Int Journal of Social Sciences Management and Entrepreneurship 8(2): 1411-1430 2024

ISSN 2411-7323

www.sagepublishers.com

PRODUCT PLACEMENT AND PERFORMANCE OF DISTRIBUTION FIRMS IN KENYA

[1] Kibet Maritim Peter, [2] Dr. Wachiuri Elizabeth (PhD), [3] Dr. Senelwa Anaya

[1]PhD Student, Jomo Kenyatta University of Agriculture and Technology
[2]Lecturer, Jomo Kenyatta University of Agriculture and Technology
[3]Lecturer, Jomo Kenyatta University of Agriculture and Technology

ABSTRACT

This study sought to establish the effect of product placement on performance of distribution firms in Kenya. This study was anchored on institutional theory and theory of the firm. This study used both descriptive and explanatory research designs. In addition, this study employed a positivist research philosophy. The target population was based on the total of 1061 registered distribution firms in Kenya spread all over the country. The overall sample size for this study was determined using a formula by Yamane formula. Therefore, using the Yamane formula, the sample size for the study was 290 distribution firms. This study also used questionnaire to collect data relevant to this study. Quantitative data collected was analyzed using descriptive statistical techniques which are frequencies, mean, standard deviation. Inferential statistics which include Pearson correlation and the Regression Analysis Model were used to test the relationship between study variables. To test moderating effect the study used hierarchical regression model. The significance of the model was tested at 5% level of significance. Data was analysed using Statistical Package for Social Sciences (SPSS) software. The study results were presented through use of tables and figures. The returned questionnaires for the pilot test were 15 (100%). From the validity findings, construct validity and content validity were met an indication that the data collection tool was valid and was suitable to be used for further data collection as is; no item was excluded/altered. Also, All the variables were found to have Cronbach alpha value greater than 0.70. This suggested that all the variables were reliable. Therefore, the questionnaire was valid and reliable and was used to collect data for the actual study. From the descriptive analysis, the study found that respondents agreed on average that product placement affects performance of distribution firms in Kenya. From the regression findings, the study found that a unit increase in product placement would result in a increase in performance of distribution firms in Kenya. Finally, the study found that introduction of firm size as moderating variable has positive influence on performance of distribution firms in Kenya; it led to .093 change in R Square. The study therefore recommends that distribution firms should give priority to product placement (Screen placement, script placement and plot placement).

Key Words: Product Placement, Firm Size, Distribution Firms In Kenya, Institutional Theory

Background of the Study

Product placement is a marketing strategy where branded products or goods are prominently featured within entertainment content, such as movies, television shows, music videos, or video games. Unlike traditional advertising, where products are showcased in separate commercial breaks, product placement integrates brands seamlessly into the storyline or environment of the entertainment content(Hompel & Schmidt, 2017). Warehousing operations optimization has been considered an effective and powerful approach to improve the performance or design more efficient warehouse. Therefore, management of warehouse operations is one of the important steps in global supply chain and the impact of the improvement of warehouse operations' yield is crucial for cost reduction and increase of productivity in a supply chain company (Chrisopher, 2021). Optimizing a warehouse creates conditions in which high-demand items in-demand are always stocked, leading to timely order fulfilment. Warehouse optimization is key to the efficient operation of warehouses of all sizes. A disciplined process, warehouse optimization includes automation and a determination of how to save time, space, and resources while reducing errors and improving flexibility, communication, management, and customer satisfaction. Other warehouse optimization considerations include warehouse flow, product placement, storage, and retrieval systems. Warehouse optimization is vital to lean warehouses and agile supply chains.

Many business organizations spend a lot of resources installing inventory management systems with the aim of minimizing their total operating costs, and enhance service delivery to customers. However, many audits done by other studies reveal that there is an increased level of discrepancies in the manner in which the warehouse management systems are harmonized in an organization. On a number of occasions, there are cases of misstatements and inaccurate and fraudulent records detected within the system. Many organizations have trouble resulting from operating losses and cash flow problems. Quite often, piles of obsolete stock are seen within the premises of these institutions, resulting in huge write offs eating into the bottom line of these institutions. Many a times, stock outs are also experienced resulting in high customer turnover and therefore low sales and poor service delivery to customers. warehouse management normally becomes reportable issues (condition) and is always raised in the management letters to many institutions where very little attention is given in the management of inventories as records are inadequate (Lizardo, 2019). The reason why companies should focus on warehouse optimization is simple – warehousing costs present significant share of companies' operational costs. They can account for around 22% off all costs for logistics (Richards, 2018). This thesis will focus on optimization of logistics processes mostly related to warehousing.

In the United States of America, according to the Aberdeen (2019), research on the improvement of warehouse and distribution center performance deduced that for many companies, improved warehouse and distribution center productivity remains a goal, not a reality. Although companies' top focus in warehouse improvement is cutting logistics costs, six out of ten respondents report that they have not been able to lower costs in the last two years. A majority of companies have also been unable to reduce customer order cycle times. However, a segment of companies have been able to reduce both costs and cycle times. These top performers are leveraging more technology, have better data visibility, and work harder at cross-training their staffs. Across the board, companies that are above average warehouse performers in their industry classified as Best in Class companies have been much more likely than their peers to have significantly lowered their warehousing costs in the last twenty four months.

In United Kingdom, Sople (2018) warehousing network plays a major role in the success of the physical distribution of products. It is observed that the leading firms adopt and implement the different warehousing strategies such as capacity switching, hub networking, cobbling and outsourcing. Both the analytic and simulation models are proposed for improving warehouse

design practices. Analytic models are usually design-oriented, explore many alternatives quickly to find solutions. On the other hand, simulation models are usually analysis oriented. They provide an assessment of a given design, but usually have limited capability for exploring the design space.

In Nigeria, the size of industry, small, medium, and large scale, has a significant effect on both the numerical strength of staff and level of involvement in stock control of both raw material and the finished product. The type of inventory system in practice in any organization depends on many factors among which are economic stability of the place, infrastructural facilities available, transportation network and many more which are called constraints. For many companies the root cause of underproduction stoppages and high production cost could be easily traced to unscientific method of arriving at a general inventory policies and crucial inventory decisions. The situation is more acute in a developing country like Nigeria, where the practical application of operation research techniques in industry and business enterprise is in its infancy. Moreover, the bulk of raw material inventory and the finish goods inventory used by companies in developing countries have to be imported from the industrial nations of Europe, America and Asia, which gave rise to higher cost of procurement and higher uncertainty in the availability of such basic raw materials (Ogbo & Ann, 2018).

