



VAASAN AMMATTIKORKEAKOULU
UNIVERSITY OF APPLIED SCIENCES

Aminat Taiwo Odupitan

UNDERSTANDING THE DISTRIBUTION CHANNELS OF FAST MOVING CONSUMABLE GOODS (FMCG) OF FOOD INDUSTRY IN NIGERIA

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VAASAN AMMATTIKORKEAKOULU
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Nigeriassa nopean liikkuvan kulutushyödykesektorin (FMCG) ala on yksi maan suurimmista sektoreista, eikä sen vaikutusta talouteen voida jättää huomiotta. Tämä ala on erittäin tärkeä elintarviketeollisuudessa, mikä tekee tästä tutkimuksesta keskittymisen jakelukanaviin. Tässä tutkimuksessa keskitytään myös haasteisiin, jotka liittyvät jakelukanaviin.

Tämän tutkielman tarkoituksena on auttaa ulkomaisia sijoittajia, jotka investoivat elintarviketeollisuuteen, opiskelijoihin ja yritysten myyntiedustajiin, ymmärtääseen FMCG:n Nigeriassa toimivien yritysten jakelukanavaa. Käytetään markkinoinnin jakelukanavien teorioita, jotka kerätään eri lähteistä, kuten kirjoista, artikkeleista ja lehdistä

Tutkimukseen kerättiin tietoa sekä kvalitatiivisin että kvantitatiivisin tutkimusmenetelmin. Tämän tutkimuksen osallistajat valittiin satunnaisen näytteenottomenetelmän avulla. Tutkimuksen kohteena olivat FMCG-yritykset Lagosin teollisuusalueella ja vastauksia kerättiin FMCG-yhtiöiden johtajilta / jakeluhenkilöstöltä, myyntiedustajilta, kyselylomakkeilla ja puhelinhaastatteluilla. Luotettavuus- ja pätevyystestejä tehtiin selvittämään tässä tutkimuksessa käytettävien tietojen täsmällisyys.

Tämän tutkimuksen tulokset osoittivat, että FMCG-yhtiöiden käyttämät jakelukanavat ja niihin liittyviä ongelmat, joihin sisältyy maksuhäiriöitä, varastettuja tavaroita, huono infrastruktuuri, väärennettyjä tavaroita markkinoilla, laatuongelmat,

syrjivät kauppatarjoukset, myyntihenkilöstön riittämätön koulutus, talouden luonne, etc.

Tutkimustulosten analyysi osoittaa, että nämä jakelukanavat saattavat vaikuttaa FMCG-yhtiöiden kannattavuuteen, myyntivaihtoon, markkinaosuuteen, tuottavuuteen ja tuloihin. Lisäksi FMCG-yhtiöiden on oltava halukkaita valvomaan alueensa hallintoa, liiketoiminta-asemaansa, taloudellisia valmiuksiaan ja infrastruktuurin noudattamistaan jakelustrategioidensa tehokkuuden varmistamiseksi.

VAASAN AMMATTIKORKEAKOULU
UNIVERSITY OF APPLIED SCIENCES
International Business

ABSTRACT

Author	Aminat Taiwo Odupitan
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The Fast Moving Consumable Goods (FMCG) sector in Nigeria is one of the largest sectors in the country and its contribution to the economy cannot be overlooked. This sector is highly important in the food industries which makes this study to focus on its distribution channels. This study also focus on its challenges that is related to the distribution channels.

This study aimed to help foreign investors that are investing into the food sector as well as students, and sales representatives of the companies to understand the distribution channel that is used in the sector by FMCG Companies in Nigeria. Some theories of marketing distribution channels are used and which are collected from different sources such as books, articles and journals.

Both qualitative and quantitative research approach was used to elicit the information required for this study. A random sampling method was used to select the participants of this study. The study population in this study were FMCG companies in Lagos industrial area and managers and distribution staff of FMCG companies. Questionnaires and phone interviews were used to obtain information from respondents. Reliability and validity tests were conducted to ascertain the precision of the data tools used in this study.

The findings in this study revealed the types of distribution channels that are used by fast moving consumable goods companies and some of the problems encountered the problems which include; defaults in payment, stolen goods, poor infrastructure, presence of counterfeit goods in the market place, quality issues, discriminatory trade offers, inadequate training of sales personnel and etc.

The analysis of findings in this study suggest that these distribution channels may affect the profitability, sales turnover, market share, productivity and revenue generated by FMCG companies. Furthermore, FMCG companies must be willing to monitor their territory management, business status, financial capability and infrastructure compliance to ensure the efficacy of distribution strategies.

