the beer. The sales and distribution department is responsible for distributing the beer. This process exists of all activities involving sales, distribution and marketing of Kibuku and Shake-shake. Subsequent sections provide more detail on these activities. A complete overview of all departments within Darbrew is illustrated by the organisation chart attached in Appendix C.

Sales and Distribution

The distribution process is formulated as the selling and delivery of the products from the warehouse at the brewery to the customer (Kleizen and Vloedgraven, 2005). Hence, the sales function is integrated in the distribution process. Kibuku and Shake-shake are delivered to centres and outlets by truck. No supermarkets or small shops at petrol stations are supplied. Currently Darbrew serves approximately 50 centres and 70 outlets. Some of these outlets are financially supported. In turn these outlets only sell Darbrew's products. Within this research a centre is defined as a large bar which sells directly to consumers and nearby outlets, whereas an outlet is a simple local bar which sells directly to consumers.

Every day centres and outlets are visited by a truck according to a fixed route. Trucks are loaded based on sales of previous days. Every truck is occupied by a sales driver and two vehicle attendants. The sales driver is both the driver of the truck as well as the salesman of the products. The vehicle attendant can be seen as a sales driver's assistant. The sales driver advises the centres and outlets on the amount of crates they should buy. Afterwards an agent decides for the final amount of crates. An agent is the owner or representative of the centre or outlet. The vehicle attendants deliver the demanded amount of crates to the centre or outlet, and take in empty crates and bottles.

Furthermore, Darbrew offers consumers to buy directly at the brewery. There is a small shop, where people can buy crates of Kibuku and Shake-shake. The prices at the shop are equal to the wholesale prices to outlets. In the past, a discount of 10 Tsh. a bottle was provided if people bought over 20 crates. The effect of this discount was negligible, therefore nowadays no discount is provided.

Marketing

The marketing function of the sales and distribution department consists of the following activities: price formulation, market research, advertisement and product promotion. As stated in later section, the activities on price formulation, advertisement and product promotion are of major importance to this research. Therefore description of the activities is omitted here and embraced in more detail in a later section.

In general, market research is one of the most important marketing duties of the sales and distribution department. Market research deals specifically with the gathering of information about market's size and trends. It is aimed at describing consumer needs and exploring potential new regions and new market segments.⁴ At Darbrew, these activities are mainly taken care of by the Sales Representative, the Sales Officer and the Sales and Distribution Manager.

⁴ <http://www.quickmba.com/marketing/research/> (November 2006)

According to Reid and Sanders (2002) the marketing activities should be aligned with the capabilities of the operation department in order to fulfil consumer needs. Successively, the operations department is also interested in consumer needs regarding production volume and product quality. Darbrew established the function of 'Cage Clerk' to cross the gap between the Sales and Distribution department and brewing and packaging. This cage clerk is responsible for the alignment of the Sales and Distribution department with the department of operations. To provide more detail in the division of tasks among all the team members of the Sales and Distribution department an overview of the sales team and relevant job descriptions is included in Appendix D.

1.1.5 The Tanzanian beer market

The total beer consumption in Tanzania is at level of 2,148,000 hectolitre per year. This is equivalent to 5.5 litres per capita. Although this seems low compared for European standards (e.g., The Netherlands: 78 litres⁵) this amount is similar to adjacent countries (e.g., Uganda 4.3, Malawi 5.7 and Zambia 5.1 litres⁶).

Approximately the Tanzanian beer market is divided in clear beer and opaque beer. Regarding the clear beer market another distinction can be made in imported beers and beers brewed in Tanzania. Roughly three segments can be distinguished. Therefore the beer market is actually divided in three segments:

1. Segment A

This is the premium segment. Since beers in this segment are most expensive. Examples can be found in Heineken, Grolsch and Windhoek. These beers are sold in bars, supermarkets, hotels, et cetera. Everywhere except for outlets. People drinking these beers are associated with wealth. Over the years the volume of beers in this segment is growing.⁷ This is somewhat caused by the fact that people in Tanzania prefer foreign products over domestic.

2. Segment B

The middle segment consists of clear beers brewed in Tanzania or Kenya. Tanzania Breweries Limited (TBL) is the main player in this segment with products like Safari, Kilimanjaro and Tusker. Since beers from Kenya are imported by TBL they are less expensive than the imported beers in segment A. These beers are widely available and consumed by a large part of the population.

3. Segment C

The bottom segment is the main territory of opaque beers. These beers are sold in outlets only. As products prices are low compared to the earlier mentioned products, the potential market for these products is the largest. However in reality only few people buy these products. Since people with a mediocre to high income prefer beers from segment B or A. Examples of these products are Komoni, Shake-shake and Minazi.

⁵ <http://www.cbs.nl/en-GB/menu/themas/bedrijfsleven/industrie/publicaties/artikelen/2005-1773-wm.htm> (September 2006)

⁶ http://www.sabmiller.com/sabmiller.com/en_gb/Our+business/Our+markets/Africa+and+Asia/Tanzania.htm (September 2006)

⁷ http://www.netherlands-embassy.go.tz/trade_investment.htm (October 2006)

1.1.6 Consumers

Darbrew's current sales and distribution area is set to Dar es Salaam and its direct environment. The estimated population of Dar es Salaam is 3.3 million⁸. 18 percent of this population is below the basic needs poverty line of 262 Tsh. per adult per day⁹. Assuming that the age structures of both groups are equal, and since 54 % of total population is older than 15 years old, the amount of potential consumers is approximately 1,460,000¹⁰.

In describing a consumer of Darbrew two categories can be distinguished. The first category consists of people who buy the product because it is a traditional beer of good and hygienic quality. These people don't really care about amount of alcohol. The other type's main reason to buy the product is to get drunk as fast as possible for the lowest possible price. Some people even buy one clear beer to 'wash' their mouth after drinking traditional beer.

1.1.7 Future prospects

Darbrew considers the market in and near Dar es Salaam to be saturated. Therefore it wants to expand its sales coverage. In the (near) future, the region of operation will be extended up to Tanga (200 km to the north of Dar es Salaam), Morogoro (150 km to the west of Dar es Salaam) and Kibiti (120 km to the south of Dar es Salaam)¹¹.

Due to the short shelf life characteristic, Darbrew's management find it not realistic to sell Kibuku returnable bottles in those regions. As described in section 1.1.3 Shake-shake's shelf life is longer than Kibuku's shelf life. Therefore, management is planning to stop all Kibuku operations in the nearby future. Shake-shake will be the remaining product.

1.2 The problem of declining sales

Over the last few years Darbrew's sales level is declining. In order to increase sales, several changes were made by Darbrew; the products Iguge and Mwamba were replaced by Shake-shake and new regions were entered. However, although little progress is made, the current sales level is not at the target level of 34,746 litres a day¹².

1.2.1 Management question

Ever since Darbrew's sales level is (too) low, management is struggling: Are prices at a competitive level? Is our current sales and distribution strategy adequate? Is performance of sales and distribution personnel a related topic? To provide insight in to the declining sales problem the following management question needs to be answered.

Why is Darbrew's sales level lower than targeted and how can it be improved?

1.2.2 Research questions

This management question is too complicated to use directly for this research. Therefore it will be divided into research questions. These research questions need to cover the total aim of the management question. The management question is divided into four research questions:

⁸ <http://www.tanzaniaembassy-us.org/government/facts.html#03> (September 2006)

⁹ Poverty and Human development Report of Tanzania 2005

¹⁰ 3.3 million x 0.82 x 0.54 is equal to 1,461,240

¹¹ Distances determined by 'Google Earth'.

¹² This was the budgeted amount of litres to be sold in September 2006.

1. *What is influencing sales levels?*
2. *What are Darbrew's current and targeted sales levels?*
3. *What causes the difference between Darbrew's current and targeted sales level?*
4. *How can Darbrew improve its sales level?*

1. What is influencing sales levels?

The aim of the first research question is to form a basis on how to the answer to the other research questions will be found. This basis is obtained by consulting literature on marketing and sales. This literature covers influences on sales levels and setting sales objectives. Thus, insights on how to set a target sales level are also mentioned. This literature review is done in Chapter 2. At the end of that chapter a framework is presented to summarize the theory that is used to analyze Darbrew.

2. What are current and targeted sales levels?

The aim of the second research question is to assess Darbrew's sales levels. This will be done by comparing current sales levels to targeted sales levels. The targeted sales level is also tested on its reasonability. Past sales data is used for this comparison. This sales data is available as management is tracking sales since January 2004. The first paragraph of Chapter 3 is used to answer this research question.

3. What causes the difference between Darbrew's current and targeted sales level?

After comparing current sales levels to targeted sales levels, it is time to find out what causes the difference between both levels. This is the aim of the third research question. Darbrew is analyzed by using the framework presented in Chapter 2. In more detail the analysis is done by interviewing the General Manager and Sales and Distribution personnel, accompanying sales drivers on a truck and via a questionnaire. This analysis is carried out in chapter 3.

4. How can Darbrew improve its sales level?

The conclusions of the literature review in Chapter 2 and the problem analysis in Chapter 3 are put together in Chapter 4. In this chapter recommendations are given on how Darbrew can improve its sales level.

1.2.3 Boundaries of the research

Since the presence in Dar es Salaam and the available time for the research are limited, some boundaries for the scope of the research need to be set. First, in answering the third research questions consumer preferences might be significant. Consumers buy the products and thus, influence the difference between current and targeted sales level. However, a market research will be highly time consuming because a large amount of consumers needs to be interviewed in order to make the research significant, and because a large part of the consumers doesn't speak English. Therefore, the knowledge and experience of sales drivers are used to describe consumer preferences. Sales drivers know all the ins and outs of Darbrew's consumers since they are out in the field on a daily basis. Second, Darbrew's current product portfolio is assumed to be fixed because General Management indicated that product replacements hardly influenced sales in the past. Therefore no specific research will be done on adding products to or removing products from Darbrew's current portfolio. Last, the research area is set to Dar es Salaam. Currently, this is Darbrew's main area of operation. This research aims are assessing the current situation not the future.

2 Factors influencing sales levels

This chapter aims at answering the first research question: *What is influencing sales levels?* Its main goal is to obtain a framework to analyze Darbrew's sales problem. Ingram et al (2002) state that an organization's sales activities are a result of its sales strategy and that sales strategy is driven by marketing strategy. The backbone of the framework can thus be formed by literature on marketing strategy. This framework is presented at the end of this chapter to summarize the literature of the following sections.

2.1 Marketing mix theory

In general the marketing strategy of an organization is defined by the Marketing Mix model.¹³ The term "marketing mix" is used to represent the controllable elements of marketing employed by an organization; elements which collectively form the bases for customers' perceptions of the organization. Different versions of the marketing mix were suggested by business people and academics over the years (Nickels and Jolson, 1976; Judd, 1987; Godin, 2001). Currently, the generally accepted elements of the marketing mix are: product, price, place, and promotion (Kotler, 2000). Therefore the marketing mix method is also known as the 4 P's of marketing.

Nevertheless, there are many attempts to increase the number of P's from 4 to 5 (or even more). Judd (1987) names the importance of people to an organization, both as a resource and as the essence of a total organizational commitment to the customer. Therefore he recommends that people-power be formalized, institutionalized, and managed as the fifth P of the marketing mix, and consequently as an element of the organization's marketing or business plan.

Regarding the scope of this research not all of the above mentioned P's are equally significant. As described in section 1.2.3, Darbrew's product portfolio is assumed to be fixed and the area of operations is set at Dar es Salaam. Therefore, the elements 'Product' and 'Place' are omitted in the framework. As suggested by Judd (1987), the element of 'People' is added to the framework. Sales and Distribution personnel, especially the sales drivers, have an important role in the sales and distribution process. Summarizing, the framework will be constructed on the elements: Price, Promotion and People.

2.2 Price

Pricing is a rather complicated subject. Several approaches are known and multiple factors should be taken into account.

2.2.1 Pricing approaches

Collins and Parsa (2006) argue that there are several factors influencing the overall pricing strategy of a firm: The costs associated with the production of the product, the relative quality of one firm's product as compared to the quality of their competitor's product, the cost of a substitute product, et cetera. Commonly, three approaches to pricing are defined: *Cost-based*, *Customer-driven* and *Competition-driven* pricing.