Due to global competition, organizations have been forced to improve their distribution. Instead of competing as individual entities they prefer competing as demand chains as it gives them an upper hand against their rivals through provision of high customer service levels by forging relationships with customers and suppliers while ensuring that ordering costs are minimized. Another strategic measure taken by distributors and manufacturers is the establishment of holistic cooperation between themselves and transportation organizations to facilitate effective communication, alignment of incentives and synchronization of decisions in order to enhance distribution service performance and gain competitive advantage in the global market (Venus, *et al.* 2019).

According to Rabinovich and Bailey, (2016), Distributon Service Quality comprises of an array of logistics that ranges from customer needs and marketing to delivery of finished products to customers. They claim that an effective physical distribution system is that which is reliable and ensures that products reach customers in a timely manner. Shan and Norm, 2017) resolved that the poor road network in Uganda has created more challenges in the transport and warehousing segment. They show that ineffectiveness of Distribution Service performance can be minimized or eliminated through vertical collaboration. This is where manufacturers and the distributors downstream collaborate for common good.

Statement of the Problem

The optimization of warehouse operations significantly impacts the performance and competitiveness of distribution firms in Kenya. However, empirical evidence suggests that many such firms face formidable challenges in achieving efficient warehouse management practices. According to a recent industry report by Frost and Sullivan ("Logistics Market in East Africa, Forecast to 2025"), approximately 65% of distribution firms surveyed in Kenya reported difficulties in optimizing their warehouse operations effectively (Frost & Sullivan, 2021). These challenges manifest in various forms, including inadequate inventory management leading to excess stock levels or stockouts, inefficient space utilization, suboptimal picking and packing processes, and limited visibility into inventory movement. Furthermore, research indicates that distribution firms in Kenya with poorly optimized warehouses experience, on average, 20% higher logistics costs compared to those with efficient warehouse management systems (Olalere et al., 2020). These elevated costs not only reduce revenue growth but also hinder the ability of firms to invest in innovation, technology adoption, and market expansion efforts. Moreover, studies show that distribution firms in Kenya with

inefficient warehouse operations experience a 15% increase in order fulfillment lead times, resulting in diminished customer satisfaction and retention rates (Ndirangu & Karanja, 2019).

Therefore, performance of distribution logistics plays a crucial role in the overall success of an organization, as it directly impacts customer satisfaction and loyalty, which are vital assets for any business (Paulraj & Chen, 2017). In the context of logistical supply chains, the speed of operations, particularly from order picking to delivery, is essential for ensuring high-quality customer service and satisfaction (Miheso, 2019). However, the integration of information technology in logistics management remains a challenge for a significant number of firms in Kenya (Mitullah & Odek, 2019). Additionally, suboptimal warehouse design and layout result in underutilized assets, with up to 75% of warehouses in Kenya operating at less than 40% capacity (Wathe, 2019). This inefficiency leads to substantial financial losses for distribution firms, impacting their ability to provide competitive pricing and maintain customer service levels.

Labor costs constitute a substantial portion of warehouse operating expenses, particularly for third-party logistics providers (3PLs), where it can account for up to 50% of total operating costs (Wathe, 2019). Such high labor costs, combined with difficulties in inventory tracking and picking inaccuracies, result in shipping and delivery delays, further affecting customer satisfaction (Baker, 2021). Moreover, transportation and delivery expenses can represent a significant portion of the total cost of goods, reaching up to 15% or even 50%. Therefore, optimizing the transport system can lead to substantial cost savings, potentially as high as 30% (Kumar, 2018). Inaccurate physical inventory management, frequently caused by poor implementation of warehouse systems and automation processes, leads to backorders, customer dissatisfaction, and increased overall costs (Gurría, 2018).

While previous studies have explored various aspects of product placement and supply chain performance, there is a notable gap in research regarding the impact of warehouse optimization on the performance of distribution firms in Kenya, and how firm size may moderate this relationship. For instance; Wacuka (2017) investigated the relationship between warehouse management control and supply chain performance of FMCG, Wambui (2018) focused on the relationship between lean management practices and SC performance of FMCG as well as Onyango (2017) focused on the relationship between warehouse management practices and performance of manufacturing firms in Nairobi County. However, none of these studies showed the effect of warehouse optimization on performance of distribution firms in Kenya. Further, the studies did not show how firm size moderates the relationship between warehouse optimization and performance of distribution firms in Kenya. It is against this background that the current study seeks to establish the influence of warehouse optimization on performance of distribution firms in Kenya. In addition, the study sought to assess the moderating effect of firm size on the relationship between warehouse optimization and performance of distribution firms in Kenya.

Objectives of the Study

i. The main objective of this study was to establish the effect of product placement on performance of distribution firms in Kenya.
ii. To assess the moderating effect of firm size on the relationship between product placement and performance of distribution firms in Kenya.

Research Hypothesis

The study sought to test the following research hypotheses;

H_{01} Product placement has no significant effect on performance of distribution firms in Kenya.

H_{05} Firm size has no significant moderating effect on the relationship between product placement and performance of distribution firms in Kenya.

Theoretical framework

Institutional Theory

Institutional Theory was proposed in the year 1991 by Powell and DiMaggio. The concern of this theory is the process in which structure, rules, routine and norms are developed as guidelines for behaviors that are acceptable. According to Oliveira and Martins (2011) institutional theory emphasizes that institutional environments are crucial in shaping organizational structure and actions on the Product placement Design and inventory process. The theory stipulates that organizational decisions are not driven purely by rational goals of efficiency, pallet rack system and developing the optimal Product placement design, Institutions are transported by cultures, structures, and routines and operate at multiple levels (Jennings & Zandbergen, 2005).

Institutional performance is defined as socially generated concepts of organizational performance that become firmly institutionalized as legitimate characteristics of institutional achievement. The institutional theory explains not just why and how organizations' structures and practices become entrenched, but also how and why they change. Two types of institutional pressure are useful in achieving change (Jennings & Hoffman, 2017). Coercive pressures can encourage organizational change either directly or indirectly via institutional dependencies when new regulations are imposed and enforced.

Mimetic pressures to mimic successful forms, for example, might encourage change during periods of change or high uncertainty. New standards or practices gain legitimacy in the environment as they become more generally recognized and followed. Finally, these norms and/or procedures gain enough legitimacy that refusing to follow them is considered unreasonable. A rule requiring women employees to resign upon marriage, for example, was historically prevalent in some industries but is today considered discriminatory and outdated, as is a dress code prohibiting women employees from wearing trousers (Modell, 2019).