Keywords

Distribution Channels, Challenges

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Abbreviations

- FMCG** - FAST MOVING CONSUMABLE GOODS
- CSR** - CORPORATE SOCIAL RESPONSIBILITY
- RTM** - ROUTE -TO- MARKET
- KPMG** - KLYNVELD PEAT MARWICK GOERDELER
- NSE** - NIGERIA STOCK EXCHANGE
- P&G** - PROCTER AND GAMBLE
- NAFDAC** - THE NATIONAL ADMINISTRATION FOR FOOD AND DRUG ADMINISTRATION AND CONTROL
- SON** - STANDARD ORGANIZATION OF NIGERIA
- NDCs** - NATIONAL DISTRIBUTION CENTERS
- CBN** - CENTRAL BANK OF NIGERIA

1. INTRODUCTION

The food sector in Nigeria is one of the leading sectors in the Fast Moving Consumable Goods (FMCG) industries, it is a sector that helps the country to generate revenue and makes the companies profitable. Distribution plays a vital role in the growth of any industry. Industries producing goods or services deliver the products it is offering to their customers as a function of the distribution channel and the transport chain of an industry must include distribution which is to deliver goods or services to the consumer.

Distribution in the food sector, is the handling and moving of physical goods within the industrial firms and through channel systems. (McCarthy, 1968, 1978). The vital role of distribution is to contribute to the satisfaction of a customer and cost reduction. The basic and most primitive form of economic organization is the self-sufficient community in which overall standard of living or quality of life depends directly upon the abilities, skills and resources available to the community. (Baker, J, 2007). Channel strategy refers to the broad principle through which a firm sees to achieve its distribution objectives (Bakers, J 2014).

Distribution channel is the strategy the industries use in transporting goods/services to the consumer through different means. This strategy has increased the importance on the part of partnership and alliances between the manufacturers, wholesalers/distributor and consumers in Nigeria. Distribution in Nigeria is mostly done through the wholesalers or distributors.

Fast moving consumable goods (FMCG) are also known as the consumer packaged goods sector. FMCG can be described as products that generate a quick turnover at a low cost (KPMG International, 2016). FMCGs are considered to be the engine for economic growth and development in developing countries. Other benefits of the FMCG sector include increase in employment, capital savings and poverty alleviation (Friday *et al.*, 2011). The FMCG sector can be classified into three categories:

- Household care

- Personal care
- Food and beverages

Fast moving consumable goods (FMCG) companies can either be established in a small, medium or large scale; they all play a vital role in the development of the Nigeria economy irrespective of their levels (Lagos Business School, 2016).

1.1 Research Objectives

The main objective of this research is to investigate the challenges of distribution encountered by the food sector in Nigeria. This thesis will look at the various distribution channel available and their suitability to the food industry in Nigeria. The specific objectives of this study include the following:

- Examining distribution channels that are available.
- Identification of the challenges encountered by the distribution channel of food industries in Nigeria.
- Investigation of the effects of such challenges on the distribution of food in Nigeria and neighboring countries.
- Provision of likely solutions to efficient distribution channels in the Nigerian food sector.

1.2 Research Problems

The objective of this study is to discuss the distribution channels that are in use in the food industry in Nigeria and the challenges in the distribution channels that are faced by the food industry in Nigeria. Due to the increase rate of inefficiency in the distribution of goods in the FMCG industries this study will focus on the types of channels of distribution, the challenges that are related to it in the industries and the possible solutions in order to reduce the problems for a better growth of the FMCGs industries.

The food sector in Nigeria has been thriving over the years, thanks to the large population in the country, which helps to generate sales growth to various food industries. There has been a constraint on the consumption of food recently due to inflation. This has made the prices of transport rise sharply and is affecting the purchasing power of the consumers.

Many manufacturers face different channels through which they meet with their products delivery on time at the target market. Nonetheless, the Nigerian FMCG sector still encounter various distribution challenges to its improvement. These challenges have resulted in the reduced contribution of the FMCG sector to the Nigerian economy. The findings documented in the existing literature report that distribution challenges are encountered by FMCG sectors in both developed and developing countries (Stevenson, 2000; Holt, 2005). The adoption of effective distribution strategies is crucial to the improved productivity of FMCG industries (Truell, Webster & Davidson, 1998; Upton, Teal, & Felan, 2001). Companies that have successfully incorporated innovative strategies for improved distribution of goods have increased sales compared to those experiencing challenges in their distribution channel (Timmons, 2002; Trolt, 2004). Hence, this research aims to evaluate the various challenges encountered by the distribution channel of FMCG industries in Nigeria.

The thrust of this research emanated from the following questions:

1. What are the challenges encountered by the distribution channels of food industries in Nigeria?
2. What strategies have been adopted by food companies to tackle distribution challenges?
3. What are the effects of such challenges on the production and distribution of food in Nigeria and its neighboring countries?

1.3 Significance of the study and Limitations

This study will shed light on the different challenges encountered by the Food industries in Nigeria. It will also explore the effect of the strategies adopted to tackle the challenges

in the distribution channel of Nigerian Food Companies. An understanding of the distribution challenges encountered by the FMCG sector is quintessential to developing solutions to them. Consequently, this will enhance the efficacy of the distribution channel and boost the productivity of Food industries in Nigeria.

This study will offer guidelines to manufacturing companies, other sectors in the FMCG industries, marketing companies, small and medium scale manufacturers, foreign investors, sales representatives, franchise companies when moving their goods from the company to the distributors, retailers and finally to the consumers.