¹³ The most popular tool of traditional marketing management is the Marketing Mix framework (Constantinides, 2002)

The Cost-based pricing approach prices products to yield an equitable profit above and beyond all costs associated with the production of the product. With cost-based pricing it is difficult to appropriately determine the unit cost associated with the product since unit costs fluctuate with sales volume. Besides, a company should not only take internal factors into account while determining prices, but also should look at external factors.

Customer-driven and competition-driven pricing both are market-driven approaches, and thus focus on external factors. The customer-driven approach determines prices by the amount that customers are willing to pay for the product. This approach is only valuable if customers are open relative to the price that they are willing to pay for a product. Besides, a sales organization's role should not be to simply take orders at whatever price the customer is willing to pay.

In Competition-driven pricing the prices are determined by the pricing level at which a targeted market-share level is attained by the firm. In comparing prices with competitors, Porter (1983) distinguishes two strategies: a company is either the low cost producer, commonly known as the cost leader, or the differentiator. A cost leader has lower-per unit cost and thus sets its price lower than competitors. The differentiator has higher-per unit cost and thus needs to charge a higher price. If consumers relate a higher price with higher quality and are willing to pay more for higher quality, the differentiator can win from its competitors. A drawback competition-driven pricing is that price cutting in order to achieve a short-term sales volume goal can be quickly matched by competitors what initiates a downward spiral of prices.¹⁴

None of the above approaches is superior since for each approach a number of or drawbacks were identified. An organization should not choose between one of the approaches, but use the approaches to map what factors it should take into account while determining prices. Hence, while determining prices an organization should look at its cost prices, customer willingness-to-pay and prices of competitors.

2.2.2 Price choice strategies

As stated in the former section it is good to involve customer perceptions in determining price levels. It is the customer who must buy the product. Therefore it can be beneficial for a company to know what the impact of price is on consumer choice processes. In case a company knows the relation between prices and consumer choice processes, it can adjust its prices in such a way that the most benefit is created. Olshavsky et al. (1995) researched this effect of price on brand choice. Their findings represent that customer choices vary among different choice situations. In the consumer choice-process at least two roles are recognized; an allocative role and an informative role. According to the allocative role, the consumer maximizes utility within a budget constraint and therefore will always choose the lowest priced alternative (if the products are truly similar). In contrary, the informative role assumes that a buyer derives quality information from a product's price level. The higher priced alternative is judged as more attractive. Based on the contribution of these roles in the choice process, the authors distinguish 4 strategies.

¹⁴ The developments on product prices in Dutch supermarkets (the so called 'supermarket war') is a perfect example of this spiral.

Price has no influence

The consumer's choice may be determined by a strategy that does not include price in either an allocative or an informative role. This may occur for very low priced products or for products whose price differences are perceived to be too small to be significant. This implies that price and choice are unrelated (over a restricted price range). E.g. a consumer may perceive little or no quality difference between a € 0.45 and a €0.50 disposable pen. Furthermore, the consumer is unlikely to perceive this price difference as significant difference in perceived financial sacrifice.

Price has an allocative role

The consumer's choice may be determined by a strategy that includes price in an allocative role only. Given equivalent perceived benefits, the consumer will choose the lowest priced product. E.g. in travelling from A to B a certain consumer can choose between taking the bus or the tram. Both rides are of equal length and the consumer perceives comfort of travel as equal. Thus perceived benefits are equal, but since a bus ticket is twice the price of tram ticket, this consumer will travel by tram.

Price has an informative role

The consumer's choice may be determined by a strategy that includes price in an informative role only. As price increases, perceived benefits and thus perceived value increases implying that the price-choice relationship is positive (over a restricted range). Examples of such products, for certain consumers, include products purchased for "snob appeal". A higher price adds to prestige.

Price has an allocative and an informative role

The consumer's choice may be determined by a strategy that includes price in both an allocative and an informative role. Price has both a positive and a negative influence on the choice process. Either the perceived quality or the impact on budget makes the choice decision. E.g. in buying a new bicycle a consumer can choose between three price levels: a very low, a medium and a very high price. The very low priced bicycle signals a very low quality (perhaps the bicycle chain is broken). The medium priced bicycle signals a quality improvement compared to the very low priced bicycle, but of course is more expensive. The very high priced bicycle also signals a better quality, but does the perceived quality gain outweigh the extra costs?

The choice process

Besides the price-choice relation, it might be also useful to know how consumers make their choices. Olshavsky et al. (1995) define three contingencies that occur in choice processes. The first type known as *affect referral* occurs when the consumer has prior experience with the choice task. If a choice has been made in the past, then it is possible that the consumer will identify the most preferred alternative simply by retrieving the previously determined preferred alternative from long term memory. Hence, for certain choice situations a choice process does not occur, although a choice outcome does occur. A second important type of contingency occurs when a consumer 'decides not to decide'. The consumer chooses to 'follow a recommendation'. An organization or a person other than the consumer makes the choice. Such strategies are referred to as *other-based choice processes*. Finally, the consumer can also go through a choice process himself. This contingency whereby consumer involvement and prior knowledge play a major part is the so called: *own-based choice process*.

Summarizing, before sales managers decide on the solution on their pricing problem, they should determine the specific price-choice relation that is applicable for their consumers, and attain insight in how consumers make their choice.

2.2.3 Price changes

Another aspect of pricing is price changes. Organizations initiate price changes for several reasons, e.g. as result of an increase in prices of raw materials or as a reaction on a price change of competitors. In addition consumers respond in several ways to these changes, e.g. start buying from competitors or stop buying the product completely. This response is affected by elements such as price sensitivity, the intensity of competition and product characteristics. Mulhern and Leone (1995) state that an additional influence on price responsiveness is the interaction effect of other marketing variables that are changed coincidentally with price; a price increase should not evidently be followed by a decrease in sales, when at the same time efforts on promotional activities are increased. The authors say that an organization might be able to predict market response to future price changes using available information on past market response.

Summarizing, an organization can predict consumers' responsiveness to changes in price based on historical data. Thereby it should not only look at price changes but also at changes in other marketing variables.

2.3 Promotion

The sales function is normally given a specific, quite often tactical, role within the promotional portion of the marketing mix (Ingram et al. 2002). The sales strategy drives the interaction with customers and has a major impact on the management of a sales organization. This section aims at how to manage sales, and therefore also covers the promotional part of the marketing mix. Before arguing on how to develop a sales strategy, some background on sales management is provided.

2.3.1 Sales management

Olson et al (2001) define sales management as the process of formulating, implementing, and evaluating sales plans and monitoring the performance of the sales force. Earlier, Stafford and Grant (1990) defined sales management by identifying seven key functions:

- | | |
|------------------|---|
| 1. Planning: | Setting the objectives of the sales department. |
| 2. Organisation: | Defining the strategy for achieving these objectives. |
| 3. Recruitment: | Selecting the right people to staff the sales department. |
| 4. Training: | Developing the skills required to get the job done. |
| 5. Motivation: | Encourage the team to get the best result. |
| 6. Control: | Ensuring results conform to the plan. |
| 7. Monitor: | Setting up a feedback system. |

Setting objectives of the sales performance is probably the most important function of the seven key functions as identified by Stafford and Grant (1990). This is because all other functions are based on or aimed at achieving the objectives (or goals) and because performance sales goals are one of the most widely used tools in sales management to motivate and direct the efforts of sales people, as well as to provide standards of performance (Fang et al., 2004). Hence, the sales department's first task is to set 'good' objectives. According to Fellman (2006) a good selling goal is reasonable and measurable. Reasonable

means that one should be able to achieve the goal. Measurable means that degree in which a goal is achieved can be determined.

While fulfilling these seven keys functions sales management must decide on five policy issues distinguished by Olsen et al. (2001): Contracting the selling activities, extent of supervision, sales force control, compensation and selling strategy.

Contracting the selling activities.

Contracting the selling activities relates to the organisation and the recruitment function of sales management. Within this policy an organization should decide on contracting with independent sales representatives to perform the selling function or add the selling activity to its in-house activities in product development and production. Gal-Or (1999) refers to the former choice as vertical separation and to the latter as vertical integration of the sales function. Choosing between vertical separation and vertical integration depends on three factors: sales force control, costs of the sales force and product confidentiality. A sales force can be controlled better with an in-house sales function than with independent sales representatives. The costs of an in-house sales function will be higher than hiring independent sales representatives. So, if the availability of financial resources is limited, vertical separation is preferred. If the product itself or certain business information is confidential, an organization should decide to integrate the sales function. In that way no or less confidential information will flow to competitors.

Extent of supervision.

Sales managers need to decide on the extent of supervision of salespersons. This depends on the guidance a salesperson needs in selecting the appropriate activities to achieve the organization's goals and on the critical importance of retaining the specific account. The lesser the importance of the account, the lower the required extent of supervision. This policy relates to the training, motivation, control and monitor functions of sales management.

Sales force control.

It is important that management articulates what is expected from salespersons and monitor their performance compared to those expectations. The assessment of certain outcomes related to revenue or profit objectives is known as sales force control. As sales force control has significant influence on performance of salespersons, more detail on sales force or organizational control is provided in section 2.4.3.

Compensation.

As compensation has significant influence on motivation and thus the performance of salesperson. This topic will be embraced in section 2.4.3.

Selling strategy.

Selling strategies range from the one-shot transaction selling approach to the enduring partnership of customer relationship selling. Transaction selling is most appropriate for fairly simple products that require little service or support. The buying criterion is typically low price. In contrast, relationship selling is based on collaboration between sellers and buyers, a sharing of critical information based on trust and commitment, and relationship longevity that enables both parties to enjoy financial rewards from coordinated strategic investments. This relationship gives the seller greater insight into the buyer's latent needs, enabling the seller to beat the competition at developing new offerings in order to augment commodity-like products with high-value-added services. Because of its high costs and risks, a relationship selling strategy is usually selectively adopted only with key accounts. Hence, key account

management can be considered as a relevant context for investigating the actual implementation of such a strategy (Guenzi et al., 2006) In short, the higher the complexity of the product and the more service or support needed, the higher the benefit of intensive collaboration between seller and supplier.

2.3.2 Sales strategy development

A firm's sales strategy is defined by the way sales managers address the policy issues described above. Developing such a strategy is done in three steps (Ingram et al. 2002):

Customer segmentation and prioritization

Marketing strategies use various segmentation approaches and then select specific segments and design marketing mixes to appeal to each segment. Salespeople, in contrast, sell to customers within target segments. Trying to sell to all of these customers in the same way is not likely to be effective or profitable Therefore the first step in developing a sales strategy is to define specific customer groups and prioritize them in terms of potential importance to the organization.

Relationship objectives and selling models

Once the customers groups are defined, sales management needs to decide how to interact successfully with each customer group. The second step in developing a sales strategy is to choose between the different types of customer relationships as described in section 2.3.1. Does a certain customer group fit best in a short-term or in a long-term selling relationship?

Multiple sales channel approaches

The final step in developing a sales strategy is determining the appropriate mix of sales channels used to interact with customers in different groups. However, the specific sales channel mix for each customer group should be determined by delineating the specific selling activities to be performed for each customer group and identifying the sales channel alternatives for each selling activity. Then, the least expensive sales channel that will perform the sales activity effectively should be selected. This type of approach will generate a cost-effective sales channel mix for each customer group. E.g. In order to reach consumers between 18 and 25 years old, Darbrew can choose to sell Kibuku and Shake-shake at local outlets or at the brewery itself. Although selling at the brewery itself seems less expensive (no transportations costs), selling at local outlets will be more effective because consumers of that specific group are more likely to visit local outlets than travelling to the brewery itself.

Summarizing, sales managers' primary tasks are setting reasonable and measurable objectives for the sales department, determining plans to achieve these objectives and evaluating both objectives and plans. In determining their plans managers must decide on customer segmentation, customer relationships and sales channels.

2.4 People

As stated earlier the element 'people' will be part of the framework. Managing salespersons is, as Stafford and Grant (1990) state, a key sales function. How to get the best results of salespeople?