Nebojsa (2017) distinguishes between institutional myths and accepted and entrenched institutional practice or standard on the one hand. Institutional myths are rules or procedures that are only ceremonially accepted for an organization to attain or maintain legitimacy in the institutional environment. Structure vocabularies, such as specific job names, organizational responsibilities, processes, and rules, are adopted by organizations in their context (such as gender diversity policies). The adoption and prominent display of these institutionally approved trappings of legitimacy contribute to the preservation of an aura of good faith in organizational conduct. Legitimacy in the institutional environment is important for the survival of an organization.

The estimation of space requirement can also be measured using the Little's Law (Little, 1961) where warehouse is viewed as a queuing system. The theory holds that for a queuing system in steady state, the average length of a queue equals the average arrival time times the average waiting time. The average space required can also be calculated by multiplying the average arrival rate of products multiplied by the average time inventory is stored (Bartholdi & Hackman, 2008). Institutional Theory was used to establish the effect of product placement on performance of distribution firms in Kenya.

Theory of the firm

Theory of the firm was developed by Jensen and Meckling, (1976). The theory is a microeconomic approach devised in neoclassical economics that every firm operates in order to make profits. According to Jensen and Meckling, (1976) companies ascertain the price and demand of the product in the market, and make optimum allocation of resources for increasing their net profits. The theory of the firm consists of a number of economic theories that explain

and predict the nature of the firm, company, or corporation, including its existence, behaviour, structure, and relationship to the market. Firms are key drivers in economics, providing goods and services in return for monetary payments and rewards. Organizational structure, incentives, employee productivity, and information all influence the successful operation of a firm in the economy and within itself (Ahmad, & Mahmood, 2020).

According to Barak, Richman and Jeffrey (2008), the behavioural approach places emphasis on explaining how decisions are taken within the firm, and goes well beyond neoclassical economics. "people possess limited cognitive ability and so can exercise only 'bounded rationality' when making decisions in complex, uncertain situations". Thus individuals and groups tend to "satisfice"—that is, to attempt to attain realistic goals, rather than maximize a utility or profit function. The firm cannot be regarded as a monolith, because different individuals and groups within it have their own aspirations and conflicting interests, and that firm behaviour is the weighted outcome of these conflicts. Organizational mechanisms (such as "satisficing" and sequential decision-taking) exist to maintain conflict at levels that are not unacceptably detrimental. Compared to ideal state of productive efficiency, there is organizational slack (Kantarelis, & Demetri, 2017).

The firm emerges because extra output is provided by team production, but the success of this depends on being able to manage the team so that metering problems (it is costly to measure the marginal outputs of the co-operating inputs for reward purposes) and attendant shirking (the moral hazard problem) can be overcome, by estimating marginal productivity by observing or specifying input behaviour (Oliver & Williamson, 2018). Such monitoring as is therefore necessary, however, can only be encouraged effectively if the monitor is the recipient of the activity's residual income (otherwise the monitor herself would have to be monitored, ad infinitum). The firm, therefore, is an entity that brings together a team that is more productive working together than at arm's length through the market, because of informational problems associated with monitoring of effort. In effect, therefore, this is a "principal-agent" theory, since it is asymmetric information within the firm which must be overcome. The firm emerges as a means of centralizing monitoring and thereby avoiding costly redundancy in that function (since in a firm the responsibility for monitoring can be centralized in a way that it cannot if production is organized as a group of workers each acting as a firm) (Spulber, & Daniel, 2019).

According to Beard and Dess, (2016) the theory of the firm assumes that firms are profit-maximizing entities that operate in a rational, self-interested manner. In reality, firms are composed of human beings with diverse goals and motivations, and their behavior may not always align with the profit-maximizing assumptions of the theory. Another limitation of the theory of the firm is that it does not account for the role of social and environmental factors in firm behavior. The theory assumes that firms are solely motivated by profit, and does not consider the broader social and environmental impacts of their actions. This can limit the ability of the theory to explain the behavior of firms in contexts where social and environmental considerations are important (Kakani *et al*, 2016). Additionally, the theory of the firm has been criticized for its limited consideration of non-hierarchical organizational structures, such as cooperatives or worker-owned firms. These alternative organizational structures challenge the assumptions of the theory, and may require alternative frameworks for understanding their behavior (Baumol, 2017).

The existence of firms derives from 'asset specificity' in production, where assets are specific to each other such that their value is much less in a second-best use. This causes problems if the assets are owned by different firms (such as purchaser and supplier), because it will lead to protracted bargaining concerning the gains from trade, because both agents are likely to become locked into a position where they are no longer competing with a (possibly large) number of agents in the entire market, and the incentives are no longer there to represent their positions honestly: large-numbers bargaining is transformed into small-number bargaining (Williamson, & Oliver, 2018). Theory of the firm was used to assess the moderating effect of

firm size on the relationship between product placement and performance of distribution firms in Kenya.

Conceptual Framework

A conceptual framework shows the connection between the independent moderating and dependent variables. The independent variable is product placement. The moderating variable is firm size while performance of distribution firms in Kenya is the dependent variable.

