



**CHANNELS OF DISTRIBUTION AS A STRATEGIC TOOLS IN PURCHASING
TECHNICAL GOODS**



NURUL BALQIS IELLANI BINTI AZMI

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

APPROVAL

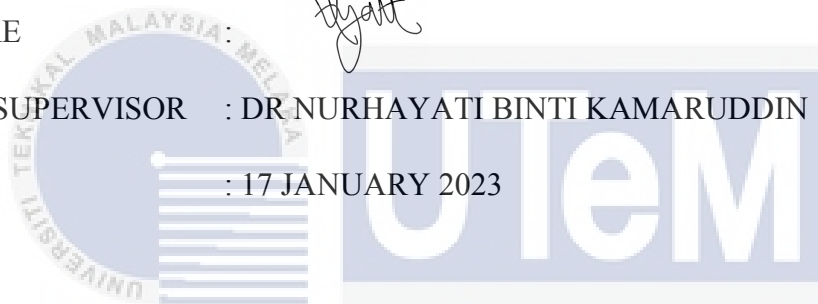
I hereby acknowledge that this project paper has been accepted as part of fulfilment for the degree of Bachelor of Technology Management (Supply Chain Management and Logistics) with Honours.

SIGNATURE




NAME OF SUPERVISOR : DR NURHAYATI BINTI KAMARUDDIN

DATE : 17 JANUARY 2023



SIGNATURE



NAME OF PANEL : DATIN DR SURAYA BINTI AHMAD

DATE : 17 JANUARY 2023

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

**CHANNELS OF DISTRIBUTION AS A STRATEGIC TOOLS IN PURCHASING
TECHNICAL GOODS AND SERVICES**

NURUL BALQIS IELLANI BINTI AZMI

**This thesis is submitted in partial fulfilment of the requirements for the award of
Bachelor of of Technology Management (Supply Chain Management and Logistics)**

with Honours.



UNIVERSITI TEKNIKAL MALAYSIA MELAKA

Faculty of Technology Management and Technopreneurship (FPTT)

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2022

DECLARATION OF ORIGINAL WORK

I hereby declared that this thesis entitled

“CHANNELS OF DISTRIBUTION AS A STRATEGIC TOOLS IN PURCHASING TECHNICAL GOODS”

is original done by myself and no portion of the work encompassed in this research project proposal has been submitted in support of any application for any other degree or qualification of this or any other institute or university of learning.

SIGNATURE



NAME

: NURUL BALQIS IELLANI BINTI AZMI

DATE

: 17 JANUARY 2023

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

DEDICATION

This research method is dedicated to my beloved mother, Salbiah binti Kosrin and my father Azmi bin Rasul, who have extremely been willing to support me mentally and physically and have been a source of inspiration for me to complete this thesis successfully. Special thank you also to my friends for helping to finish the research. Lastly, I express a deep sense of gratitude to my lecturer whom also my supervisor for my final year project, Dr Nurhayati binti Kamaruddin who provided me fully support and advice throughout this research. Without her blessing and encouragement, this research is impossible to complete within short period of time.



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ABSTRACT

The purpose of this study was to assess the factors involved in channels of distribution as a strategic tool in purchasing technical good. The study sought to answer the following specific objectives : To identify the factors involved in the channel of distribution and to identify what are the buying power, purchasing power and greater supply in the channel of distribution can be used as a strategic tool in purchasing technical goods . The study educated on what are the factors involved in channels of distribution as a strategic tools in purchasing of technical goods . The study adopted a descriptive research. The study was based on technical good companies. The target population was 150 employees from technical companies in Johor. The sample size of the study was 108 respondents using simple random sampling technique. The primary data was collected using questionnaire and then analysed using weighted averages, mean and percentages and the data was presented using frequency tables. The findings showed that there are all independent variables are significantly correlated namely buying power, purchasing power and greater supply as factors towards strategic tool in purchasing technical good. For recommendation are future studies can address the other variables that are not included in this research such as skills, experience, and others. The result of this study is predicted to provide positive factors towards strategic tool in purchasing technical good.