Some limitations were encountered during the course of this study. These include difficulty in the collection of primary data which are:

1. Limited information on the topic.
2. Unwillingness of participants to disclose their identity and certain facts about their industry.
3. Limited access to required offices for interviews.

1.4 Structure of the study

This study is divided into five chapters. The first chapter focuses on the introduction aspect of the topic, the research objectives, the research problem, significance of the study and the limitations. Chapter Two discusses briefly the Nigerian history and that of the FMCG industries, then the literature review with respect to the distribution channel.

Chapter Three explained the research methods, it further explains the methodology and the sources of data. Chapter Four examines the data and its analysis of the findings. The last chapter contains the summary, conclusions, recommendations and suggestions for further studies.

2. DISTRIBUTION CHANNELS IN NIGERIA

This chapter will focus on the various literature sources about the distribution channel in the food industry in Nigeria. Literature of previous reviews will help in analyzing the strategies of the distribution channels. This chapter will also focus on the definitions of fast moving consumable goods (FMCG), types of FMCG, constraints of the FMCG sector and the existing literature on FMCGs in Nigeria.

2.1 Nigerian History

Nigeria is a large country which occupies about 923,768km square in West Africa. It shares border in the south with the Atlantic Ocean and with the Republic of Benin in the West, Republic of Niger in the North and in the East it shares border with Republic of Cameroon. It was estimated with a population of 186 million in 2016 based on the National Population Census and it is the most populous country in Africa.

The country is dominated by three major ethnic group- Hausa, Igbo and the Yoruba. The Hausas are in the Northern part of the country, the Igbos are in the Eastern part while the Yoruba's are in the Western part. There are other ethnic groups but most are classified under the three ethnic group.

2.2 Background study of Fast Moving Consumer Goods (FMCG)

FMCG can be defined as an essential or non-essential good that is frequently purchased. Examples include soft drinks, food, toiletries, and disposable diapers amongst others (Ray, 2012). According to Majumdar (2004), Fast-Moving Consumer Goods (FMCG) (a.k.a. Consumer Packaged Goods) can be defined as products that are sold within a short period of time at an affordable price. Examples of such products include non-durable goods like toiletries, food, processed foods and other consumable products. Another author defined FMCG as a consumables that are quickly sold and purchased interchangeably at the convenience of different consumers (Ray, 2012). Consumers often switch brands if the product is not available in a particular brand (Majumdar, 2004).

FMCG is a major constitute of the budget of consumers. The goods are frequently supplied to different households. FMCG has attracted the interest from both policy makers and consumers; this is to ensure that quality consumables are made available at an affordable cost (Celen *et al.*, 2005). The purchase of fast moving consumer goods is made at different grocery stores, hypermarkets, supermarkets, and other locations (Celen *et al.*, 2005).

2.3 Food Industry in Nigeria

Nigeria is considered to be the biggest consumer market in Africa (World Bank, 2008). The country is made up of a population of approximately 170 million individuals. More than 70% of the total population are below the age of 30 years. It is projected that the population will double to 326 million in the year 2050 (World Bank, 2008). Nigeria has eight anchor cities with a population of more than one million. Such cities exhibit a huge potential for investment and consumption activities in future. Additionally, there has been an increase in the number of fast moving consumable goods (FMCG) industries in the country. The FMCG sector has experienced a 10% increase from the year 2000 to the year 2010. Over the decade, the contribution of this sector to the country's GDP increased enormously from 13% to 24.3% (World Bank, 2010). The predominant consumers in Nigeria's retail scene are low income consumers (Herkemij, 2009). This provides diverse opportunities for different FMCG industries in the country. A major trend in the FMCG sector is the gradual increase in consumer purchasing power. The increase in trade up along the value chain has also resulted in an increase in profit margins. Retailers have been taking advantage of this trend by selling non grocery items to consumers. Majority of the different categories of FMCG products have continued to perform well in the Nigerian market (KPMG International, 2016). During the period of 2009 to 2014, there was a significant increase in the growth rate recorded for the market of packaged foods. The packaged food market is very competitive; a market share of 10% is allocated to one company. Categories such as bottled water are also doing well in the soft drinks market. The increase in demand for bottled water is due to poor access to safe potable water as

well as the increase in urban consumers (KPMG International, 2016). The various key players in the different categories of the FMCG sector are shown in Table 1

FMCG Industries	Food and beverages	Personal care	Household care
Example of Products	Cereal, bottled drinks, staple beers, pastries, energy drinks, etc	Skin care, make up, oral care and medicines	Laundry care, electronics, Furniture
FMCG Industries	Nasco, Kellogg's, Nestle, Dangote, Chi Limited and etc.	Coca Cola, Pepsi, Nestle, Cadbury, Guinness Breweries and etc	P&G, Unilever, PZ Cussons, SAB furnitures, Samsung, LG
Distributors	Shoprite, Game, Spar (Park' n' Shop), Price Supermarket, Ebeano, Ariya Stores, Just Rite, Grand Square, CityDia amongst others	Shoprite, Game, Spar (Park' n' Shop), Price Supermarket, Ebeano, Ariya Stores, Just Rite, Grand Square, CityDia amongst others	Shoprite, Game, Spar (Park' n' Shop), Price Supermarket, Ebeano, Ariya Stores, Just Rite, Grand Square, CityDia amongst others

Table 1: Key players in the Nigerian FMCG sector. Source: Lagos Business School, (2016).