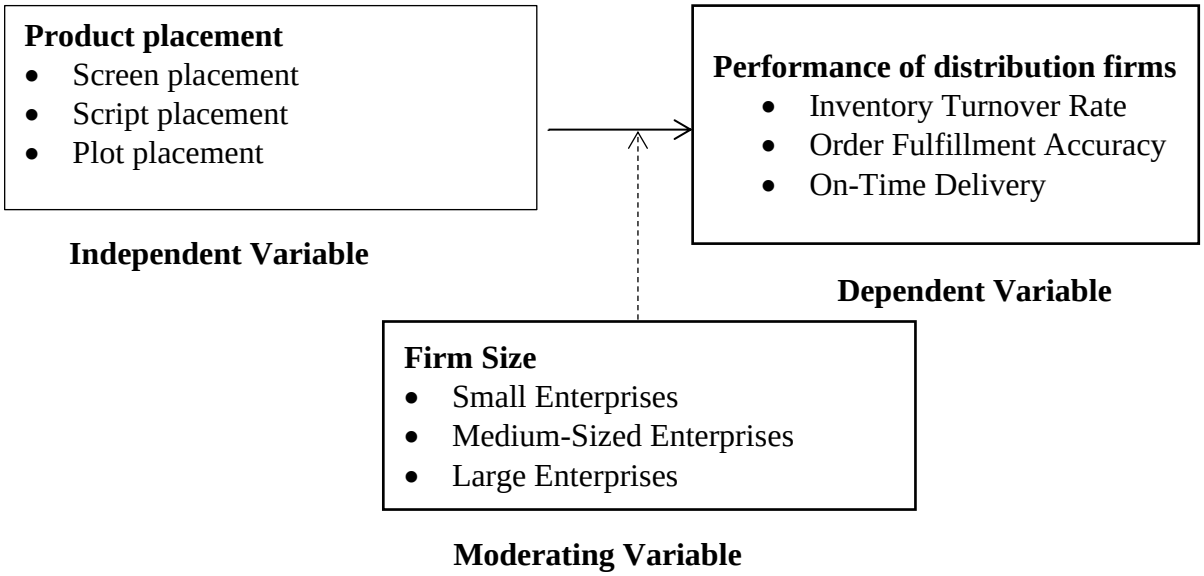

Figure 1: Conceptual Framework

Product Placement

In the domain of supply chain management, the concept of product placement transcends its conventional association with media and entertainment, extending into the physical retail landscape where it assumes a pivotal role in shaping consumer behavior and optimizing inventory management (Hilletofth & Eriksson, 2019). Traditionally linked with its portrayal in films and television shows, product placement finds equal significance within retail environments. Here, it involves strategically positioning goods within stores to maximize visibility, accessibility, and ultimately drive sales (Lee & Lin, 2018). This strategic placement within the supply chain entails considerations such as screen, script, and plot placement, expanding further to encompass physical retail space allocation and shelf positioning. Supply chain managers recognize that understanding and leveraging product placement within retail settings is indispensable for enhancing product discoverability, fostering consumer engagement, and ultimately optimizing inventory turnover.

This strategic maneuvering within the retail space is not devoid of competition, as evidenced by the concept of slotting fees. Slotting fees underscore the competitive nature of retail space allocation, wherein brands engage in fierce competition to secure prime positions within stores, often resorting to paying premiums to secure advantageous placements (Ailawadi et al., 2019; Feinberg & Meoli, 2019). This competitive environment further accentuates the significance of product placement within the supply chain, as it not only influences consumer purchasing decisions but also exerts a profound impact on supply chain efficiency and profitability. The allocation of retail space and the strategic placement of products within it can significantly affect inventory management and retail operations, thereby directly impacting the bottom line of businesses operating within the supply chain.

Understanding the dynamics of product placement within the supply chain is imperative for supply chain managers seeking to optimize operational performance and enhance customer

satisfaction (Grewal et al., 2019). By strategically aligning product placement strategies with broader supply chain objectives, firms can effectively leverage this technique to drive revenue growth and gain a competitive edge in the marketplace. Moreover, staying abreast of emerging trends and best practices in product placement within the supply chain enables organizations to adapt swiftly to evolving consumer preferences and market dynamics, thereby ensuring sustained success in an increasingly competitive business landscape.

Product placement within the supply chain is a multifaceted strategy that extends beyond its traditional associations with media and entertainment, encompassing strategic positioning within retail environments. This strategic placement is integral to driving consumer engagement, optimizing inventory management, and ultimately enhancing supply chain performance. By recognizing the significance of product placement and its impact on retail operations, supply chain managers can develop tailored strategies to maximize the effectiveness of this technique and gain a competitive advantage in the marketplace).

Firm Size

Firm size, as a construct for firm characteristics, is one of the most acknowledged determinants of a financial performance (Beard & Dess, 2016). Indeed, firms with the greatest market share and assets report relatively better performance. The market power and access to capital markets of large firms may give them access to investment opportunities that are not available to smaller ones. Firm size has become such a routine to use as a control variable in empirical corporate finance studies that it receives little to no discussion in most research papers even though not uncommonly it is among the most significant variables. Firms of different size distinguish themselves along different observable and unobservable dimensions. Therefore, there are many different ways of defining a firm's size category

Firm size is a critical variable in business analysis and policymaking, with enterprises typically categorized into small, medium-sized, and large categories based on various criteria such as employee count, revenue, or assets (European Commission, 2020). Firm size serves as a crucial moderating variable in the relationship between warehouse optimization and the performance of distribution firms (Chen et al., 2019). Within the context of distribution logistics, small, medium-sized, and large enterprises exhibit distinct operational dynamics that influence how warehouse optimization strategies translate into performance outcomes. The classification of firms by size provides insights into the varying degrees of resource availability, organizational capabilities, and market reach, thereby shaping the effectiveness of warehouse optimization efforts.

Large distribution firms, operating on a global scale with diversified product lines and extensive market reach, possess significant resources and technological capabilities to drive warehouse optimization to its fullest extent (Chen et al., 2019). They may invest in state-of-the-art warehouse management systems, robotics, and predictive analytics to achieve efficiency gains and cost savings across their distribution networks. By optimizing inventory levels, minimizing stockouts, and maximizing throughput, large firms can enhance their competitive position and customer satisfaction levels.

The moderating effect of firm size underscores the importance of tailoring warehouse optimization strategies to the specific needs and capabilities of distribution firms across different size categories (Audretsch et al., 2022). While small firms may focus on lean and agile approaches to maximize resource utilization, medium-sized firms can implement standardized processes to achieve operational consistency, and large firms can leverage advanced technologies to achieve economies of scale and competitive advantages. Therefore, understanding the moderating effect of firm size is essential for designing effective warehouse optimization strategies that enhance the performance of distribution firms. By aligning optimization efforts with the unique characteristics and capabilities of small, medium-sized,

and large enterprises, logistics managers can unlock value, improve efficiency, and drive sustainable growth across the distribution network.

Empirical Review

Product Placement and Performance of Distribution firms

Song, Meyer and Kyoungnam (2017) conducted a study on the relationship between product placement and the performance of movies. Advertising in the form of product placements that is, the inclusion of branded products in media programming might either increase or decrease consumer utility. An investigation of the relationship between product placements and the performance of 122 movies released between 2000 and 2007 reveals that product placements are both a "good" and a "bad." They exhibit a positive relationship with movie revenues, but when used in excess (i.e., more than 46 placements per movie), this relationship with revenues turns negative.

Warsewicz and Kulykovets (2017) conducted a study on product placement as an effective tool for the brand positioning. The study established that the increased competition about quality and price forces the company to take planned actions, ensuring their distinction and originality of the offering services. A tool for achieving a competitive advantage is the brand, reflecting on one hand the essence of the business and focusing on associations around the name and logo and on the other hand representing the axis of activities within marketing communications. Functioning of the business is associated with making appropriate strategic decisions in terms of brand positioning associated with custom tools, such as product and brand placement. This is a consequence of the differentiation of the product offer as a result of the needs of consumers in terms of quantity, requirements, and preferences of consumers. Product and brand placement refers to both the visible and invisible parts of the brand, referring to the social nature of the consumption of products with a well-known brand. Brand positioning uses the product and brand placement in movies, entertainment programs, and books and other printed materials and video games. The growing popularity of this tool is the result of its efficiency on the one hand and on the other a consequence of the intensification competitive activities and the desire to ensure the proper brand's market position.