Keyword: strategic tool in purchasing technical good, buying power, purchasing power and greater supply

ABSTRAK

Tujuan kajian ini adalah untuk menilai faktor-faktor yang terlibat dalam saluran pengedaran sebagai alat strategik dalam pembelian barangan teknikal. Kajian ini bertujuan untuk menjawab objektif khusus berikut: Untuk mengenal pasti faktor-faktor yang terlibat dalam saluran pengedaran dan untuk mengenal pasti apakah kuasa beli, kuasa beli dan bekalan yang lebih besar dalam saluran pengedaran boleh digunakan sebagai alat strategik dalam pembelian barangan teknikal. . Kajian ini mendidik apakah faktor yang terlibat dalam saluran pengedaran sebagai alat strategik dalam pembelian barangan teknikal. Kajian ini menggunakan kajian deskriptif. Kajian itu berdasarkan syarikat teknikal yang bagus. Sasaran populasi ialah 150 pekerja dari syarikat teknikal di Johor. Saiz sampel kajian ialah 108 responden menggunakan teknik persampelan rawak mudah. Data primer dikumpul menggunakan soal selidik dan kemudian dianalisis menggunakan purata wajaran, min dan peratusan dan data tersebut dipersembahkan menggunakan jadual kekerapan. Dapatan kajian menunjukkan bahawa terdapat semua pembolehubah bebas berkorelasi secara signifikan iaitu kuasa beli, kuasa beli dan penawaran yang lebih besar sebagai faktor ke arah alat strategik dalam pembelian barangan teknikal. Untuk cadangan adalah kajian masa depan boleh menangani pembolehubah lain yang tidak termasuk dalam penyelidikan ini seperti kemahiran, pengalaman, dan lain-lain. Hasil kajian ini diramalkan memberi faktor positif terhadap alat strategik dalam pembelian barangan teknikal.

Kata kunci: alat strategik dalam membeli barangan teknikal, kuasa beli, kuasa beli dan bekalan yang lebih besar

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CHAPTER 1

INTRODUCTION

1.1 Introduction

The purpose of this research project is to identify the factors in channel of distribution that can be used as strategic tools in purchasing technical goods. This chapter will discuss about the factors in channels of distribution as a strategic tools in purchasing of technical goods. The background of study, problem statement, research questions, research objectives, scope and limitation of the study, significant of study and summary will be discussed in this chapter.

1.2 Background of Study

In order for an organisation to be efficient and to transfer finished products from the producer to the final consumer, it is necessary to have an effective distribution channel. This is because the best goods and services will not be given without an efficient route of distribution, and the marketing mix will fail. As a result, businesses are increasingly turning to supply chain management to cut costs, grow market share and sales, and strengthen customer relationships (Ferguson, 2010). A distribution channel is a network of companies that work together to give sellers with a way to get their items into the market and purchasers with a way to get those things, all while being as efficient and profitable as possible (Iacobucci 2013). The concept of using effective channels of distribution as a strategic tool in purchasing technical goods can be viewed as a philosophy based on the belief that the performance of each firm in the supply chain affects the performance of all other supply chain members, and ultimately, overall supply chain performance (Cooper et al, 2015).

Many firms have been using a combination of multiple channels in recent years. For example, they may supplement direct sales force, which interacts on the larger accounts, with agents, who cover the smaller customers and prospects. However, the retail business is being confronted with a huge challenge: the power of consumers or purchasers. This is because today's consumer are more informed and impatient, not wanting to wait for long periods of time for the providers' items. This coupled with the fact that nowadays most of

the organizations are trying to implement strategic channel of distribution depending on their needs and goals of performance. Hence, a proper investigation into various types of distribution strategies which has the most influence on the purchase of technical goods and services.