2.4 Constraints of Food Industry in Nigeria

In spite of the huge potential available for the growth and development of the food industry in Nigeria, the sector still encounters several challenges. The fast moving consumable goods (FMCG) industries is one of the largest sector in Nigeria. Despite its benefits to the development of the Nigerian economy, its total contribution is still considered to be below expectation. The Nigerian Fast Moving Consumer Goods (FMCG) sector has encountered several challenges in the last three years and there has been no significant improvement in the sector till date. The challenges are due to unfavorable macro-economic factors in the country including depreciation of the country's currency, the delayed response of the government to the devaluation of the currency, delayed appointment of ministers to control the affairs of the economy, delayed payment of workers' salaries and dwindling oil prices (Lagos Business School, 2016). The major factors attributed to its low contribution may be as a result of the different challenges encountered by the fast moving consumable goods (FMCG) companies (Lagos Business School, 2016). These challenges can be categorized into two factors:

- **External factors:** these include inadequate and inefficient infrastructural facilities, political, social, and economical factors, competition, consumers and suppliers, market trends and market structure.
- **Internal factors:** these include challenges in the sales and supply chain, logistics and distribution, sales promotion, marketing (events/media), payroll, bribery and corruption, lack of properly trained workers, operations and management

2.5 Distribution Channel

The distribution channel, can also be called marketing channel or channel of trade, is the frame system of the distribution. The characteristic of the distribution channel is the realization of the exchange of goods, money and information between the actors of the market (Fernandez, Mary J, 2008). This is simply defined as a way or process moving the goods

from the manufacturer to the consumer. Improvement in the efficiency of such communities occurs when the members recognize the benefits of task specialization in increasing both productivity and the quality of output and adopt basis for exchanging surpluses in excess of the producer 'sown needs. (Baker, J, 2007). When there is an improved ways of distributing finished goods to the consumers, it also facilitate people movement and raw materials. Technology development has greatly helped in the industry from the production stage and labor where raw materials and translated to finished goods.

2.6 Objectives of distributing channel

According to Fernandez, Mary (2008), the term objectives can be defined as desired future conditions or the striving for certain future situations. The food companies in Nigeria derive their distribution policies from the objectives of their marketing strategy and imply to the following;

- To make product available in the market for the target users
- To increase the prospect of sales
- Satisfaction with relevant distribution strategy
- Great performance of services.
- To reduce transport and other costs.
- A good flow of feedback of information about products, sales and distribution from customers.

2.7 Distribution Channel Layer

The distribution channel consists of organizations on three different levels, the producer, the middleman, and the end user level. (Rosenbroijer, Carl-Johan, 1994).Channel used in distribution varies differently in many literatures the distribution channel is also considered to be a way where offered goods of a manufacturer are distributed to the consumer but the channel mostly used in the food industry in Nigeria is the physical distribution channel which can in either be in these various ways;

- The manufacturer has its own channel for distribution
- The manufacturer distribute directly to the consumers
- The manufacturer can also use a third party.

2.7 Types of physical distribution channel types

Physical distribution channel is the term used to describe the method and means by which a product or group of product are physically transferred or distributed from their point of production to the point at which they are made available to the final consumer. (Baker, J, 2007). When it comes to food and beverages, the end products is at the retail shop, and sometimes it ends at the final consumer's premises due to the channel that was used when the item was purchased.

According to Philip Kotler, physical distribution “involves planning, implementing and controlling the physical flows of materials and final goods from place of production to the place of end use to satisfy buyers' needs”. There are several alternative physical channels distribution that can be used, and a combination of these may be incorporated within a channel structure. (Rushton, A, Crocher, P, and Baker, P, 2014). The producer have access to use different intermediaries to convey goods to the consumers.

The major physical distribution tasks are warehousing, inventory management and logistics. Each of these tasks needs to be managed to ensure proficient delivery of products. (Kotler et al. 912).

Warehousing	Customers expect their products to be available upon short notice with short delivery times, so companies are pressured to have goods in stock that require storage space.
Inventory	Managing inventory is challenging, as companies do not want to maintain excessive inventory, but at the same time, deficit in inventory will result in loss of sales and dissatisfied customers.
Transportation	Products are transferred to final destination by road, rail, water, pipeline or air, depending on the urgency of delivery, product physical attributes and transportation costs.

(Kotler et al. 2008, 912-915)

Table 2: physical distribution task

The aim of the physical distribution is to arrive at a competitive predominant and a good cost value ratio of the transport goods. The transportation can be carried out by the manufacturer, the retailer, the distribution aids such as forwarders or by the consumers. All the parties involved in the physical distribution form together a distribution system.