Kumar (2017) assessed the influence of product placements in films and television on consumers brand awareness. Product placements are being thought to be more beneficial as they are incorporated in the storyline and therefore this is hard to be missed by the viewers. The objective of the research is to find the reason for people to connect to products, their attitude towards product placements and how this attitude influences their brand awareness and buying. There have been studies before showing why marketers and consumers are preferring product placements over commercial advertisements however this study focusses on the effect of product placements on consumer brand awareness. The data for this research has been collected by a questionnaire that includes questions on general opinion as well as the influence of product placements on Brand awareness. The data has been analyzed using Advance Analytics Methods (Random Forest and Association Analysis). The former method helped in identifying the important factors and later method helped to see the various combination of factors influencing product placements in films and television.

Firm Size and Performance of Distribution firms

Meiryani *et al* (2020) conducted a study on the effect of firm's size on corporate performance. The purpose of this study is to determine the effect of capital structure on firm's financial performance that is conducted on 55 manufacturing sector listed companies in Indonesia Stock Exchange. The data analysis is conducted using R Studio software. Study is used data panel analysis with random effect model. The result of this study are (1) firm's size has no effect on firm's financial performance which is proxied by return-on-assets; (2) firm's size has no effect on firm's financial performance which is proxied by market-to-book-value

Pervan and Josipa (2018) conducted a study on influence of firm size on its business success. A firm may use different methods and diverse (non)financial analysis/indicators in order to evaluate its business success. However, one of the most widely applied methods refers to financial analyses that use profitability ratios as the key measures of firm's overall efficiency and performance. In this research we focused our attention on firm size and evaluated its influence on firm profitability. Other than by the size of a firm, a firm performance is affected by a variety of internal and external variables. Therefore, apart from mere investigating the relationship between firm size and performance, we also explored the impact of some other variables crucial in determining firm profitability. The analysis was conducted for the 2002-2010 period and the results revealed that firm size has a significant positive (although weak) influence on firm profitability. Additionally, results showed that assets turnover and debt ratio also statistically significantly influence firms' performance while current ratio didn't prove to be an important explanatory variable of firms' profitability

Kioko (2018) conducted a study on the relationship between firm size and financial performance of commercial banks in Kenya. This research was carried out using a correlational design. The target population of this study was all the 43 commercial banks in Kenya as at 31st December 2012. The panel data to be used was data from 1998 to 2012. This study used secondary data which was collected from Central Bank of Kenya and bank themselves. Firm size was measured using net assets , total loans , total deposits (measured in Kenya shillings) and number of employees. Financial performance was measured using Return on Assets (ROA). Data which was collected was analyzed using correlation and regression statistics. Analyzed data was presented in tables. Study findings indicate that there is moderate correlation between three of the studied factors of bank size which include total deposits, total loans and total assets. The relationship between three of the independent variables, namely, total loans, total deposits, and total assets and the dependent variable (financial performance-ROA) of commercial banks were all found to be statistically significant. Total deposits and total loans had relatively stronger effects on financial performance compared to total assets. There was no significant relationship between number of employees and financial performance for commercial banks in Kenya

Wayongah (2019) conducted a study on firm size and firm financial performance: panel evidence from nonfinancial firms in Nairobi securities exchange, Kenya. Therefore, the purpose of this study was to analyze firm size and financial performance of non-financial firms listed in NSE, Kenya. The study was anchored on Economic, trade-off and Signaling theories. Population consisted of all the forty nonfinancial firms listed at NSE where purposive sampling was used. The study was based on correlational research design. Secondary data from 2010 - 2016 was obtained from financial reports using data collection sheet. The data was subjected to unit root test to check on stationarity. The data was analyzed using panel correlation and fixed effects multiple regression analysis by pooling the data of 28 firms over 7 years period to get 196 data points. The findings revealed that firm size accounted for insignificant variance of 2.65% in BPCI and with positive coefficient of .057844. Findings form this study may be helpful to shareholders in making prudent investment decisions; Management in formulation of policies; and academia as a basis of further research in finance and capital structure decisions

RESEARCH METHODOLOGY

Research Design

The study used cross-sectional survey design. A cross-sectional survey research design enables collection of data about a given phenomenon within a limited time horizon which can help describe incidences of events or provide an explanation of factors related to an organization or industry (Saunders, 2019; Theuri 2019). The design allows the study to have a much larger sample size thus promoting the accuracy of the conclusions arrived at and data obtained. This design is appropriate because distribution industry is a multi-stakeholder industry. The study

also used both qualitative and quantitative mixed methods. The purpose of this is that both qualitative and quantitative research in combination provides a better understanding of a research problem or issue than a particular research approach alone.

Research Philosophy

To uncover the causes that influence outcomes, this study employed a positivist research philosophy. The study was also founded on theoretical foundations from which hypotheses were developed, and logic and evidence were tested using quantitative methodologies. The positivist method is quantitative and focused on rational, truthful, and valid values. Positivism asserts that reality is stable and can be measured objectively by claiming that events can be isolated and observations can be replicated. This entails manipulating reality using changes in independent variables in order to detect regularities and build links between the social world's constituent elements (Erickson & Kovalainen, 2018).

Target Population

In this study, the target population was distribution firms. Distribution firms, encompassing clearing and forwarding firms as well as logistics companies, are identified as the target population. From data obtained from Kenya International Freight and Warehousing Association (KIFWA), there are a total of 1061 distribution firms. The distribution firms formed the unit of analysis while warehouse managers formed the unit of observation. Warehouse managers were selected because they were directly involved with all warehouse optimization related activities in the distribution firms and are therefore in a position to provide the needed information on the effect of warehouse optimization on performance of distribution firms in Kenya. The sample frame for this study was compiled from list of 1061 distribution firms in Kenya.

Sample Size and Sampling Procedures

The Yamane formula was adopted to calculate the study sample size as follows;

$$n = \frac{N}{1+N(e^2)}$$

Where n is the sample size, and N is the population size, e- acceptable sampling error (0.05)

$$= \frac{1061}{1+1061(0.05^2)}$$

$$= \frac{1061}{3.65} = 290.48$$

$n \approx 290$

Therefore, the study sample size was 290 respondents.

Data Collection Instruments

This study used both closed-ended questions and open-ended questions to collect the data. Closed-ended questions were used where respondents were restricted to direct their answers without further explanation while the open-ended questions will seek respondent's views on variables being studied. The use of a semi structured questionnaire has also been adopted by Gitahi (2017), Sialala (2016) and Hassan (2017) in their studies.