1.3 Problem Statement

The majority of items are brought to market through middlemen. In the process of making a product or service accessible for use or consumption by the consumer or business user, they employ a group of interconnected companies. This is referred to as the distribution channel procedure. Philip Kotler is a writer who lives in New York City (2010) All of the logistics involved in getting a company's products or services to the right location, at the right time, and for the least amount of money are referred to as distribution. The channel of distribution chosen by a firm plays a critical part in the never-ending attempts to achieve these aims. A well-selected channel can provide a considerable competitive advantage, whereas a poorly-conceived or chosen channel can consign even a superior product or service to market failure, consumed while viewing, media acting as a trigger or prompt to eating, media extending the duration of eating, or media distracting from or obscuring feelings of fullness or satiety.

1.4 Research Questions

The researcher determined two research questions in this study:

RQ1: What are the factors involved in channel of distribution?

RQ2: What are the buying power, purchasing power and greater supply in channel of distribution that can be used as a strategic tool in purchasing technical goods?

1.5 Research Objectives

In this research, there are two research objectives to be figured out:

RO1: To identify the factors involved in the channel of distribution

RO2: To identify the buying power, purchasing power and greater supply can be used as a strategic tool in purchasing technical goods

1.6 Scope and Limitation of the Study

This research paper is focusing on the factors in channel of distributions as a strategic tools in purchasing goods. This study will be conducted among 108 respondents from technical goods companies located in Johor. The selected respondents will be chosen the top management of the companies. The researcher will be carried out by distributing questionnaires to the respondents.

The researcher may not be able to cover every company in Johor. In addition, the researcher ran into a time constraint while doing the investigation. The research was constrained by time restrictions because it had to be finished in a limited amount of time, namely 11 months.

1.7 Significant of Study

The findings of the study benefited businesses which provide technical goods. They will understand the factors of channel distribution on their selling technical goods. Besides, businesses can understand more about the effectiveness of factors in channel distribution through this research. In addition, the study provides empirical literature sources to future researchers which carry out a similar topic by adding an existing body of knowledge on the impact of channel distribution in purchasing technical goods.

1.8 Summary

Finally, the overview of the study is addressed in this chapter. It covered over the study's background, problem statement, research questions, research aims, study scope and limitations, and importance. The researcher will conduct a literature review of the study in the next chapter. The data will be more comprehensive and easier to comprehend.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This part covers cited research, articles, journals, papers and other scholarly materials connected to the strategic channel of distribution as strategic tools in purchasing technical goods and services. These resources were selected based on the relationship between the variables being investigated in this research. There is information and explanations on how it relates to this study.

2.2 Channel of Distribution

A distribution channel is a network of companies that work together to give sellers with a way to get their products into the market and purchasers with a way to get those products, all while being as efficient and profitable as possible (Iacobucci 2013). In a nutshell, distribution refers to all of the logistics involved in getting a company's products or services to the right location, at the right time, and for the least amount of money. The term "distribution channel" refers to both a marketing method and a geographic location. Wholesalers, retailers, and direct sales agents are examples of several approaches that assist make a product or service available to customers.

Wholesalers, agents, brokers, and retailers are examples of channel intermediates who assist convey a product from the manufacturer to the consumer or business user. The channel options made by a corporation have a direct impact on all other marketing decisions. Pricing is influenced by location selections, for example. Marketers that sell to mass merchandisers such as Wal-Mart will have different pricing targets and tactics than those who sell to speciality retailers. Distribution choices may occasionally give a product a distinct market position. The product's selection of retailers and other middlemen is inextricably linked.

Regardless of the number of intermediaries involved in delivering a product or service to the end customer, distribution channels can be short or long. Channels, on the

other hand, are divided into direct and indirect channels. Producers/manufacturers offer their goods directly to individual consumers through direct channels, which also includes a trading firm. A short or lengthy indirect marketing route is possible. In the short channel, there is just one trading business (usually, it is a retail company). Two or more intermediaries, such as wholesale and retail enterprises, are engaged in the long channel (Zdenko et al., 2011).