2.4.1 Performance of salespeople

Salesperson performance can be separated into the *behaviour* or activities carried out by salespeople and into the *outcomes* that are achieved through their efforts (Piercy et al., 2004). Salespeople have more control over their job activities (behaviour) than their results, but they generate outcomes as a consequence of their activities (Behrman and Perreault, 1982). The management challenge is identifying which outcomes are due to what behaviour.

Another distinction is found in two dimensions: *sales orientation* and *customer orientation*, respectively the short-term and the long-term performance of a salesperson (Joshi and Randall, 2001). Whereas customer orientation places an emphasis on listening to customers (what kind of product would be most helpful to a customer) and dialogue (get the customer to discuss their needs), sales orientation encourages opportunistic means (paint too rosy a picture of products to make them sound as good as possible), if these are necessary to make the sale (Thakor and Joshi, 2005). Research regarding this distinction indicates that customer orientation creates greater long-term performance benefits.

Hence, salespeople should be evaluated on their activities and the outcomes of their activities. Plus, this evaluation should cover both sales orientation and customer orientation. In literature a wide range of indicators is at hand to cover these dimensions. Behrman and Perrault (1998), for example, name 7 categories of performance indicators:

1. Achieving quantity and quality sales objectives.
2. Controlling unnecessary company expenses,
3. Developing and maintaining customer goodwill.
4. Providing information to the company and following company policy.
5. Developing and using technical knowledge
6. Giving high-quality sales presentations and working well with customers.
7. Working well with other personnel in the firm.

Joshi and Randall (2001) recommend generation of sales revenue, replenishment of the customer base, and development of product and customer knowledge as indicators for evaluation. Jaramillo et al. (2005) prefer to assess performance aspects such as technical knowledge, teamwork, presentation, and planning skills. Piercy et al. (2004) also add indicators that are directly attributable to the salesperson, such as sales volume, sales of high margin products, and sales of new products.

Naturally, other indicators can be formulated and not all of the above mentioned indicators are applicable for each organization. It is sales management's task to define which indicators are appropriate to evaluate their salespeople. Sales management should define indicators that fit best with the objective and the strategy of the sales function. E.g. if the overall sales objective is to increase market understanding and adjust the selling process to actual market characteristics, the sales management is encouraged to evaluate salespeople on their effort on sharing market characteristics and following company policy.

2.4.2 Measure performance

Performance of salespersons can be measured by three different stakeholders: the *sales manager*, the *customers* or the *salesperson himself*. According to Behrman and Perreault (1982) difficulties with salespersons evaluation by sales manager are due to the fact that salespersons operate across organizational boundaries, and much of their effort may be beyond the 'view' of the company. The manager may have little firsthand knowledge about what the salesperson does to represent the company, other than what shows up in summary reports of quantitative data. Furthermore, Behrman and Perreault (1982) suggest that the salesperson can use personal relationships to bias evaluations upwardly. Measuring a salesperson's performance by the sales manager suits best if the sales manager has considerable knowledge about market characteristics and what the salesperson actually achieves while he is out in the field.

A different approach is for customers to rate the salesperson, at least on those aspects of performance that impact customer attitudes and their purchases from the salesperson's firm. The major limitations of this approach are that the evaluation criteria may vary widely among customers, and only a limited subset of the criteria relevant to the employing company may be important to customers (Behrman and Perreault, 1982). Measuring performance of salespeople by customers is only appropriate when the relationship between the organization and its customers is tense and trustful.

A third route has used salesperson self-evaluations based on comparing themselves with other salespeople at their firm (Parka and Deitz, 2006). The salesperson best knows the detail of the many requirements of the job, how well she or he actually performs, and what could be accomplished (Behrman and Perreault, 1982). A drawback of self-evaluation is that it might be less truthful, because salespersons tend to rate their own performance above others. If the sales department has no idea of the daily activities a salesperson carries out, performance measurement by the salespersons themselves can be an alternative.

2.4.3 Influencing performance

After defining performance of salespeople and arguing on who should measure this performance, it is now time to obtain insights on how performance of salespeople is influenced. The following sections describe multiple factors that are of influence on the earlier named dimensions of salespeople's performance.

Organizational commitment

According to Jaramillo et al. (2005) organizational commitment is defined as an attitude in the form of an attachment that exists between the individual and the organization, and is reflected in the relative strength of an employee's psychological identification and involvement with the organization. In other words, organizational commitment represents the attitudes that employees have towards the organization. The authors indicate that management should allow salespeople to decide when and how to work, and promote salesperson participation in decision making, because both these strategies are likely to generate positive job attitudes and enhance organizational commitment. Afterwards the salesperson's performance will increase. Due to the positive relationship between organizational commitment and customer orientation, this is the long-term performance of salespeople. Joshi and Randall (2001) also identified this relation between, what they call, affective commitment and salesperson performance. Given that salespeople are in the field for the most part, their manager becomes representative of the organization. By employing considerate leader behaviours and by

providing regular and constructive feedback, the sales manager can enhance the salesperson's identification with the organization (Thakor and Joshi, 2005).

Organizational control

In section 2.3.1 was announced that sales force control has significant influence on salesperson performance. To continue, Stafford and Grant (1990) identified control as one of the seven key functions of sales management. They see control as ensuring that sales results are conform the plan. Joshi and Randall (2001) say that control involves monitoring, evaluating, and compensating salespeople based on certain criteria. This control is either output or behaviour oriented. E.g. control on generated sales revenue (outcome) and control to the extent to which the salesperson follows established methods and procedures (behaviour)¹⁵. Besides, sales force control can be performed by all the stakeholders recognized in section 2.4.2. Once salespeople are controlled by their peers, the control is known as professional control (Joshi and Randall, 2001).

The research of the latter authors shows that organizational control affects salesperson performance via task clarity and the earlier named affective commitment. Task clarity refers to the extent to which the salesperson is aware of what activities to perform, and how his performance will be measured. Sales managers should monitor task clarity and affective commitment to increase salesperson performance.

Working smart and hard

Holmes and Srivastava (2002) say that performance of salespeople is influenced by their behaviour. They distinguish two aspects of this behaviour, *working smart* and *working hard*. Working smart is the willingness of the salesperson to alter his or her strategies based on success and/or failure. Working smart is comparable to what other authors, like Porter et al. (2003) and Parka and Deitz (2006), refer to as Adaptive Selling: the ability of salespeople to adapt their behaviour to the selling interaction they encounter. All these authors confirm the positive relation between working smart and sales performance. According to Porter et al. (2003) a salesperson should be able to develop and employ unique behaviour patterns oriented to each customer to increase sales performance. On the other hand, working hard equates to the effort or amount of time spent in trying to achieve sales goals (Holmes and Srivastava, 2002). The higher the effort and the more time spent, the better the performance of salespeople.

Holmes and Srivastava (2002) argue that these behavioural aspects are influenced by two job perceptions: *job challenge* and *job involvement*. Job challenge is the salesperson-perceived difficulty or complexity the job represents. A challenging job triggers sales people to both working smart and working hard. Job involvement is the degree to which a salesperson values the work and the amount of his or her personal equity invested in the sales position. When salespeople cease to identify with and stop caring about their job they look to move on and quit their job. Job involvement ensures time commitment and work intensity and thus, leads to working hard.

¹⁵ Fang et al. (2005) distinguished three types of control system: outcome, activity and capability control. Within this research the latter two are united in behavioural control.

In short, sales managers have to ensure that their salespeople are continually challenged and that their job meets their needs. As a result salespeople will develop the ability to adapt to the required selling behaviour with respect to the selling environment and the organization's sales strategy and policies. In addition the job satisfaction of salespeople will increase as pointed out by Parka and Deitz (2006).

Compensation

Bonuses are an important component of compensations plans of sales departments. They are widely used, and with good reason. They serve as a flexible instrument to obtain higher sales performance and encouraging behaviours consistent with the sales goals. Used prudently, they can help enhance salesperson satisfaction with pay and retain good performers (Joseph and Kalwani, 1998). Sales managers should decide on bonuses and standard payments. Thereby, they should take in to account that pay satisfaction of salespeople can enhance the impact of other factors influencing sales performance, e.g. experienced meaningfulness. (Thakor and Joshi, 2005).

Experienced meaningfulness

Thakor and Joshi (2005) argue that experienced meaningfulness, as part of Hackman and Oldman's well known Job Characteristics Model (JCM), is the key driver to motivation. The authors studied the *focal main effect*, the relationship between experienced meaningfulness and customer orientation. Their research results show that the salesperson's experienced meaningfulness of their job has a positive impact on their customer orientation and that their identification with organizational values and their satisfaction with the pay they receive enhances this impact. Thakor and Joshi (2006) say that sales managers can foster experienced meaningfulness among salespeople by providing them with greater variety in their job and by expanding the scope of their job from being an order getter to being the deliverer of service to customers. In the words of Jaramillo et al. (2005); skill variety, job autonomy, task identity, and supervisory feedback are factors that are likely to enhance the meaningfulness of the jobs of salespeople.

Consistent human resource management

All influences on sales performance described in the former sections are either part of, or outcome of the way the sales department manages its human resources. These so called human resource practices determine what management expects of its employees and what the employees can expect in turn. According to Baron and Keps (1999) it's greatly important that these practices are consistent in three ways. First, the different pieces of human resource policy that bears on a single employee should be consistent. Then, the treatment of different workers, or in this case salespersons, should be consistent. Finally, the practices should demonstrate some degree of continuity, in other words be consistent in time. The authors refer to these sorts of consistency as, respectively, *single-employee*, *among-employee* and *temporal* consistency.

Summarizing, performance of salespeople has several dimensions, can be measured by several persons and can be influenced by several factors. It is the sales managers' task to define what aspects of performance of salespeople are applicable to their sales environment. Additionally, sales managers must ensure consistency while defining this. The literature review obtained a number of options on how sales managers can influence the performance of their sales people. Additionally, Piercy et al. (2004) say that there is evidence that the relationships found in developed countries are also relevant in developing countries.

2.5 Framework

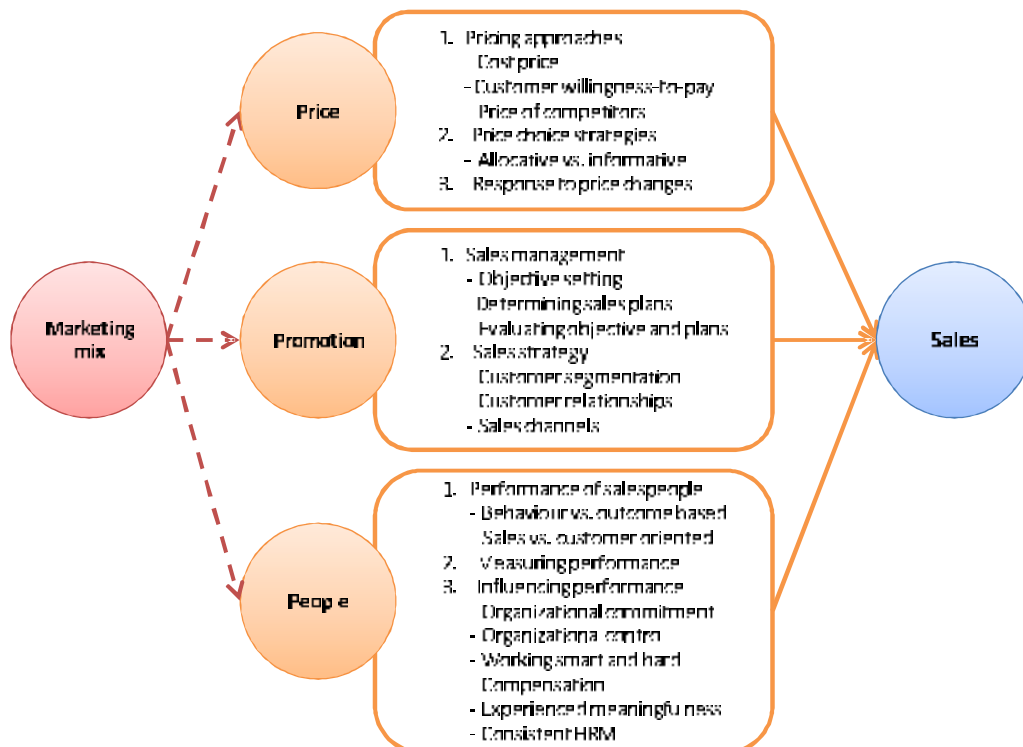


Figure 2-1: Influence of price, promotion and people on sales.