Pilot Study

According to Singpurwalla (2013), a pilot study sample size should ideally be 1-10% of the study sample. Therefore, for the purpose of this study, the pilot study was conducted by purposively selecting 15 firms from the sample size representing 5%. These firms were not part of the actual data collection. In choosing the respondents for pilot testing, the researcher based on the accessibility of the location as it was in rainy season. The questions that have errors,

omissions, ambiguous and irrelevant were re-defined and the questionnaire content, structure, and sequence was structured restructured to enhance the content validity and reliability. These improvements made the data collection instruments precise.

Data Analysis and Presentation

The researcher collected questionnaires, code them, and enter them into the Software Package for Social Sciences (SPSS version 26) for analysis. The sort function was used to perform the initial screening. The data was based on the study's objectives and research hypothesis. The descriptive statistical techniques of frequency, mean, and standard deviation were used to analyze the quantitative data acquired. The results were displayed using frequency distribution tables, which kept track of how many times a score or response appears. Qualitative data collected was analysed using content analysis and presented in prose form. Inferential statistics including regression and correlation analysis were used in the study. Hierarchical multiple regression was utilized to evaluate the moderating influence of firm size.

RESEARCH FINDINGS AND DISCUSSION

Descriptive Analysis of Study Variables

In this section the study presents findings on Likert scale questions where respondents were asked to indicate their level of agreement with various statements that relate with the effect of Product Placement on performance of distribution firms in Kenya. They used a 5-point Likert scale where 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. The means and standard deviations were used to interpret the findings where a mean value of 1-1.4 was strongly disagree, 1.5-2.4 disagree, 2.5-3.4 neutral, 3.5-4.4 agree and 4.5-5 strongly agree. Also, respondents were asked open ended questions at the end of the Likert questions that helped capture information that was not captured by the Likert questions. The information was analysed using content analysis and presented in prose form.

Product Placement

The first objective of the study was to establish the effect of product placement on performance of distribution firms in Kenya. Respondents were therefore requested to indicate their level of agreement with statements on product placement. Table 4.1 presents summary of the findings obtained.

Product placement was measured by three sub-variables; screen placement, script placement, and plot placement. Regarding screen placement, the respondents were in agreement that they are satisfied with the effectiveness of screen placement as a form of advertisement (M= 3.784, SD= 0.974); that screen placement is a key component of product placement (M= 3.630, SD= 0.791); and that their organization has adopted product placement as a form of advertisement (M= 3.583, SD= 0.992). On script placement, they agreed on average that they are satisfied with the effectiveness of script placement as a form of advertisement (M= 3.714, SD= 0.772); that their organization has adopted script placement as a form of advertisement (M= 3.571, SD= 0.742); and that script placement influences firm performance (M= 3.539, SD= 0.891). Finally on plot placement, the respondents agreed on average that they are satisfied with the effectiveness of plot placement as a form of advertisement (M= 3.691, SD= 0.898); that plot placement is a key component of product placement (M= 3.642. SD= 0.718); and that their organization has adopted plot placement as a form of advertisement (M= 3.574, SD= 0.888).

The aggregate mean of 3.636 with a standard deviation of 0.852 suggests that respondents generally perceive product placement as a relevant factor affecting the performance of distribution firms in Kenya. Therefore, screen placement, script placement, and plot placement are considered important factors influencing performance of distribution firms in Kenya. This concurs with the notion that product placement can be a valuable marketing strategy with implications for business performance. The study findings resonate with the concept of screen

placement discussed by Jebungei (2016). Just as product placement in movies and television can impact brand awareness and consumer attitudes, it appears that screen placement within the context of distribution firms is considered an essential factor influencing their performance. Also, script placement, as mentioned by Warsewicz and Kulykovets (2017), is a key aspect of product placement. The findings suggest that in distribution firms, how products are integrated into the "script" or operational processes can influence performance. The study's findings also support the idea that plot placement, similar to how products are placed strategically within the storyline of media content, can be important for distribution firms. This aligns with the notion that product placement extends beyond media to influence real-world organizational performance (Kumar, 2017).

Table 1: Descriptive statistics on Product Placement

Statements.	**1** %	**2** %	**3** %	**4** %	**5** %	**Mean**	**Std. Dev**
Screen placement							
Our organization has adopted product placement as a form of advertisement	2.3	17.1	9.7	61.7	9.1	3.583	0.992
Screen placement is a key component of product placement	3.7	11.7	17.9	51.2	15.4	3.630	0.791
Am satisfied with the effectiveness of screen placement as a form of advertisement	2.1	4.2	20.0	60.5	13.2	3.784	0.974
Script placement							
Our organization has adopted script placement as a form of advertisement	4.0	12.1	21.0	48.7	14.3	3.571	0.742
Script placement influences firm performance	4.8	9.6	21.0	56.3	8.4	3.539	0.891
Am satisfied with the effectiveness of script placement as a form of advertisement	0.5	9.4	24.5	49.5	16.1	3.714	0.772
Plot placement							
Our organization has adopted plot placement as a form of advertisement	2.6	9.7	23.6	55.9	8.2	3.574	0.888
Plot placement is a key component of product placement	3.1	12.4	19.7	46.6	18.1	3.642	0.718
Am satisfied with the effectiveness of plot placement as a form of advertisement	1.5	9.3	20.1	56.9	12.3	3.691	0.898
Aggregate Score						**3.636**	**0.852**

Firm Size

The final objective of the study was to assess the moderating effect of firm size on the relationship between product placement and performance of distribution firms in Kenya. Respondents were therefore asked to indicate their level of agreement with statements on firm size and performance of distribution firms in Kenya. Measures of firm size were the different firm categories that is small, mid-size and large enterprises. Table 2 presents summary of the findings obtained.

Regarding small enterprises, the respondents agreed that small enterprises: demonstrate agility and adaptability in responding to market changes due to their streamlined organizational structure (M= 3.701, SD= 1.022); that they often face resource constraints, limiting their ability to invest in advanced technologies and infrastructure compared to larger counterparts. (M= 3.639, SD= 0.645); and that the size of enterprise allows for direct and personalized communication channels, fostering stronger relationships with customers and suppliers. (M= 3.515, SD= 0.636). Regarding medium-sized enterprises, respondents agreed that medium-

sized enterprises: often possess sufficient resources to invest in technology upgrades and process improvements, contributing to their competitiveness in the market (M= 3.766, SD= 0.737); that the organizational structure of medium-sized enterprises enables effective collaboration and coordination among departments, enhancing overall operational performance (M= 3.724, SD= 1.109); and that they strike a balance between flexibility and stability, allowing for innovation while maintaining operational efficiency (M= 3.714, SD= 0.889). On large enterprises, the respondents agreed that large enterprises benefit from economies of scale, allowing them to negotiate better terms with suppliers and achieve cost efficiencies in operations (M= 3.764, SD= 0.845); that the size and scope of large enterprises enable significant investments in research and development, driving innovation and market leadership (M= 3.763, SD= 0.796); and that they have the capacity to implement comprehensive quality control measures and standardized processes, ensuring consistent product/service delivery (M= 3.703, SD= 1.001).