2.8.1 Direct distribution channel

The direct channel distribution figure above shows the breath and length of the channels, this breadth describes the number of parties involve in the distribution level. The length shows the different levels of the parties e.g. the distributors and the marketing department. The distribution length is the construction for the flow of products, information and cash transaction between the manufacturer, wholesalers and the consumers.

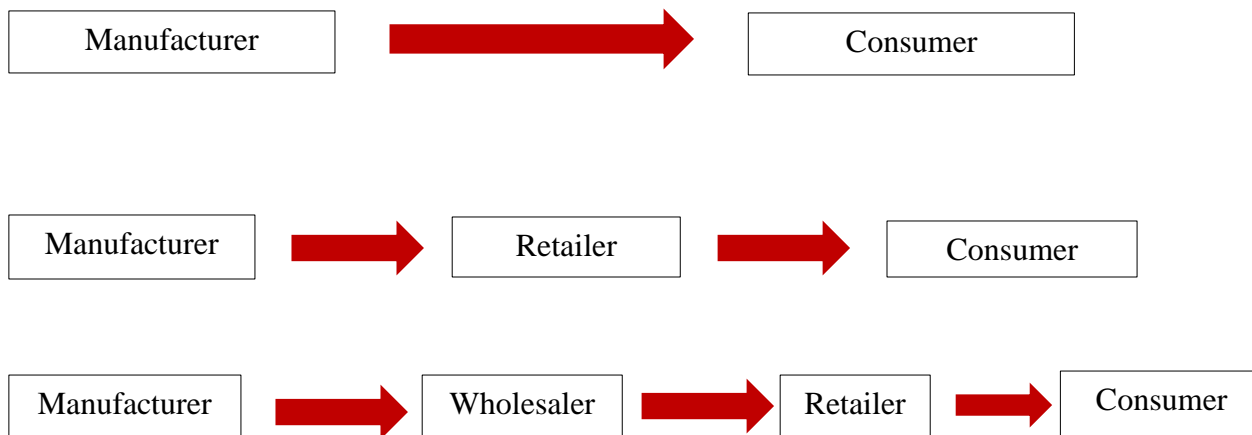


Figure 1: Direct Channel distribution in Nigeria

2.8.2 Indirect distribution channel

The indirect distribution involves that the manufacturer reaches the end-consumer via detour since he works with the support of intermediaries (Fernandez, J. 2008). The manufacturers' focuses on the intermediaries who are acting in between the manufacturer and the consumer are independent in both economical and legal aspect that do not belong to the manufacturers company. The indirect can be divided into two levels:

A one-level/single channel indirect distribution: this is when the manufacturer sells his products to a particular client through a single distribution channel. This distribution can be carried out by using a direct distribution or by introducing some intermediaries. If only one channel is used it is because the manufacturer resources is restricted or because of a particular demand from the buyer.

A multi- level indirect distribution: this distribution is about the number of intermediaries in the channel and it can start with two or more intermediaries such as the retailers or distributors. The manufacturer outsource the distribution functions to the intermediaries in order to save cost and economize time. These distribution channel has one of its disadvantages to be reduction of the sales profit of the manufacturer and a problem over the presentation of goods to the consumers.

Both the single channel and the multi-level channel distribution can be explained further with the aid of the diagram below:

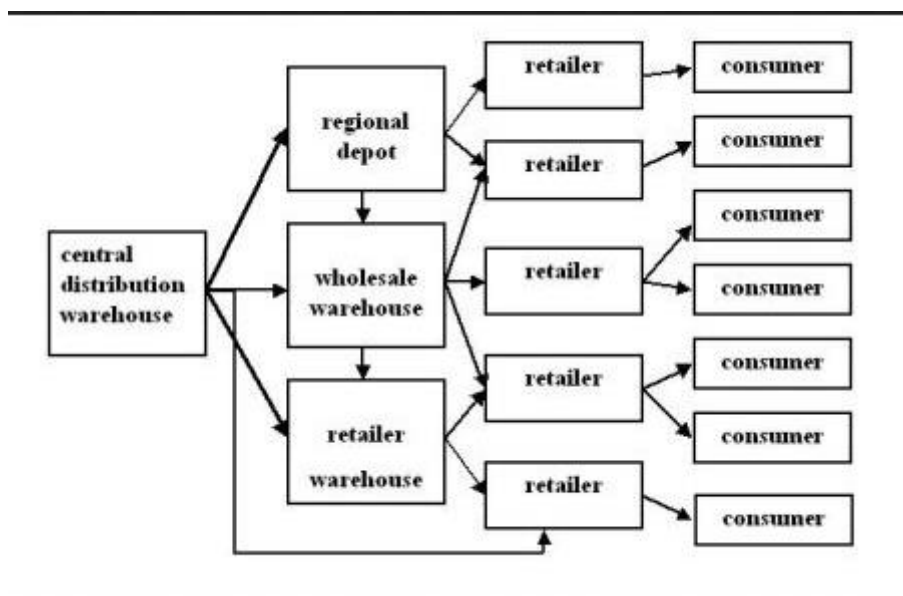


Figure 2: Indirect distribution channel

2.9 Manufacturer to retail or intermediaries

This is when a company or manufacturer engage the services of external bodies, agents or intermediaries such as retailer to deliver their goods to the end users. The use of retailers by manufacturers is considered to be expensive which is as often considered to be a false because by using intermediaries it helps to store the goods, and most locations are close to the target users. Eliminating intermediaries and selling directly to customer means that company has to bear all these cost of transportation and other charges themselves, and will be forced to set prices high in order to stay profitable. (Zikmund & d'Amico 2001, 353)

Manufacturer direct to retail store

Directly delivery means that the manufacturer or supplier delivers the goods straight to the retailers store using the company's vehicles. This channel can only be used effectively if the company's vehicle is full for deliveries.