Figure 2-1 summarizes sections 2.1 to 2.4. In these sections an answer was found to first the research question: *what is influencing sales levels?* Based on the well-know marketing mix, three elements were identified that influence sales: price, promotion and people. As indicated by the rounded rectangles, for each element a number of factors should be analyzed. The three elements and their specific factors are used to analyze Darbrew's situation. This analysis forms the answer to the other research questions: *What are Darbrew's current and targeted sales levels?* and *What causes the difference between Darbrew's current and targeted sales level?* In subsequent chapter both research questions are answered.

3 Problem Analysis based on Theory

This chapter aims at answering the second and third research question: *What are Darbrew's current and targeted sales levels?* and *What causes the difference between Darbrew's current and targeted sales level?* First, current and targeted sales levels are assessed. Second, price, promotion and people analyses are done. These analyses are based on the marketing and sales literature of chapter 6, as summarized in figure 6-1.

3.1 Current and targeted sales levels

This section compares Darbrew's current sales level to the targeted sales level. As mentioned in section 2.3.1 good selling goals are reasonable and measurable (Fellman, 2006). Setting a target sales level is of course a measurable tool to assess sales performance. But is the target sales level also reasonable? To assess reasonability the target level of September 2006 is compared to true sales levels. Figure 3-1 displays this comparison. The average daily sales volumes for each month from 2004 to 2006 are compared to the targeted sales level of September 2006.

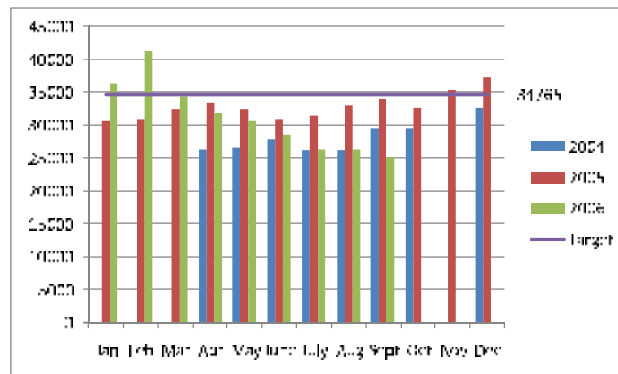


Figure 3-1: Daily sales volumes in litres per month (2004-2006)

At first sight the targeted sales level of 34,765 litres a day seems to be a little high. However, in comparing this targeted sales level to actual sales levels of September 2005 and the first quarter of 2006, one may conclude that the targeted sales level is set at a reasonable level. Hence, the targeted sales level of 34,765 litres a day is ambitious, but reasonable.

While comparing targeted and actual sales levels, another observation can be made from Figure 3-1. As visualized by the green bars, sales levels of 2006 started to drop in March and were decreasing ever since. While in February Darbrew sold over 40,000 litres a day, it wasn't able to sell more than 25,000 litres a day in September. Hence, current sales levels are low and declining.

Previous sections answered the second research question: sales targets are set a reasonable level, and current sales levels are low and declining. As a result more insight in the causes of the negative trend in daily sales levels is very valuable. Sections 3.2, 3.3 and 3.4 are aimed at determining these causes and thus, will answer the third research question: *What causes the difference between Darbrew's current and targeted sales level?*

3.2 Price analysis

As presented in Figure 2-1: Influence of price, promotion and people on sales. sales is influenced three elements: price, promotion and people. In this section the price element is analyzed. This analysis is done by assessing Darbrew's current wholesale and retail prices to prices of competitors. Furthermore, the influences of price on sales levels are researched. That specific analysis is done by assessing the influence of retail price, promotions and profit margin on sales level. Finally, Darbrew's strategy to price determination is assessed and a procurement analysis is done.

3.2.1 Competitors

Before comparing prices of Darbrew's products to prices of its competitors, some background information on the competitors is needed. Darbrew's main competitor is found in home brewing activities. People are brewing opaque beer or likewise products at their homes and sell these products to local outlets. Although these brewing activities are small, the number of local brewers is very large. Therefore, the local brewers altogether form a significant competitor to Darbrew. Examples of home brewing products are *Chopa*, *Begi*, *Chimpumu*, *Ulanzi*, *Kyindi*, *Kangala*, *Dadee*, *Dengerua*, *Kyindi*, *Minazi* and *Komoni*. While the brewing processes of these products are alike, flavours of home brewing products vary a lot. Some of them are made from coconuts (Minazi) while others are made from flowers (Chopa). Because Komoni is very similar to Kibuku and Shake-shake, it can be used best to describe the strength of home brewing products.

Komoni

The similarity between Komoni and Darbrew's products is found in the use of sorghum and maize as ingredients. The main difference can be found in quality. The ingredients used by Darbrew, and therefore the final product also, are of better and more stable quality. Furthermore, Darbrew's brewing process is far more hygienic. Unfortunately, this quality isn't an advantage for Darbrew, because consumers are mainly interested in the alcohol percentage-price ratio. On price level the local brewers have some advantages compared to Darbrew:

- They buy sorghum and maize at lower prices from neighbours or even by trading goods for goods.
- There is no V.A.T. on their products.
- They don't have distribution costs. They are either very close to the outlets, or the agent of the outlet buys the Komoni at their houses.
- The products are sold in large buckets or used bottles. Therefore they are also free of packaging costs.

Banana Wine Ltd.

Apart from home brewing activities a competitor is found in a company making *Banana Wine*. The strength of this product is its glass bottle and its alcohol percentage. Due to the glass bottle, Banana Wine covers both the bottom and the middle market segments as described in section 1.1.5. The high retail price/volume ratio is compensated with an alcohol percentage of 11 percent.

3.2.2 Current wholesale and retail prices

Two different prices can be distinguished: a wholesale price and a retail price. The wholesale price refers to the price level at which Darbrew sells products to outlets, while the retail price is defined by the price level at what outlets sell products to the consumer. The difference between the retail price and the wholesale price is defined as the outlet agents' profit margin¹⁶. These three variables along with the alcohol percentage of the product are used to compare the products in the market. As described in section 3.2.1 consumers see alcohol percentage as the product's main benefit. If alcohol percentages are equal, the consumer naturally chooses the product with the lowest price. Hence, price has an allocative role while making a choice (Olshavsky et al., 1995).

Table 3-1 illustrates the values of Darbrew's products, Komoni Minazi and Banana wine for each of the variables. To reduce the amount of information in the table, not all the home brewing products mentioned in section 3.2.1 are included. This can be done without losing important information, because other products are similar to either Komoni or Minazi.

Table 3-1: Products and their characteristics in Darbrew's market.

Manufacturer	Product	Volume (litres)	Alcohol percentage	Wholesale price (Tsh.)	Retail price (Tsh.)	Profit margin per litre
Darbrew Ltd.	Kibuku (Bottle)	1,0	4,5	290	350	60
	Kibuku (Kegs)	0,5	4,5	140	180	80
	Shake-shake	1,0	5,0	330	400	70
Local brewers	Komoni	1,0	4,5	100	250	150
	Minazi	0,5	≥ 7,0	60	100	80
Banana Wine Ltd.	Banana wine	0,33	11,0	271	400	391

While comparing the products based on alcohol percentage and retail, three conclusions can be made. First, Kibuku, Shake-shake and Komoni have equal alcohol percentages, and hence, consumers perceive products' benefit to be equal. Because retail prices of Komoni are lower than Darbrew's products, consumers are expected to buy Komoni in stead of Kibuku or Shake-shake. Second, Darbrew's and Banana Wine's retail prices are equal and alcohol percentage of Banana Wine is more than twice as high as Darbrew's alcohol percentage. However, Banana wine is sold in bottles of 0.33 litre. Hence, a consumer gets more alcohol when buying Darbrew's product than buying Banana wine. However, consumers still perceive the product's benefit of banana wine as higher. Therefore consumers are expected to buy Banana Wine in stead of Kibuku or Shake-shake. Third, the alcohol percentage of Minazi is higher than Darbrew's products and the retail price is lower. A higher product benefit while paying less. Hence, consumers are expected to buy Minazi in stead of Kibuku or Shake-shake.

While comparing the products based on profit margin per litre, one can conclude that the profit margin of Kibuku and Shake-shake are equal to Minazi, but small compared to Komoni and very small compared to Banana Wine. Although profit margin is expected to have an influence on sales, more information on influence of profit margin on sales is needed to determine this influence.

¹⁶ Retailing costs for outlet agents are not taken into account in this definition of an outlet agent's profit margin.

3.2.3 Influences on sales level

As stated in section 2.2.3 past information on market response on price levels is useful to predict future market response. An additional influence on price responsiveness is the interaction effect of other marketing variables that are changed coincidentally with price. So, to determine whether the sales level is influenced by retail price and profit margin it is necessary to also take changes in other marketing variables into account. Makato (1995) states that companies can take two approaches in marketing strategies: a price-related approach, and an advertising-related approach. Therefore the third marketing variable is found in advertising activities. Darbrew has multiple advertising or promotional activities. There are two main activities. First, evening-filling-shows are organized at outlets. Second, advertising is done by driving vehicles with music and giveaways through Dar es Salaam and suburbs. Sales drivers indicate that during and directly after these promotions people buy more Shake-shake than normally. But they also say that after one or two days this positive influence decreases and people start to buy the other products again. Hence, promotions have a momentary positive influence on sales.

To determine the influence of the three variables (retail prices, promotions and profit margin) on sales level the figures of Shake-shake are assessed, as in the near future Shake-shake will be Darbrew's only remaining product. Figure 3-2 illustrates the levels of the variables and sales from the introduction of Shake-shake in February till September 2006. The variable 'promotions' is adjusted by multiplying the actual amount by 20 Tsh.. This is done to make it comparable the other variables. The real data on the number of promotions per month is available in Appendix E: Shake-shake figures. To make changes in profit margin more observable, this variable is multiplied by factor 4.

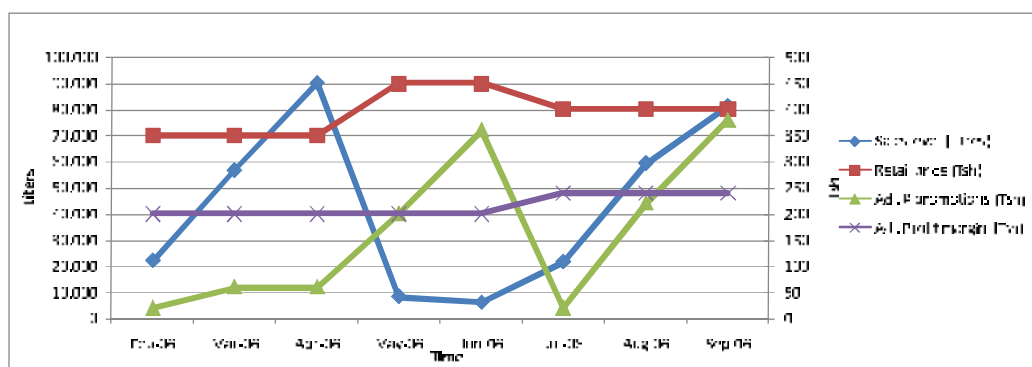


Figure 3-2: Sales level, retail price, promotions and profit margin of Shake-shake (Feb-Sep 2006)

Retail price

In May 2006 the retail price of Shake-shake was increased from 350 Tsh. to 450 Tsh.. This was immediately followed by a decrease in sales, the level dropped from 90,180 litres in April to 8,175 litres in May. Although the number of promotions increased during that period, the tide of declining sales couldn't be turned. The higher retail price is still affecting the sales level in June 2006. When Darbrew decided to lower the retail price to 400 Tsh. in July 2006 sales started to increase even while the effort on promotional activities was dropping rapidly. As can be concluded by the preceding and as stated in financial report of 2004¹⁷ sales of traditional beers are highly price elastic. In other words, the retail price has a major negative impact on sales level and this impact can hardly be compensated by promotional effort.