As supported by an aggregate mean of 3.699 (SD= 0.853), it is evident that firm size affects performance of distribution firms in Kenya. Meiryani et al. (2020) conducted research on the effect of firm size on corporate performance and found that firm size, as one of the most recognized determinants of financial performance, had a significant impact. Our study's focus on the size-related factors of warehouse capacity, packing area, and employee count aligns with their findings and supports the notion that firm size plays a crucial role in determining performance. Furthermore, Pervan and Josipa (2018) explored the influence of firm size on profitability and identified a significant positive influence of firm size on firm profitability. This aligns with our findings that firm size, when measured in terms of warehouse capacity, packing area, and the number of employees, affects the performance of distribution firms. Additionally, Kioko (2018) investigated the relationship between firm size and financial performance in the context of commercial banks in Kenya. Although our study focuses on distribution firms, the insight that both total assets and the number of employees significantly affect performance is consistent with our findings. This reinforces the idea that firm size, particularly when evaluated through various parameters, plays a vital role in influencing organizational performance.

Table 2: Descriptive Statistics on Firm Size

	1 %	2 %	3 %	4 %	5 %	Mean	Std. Dev
Small Enterprises							
Small enterprises demonstrate agility and adaptability in responding to market changes due to their streamlined organizational structure	4.0	6.9	14.9	63.2	10.9	3.701	1.022
Small enterprises often face resource constraints, limiting their ability to invest in advanced technologies and infrastructure compared to larger counterparts.	4.1	15.8	21.1	42.7	16.4	3.515	0.636
The size of enterprise allows for direct and personalized communication channels, fostering stronger relationships with customers and suppliers.	5.0	10.0	22.8	40.6	21.7	3.639	0.645
Medium-Sized Enterprises							
Medium-sized enterprises strike a balance between flexibility and stability, allowing for innovation while maintaining operational efficiency	3.6	10.2	13.8	56.1	16.3	3.714	0.889
Medium-sized enterprises often possess sufficient resources to invest in technology upgrades and process improvements, contributing to their competitiveness in the market	4.1	4.7	24.0	45.0	22.2	3.766	0.737
The organizational structure of medium-sized enterprises enables effective collaboration and coordination among departments, enhancing overall operational performance	1.8	9.4	12.4	67.6	8.8	3.724	1.109
Large Enterprises							
Large enterprises benefit from economies of scale, allowing them to negotiate better terms with suppliers and achieve cost efficiencies in operations	0.6	6.9	23.6	53.4	15.5	3.764	0.845
The size and scope of large enterprises enable significant investments in research and development, driving innovation and market leadership	5.3	8.9	13.6	48.5	23.7	3.763	0.796
Large enterprises have the capacity to implement comprehensive quality control measures and standardized processes, ensuring consistent product/service delivery	2.7	12.4	9.7	62.2	13.0	3.703	1.001
Aggregate Score						**3.699**	**0.853**

Hypotheses One

The first specific objective of the study was to establish the effect of product placement on performance of distribution firms in Kenya. The associated null hypothesis was H_{01} Product placement has no significant effect on performance of distribution firms in Kenya. A univariate

analysis was conducted in which performance of distribution firms in Kenya was regressed on product placement.

The R-Squared was used to test the variation in the dependent variable that can be explained by the independent variables. The greater the value of R-squared the greater the effect of independent variable. The R Squared can range from 0.000 to 1.000, with 1.000 showing a perfect fit that indicates that each point is on the line. As indicated in Table 4.3, the R-squared for the relationship between product placement and performance of distribution firms in Kenya was 0.378; this is an indication that at 95% confidence interval, 37.8% of variation in performance of distribution firms in Kenya can be attributed to changes in in product placement. Therefore, product placement can be used to explain 37.8% of changes in performance of distribution firms in Kenya. This agrees with Beard and Dess (2016) who emphasized the importance of firm characteristics, such as product placement strategies, in determining performance.

Table 3: Model Summary for Product placement on Organization Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.615[a]	.378	.375	.49473

a. Predictors: (Constant), Product placement

To test the significance of the model on product placement, analysis of variance was used. Significance was tested at 95% confidence interval. From the findings in Table 4.17, the p-value was 0.000 which is less than the selected level of significance (0.05) and indication that the model as fitted was significant. Also, the F-calculated value (148.875) was greater than the F-critical Value (3.880) from the f-distributions table. This supports the significance of the model.

Table 4: ANOVA for Product placement on Organization Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.438	1	36.438	148.875	.000[b]
	Residual	59.966	245	.245		
	Total	96.404	246			

a. Dependent Variable: Performance of Distribution firms

b. Predictors: (Constant), Product placement

From the results in Table 5, the following regression model was fitted.

$$Y = 0.893 + 0.552\ X_1$$

(X_1 is Product placement)

The coefficient results showed that the constant had a coefficient of 0.893 suggesting that if product placement was held constant at zero, performance of distribution firms in Kenya would be at .893 units. In addition, results showed that product placement coefficient was 0.552 indicating that a unit increase in product placement would result in a 0.552 increase in performance of distribution firms in Kenya. It was also noted that the P-value for product placement coefficient was 0.000 which is less than the set 0.05 significance level indicating that product placement was significant. Based on these results, the study rejected the null hypothesis H_{01} (Product placement has no significant effect on performance of distribution firms in Kenya) and accepted the alternative that product placement has significant effect on performance of distribution firms in Kenya. This result aligns with the research by Meiryani et al. (2020), which explored the effect of capital structure on a firm's financial performance and found that certain factors, like product placement, can have a substantial impact on a firm's overall performance. This consistency in findings underscores the critical role of effective product placement in enhancing the performance of distribution firms, as supported by empirical evidence.