According to Tih et al. (2008), in the consumer products channel, there are normally two levels, leading from manufacturers to wholesalers and retailers. Without the use of middlemen, the producer approaches the purchasers directly through their own staff, commercial services, or the media (Szopa & Pekala, 2012). In certain cases, integrated channels or numerous distribution channels — a mix of short and long — may exist in the chain. A direct or short route, on the other hand, may result in reduced costs for customers because they are purchasing directly from the producer (Investopedia, 2019). Channel members are urged to work together to develop a coherent value in the delivery system in order to succeed in disparities of distribution systems (Tih et al, 2008; Grossman, 2004; Kotler et al, 2009).

2.3 Development of Channel Structure

Companies are being pushed to go to market utilising a multichannel approach, in which they offer their products over two or more channels of distribution, due to increasing worldwide competition (Webb and Hogan, 2002). The popularity of the multichannel approach can be seen in the growing number of organisations that are using it for a variety of reasons, including gaining market share, cutting costs, covering diverse marketing segments, and meeting differences in customer behaviour (Sa Vinhas & Anderson, 2005). Decision-makers, on the other hand, are caught in a dilemma as a result of their efforts.

They are obligated to introduce new channels or new channel members that meet new trends in consumer buying habits on the one hand, and they are confronted with 'channel conflict' as a result of introducing these new channels, particularly from old conventional distributors, on the other. Companies who use a multichannel approach get a variety of benefits, including improved reach, increased earnings, more consumer exposure and access to a marketer's offers, increased sales volume, and increased market presence (Sharma & Mehrotra, 2007). Sharma and Mehrotra (2007) suggested a methodology for "determining the best channel mix in multi-channel situations." They presented a six-step multi-channel

strategy approach for developing strategic multi-channel goals. To gain an edge, analyse customer and channel touch points, assess industry structure and channel possibilities, analyse channel usage patterns, analyse channel economy, and design an integrated channel management plan. Unfortunately, there are far too many complaints of difficulties that point to a lack of attention to channel selection. (Hayes and colleagues, 2007) The choice and subsequent performance of a specific partner or partners are, of course, the ultimate drivers of a marketing channel's success or failure (Stern & El-Ansary, 2010). Companies must carefully pick the members of their channels. The channel members are the firm to the customers.

However, there may be constraints that are specific to a particular place or business. Furthermore, the framework has proven to be beneficial in optimising intermediate selection in marketing channels. The term "design" as it pertains to the marketing channel is used in a variety of ways. As a result, before we go any further, let's clarify what we mean by design in terms of the marketing channel: Channel design refers to decisions regarding the creation of new marketing channels when none previously existed, as well as changes to existing channels. Channel design decisions may or may not influence selection decisions. One typical motivation for selection, which is independent of channel design decisions, is to replace channel members who have left the channel freely or involuntarily (Rosenbloom, 2004).

Based on a research of manufacturers in the United States and the United Kingdom, (Shiple 2010) developed another set of selection criteria (Shiple, 2011). The research looked at 12 criteria that were divided into three groups: sales and market variables, product and service considerations, and risk and uncertainty elements. (Yeoh & Calantone 2005) identified six major categories of selection criteria based on a careful review of international marketing literature relevant to selecting foreign distributors: commitment level, financial strength, marketing skills, product-related factors, planning abilities, and facilitating factors (Yeoh & Calantone, 2012). These six criteria are referred to as the "core competences" that distributors must possess in order to effectively represent overseas markets.

2.4 Strategic tools in purchasing technical goods

2.4.1 Purchasing power

According to (Heggde & Kumar, 2011), The worth of items that can be purchased with a particular quantity of a currency is measured by purchasing power. Purchasing power

is a relative indicator that is most useful when looking at trends across time. For example, if one ringgit can purchase five apples for one ringgit at one point in time, but one ringgit can only buy four apples a year later, the ringgit's purchasing power has dropped over time. Inflation is the number one opponent of buying power across the economy. Inflation is the gradual increase in prices across all sectors of an economy, lowering the buying power of fixed assets and current income levels.