¹⁷ Darbrew Limited's Report of the directors for the year ended 31 March 2004

Promotions

From February to April the retail price is at a constant level of respectively 400 Tsh.. During this period a slightly increase in promotional activities causes a significant increase in sales. Although the price is stable during May and June and the number of promotions is increased from 3 in April up to 10 and 18 in respectively May and June (appendix E: Shake-shake figures). During that period no positive influence on sales level can be found. Once the retail price is lowered in July and stays stable during the following months, an increase of promotional activities from only 1 in July to 19 in September results in a sales improvement of Shake-shake from 21,495 in July to 58,995 in August and up to 81,030 in September. Hence, below a certain price level and when prices are stable, promotions have a positive influence on sales.

Profit margin

According to the sales drivers the outlet agent's main interest is profit. Since the agent's main interest is profit, the products with the highest profit are promoted. The agent encourages consumers to buy the products with the highest profit margin. Olshavsky et al. (1995) refer to this as an 'other-based' choice process. The choice is made by a person other then the consumer. So, the higher the product's profit margin, the higher the agent's eagerness to sell this product and the more consumers buy the product. This is also visible in Figure 3-2: Sales level, retail price, promotions and profit margin of Shake-shake (Feb-Sep 2006)Figure 3-2; in June the profit margin was increased from 50 to 60 Tsh.. During that period also an increase in sales can be observed.

Overview

Figure 3-3 illustrates the influences profit margin, retail price and promotion on sales level. The product's profit margin has a positive influence on the sales level. The retail price has a negative influence on the sales level. When prices are stable and aren't above a certain level, promotions have a positive influence on the sales level till a certain price. Hence, the retail price has a negative impact on the influence of promotions on sales level. (In Figure 3-3 this impact is demonstrated by the scattered arrow)

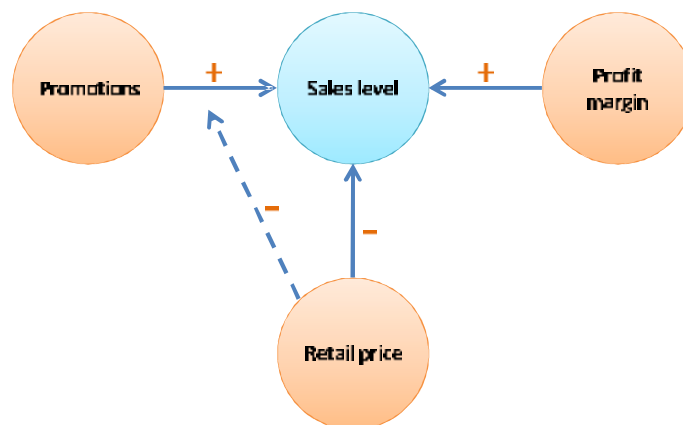


Figure 3-3: Influence of retail price, promotion and profit margin on sales level

3.2.4 Price determination

As described before the determination of product prices is done by the Sales and Distribution department. This department determines wholesale and retail prices on the basis of costs associated with the production of its products, a pricing strategy to what Collins and Parsa (2006) refer to as a Cost-based approach. Furthermore, prices are added up with an amount on Value Added Tax (V.A.T.). Currently this rate is set at 20% of the wholesale price. Table 3-2 presents the variable cost price, the amount on V.A.T., the wholesale price and the product margin for Kibuku and Shake-Shake.

Table 3-2: Price determination (Tsh./litre)

	Kibuku	Shake shake
Variable cost price	77,11	168,49
V.A.T.	58,00	66,00
Wholesale price	290,00	330,00
Product margin	154,89	95,51

Table 3-2 illustrates that there is a large difference in the variable costs price and therefore also in the product margin of Kibuku and Shake-shake¹⁸. This difference is rather bizarre since, as mentioned in an earlier section, the recipes for the products are identical. To clarify this difference the cost price of both products is further analyzed. This analysis is based on a Bill of Material (BOM) as described by Reid and Sanders (2002). Table 3-3 represents an adjusted version of the BOM of Kibuku and Shake-shake.

Table 3-3: Adjusted BOM: Cost prices of raw material for Kibuku and Shake-Shake in Tsh..

	Raw Material	Kibuku (Bottle)	Shake-shake
Ingredients	Maize Flour	8,19	8,19
	White Sorghum Flour	23,21	23,21
	Red Sorghum Flour	2,73	2,73
	Sorghum Malt	1,50	1,50
	AMG	1,16	1,16
	Termamyl	0,09	0,09
	Yeast	0,33	0,33
	Lactic Acid	1,18	1,18
	Water	2,94	0,75
Operating	Furnace Oil	13,96	13,96
	Electricity	4,54	4,54
	Distribution Fuel & Oil	3,99	3,99
Packaging	Bottle	-	-
	Caps	13,29	-
	Carton Sleeve	-	106,86

Table 3-3 displays the cost prices of each raw material for Kibuku and Shake-shake. Raw materials are arranged by being either an ingredient, an operating or packaging variable. Most apparent is impact of the price of the *Carton Sleeve* on the variable cost price for Shake-

¹⁸ Please note that the product margin is Darbrew's margin, not the profit of an outlet.

shake. The cost of one package is equal to 106.86 Tsh.. That is equal to 63.4 percent of Shake-shake's cost price. Also, a slight difference in costs of water is observable. This difference is caused by the filling process of the products. Filling Kibuku requires more water as the returnable bottles need to be cleaned. Furthermore, Darbrew identifies the costs of the returnable bottles as being fixed. Every now and then new bottles are bought. However, no information on the amount of times a bottle returns to the brewery is available. So, besides the costs of caps no packaging costs are known for Kibuku. Because both products have the same recipe, the costs of the other raw materials are also equal. More details on cost prices are available in Appendix F: Cost prices of Kibuku and Shake-shake. As 63.4 percent of the cost price of a litre Shake-shake is attributable to the sleeve, further analyzing the purchasing process of carton sleeves is very useful. This analysis is done in subsequent section.

3.2.5 Procurement analysis of carton sleeves

The procurement analysis of carton sleeves starts at the filling machine. Since the filling machine for carton sleeves is hired from Nampack, a company from Zambia, the carton sleeves are also supplied by that company. Darbrew pays import tax on the sleeves. Import tax rates for plastics and paper are set at respectively 25 and 10 percent. Currently, Darbrew pays 25 percent although the sleeves are made of carton and therefore only 10 percent is needed. According to the General Manager this is caused by a misinterpretation of the Tanzanian Government. The Tanzanian Government considers the carton sleeves to be plastic.

Moreover, although the carton sleeves are also available at companies in Tanzania (e.g. TTL printing and Packaging Limited), Darbrew is not able to buy from these domestic suppliers due to the strong position of Nampack. Once Darbrew decides to stop buying from Nampack, Nampack will take the filling machine back to Zambia. Therefore, Darbrew can't benefit from purchasing from domestic suppliers; the financial manager, who is also responsible procurement of raw materials, indicates that buying of carton sleeves in Tanzania is less expensive because no import tax has to be paid in case carton sleeves are bought in Tanzania.

3.3 Promotion analysis

In the promotion analysis Darbrew's sales management and sales strategy is assessed. First, the objective setting, training and monitoring functions of Darbrew's sales and distribution department are examined. Afterwards Darbrew's sales strategy is compared to theory.

3.3.1 Objective setting

Unquestionably one of the key functions of sales management is to set objectives. Objectives drive strategy and form the basis of evaluation. Darbrew's objective setting is totally aimed at sales levels. The desired sales level for each month is determined for the sales department as a whole. The objectives are solely sales-oriented, to recall Joshi and Randall (2001), and not translated into sales driver specific objectives. Seyna (1986) says that individual plans need to be prepared to achieve the intended results of the sales department. While individual tasks or objectives are available in the formulated job descriptions, currently, the individual plans are not clear to the employees of the sales and distribution department. These job descriptions are part of the employee's contract and only used at the start of the hiring period. (The job descriptions of the sales and distribution personnel are available in appendix B). Hence, Darbrew's sales management currently lacks on setting individual objectives.

3.3.2 Training

A second highly important function is found in training. According to Stafford and Grant (1990) training is developing the skills required to get the job done. It therefore consists of two parts, one, what skills are needed, and two, what skills are available. Darbrew's management recognizes the need for training of sales drivers and supervisors. They indicate that to deal with the competitive environment personnel of the sales department need training on selling skills and marketing strategy. Multiple types of training programs are offered by the National Institute for Productivity (NIP). A number of the training programs were selected but postponed as a result of the dire financial position of the company¹⁹. Due to these financial issues, there is also a time lack for training people. Because all sales drivers are needed in the field, no time on training can be lost. As a result, none of Darbrew's salespeople underwent training in whatever discipline since 2004. Hence, as training is needed a solution needs to be found on how it is possible for employees to undergo training.

3.3.3 Evaluation

The third key management function that is analyzed here is the evaluating function of the sales department. At Darbrew, evaluation on sales is done by a Daily Call Summary. Per outlet multiple variables are tracked: the amount of kilometres driven to the outlet, time-in and time-out and the amount of crates/kegs sold. Although the general manager discusses issues with the sales and distribution manager, no sales meetings on regularly basis are organised. Hence, sales and distribution department is currently short on regularly held sales meetings and thus on its monitoring function.

3.3.4 Customer relationships

After assessing sales management it is now time to take a look at sales strategy. As described in the introduction on promotion analysis the parts of segmentation and channel mixing are omitted. The focus is on analyzing selling strategy based on customer relationships. As earlier described (section 3.2.3) the outlet agents have a significant influence on the selling process. Therefore it might be an advantage to collaborate with outlet agents. Because this collaboration brings possible high costs and risks the sales department has to decide which consumers qualify for such strategies (Guenzi et al., 2006). Darbrew identified so called Shake-shake areas. Outlets in these areas are treated with care; special promotions are held, chairs and tables are paid and delivered by Darbrew, et cetera.

Sometimes this collaboration yields rare situations. While multiple consumers of that specific outlet preferred Kibuku above Shake-shake, a large outlet in a Shake-shake area was told not to sell Kibuku anymore but solely Shake-shake. Therefore, the outlet agent decided to buy Kibuku from other outlets, in an area where Kibuku was available, so that he can continue to sell Kibuku and consumers will stay. This example indicates that in collaborating with customers, Darbrew must keep the relationship reciprocal instead of one-sided.

¹⁹ Report of the directors for the year ended 31 March 2005.

In section 1.1.7 was stated that Darbrew aims at expanding its businesses to other location apart from Dar es Salaam. Trips to these areas are very time-consuming, due to distance to be travelled and the dire quality of the roads, and transportation costs are high. Due to the short shelf life of Darbrew's products, selling to locations that require large travel distances is also less attractive. Furthermore, the amount of crates sold is small and not likely to increase with ease since the amount of people living in those areas is much less than the amount people that live in Dar es Salaam²⁰. As a result, the efforts of selling in further located regions currently aren't worth the extra benefits.

3.4 People analysis

In section 0.3 numerous factors were suggested that have an influence on the performance of sales people:

- Organizational commitment; what is attitude of the sales drivers towards the organization?
- Organizational control; does the sales driver knows his task?
- Working smart and hard; are the sales drivers continually challenged and does their job meet their needs?
- Compensation; are the sales drivers satisfied with their payments?
- Experienced meaningfulness; Do the sales drivers feel motivated?

To attain this information a questionnaire was held among Darbrew's sales drivers. The aim of this questionnaire was to let the sales drivers articulate on their vision on the sales and distribution process without forcing them to think in certain way. The sales drivers were asked to name five aspects of their job that they like and five aspects that they do not like. The aim of these two simple questions was start a process of criticizing their job. As the sales drivers were asked mentioned five aspects, they were encouraged to think more intensively. The results of the questionnaire and the suggestions made in theory will provide insight in how Darbrew can improve the performance of its salespeople. The questionnaire is depicted in appendix H. In the following sections the results of the questionnaire are presented.