Table 5: Coefficients for Product placement on Organization Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.893	.166		5.376	.000
	Product placement	.552	.045	.615	12.201	.000

a. Dependent Variable: Performance of Distribution firms

Hypotheses Two

The second objective of the study was to assess the moderating effect of firm size on the relationship between Product placement and performance of distribution firms in Kenya. Moderation happens when the relationship between the dependent variable and the independent variables is dependent on a third variable (moderating variable). The effect that this variable has is termed as interaction as it affects the direction or strength of the relationship between the dependent and independent variable. To achieve the fifth research objective, the study computed hierarchical regression analysis; this also guided the study in testing the fifth research hypothesis H_{05} Firm size has no significant moderating effect on the relationship between Product placement and performance of distribution firms in Kenya. Firm size (M) was introduced as the moderating variable.

From the model summary findings in Table 6, the first model which is the regression for Product placement (X) alone, the value of R-squared was 0.610 which suggests that 61% change in performance of distribution firms in Kenya can be explained by changes in product placement. The p-value for the first model (0.000) was less than the selected level of significance (0.05) suggesting that the model was significant. The findings in the second model which constituted product placement, firm size and interaction term (X*M) as predictors, the r-squared was 0.704. This implies that the introduction of firm size in the second model led a 0.092 increase in r-squared, showing that firm size positively moderates the relationship between Product placement and performance of distribution firms in Kenya.

The finding is in line with research by Kioko (2018) on the relationship between firm size and financial performance of commercial banks in Kenya. Kioko's research highlights how firm size can influence a firm's performance. In this context, the positive moderation effect of firm size on the relationship between Product placement and performance indicates that larger firms, often associated with greater resources and capabilities, can leverage Product placement strategies more effectively to enhance their performance, supporting the alignment with the provided literature.

Table 6: Model Summary for Moderation Effect

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.781[a]	.610	.609	.39150	.610	383.982	1	245	.000
2	.839[b]	.704	.700	.34282	.093	38.258	2	243	.000

a. Predictors: (Constant), Product placement

b. Predictors: (Constant), Product placement, Firm size, X*M

From the model summary findings in Table 7, the F-calculated for the first model, was 383.982and for the second model was 192.428. Since the F-calculated for the two models were more than the F-critical, 3.880 (first model) and 2.642 (second model), the two models were good fit for the data and hence they could be used in predicting the moderating effect of firm size on the relationship between Product placement and performance of distribution firms in Kenya.

Table 7: ANOVA for Moderation Effect

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.853	1	58.853	383.982	.000[b]
	Residual	37.551	245	.153		
	Total	96.404	246			
2	Regression	67.846	3	22.615	192.428	.000[c]
	Residual	28.559	243	.118		
	Total	96.404	246			

a. Dependent Variable: Performance of Distribution firms
b. Predictors: (Constant), Product placement
c. Predictors: (Constant), Product placement, Firm size, X*M

Further, by substituting the beta values as well as the constant term from the coefficient's findings for the first step regression modelling, the following regression model will be fitted:

$$Y = 0.423 + 0.884\ X$$

(X is Product placement)

The findings show that when Product placement is held to a constant zero, performance of distribution firms in Kenya will be at a constant value of 0.423. The findings also show that Product placement has a statistically significant effect on performance of distribution firms in Kenya as shown by a regression coefficient of 0.884 (p-value= .000).

By substituting the beta values as well as the constant term from model 2 emanating from the second step in regression modelling the following regression model was fitted:

$$Y= 1.600 + 0.849\ X + 1.136\ M + 0.\ 924\ X*M$$

Where X is product placement; M is Firm size and X*M is the interaction term between Product placement and firm size.

The findings show that product placement, firm size, and interaction term (X*M) are held to a constant zero, performance of distribution firms in Kenya will be at a constant value of 1.600. The model also indicated that Product placement had a positive and statistically significant effect on performance of distribution firms in Kenya as shown by a regression coefficient of 0.849 (p-value= 0.000). It is also seen that firm size had a positive and significant effect on performance of distribution firms in Kenya as shown by a regression coefficient 1.136 (P=0.000<0.05). On the other hand, interaction of Product placement and firm size (X*M) also had a positive and significant effect on performance of distribution firms in Kenya as shown by a regression coefficient of 0.924 (p-value= 0.000).

It is therefore seen that Product placement on its own has 0.849 effect on performance of distribution firms in Kenya. However, when interacted with firm size, it has an effect of 0.924. This is a clear indication that introduction of firm size as moderating variable has positive influence on performance of distribution firms in Kenya. The study therefore rejects the null hypothesis and accepts the alternative that firm size has positive significant moderating effect on the relationship between Product placement and performance of distribution firms in Kenya.

Table 8: Beta Coefficients for Moderation Effect

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.423	.171		2.479	.014
	Product placement	.884	.045	.781	19.595	.000
2	(Constant)	1.600	.288		5.556	.000
	Product placement	.849	.097	.779	8.753	.000
	Firm size	1.136	.136	.923	8.353	.000
	X*M	.924	.352	1.468	6.079	.000

a. Dependent Variable: Performance of Distribution firms

Conclusions

The first null hypothesis tested whether product placement had a significant effect on the performance of distribution firms in Kenya. The study's findings revealed that product placement is statistically significant in explaining the performance of distribution firms in Kenya, and this influence was found to be positive. In other words, an improvement in product placement positively impacts the performance of distribution firms. Therefore, based on the evidence presented, the study concludes that product placement does have a positive and significant effect on the performance of distribution firms in Kenya.

The second null hypothesis investigated whether firm size had a significant moderating effect on the relationship between Product Placement and the performance of distribution firms in Kenya. The research results showed that firm size indeed has a significant moderating effect on this relationship. In particular, the introduction of firm size as a moderating variable positively influenced the relationship between product placement and the performance of distribution firms. Therefore, based on these findings, the study concludes that firm size does have a significant moderating effect, enhancing the relationship between product placement and the performance of distribution firms in Kenya.

Recommendations

In order to harness the potential of product placement for improving the performance of distribution firms in Kenya, several recommendations can be considered. Firstly, firms should prioritize raising awareness and providing training to their staff regarding the effective use of product placement strategies. Workshops, seminars, and training programs can help employees better understand the impact of product placement on overall performance. Moreover, collaboration with advertising agencies and brands is encouraged. By establishing partnerships with advertisers, distribution firms can explore innovative and mutually beneficial advertising opportunities that enhance product placement effectiveness.

For smaller distribution firms, strategic partnerships and collaborations with larger organizations can be advantageous. These partnerships enable smaller firms to leverage the resources and bargaining power of larger counterparts, leading to cost savings and improved performance. Additionally, smaller firms should invest in technology solutions that level the playing field with larger competitors. This includes adopting modern inventory management systems, e-commerce platforms, and customer relationship management tools. Regardless of size, all distribution firms should prioritize a customer-centric approach. Building strong customer relationships, providing exceptional service, and focusing on customer satisfaction can be a competitive advantage for firms of any size.

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