

Channel Management for Household Products Companies in Nigeria

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Abstract

If the nature of a product is not properly considered, wrong distribution network and channel management may be adopted which will make the channel ineffective and the objectives will not be achieved. Efficient distribution of goods and services in Nigeria is a major problem especially as it relates to household goods. This problems are mainly due to non-availability of adequate and reliable market information on the taste, demand pattern and preferences of consumers to the producers and partly due to inadequate infrastructural facilities that should facilitate an efficient channel system which leads to locational surpluses of some of these household goods and services in some areas and short supply in other locations. However, the main objective of the paper is to highlight the problems associated with the channel distribution management of household products and recommend appropriate solutions. The method used for data collection is secondary data and the paper is majorly a theoretical explanation. In the final analysis, determining which mode of channel management approach to employ depends greatly on the level of sophistication that obtains in any market place and the resources at the disposal of the organization concerned.

Introduction

A Channel of distribution is the pathway through which a firm's products are made available to its target market. Nigeria operates a mixed economy with both public and private ownership of business enterprises. A very important aspect of channel management/distribution network as it relates to companies in the household industry that is often neglected is the criteria used in choosing those who participate in the organization's channel of distribution system.

Consequently, the market for these products are found in all the villages, town and cities in Nigeria as there is a growing demand for them and as they are continuously needed for bath, washing, cooking, eating seasoning, convenience and laundry activities.

Statement Of The Problem

The problem of inefficient distribution of goods and services in Nigeria is on the increase. This problem is mainly non-availability of adequate and reliable market information on the taste, demand pattern of the consumers, improvement trends in quality and company's operational performance in relation to other competitors, and also due to inadequate infrastructural facilities that should facilitate an efficient channel system. All these culminating in poor products and services made available to the external/final consumer. You see, there is a widely held belief that organizational effectiveness can be achieved if only workers would do their job correctly, so also channel/distribution management which will bring about workers and customer satisfaction.

Objective Of The Study

The Objectives of this study are:

- a. To identify the importance of channel management in marketing.
- b. To highlight the problems associated with the distribution management of household products and recommend appropriate solutions.
- c. To assess the effectiveness of these channels in marketing system and
- d. To investigate the cause of stock out if any within the channels.

Conceptual/Theoretical Framework

Assael (2007: 18) defines channels of distribution as "the network through which marketing organizations move their products to their customers.

To Nwokoye, (2004:131) distribution is the process of making goods physically available to buy thus bridging the gap of space and time between production and use or consumption of a commodity or product.

According to the marketing Association (1968:31) for most products, a direct relationship between the manufacturer and the final user does not and cannot exist. A firm catering for millions of customers cannot possibly be in direct contact with all of them. The choice of what distribution channel to use therefore becomes paramount since the objective is to make products available as and when needed for ultimate purchase. Regardless of how fantastic your products are, if it is not available at the point of purchase it cannot be brought.

Channel Management According to Stanton, (1997:420) is the development and operation of process resulting in the effective and efficient physical flow of products. Household Products according to Kotler (2006:276) can be referred to as convenience goods. Consumers' products that the customer usually buy frequently and with minimum search for information. Goods like soaps, biscuit, canned foods, drinks, jelly air freshener disinfectants toiletries to mention but a few.

Furthermore, Burton and Edward (1979:51), said "distribution refers to the network of channels and institutions that facilitates marketing exchange". Though Schewe and Smith (1980:433) are of the view that distribution is not a matter of moving products into the hands of consumers only, it involves the movement of the products through all stages of development from resources to procurement through manufacturing to final sales.

Consequently, Adeleye (2005:174) opined that distribution is crucial to marketing, for without good distribution, no single product would reach the ultimate consumers. He further stressed that distribution is not only a matter of ensuring that products reach the hands of consumers but that the raw materials must be moved physically with a view to attaining the goal of proving potential satisfaction to ultimate consumers. Distribution is an important marketing function aimed at getting the right product to the right market segment at the right quantity and at the right time. Its activities include, transportation, inventory management, warehousing.

According to Kotler and Armstrong (1996:389), distribution channel is a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user. Distribution channel management means the management of movement of goods and services from the products to consumers. It overcomes the major time, place and possession gaps that separate goods and services from those who would use them. According to them, members of the marketing channel perform many key functions, some of which helps to complete transactions includes: Information, promotion of sales, contacts, matching, negotiation, physical distribution, risk taking.

Also, Etzel et'al (2006:41) humanistic view explains physical distribution management as consisting of all the activities concerned with moving the right amount of the right products to the right place at the right time. In addition, Kotler (1984:591) defines distribution management as involving planning, implementing, and controlling the flow of materials and final goods from points of origin to points of use to meet consumers need at a profit. He further said that the main element of total distribution management cost are transportation (46%), warehousing (26%), inventory carrying (10%), receiving and shipping (6%) packing (5%) Administration (4%) and other process (3%). Distribution according to him is not only a cost; it is a potential tool in competitive marketing. Companies can attract additional customers by offering better services or lower prices through physical distribution improvements.

Nwokoye (2004:161) added that channel/distribution management or logistics is also concerned with the efficient movement of raw materials from suppliers and finished goods from the end of production line to the customers.

A starting point in the design of channel management system by the producer is to set a customer service standard. This has a number of dimensions and the most important is the time it takes to get merchandise to the customers like delivery time. It should be noted that decisions that leads to cost reduction in one activity area such as transportation may lead to a cost increment in another area like inventory. An important strategy in logistics design therefore is to arrange all the required activities so as to minimize the total cost of providing desired level of customers' service.

The belief of Lancaster (2003:248) upholds that channel distribution management as the inter-relationship of all the factors which affect the flow of both goods and services necessary to fulfill orders. This flow starts when the customer decides to place an order and ends when the order is delivered to the customer. He further stressed that physical distribution involves not only the actions required to fill a particular order but, also the actions to prepare one to meet needs.