Manufacturer via retailer distributor to retail store

The company or manufacturer makes use of the retailer as a channel by supplying first their products through the national distribution centers (NDCs) and then the goods to the final retail stores. It is run by the retail stores where the retail stores use their own staff or third parties for the delivery. This is a common practice in the Nigerian food market. This channel is popular for large retailers who can purchase big quantities of products, taking advantage of the economics of scale (Holopainen 2008, 10)

Manufacturer to wholesaler to retail shop

The wholesalers have been an intermediaries in the distribution phase between the manufacturers and the retailer for many years in Nigeria. However, there has been a great decline in the development of these wholesalers in the Nigerian market because they buy in bulk from the manufacturers and the disadvantage is that they use their own centers and vehicles to move the goods. The wholesalers channel is commonly used for small purchased goods which need the wholesaler to distribute to other retailers according to their demand or order (Lamb et al. 2009, 330).

Manufacturer to cash and carry wholesaler to retail store

Manufacturer to cash and carry wholesaler to retail store, this is built around the whole-sale stores and they are small stores but independent. The orders are collected from the

regional wholesalers' stores, this has really helped the manufacturer from delivering directly to the stores because they buy in small quantities and whereby increasing the sales of the wholesalers.

2.10 Direct Deliveries

Sometimes consumer products will not fit into the structure of the diagrams of the direct distribution channel and the indirect distribution channel because it is beyond the retail stores, this is sometimes referred to as business to consumer. In the modern time, the old direct selling in shops has been improved into activities including telemarketing networks and online shops (Lamb et al 2009, 329).

Some manufacturers sell through the internet, catalogues, telesales and mail order because it helps them to reduce the cost of servicing the retail stores and it helps with the speed of delivery. Direct distribution also gives companies better access to buyers and selling as the internet lets them access markets even on the global level. (Kotler et al. 2008, 826). Examples of the direct deliveries are discussed below:

Internet

Online- marketing is one of the fastest growing direct distribution channels through the internet. This helps to connect the manufacturer and the consumer all over the world thereby increasing the target market for the manufacturers.

More details about products are fully described on the internet by companies and companies are able to get information about their customers online. It is a convenient way of shopping for the consumers because there are no time and place limitation, for example opening hours or the location of the stores. Similar products can be browsed by the customers and there is the opportunity to compare the functions and prices as well. It gives the customer the power of marketing because it is programmed to the consumer's advantage.

The internet provides the customers with greater control over deciding on the desired products and on browsing only the websites they want to visit. (Kotler et al. 2008, 825).

Website

One of the common tools for market entry of a product is through the websites where the company showcases its products with more detail information about the company, the product, functions and the purchase order processes. Corporate websites serve the customers by providing detailed product information, telling about the company and their future goals and by answering customers' questions whereas marketing websites lead customers to purchasing decisions by displaying colorful product images, emphasizing on their features and special price offers. (Kotler et al. 2008, 850).

Social Media

During the past few years, social media marketing as a tool for online distribution has grown rapidly and this has helped many companies in the sales aspect of their products with an increase in the profits. Social media marketing help companies greatly by maintain a strong media presence through social media, online advertisements and through blogs.

Because certain social media sites have been most visited media most companies have moved their products to these sites, such as Facebook, Instagram and Twitter. This makes the products feel closer to the consumers. Social media has helped many companies greatly by creating platforms for advertising, where different people of different age groups all over the world are targeted at the same time.

2.11 Factors that influence the structure

Some superior objectives can be increase in sales share following some target figures which can underlie the decision of the distribution channels, important decisions are made when choosing a channel structure and they are:

- Length of the channels: this is the time needed to achieve a certain target extent of the distribution which can be considered when deciding the length of the distribution channels.
- Intensity of the distribution: it is otherwise known as the breadth of distribution which deals with the number of middlemen that can be assign to a product in their range of goods for a period of time.
- The intermediaries: conflicts can be controlled by working with the intermediaries who are ready to work together in order to realize the intended marketing activities of the manufacturer.

The intensity of distribution and the types will be discussed below.

Exclusive Distribution

A distributor is appointed to sell only a manufacturers' products at a particular area, having other competitive brands are forbidden in their showrooms, this type of concept is widely use in Nigeria in the automobiles and prestige wears. The manufacturer can control the retail prices, advertising, reputation and services. With this distribution channel the band image can be promoted and more profits margin can be realized.