3.4.1 Working conditions

The main result of the questionnaire was that sales drivers feel unsatisfied with current working conditions. Two different aspects of current working conditions were indicated: First, sales drivers don't like their working schedule. They have to work seven days a week and make over eleven hours a day. As a result, time to spend with their families or the possibility to go to church on Sunday has become rare. Sales driver prefer to have a stable working schedule that is known in advance, and fancy having a day off now and then. Currently, everybody is waiting for his 28 days of annual leave to start. Second, sales drivers point out that the working facilities, like the trucks, are in bad shape. Currently, a lot of breakdowns with trucks occur while sales drivers are out in the field. And, since all trucks are needed, hardly any preventive management is done. Both aspects indicate that there is a difference between the way Darbrew should manages its human resources according to its critical values and the way it actually manages its human resources; as stated in section 4.2: Darbrew continually seeks to create an environment to allow all individuals and teams to develop to their full potential for the benefit of themselves and the company. Hence, Darbrew is expected to seek for possibilities to reduce working time for sales drivers and to improve working facilities.

²⁰ Poverty and Human development Report of Tanzania 2005

3.4.2 Goal setting

A second result of the questionnaire was that sales drivers feel that the sales and distribution department is short on objective setting. Sales drivers indicated that they would like to be working by goals that are based on a general selling plan. Currently, sales drivers are just doing what they perceive as their task: trying to sell as much as possible, without knowing what to do next. No long-term plan or strategies are known by the sales drivers.

3.4.3 Evaluation

A third result of the questionnaire was that sales drivers indicate that more evaluation of the sales and distribution process is needed. Currently, hardly any information on customer preference, market developments or whatsoever is shared from management to sales drivers, from sales driver to management or among sales drivers. Sales drivers believe to have information on consumers and outlets that is highly valuable in determining sales strategy. Moreover, they indicate that if management shares more information with sales drivers and encourage sales drivers to share information with other sales drivers, this will have a positive influence on the sales and distribution process.

3.5 Conclusion

The price, promotion and people analyses indicated three main causes to Darbrew's sales problem. First, Darbrew has a higher retail price and a lower profit margin for outlet agents than its competitors. This has negative influence on sales because consumers buying from lower priced competitors and outlet agents encourage consumers to buy products with a higher profit margin. Second, the lack of current sales management causes to create a gap between Darbrew and the market; the sales and distribution process is hardly monitored, while training is needed there is no possibility to train sales drivers and exchange of information on current market development is hardly done. This gap has a negative influence on sales. Third, the sales drivers are dissatisfied with current working conditions. This dissatisfaction has a negative influence on their performance and thus on Darbrew's sales.

4 Conclusions and recommendations

This chapter's aim is to answer the management questions as stated in section 1.2.1: *Why is Darbrew's sales level lower than targeted and how can it be improved?* In Chapter 2 and 3 the first three research questions, and thus the first part of the management question, were answered. In the first part of this chapter the conclusions made in the previous chapters are summarized. Based on these conclusions, four recommendations are made in the second part of this chapter. Therefore, that part will answer the fourth research question, and thus suggest how Darbrew can improve its sales level. At the end of this chapter some additional recommendations and suggestions for further research are presented.

4.1 Conclusions

The conclusions are summarized by recalling the research questions and the answers to these questions as presented in Chapter 2 and 3.

What is influencing sales levels?

Sales levels are influenced by three marketing variables; price, promotion and people (Figure 2-1: Influence of price, promotion and people on sales). The price variable indicates that while determining prices an organization should look at its cost prices, customer willingness-to-pay and prices of competitors. Prices has both allocative and informative role in a consumer's choice process. Furthermore, consumers can respond in several ways to price changes. The promotion variable indicates that an organization's sales department needs set objective, determinate sales plans and evaluate objectives and plan. In determining a sales plan, the sales department must decided on customer segmentation, relationships with customers and sales channels. Finally, the people variable indicates that performance of salespeople can be influenced by increasing organizational commitment, controlling the sales function, encourage salespeople to works smart and hard, compensation, increasing a salesperson's experienced meaningfulness, and consistent human resources management.

What are Darbrew's current and targeted sales levels?

Darbrew's sales targets are set a reasonable level. Darbrew's current sales levels are low compared to the targeted sales levels and declining over the last months. The analysis of both sales levels indicates that more insight in the causes of the declining sales levels is very valuable.

What causes the difference between Darbrew's current and targeted sales level?

The difference between Darbrew's current and targeted sales level has three main causes: First, Darbrew has a higher retail price and a lower profit margin for outlet agents than its competitors. This has negative influence on sales because consumers buying from lower priced competitors and outlet agents encourage consumers to buy products with a higher profit margin. Second, the lack of current sales management causes to create a gap between Darbrew and the market; the sales and distribution process is hardly monitored, while training is needed there is no possibility to train sales drivers and exchange of information on current market development is hardly done. This gap has a negative influence on sales. Third, the sales drivers are dissatisfied with current working conditions. This dissatisfaction has a negative influence on their performance and thus on Darbrew's sales.

In subsequent sections the above conclusions are combined into four recommendations. These recommendations form the answer to the management question.

4.2 Recommendations

In order to improve its sales level Darbrew is recommended to:

1. Decrease retail price and increase outlet agent's profit margin and promotional activities.
2. Manage the sales and distribution process by setting objectives and organizing sales meetings.
3. Limit the area of operation to Dar es Salaam.
4. Improve working conditions for sales drivers.

In the subsequent sections each recommendation will be further explained.

4.2.1 Decrease retail price, increase profit margin and promotions

Sales of products in Darbrew's market are highly influenced by retail prices and outlet agent's profit margin. Compared to competitors Darbrew's retail prices are high and profit margin is low. Hence, consumers start to buy from competitors and Darbrew's sales levels starts to decline. In order to turn this tide, Darbrew needs to decrease its retail price and increase the profit margin for outlet agents. A lower retail price will positively influence the alcohol percentage/ price ratio. And, as a result, will stimulate consumers to buy from Darbrew. The higher profit margin encourages outlet agents to promote Kibuku and Shake-shake. Since these products become more interesting for them to sell to consumers. In combining a lower retail and higher profit margin with an increase in promotional activities, Darbrew's sales level will start to go up towards the targeted sales level. Because below a certain price level and when prices are stable, promotions have a positive influence on sales.

A lower retail price and higher profit margin will influence Darbrew's product margin. In order to minimize this influence Darbrew should reduce its cost price. Since the carton sleeve is the main cost driver, reducing the cost prices can be done by decreasing the cost price of the carton sleeve. This can be done by several ways. First, Darbrew should communicate to the Tanzania Revenue Authority that carton sleeves are made of paper in stead of plastic. Currently, Darbrew pays an import tax, as set for plastics, of 25 percent. Setting the tax level to paper will lower the tax level from 25 to 10 percent. This lower tax level will reduce the cost price of a carton sleeve from 106.86 Tsh. to 94.04 Tsh.²¹.

Another way to reduce the cost price of carton sleeves is to stop buying carton sleeves from Nampack. This can't be done with ease because when Darbrew decides to buy from a different supplier, Nampack will take the filling line back to Zambia. Since Darbrew is partly owned by the Bowler Brothers, Darbrew has the opportunity to solve this problem. According to the general manager the Bowler Brothers can replace Nampack's filling line by one of their one filling lines. In that case, Darbrew can buy carton sleeves from domestic suppliers. Assumed that that selling prices are of carton sleeves in Tanzania are equal to prices in Zambia, buying from domestic suppliers will be cheaper, because no import tax has to be paid and transportation costs are less.

²¹ Current cost price is 106.86 Tsh., this equal to 125 percent (100 percent plus 25 percent import tax for plastics). The cost price while paying 10 percent import tax for paper will be 94.04 Tsh. (106.86 divide by 1.25 and multiplied by 1.1).

The change of shareholders from TBL to the Bowler Brothers also has other advantages. The Bowler Brothers (partly) own several traditional beer breweries in Botswana and Malawi. Collaboration between these breweries can lead to economies of scale and efficiencies due to sharing of knowledge.

4.2.2 Manage by setting objectives and organizing sales meetings

The promotional analysis and the questionnaire held under sales drivers both indicated that Darbrew's sales and distribution process is short on objective setting and evaluation. Since both objective setting and evaluation are key functions of the sales department and both have positive influence on performance of sales people, Darbrew is advised to set objectives and to organize sales meetings on regularly basis. Via setting objectives and organizing sales meetings Darbrew will be able to provide regular and constructive feedback, and monitor and evaluate sales plans. In doing so Darbrew will enhance sales drivers' identification with the organization and will increase sales drivers' experienced meaningfulness. Furthermore Darbrew will be able increase sales force control. In addition, identification with organization, experienced meaningfulness and sales force control will improve performance of sales drivers (Section 2.4.3). Figure 4-1 illustrates a structure that can be used to do set objectives and organize sales meetings

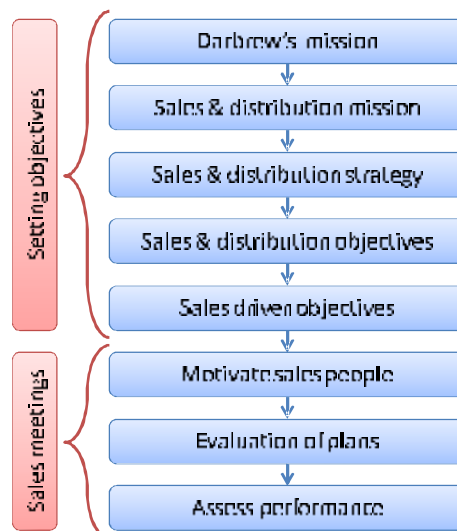


Figure 4-1: Setting objectives and organize sales meetings

Figure 4-1 is based on the theory of Management By Objectives (MBO) (Seyna, 1986). Because Darbrew's environment and internal activities aren't stable, Darbrew will face numerous problems when implementing MBO (Daft, 1997). Hence, Darbrew is advised not implement MBO but make use of the idea of MBO. As depicted in Figure 4-1 Darbrew should translate its general mission into a sales and distribution mission. Based on this mission Darbrew should develop sales strategy. These plans should be translated into objectives for the entire sales and distribution department and for the individual sales driver. These specific objectives can then be used to motivate sales personnel and evaluate and assess performance of sales drivers. Motivation, evaluation and assessment of performance can be done by organizing a weekly sales meeting. The meeting is suggested to be held on a Thursday since the average daily sales is least on Thursday (Figure 4-2: Average daily sales in litres). In such a meeting sales drivers and sales management can discuss current market developments and

share information on problems they encounter. As a result Darbrew can reduce the gap between the organization and the market.

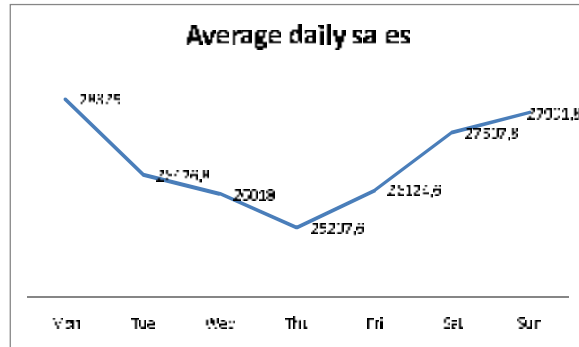


Figure 4-2: Average daily sales in litres

4.2.3 Limit area of operation

Currently, efforts of selling products to further located regions aren't worth the extra benefits. Transportation costs are high due to the large distances and the amount of crates sold is small and not likely to increase with ease. Therefore Darbrew should limit its operation to Dar es Salaam. Travel distances are rather short and the amount of potential consumers in Dar es Salaam of 1,460,000 is by far satisfactory. When in the future the Dar es Salaam market will be saturated, Darbrew can always expand its operations to other regions in Tanzania.

4.2.4 Improve working conditions

Sales drivers are unsatisfied with current working conditions. Sales drivers prefer to have a stable working schedule that is known in advance. This schedule should allow them to spend time with their families and to go to church. Darbrew needs to examine whether it is possible to improve current working conditions. Three improvements are suggested: First, sales drivers should be given a day off every now and then. Second, as stated in 7.3.2 sales driver need training need training on selling skills and marketing strategy so that they are better able to deal with the competitive environment. Third, Darbrew needs to improve current working facilities, like the trucks. While sales drivers are out in the field, regularly, truck breakdowns are faced. Preventive maintenance on regularly basis can reduce the number of breakdowns and thus make the sales and distribution process more efficient.