Inflation, according to Investopedia, is neither beneficial nor negative. It is a constant reality that must be counterbalanced throughout time by increases in wages, interest rates, and other things. In times of deflation, when prices fall across the board, relative buying power theoretically rises. Deflation, on the other hand, can be triggered by unfavourable economic factors that lower buying power. The Consumer Price Index (CPI) is a tool used in economics to track price changes for regularly purchased commodities and gauge buying power. Employment levels and average earnings, according to (Bandyopadhyay, 2010), may have a huge impact on the economy's purchasing power. In general, the more individuals who are working and make more money, the more flexible income they will have to spend across the economy. Rather than generating a comparative shift, employment considerations impact overall buying power. Employment may not always lead to a stronger currency, but it does put more money in the hands of consumers, improving commercial and tax collections. A prominent indicator of economy-wide income levels for consumers and companies is per capita Gross Domestic Product (GDP), which is determined by dividing GDP by population.

2.4.2 Buying power

According to (Tyagi, 2015), shifting exchange rates have an impact on buying power when compared to other currencies. Goods in the second country will be more expensive in the first country's currency as one country's currency devalues against another. This fact does not necessarily influence purchasing power for local purchases, but enterprises that rely on suppliers in the second nation may see significant increases in the price of imported items. Consumers may bear the brunt of these enterprises' greater expenses, adding to inflation and a loss of domestic buying power. In the same way that greater earnings and employment levels affect total buying power, banks' propensity to lend money to individuals and companies has an impact on total purchasing power.

Consumers and businesses can use a line of credit to spend more than they have, providing a constant, ever-present boost to their own spending power. Lenders gain from credit agreements because they collect interest revenue, which allows them to spend more money in the economy, increasing per capita GDP. According to (Kahn et al., 2010), supply and demand is a basic economic theory referring to the amount of products or services offered by businesses versus customer demand. When enterprises create more consumer products or services than are consumed, supply grows. A rise in supply usually results in a drop in consumer prices. Companies drop prices to eliminate unsold inventory and recoup business costs associated with consumer goods development or manufacture. Lower consumer costs allow people to buy more products or services for less money.

2.4.3 Greater supply

Ib Higher consumer prices are generally the consequence of a combination of strong consumer demand and insufficient supply. Higher consumer prices suggest that more money is needed to buy the same amount of products or services. Consumer purchasing power is heavily influenced by credit. In the absence of sufficient cash, consumers frequently utilise credit to acquire large-ticket things. Consumers in high-inflation nations must spend more cash to buy the same amount of products. Inflation can also diminish the amount of money saved by consumers and the amount of passive income generated by different company or economic ventures.

2.5 Proposed Research Framework

Based on the literature evaluation, the following study framework, depicted in Figure 1 has been developed :

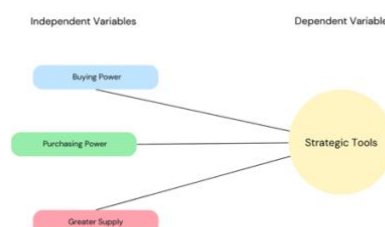


Figure 2.5 : Proposed Research Framework

2.6 Hypotheses

The following are the hypotheses in this study:

Hypothesis 1 (H1) : The factors of buying power will significantly improve strategic tools in technical goods

Hypothesis 2 (H2) : The factors of purchasing power will significantly improve strategic tools in technical goods

Hypothesis 3 (H3) : The factors of greater supply will significantly improve strategic tools in technical goods

2.7 Summary

In this chapter, the researcher have discussed on the efficiency of technical goods in channel of distribution. The proposed research framework consists of dependent and independent variables. This also revealed the connected idea and variables, which were subsequently linked to the degrees and aspects of the investigations' components. The data would be beneficial later in the investigation since it would be used during the data collecting stage and assessment to match the overarching purpose of this research.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the researcher will discuss about the methodologies used to collect the data and information for this research. In the beginning, the explanatory research design is formed to explain the relationship between the variables. The quantitative method is selected in methodological choice. The data sources came from primary and secondary data. The coming sections to be discussed are the research location, research strategy, time horizon, reliability and validity and data analysis method. The outcomes of this research can be better evaluated and understood with these research methodology procedures.