Selective Distribution

Some selected stores in a given area are selected to sell some products from one manufacturer and this products cannot be found in some other stores. And this type of wholesalers or retailers are selected based on their target to meet up the target sales in that area. This strategy is introduce to acquire more distribution partners via selected criteria who will later integrate into the distribution channel afterwards.

Intensive Distribution

Many intermediaries and stores are used as middlemen at a particular area or region, because most consumers prefer to buy goods at their nearest store. Most products are made available without limitation. According to Rosenbloom (2004), the most used criteria for selecting the type of distribution and the criteria for evaluating the members performances are:

- Sales performances
- Inventory maintenance
- Sales capacities
- Attitudes
- Competitive products
- Growth

	Advantages	Disadvantages
Intensive distribution	<ul style="list-style-type: none"> ❖ Large market exploitation. ❖ Capitalization of advance sale of products in marketing. ❖ Usage of wide end consumer access. 	<ul style="list-style-type: none"> ❖ Incomplete liquidation of buying chances. ❖ High marketing efforts for buildup and retention of distribution. ❖ Conflicts between supplied sales outlets.
Exclusive distribution	<ul style="list-style-type: none"> ❖ Reduction of contest intensity. 	<ul style="list-style-type: none"> ❖ Dependence on middlemen.

	<ul style="list-style-type: none"> ❖ High operational readiness and productivity of trade partners. ❖ High efficiency of marketing activities. ❖ High possibility of influence by the producer. 	<ul style="list-style-type: none"> ❖ Limit of purchasing chances.
Selective distribution	<ul style="list-style-type: none"> ❖ Higher transparency of distribution channel. ❖ Retailer has a higher local value in the distribution channel. ❖ Increased interest of the distribution partners on the promotion of the offer. 	<ul style="list-style-type: none"> ❖ High distribution risk at outfalls and displacement in the distribution channel. ❖ Low capitalization of the acquired potential. ❖ Use of dynamic new business forms are hardly possible.

Table 3: Advantages and Disadvantages of types of Intensity of Distribution

There are determinants of the distribution channels selection, this channel selection is sometimes refer to the channel designs which comprises of the breadth and length of the distribution channels. The determinants are explained in the table below:

Environmental	Market structure showing the location of the suppliers and the consumers, market conduct: level of concentration and nature of competition, market performance, regulations, institutional infrastructure
Product characteristics	Classes of products, volume, price, durability, seasonality, service requirement
Market characteristics	Benefits, geographic location, discernment segments
Company strengths and weakness	Size, competitive standing, goodwill and services and technical abilities

Table 4: Distribution channel selection

2.12 Channel conflicts

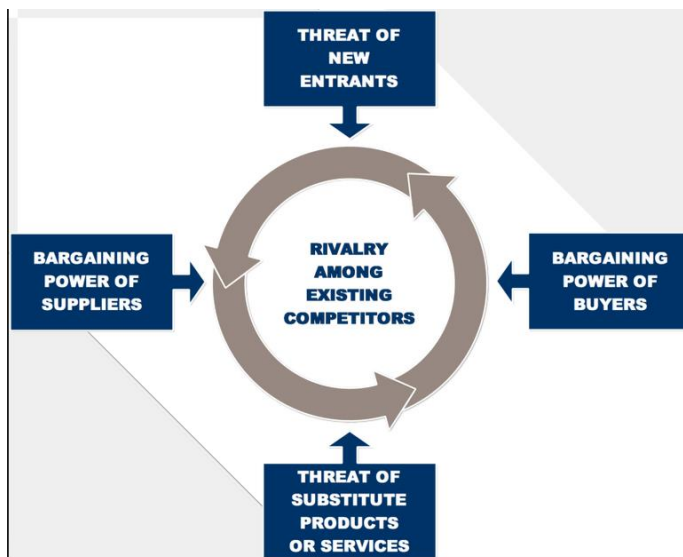


Figure 3: Porter's Five Forces Framework

Porter (1985) sees competition in an industry being governed by five different sets of forces. Using the porter's five 'forces' to explain the factors that influences the competition in the food industry in Nigeria. Using the porter's forces to explain the internal factors that influences conflicts in the food industry i.e. between the manufacturer and the intermediaries.

Barriers to Entry

There are different barriers to the entry of fast moving consumable goods (FMCG) companies. Some of the barriers include the high capital required for land procurement, purchase of equipment, maintenance, expertise and technical skills required to run the company as well as government regulations for FMCG industry the national agency for food and drug administration and control (NAFDAC) and standards organization of Nigeria (SON). Nonetheless, there has been an increased entry of small industries in rural areas. These companies have continuously competed with multinational companies for market share in such areas.

The Bargaining Power of Suppliers

The agricultural sector provides most of the raw materials used in FMCG industries. An analysis of the agricultural sector has shown that there is no established pricing structure due to minimal regulations in the sector. Thus, the buyers of the sector have the right to dictate prices that suit them. Additionally, the proliferation of different suppliers in the agricultural sector increases competition between suppliers and eliminates monopoly. Hence, these factors contribute to the reduced bargaining power of suppliers.