4.3 Further research

Based on this research Darbrew is suggested to do further research on the following subjects:

1. Reconsider selling Shake-shake in a carton sleeve.

Selling Shake-shake in carton sleeves has both advantages as drawbacks. Advantages are:

- + A longer shelf life of the product.
The carton sleeves are airproof, therefore the amount of oxygen that can react with the beer is less.
- + No possibilities for outlet agents to dilute Shake-shake with water.
While Kibuku bottles can be opened and closed with noticing, this isn't possible with carton sleeves.
- + More hygienic.
Caps of Kibuku bottles frequently are lost during the transportation process.

Drawbacks are:

- Cost of carton sleeves

Due to the carton sleeve the cost price of Shake-shake is 168.49 Tsh. while the cost price of Kibuku is only 77.11 Tsh..

Although only one drawback is presented, this drawback has a major impact. Consumers chose not to buy Shake-shake because they feel that they pay for the package instead of the beer. Darbrew is suggested to reconsider the selling Shake-shake in carton sleeves. Further research should help Darbrew to decide on keeping or rejecting the carton sleeve as packaging material.

2. *Study whether it is possible to recycle carton sleeves.*

A lot of carton sleeves return from consumers. Currently, these carton sleeves are treated as waste and burned at Darbrew. It might be possible to collect these carton sleeves and sell it to paper manufacturers.

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6 Appendices

Appendix A: Darbrew's products

Kibuku



Figure 6-1: Kibuku bottles being cleaned

Chibuku (Shake-shake)



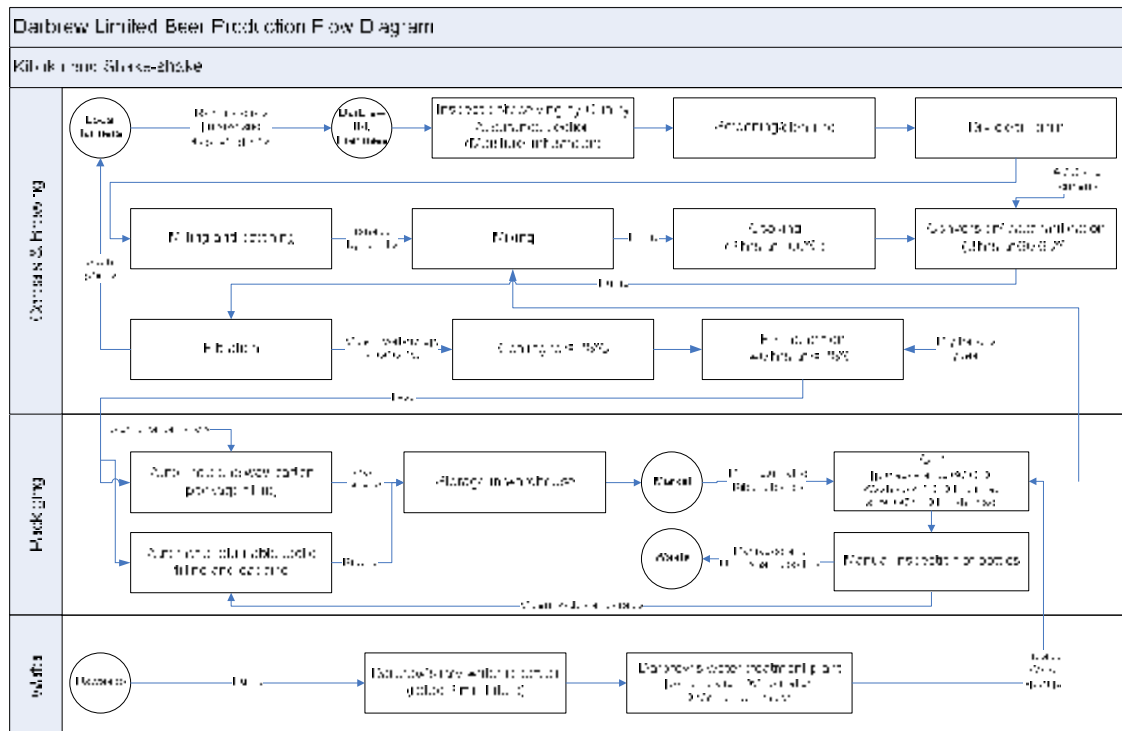
Figure 6-2: The colorful package of Shake-shake

Opaque beer



Figure 6-3: Opaque beer during the cooking process

Appendix B: The Primary Process



The above production flow diagram illustrates the primary process of Darbrew. The processes and their activities are described below.

Raw material handling

Maize and sorghum grains arrive in trucks from local farmers. Separators are used to clean maize and sorghum from dust, sand colloids and metal particles. After inspection by quality assurance, the materials are sent to the milling process. Water is supplied by Dar es Salaam Water Supply Company (Dawasco). The water is treated by Darbrew's own purification system before use.

Milling

Maize and sorghum are milled by a hammer milling machine. The obtained maize and sorghum flour is put in bags and sent to the brewing department for mixing.

Brewing

The most important and time consuming part of the primary process is the brewing process. The brewing process consists of mixing, cooking, conversion/ saccharification, filtration, cooling, fermentation.

1. Mixing

Maize and sorghum flour (up to 2600 kg) are mixed with water 13,500 litres. A batch volume of 15,200 litres is reached.

2. Cooking

The cooking process will take 2 hours.

3. Conversion/ saccharification

The enzymes AMG (Amyloglucosidase) and Termamyl (Thermo stable alpha-amylase) are added to attain the conversion of starch in to sugars (saccharification). To create pH value between 5.0 and 6.5, an optimal environment for both enzymes, lactic acid is added. The process of saccharification lasts 3 hours at a temperature of 60-65 degrees Celsius.

4. Filtering and cooling

The mixture is separated into spent grains and syrup known as wort. The spent grains are sold to local farmers. After the filtration the attained clean wort is cooled down to a temperature below 28 degrees Celsius.

5. Fermentation

After cooling down the dry bakers yeast is added to the wort. During the 40 hours of fermentation the sugars are transformed in to carbon dioxide and alcohol. Because this is a very time consuming process, Darbrew has 6 fermentation tanks: one of 18,000 litres, one of 34,000 litres and four of 15,200 litres. The final product is ready and sent to the packaging process.

Packaging

After fermentation the beer is either put in returnable bottles, kegs or carton package. Each package has its own filling line.

1. Returnable bottles

After unloading the returnable bottles and crates are cleaned by machine. After bottles are verified on hygiene, they are filled and closed automatically. Problems like missing caps on bottles are solved manually. The bottles are manually put into the cleaned crates. The crates are stored in a small warehouse. The filling line has a capacity of 4500 bottles an hour.

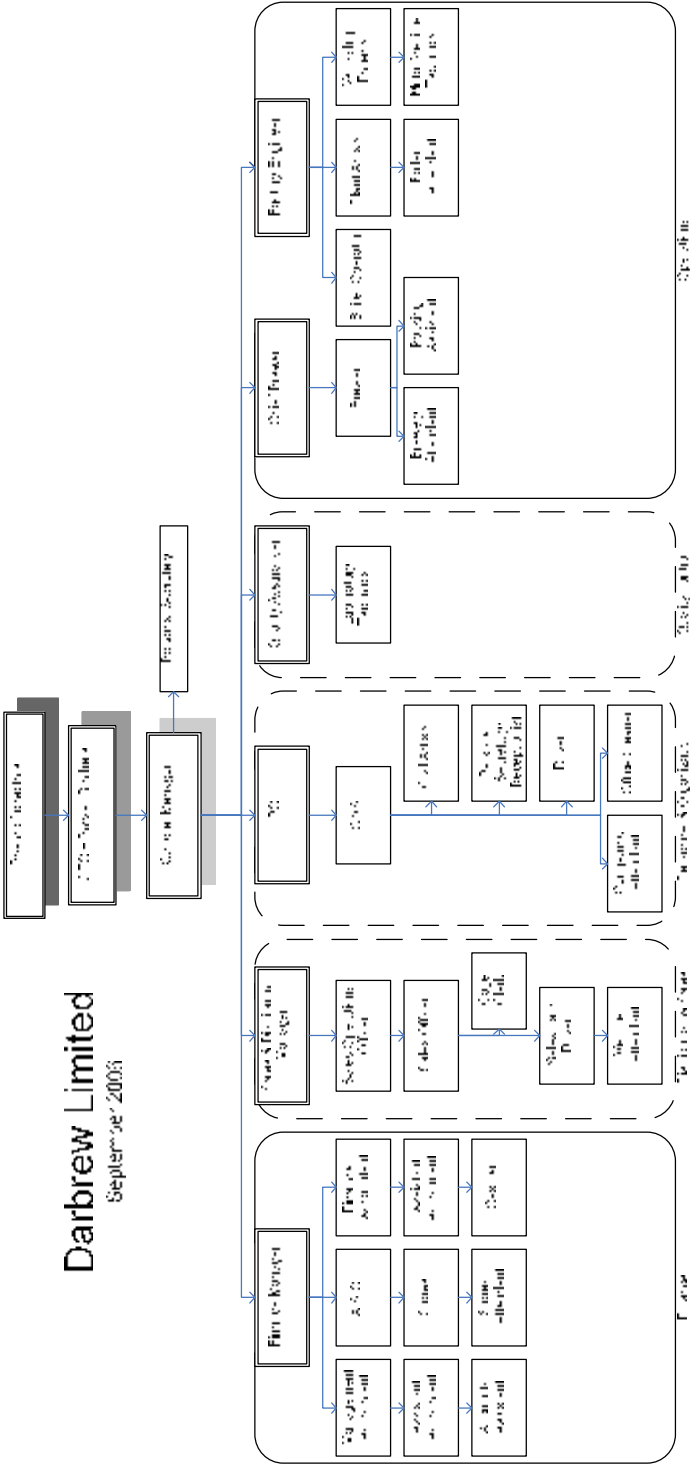
2. Kegs

The kegs are cleaned and filled by hand.

3. Carton packages

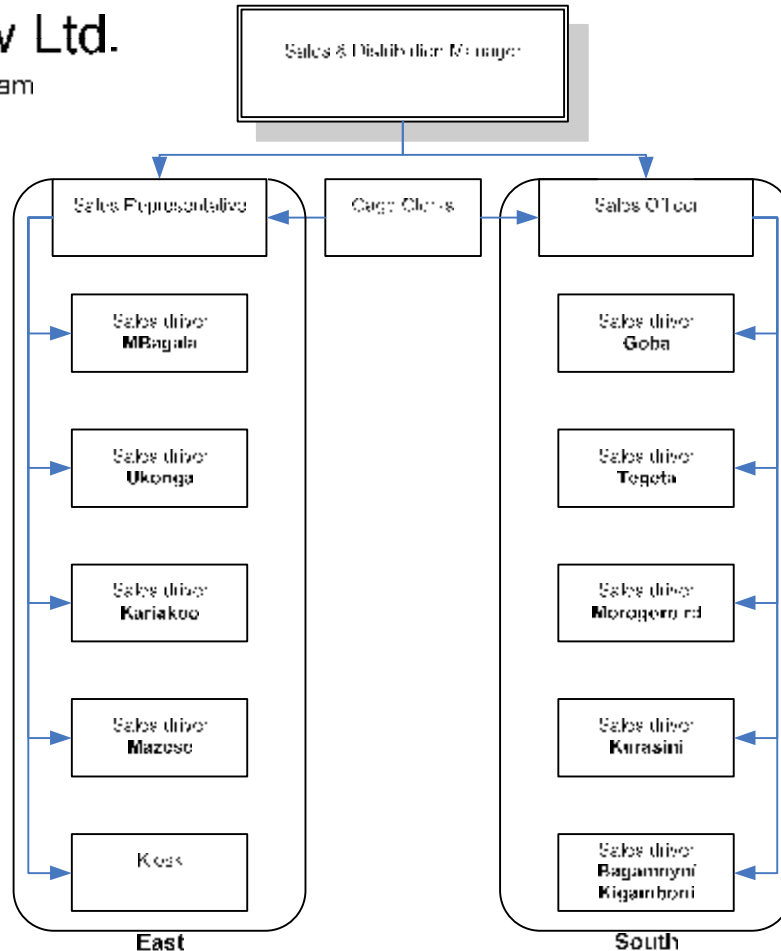
The filling process of carton packages is similar to the filling process of returnable bottles. However, there are two differences: less people are working at the line (around 4 in stead of 10) and the capacity of this filling line is about 4800 carton packages an hour. Again the crates are stored at the warehouse.