Departments In Household Products Companies

The following departments are found in household products companies in Nigeria. They are:

1. Marketing department
2. Sales department
3. Accounts department
4. Operations department and
5. Administrative department.

1. The Marketing Department:

In marketing department performs several functions in a company as this. Such functions include:

Forecasting which means requiring making realistic sales projections on the basis of which annual sales target can be developed for the different segments of the national market.

The marketing department also scans economic trends and political developments that are likely to influence the sales of the company products whether positive or negative. This department also initiates programmes to capitalize on such developments, optimize the opportunities and minimizes the threat therein.

Adeleye (2005:4) defined marketing as constituting all activities aimed at identifying and satisfying customers need through beneficial exchange with target market.

To Appleby (1996:262), Marketing is the creative management function which promotes trade and employment by assessing consumers' needs and initiating research & development to meet them. He added by saying "marketing provides the match between the organizations, human financial and physical resources and the wants of customers.

2. Sales Department:

The Sales department is saddled with the responsibility of selling the products of all the unit companies. The National Sales Manager heads the department. There are four (4) Area Sales Managers, four (4) Field Sales Managers and other Supportive Sales Staff as indicated on the Organizational structure of the company.

According to Kotler (2000:52), Sales Unit performs all the activities involved in selling goods and services directly to final consumers for personal, or business use.

3. Accounts Department:

The department is headed by the marketing accounts controller with other supportive Staff. The department is generally responsible for financial monitoring and controlling of the company. The Accounts department monitors the going out and coming in of financial matter.

4. Operation Department:

This department is headed by the Assistant Operations Manager. The main function of operation department is to ensure that the factory work is in order production is going on as supposed and the availability of trucks for the purpose of transporting finished goods from the various factories of the organization to the various depots.

5. Administrative Department:

The Administrative department is headed by the Assistant Administrative Manager with other supportive Staff. The department is responsible for the recruitment, training and development of Staff in order to achieve the laid down goals and objectives. This department also sees to the welfare of all the employees and general administration of the company.

It is imperative therefore that company determines the requirements of their products visa—vise the most suitable distribution channels and put it in place.

Assael (2007:18) defines channel of distribution as "the network through which marketing organizations move their products to their customers.

Nwokoye (2004:131) added that channel management is a process of making goods physically available to buyers, thus bridging the gap of space and time between production and use or consumption

Household Product Distribution Channels

There are two significant channels for which these household products are distributed. These channels are: Whole selling and Retailing.

According to Burton, (2007: 78-89) Whole selling is a part of product distribution channel which manages the purchase and sale of goods in large quantity from the manufacturer to the retailers. In other words the wholesalers are the intermediaries in a distribution channel between the product makers and the product sellers.

Burton (2007:89) went further to assert that retailing is the sale of goods and services in small quantities to the ultimate consumers and it constitutes the final link in the distributive chain.

In many instances however, it is difficult to know exactly where manufacturing ends and retailing begins owing to the assumption of retailers' functions by organization that are not usually considered to be retailers.

However, Marcus Edward (2007:3), differentiated manufacturers from sellers via their activities and responsibilities. In his view; manufacturers are the producers of the product in question while sellers (wholesalers and retailers) are the marketers of the said product.

Distribution Channel Management

To ensure adequate delivery of goods to customers three strategies are often employed by the manufacturer according to Stanton (1981:343). These strategies are outlined as follows:

- i) The first strategy according to Stanton is that which products are intensively stocked using as many outlets as possible to distribute the goods from the manufacturer to the final consumers. This indicates that many wholesalers and retailers will be involved in the product distribution.
- ii) Another strategy is that which makes use of a few wholesalers and retailers for the distribution of their goods. In this type of distribution channel, special and industrial products which customers have strong and hard preference for.
- iii) The third strategy for distribution of goods and services is that which involves the use of exclusive wholesalers and retailers to distribute the products in a geographical area or market.

Problems Of Distribution Channel Management Of Household Products In Nigeria

Distribution channel management requires logical planning. That is, integrated planning of all transportation storage and supply policy. Kotler (1980:451-452) states that "there is evidence to show that uncoordinated physical distribution decision results in profit sub optimization. Not enough is being made of modern decision tool for blending economic shipment.

The problem is that of having the right product in the quantities and at the right places at the right time. It is not sufficient that products capable of satisfying human wants exist yet, they do not serve the purpose for which they were manufactured unless consumers are able to obtain them when and where they are needed. The following recommendations were made.

Recommendation

This study wishes to make recommendations which will go a long way to help in achieving the goals of household products companies in general and Nasco Nigeria limited & Gongoni Nig Ltd & Cadbury Nig Ltd in particular in the channel management and distribution business.

These recommendations are:

- Distribution Channel modification must be performed periodically because of the ever changing market environment like increased activities of competitors, changes in demand, customer preferences and taste etc. No channel system can be said to be the best, each channel alternative has its own advantages and disadvantages depending on the target market it is used for.
- The household companies should be actively involved in directing and co-coordinating the distribution channel members in established channels. The activities of the channel members should be monitored, which means the movement of the products are monitored as well
- Cordial relationship must be initiated and maintained with distribution channel management members especially since distribution can not be effective & efficient without them. Adequate attention should also be paid to advertising its products, merchandising, competitive pricing, good margin allowance and other promotional incentives relating to these activities like bonus offers, gift to store managers, trade incentives and so on.
- The company should avoid being partial to some customers as against other. All distribution efforts have the end result of attracting customers to return for a repeat purchase.

- Distribution channel should be given same trade discount all over as this can easily affect market price of the same type of products.

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