3.2 Conceptual Framework

The aim of this study is to look into the relationship strategic tools, as well as the channel of distribution in buying power, purchasing power and a greater supply. The independent variable (IV) is the one being evaluated to see how it affects the dependent variable (DV).

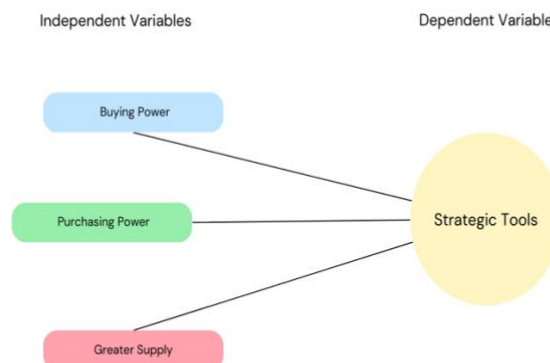


Figure 3.2 Conceptual Framework

3.2.1 Hypothesis of Study

Hypothesis 1 (H1) : The factors of buying power will significantly improve strategic tools in technical goods

Hypothesis 2 (H2) : The factors of purchasing power will significantly improve strategic tools in technical goods

Hypothesis 3 (H3) : The factors of greater supply will significantly improve strategic tools in technical goods

3.3 Research Design

The broad concept for how the researcher would approach addressing the study questions is known as research design. It is made up of specific goals obtained from the study questions. It also defines the data sources from which the researcher intends to acquire information, as well as the method by which the researcher intends to collect and analyse the information. The ethical difficulties and limits that the researcher will unavoidably face, such as access to data, time, location, and money, are discussed next in study design (Saunders et.al, 2016).

The research study might be exploratory, descriptive, explanatory, evaluative, or a mix of these types of projects. An exploratory investigation is used to better understand a problem, topic, or phenomena. A descriptive study is used to provide a detailed profile of events, people, or circumstances. The goal of an explanatory study is to learn more about a scenario or an issue in order to better understand the connections between variables. An evaluative research is used to assess the efficacy of a commercial or organisational strategy, policy, programme, initiative, or procedure.

A random sample of 11 top management individuals who were previously familiar with the strategic tools for buying technical goods was chosen for the study previously. The results of this study were important in deciding the distribution channel that technical products businesses would adopt as a strategic instrument. Descriptive research is frequently used to acquire data on subjects (such as individuals, firms, or brands), situations, or conditions (such as a study) (Sekaran & Bougie, 2016). Giving a detailed account of a particular circumstance, person, or event is the aim of descriptive research. (2017) Saunders

et al. This study focused on distribution channels as tactical instruments for buying technical items. The profitability of technical products firms would be affected.

3.3.1 Justification of Study

This study employed a case study research technique, which is defined as "a research approach based on interviews used in a postgraduate thesis involving a body of knowledge." Many academics have recognised the reason for using this technique to determine the efficacy of channel distribution in acquiring technical goods. The case study method is an excellent way to investigate the effectiveness of technical products interactions between distribution channels.

3.3.2 Deductive of Study

The researcher formulates a set of hypotheses at the outset of the inquiry in deductive studies. The hypotheses are then tested using appropriate research methodologies to determine if they are correct or incorrect.



Figure 3.3: Deductive Approach by Huygens in 1629

3.3.3 Quantitative Study

For research design, there are quantitative, qualitative, and mixed methodologies methodological options. In a quantitative approach, a questionnaire is used to gather data, and graphs or statistics are used to analyse data in a procedure that creates or uses numerical data. While a qualitative approach includes an interview as a data gathering technique and categorises data in a data analysis procedure that creates or uses non-numerical data, a