Appendix C: Organization chart



Appendix D: Sales and distribution personnel

Darbrew Ltd.
Sales team

**Sales and Distribution manager:**

- Develop appropriate marketing, sales and distribution policies and strategies
- Coordinate product marketing, sales and distribution activities including management and control of the distribution fleet.
- Price formulation, market research, advertisement and product promotion;
- Any other relevant assignments that may be assigned to you by the General Manager.

Sales representative:

- Be able to work independently
- Observe security of company properties and trusted you
- Observe volume growth of the company products
- Maintain the good image of the company through public relations and promotional activities
- Sell to customers company products and accept cash on behalf of the company
- Account for the quantities of company products sold
- Verify stock level of beer

- Ensure that outlets are regularly visited, ways of increasing sales discussed and proposals for solutions brought to the attention of Sales and Distribution Manager
- Ensure efforts are made to find out new outlets and sales requirements
- Any other relevant duties that may be assigned by the Sales and Distribution Manager

Cage clerks:

- Arrange properly products received from production in appropriate places in the cages.
- Keep the cages clean
- Do physical count of stocks
- Do physical issue of products received from Brewing/Packaging
- Any other duties as may be assigned.

Sales officer:

- Ensure that data relating to all Darbrew Limited products outlets is maintained.
- Ensure that outlets are regularly visited, ways of increasing sales are discussed and proposals for solutions brought to the attention of Sales and Operations Officer (=Sales and Distribution Manager)
- Ensure that efforts are made to find out new outlets and sales requirements
- Maintain good image of Darbrew Limited through public relations and promotional activities.

Sales drivers:

- Drive distribution vehicles solely for transportation of Darbrew Limited products
- Maintain a good image of the company before customers
- Sell to bar owners Kibuku products and accept cash on behalf of the company
- Verify stock levels and quality of beer at all centres that you visit
- Account for the quantities of Kibuku products sold/returned
- Surrender and account for the moneys collected out of sales to the company cashier at the completion of each round trip
- Ensure that the vehicle is at all time running on correct levels of fuel, oil and water
- Account for the distance travelled in the vehicle log book
- Any other duties as may be assigned

Vehicle attendance:

- Perform physical lifting, carrying, moving and stacking of materials or merchandize as required
- Safeguard the company's property whilst on the vehicle
- Keep the vehicle, crates, equipment and tools connected to the distribution function in clean and tidy condition at all times
- Assist in minor vehicle repairs
- Maintain a good image of the company before customers
- Any other duties as may be assigned

Appendix E: Shake-shake figures

		Month							
		Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
Shake-Shake	Sales level	21.960	56.565	90.180	8.175	6.210	21.495	58.995	81.030
	Retail price (Tsh.)	350	350	350	450	450	400	400	400
	Wholesale price (Tsh.)	300	300	300	380	380	330	330	330
	No. Promotions	1	3	3	10	18	1	11	19
	Adjusted no. (Tsh.)*	20	60	60	200	360	20	220	380

* The number of promotions is multiplied with 20 Tsh. for each month. So that its development over the months is visible on the same scale as the wholesale and retail price

Appendix F: Cost prices of Kibuku and Shake-shake

Kibuku-Bottle Costprice/l

(Source: DAPBUDGET BUDGET)

Batch = 15000

Raw Materials	Unit	Input	T-Shs	EXT COST	Std Cost		
Maize Flour F07	KG	600	207,50	124.500,00	8,19		10,6%
White Sorghum Flour F07	KG	1.700	207,50	352.750,00	23,21		30,1%
Red Sorghum Flour F07	KG	200	207,50	41.500,00	2,73		3,5%
Sorghum Malt F07	KG	100	228,50	22.850,00	1,50		1,9%
AME	L	2	8.820,00	17.640,00	1,16		1,5%
Ascorbyl	ML	0,15	9.371,25	1.405,69	0,09		0,1%
Yeast	KG	1	5.074,65	5.074,65	0,33		0,4%
Lactic Acid	L	6	2.976,75	17.860,50	1,18		1,5%
Water	L	53.200	0,84	44.688,00	2,94	+	3,8%
						41,33	53,6%
Packaging variables							
Cups		1	13,79		13,79	+	17,7%
						13,29	70,8%
Operating variables							
Firewood Oil	L	456,00	465,36	212.204,16	13,96		18,1%
Electricity					4,54	+	5,9%
						18,50	94,8%
Distribution variables - Freight							
Litres fuel/HL							
Distribution Fuel & Oil	L	0,48	830,75	398,76	3,99	+	5,1%
						3,99	100,0%
Total VC/ Litre						77,11	100,0%

Shake-shake Costprice/litre

(Source: DAPBUDGET BUDGET)

Batch = 15000

Raw Materials	Unit	Input	T-sh.	EXT COST	Std Cost		
Maize Flour F07	KG	600	207,50	124.500,00	8,19		4,9%
White Sorghum Flour F07	KG	1.700	207,50	352.750,00	23,21		13,8%
Red Sorghum Flour F07	KG	200	207,50	41.500,00	2,73		1,6%
Sorghum Malt F07	KG	100	228,50	22.850,00	1,50		0,9%
AME	L	2	8.820,00	17.640,00	1,16		0,7%
Ascorbyl	ML	0,15	9.371,25	1.405,69	0,09		0,1%
Yeast	KG	1	5.074,65	5.074,65	0,33		0,2%
Lactic Acid	L	6	2.976,75	17.860,50	1,18		0,7%
Water	L	13.500	0,84	11.340,00	0,75	+	0,4%
						19,72	23,1%
Packaging variables							
Shake Shake Cup in Sleeve		1	106,86		106,86	+	63,4%
						116,56	86,7%
Operating variables							
Firewood Oil	L	456,00	465,36	212.204,16	13,96		8,3%
Electricity					4,54	+	2,7%
						18,50	97,6%
Distribution variables - Freight							
Litres fuel/HL							
Distribution Fuel & Oil	L	0,48	830,75	398,76	3,99	+	2,4%
						3,99	100,0%
Total VC/ Litre						168,49	100,0%

Appendix G: Questionnaire sales drivers

Dear Sir,

You might have noticed my presence for the past two months at Darbrew Ltd. My name is Jeroen Haselager. I am a student from the Netherlands. At the moment I am doing a research for my bachelor thesis on Darbrew's sales and distribution process. A part of this research is aimed at the motivation of sales drivers. Therefore I am curious on your opinion on your job.

The obtained information will be used to see how the current job situation can be improved. Hence, don't hesitate to fill out your true view.

Thanks a lot for your cooperation!

Could you please name five aspects of your job that you like?

		Importance 1-5
1.		
2.		
3.		
4.		
5.		

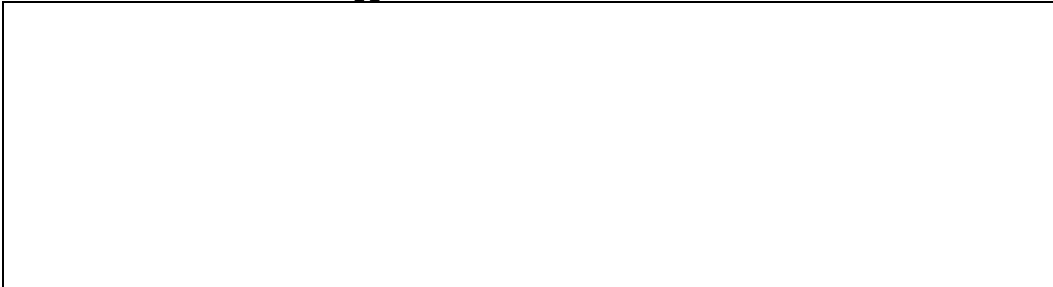
Please indicate the importance of each of the aspects you named on a five point scale. 1= very low, 2= low, 3 = medium, 4= high, 5= very high

Could you please name five aspects of your job that you don't like?

		Importance 1-5
1.		
2.		
3.		
4.		
5.		

Please indicate the importance of each of the aspects you named on a five point scale. 1= very low, 2= low, 3 = medium, 4= high, 5= very high

Room for comments and suggestions:



Thank you for your cooperation!

7 Personal reflection

Part of doing a research is reflecting on your work afterwards. This reflection or personal evaluation is the aim of this chapter and done in four sections. First, I describe the expectations and personal goals I had on doing an internship in a less developed country like Tanzania. Second, I describe the progress of my research while I was at Darbrew in Tanzania. Third, I describe the time that I spent on writing the report of the research. Finally, I will end this reflection by making conclusion. That specific part is structured by elaborating on 'things that went well' and 'things that I will do differently in the future'.

7.1 Before the internship

It has always been my wish to live abroad for a couple of months. So the decision of doing my Bachelor assignment abroad was made with ease. After comparing several countries and internship assignments I chose to go to Dar es Salaam, Tanzania. Darbrew Limited offered me the opportunity of doing an internship at their sale and distribution department in Dar es Salaam. To me the combination of sales and distribution was perfected because my Master is aimed at logistics (Production and Logistic Management) and sales is an area I have interest in but where I knew little about.

Before I went to Tanzania I started to think on what I could expect on living in a country with a culture that is completely different than the Dutch culture. Several things crossed my mind:

- Probably, the people at Darbrew will treat me like a stranger.
- I will face some difficulties with attaining information and data for my research.
- How do I deal with differences in wealth, not only the difference among people in Tanzania but also the difference between them and myself?
- Can I really help them? I am just student who has read some books and did some extracurricular activities.

In order to reflect on my internship in a latter stadium, I decided to formulate some personal objectives. After three months of living and working in Tanzania I want to:

- Name my capabilities in adapting a new working environment. How do I adapt its habits and how do I deal with difficulties in differences.
- Say that I have improved my English
- Have an idea on which characteristics of an organization's culture I prefer. Useful for future career making decisions.
- Make a realistic planning and work according to this planning.
- Reflect on my own work with a critical view.
- Deal with stressful moments and unforeseen complications.
- Name my share a team's performance.
- Summarize interpersonal communication skills.
- Speak some words in Kiswahili

7.2 During the internship

I was amazed about the ease I had with getting access to information and knowing where to find information. I was expecting that the process of gathering information was rather difficult. Therefore, I started to write down the names and functions of all the people I met. I also made a short summary of the outline of my project and shared this summary with a lot of people. This was a very handy approach. When I needed certain information, I knew where to get it and people knew better what I meant and were very enthusiastic in helping me.

I found it hard to make a realistic planning. At the start of a project it is difficult to determine what activities are needed to achieve a certain end goal. In addition it is hard to estimate how long it will take to finish a certain activity. However, one thing was really clear; my flight back to the Netherlands was predetermined and fixed. During the project I had to make some changes to the initial planning. Some things took less than expected while for other activities more time was needed and was estimated. Two weeks before the day of my departure I decided to stop writing on my report. I spent the last weeks of my stay in Tanzania to gather the remaining data. Writing the report can be done back in the Netherlands. But getting missing information was very difficult.

7.3 After the internship

I started writing my report during my stay in Tanzania. In that way finishing the report back in the Netherlands was supposed to be less hard. But things went different than planned. Because I didn't set a deadline for the report, I started to postpone. My priorities shifted from finishing my Bachelor report to finishing courses and doing other (not study related) things. Days became weeks and weeks became months. During that period I spent little or no time on writing my report.

After a couple of months I decided that a change was needed. I started to write again and finally I managed to finish my report. Writing the final words of my report was very good feeling!

7.4 Conclusion

I am really satisfied of my period in Tanzania. I managed to attain a lot of information to carry out my research and really felt like being part of the Darbrew-team. In contrary to my expectations people saw me as their fellow. People were very open and helpful. In my opinion this has two reasons: First, the people in Tanzania are very friendly and very eager to meet new people, especially people from Western country. Second, it was a reaction to my attitude. I was curious about the Tanzanian culture and very adaptive to its values and standards. I managed to speak some words in Kiswahili, what was really appreciated by the people I met.

I feel less satisfied about the period that I spent on writing my report. I think I made a big mistake by postponing finishing my report. Instead of finishing my report I spent time on doing other things. In the future I should do this differently.