The Bargaining Power of Buyers

The buyers in the fast moving consumable goods (FMCG) sector include distributors such as retailers and wholesalers, and individual buyers or customers. The various brands of FMCG products in a particular jurisdiction influence the bargaining power of buyers. The proliferation of the different brands provides very low switching costs to consumers. Thus, the retention of customers is quite low for FMCG

industries. The key players in the FMCG sector are constantly searching for strategies to retain customers. Such strategies may include reduced prices of products, improved advertisement and marketing. The implementation of these strategies constitutes to increased cost of operations and decreases in revenue generated by different companies. Hence, it can be deduced that the proliferation of different brands of a product increases the bargaining power of consumers and reduces profit margins for the FMCG business.

Threat of Substitutes

The major categories in the FMCG sector include food, household care, beverages and personal care. FMCG products are essential for daily existence of individuals. FMCG products such as toothpaste, bathing soap, toothbrush body cream, beverages amongst others belong to this category. The substitutes for the aforementioned products are available in the agricultural sector. Such substitutes include fruits for fruit juice, chewing for toothpaste or toothbrush, palm wine for industrially processed liquor, Shea butter for body cream and many more. Also, some substitutes to FMCG products are within the same industry. These include toilet paper for sanitary pads, detergent powder for liquid wash etc. A study of the different consumers' purchase patterns have revealed that consumers buy agricultural products for other purposes rather than as substitutes to products from FMCG industries. Furthermore, the increase in urbanization and quick pace of the environment has channeled the focus of consumers to products that require minimal or no processing. Thus, it can be concluded that the existence of substitutes in the agricultural sector have a minimal effect on the purchase of FMCG products.

Intensity of Rivalry

The discovery of growth potential in the Nigerian food of fast moving consumable goods (FMCG) market has resulted in an increase in the establishment of FMCG companies in the country. Currently, more than 100 FMCG industries have been

established in Nigeria. This has resulted in an increase in the intensity of rivalry for customers, market share and profit margins.

The external factors that influences the distribution channels conflicts is explained below:

Heterogeneous Market Structure

There are many markets with large differences in the various demographics of Nigeria. Hence, there is a significant difference in the behavior and spending power of consumers. Thus, different approaches must be explored by FMCG companies to boost market share and profit margins.

Varying Affordability Levels

A large percentage of the income of the Nigerian population is at the bottom of the pyramid. Thus, FMCG industries cannot build a sizable business via the sales of only premium goods. The companies must also develop business models to distribute the right product at the right price to different consumers.

Underdeveloped Distribution and Route to Different Markets

The approach of modern trade is still in its early development in developing countries such as Nigeria. The retail scene in the country is dominated by open markets, traditional “mom-and-pop” stores, umbrella vendors and open markets. These retailers constitutes over 85% of the trading volume in Nigeria. Additionally, the poor development of roads and infrastructure hinder the effective delivery of products to consumers in different parts of the country. Thus, FMCG companies must develop a strong sale and distribution network for their products. This can be done by leveraging a combination of wholesale, third party and direct distribution models.

Nascent Categories

In developing countries, most of the categories in the fast moving consumable goods (FMCG) sector are yet to be developed completely. For instance, the data

about the needs and behavior of consumers is scarce. This makes it daunting to develop specific insights of consumers. Thus, competing in developing countries can be a difficult task. FMCG companies must employ a strong market development mind-set, invest in consumer education and explore non-traditional marketing approaches to increase market share and profit margins.

Talent Shortages

The talent required to truly compete and win in the FMCG sector is scarce in Nigeria. Talent and local know-how is required to harness the abundance of work opportunities in developing countries. Long term achievements can be accomplished via providing opportunities for apprenticeships, the implementation of local capability-building programs, and development of an attractive career path.

2.13 Threats to food industries in Nigeria

Access to food supply depends greatly on affordability in Nigeria, this is related to the price of the goods and as well as the income levels of the population. There has been an increase decline in food availability over the past few years in Nigeria due to the increase in the population growth. Different strategies have been introduced in order to address the food insecurity issue in Nigeria and no much result has been realized. According to Riemenschneider (2005), the supply of food commodities in Africa is not certain because it is characterized by significant fluctuations in the annual farm products output. This phenomenon causes unnecessary shortages thus affecting food stability. It is also worth noting that the prices of food commodities in Africa is never stable. This is usually caused by fluctuations in supply as well as as the rapidly increasing population (McCalla and Revoredo, 2001).

The threats and the likely solutions that is relating to the Nigeria food industry are discussed below:

Growing Population

The population in Nigeria is expected to increase by 3% each year. Thus, in the year 2020, the country's population will be close to two hundred and ten million people. This trend guarantees an increase in revenues if FMCG companies devise methods to make the best of this opportunity.

Increase In Middle Class Income Earners

There is a current trend of increasing number of middle class income earners in Nigeria. Middle class income earners constitute 40% of the total population of Nigerians. There is also an increase in demand for sophisticated products of high quality by consumers. FMCG industries can channel their focus to these market trends and maximize such opportunities to ensure the growth of their business.

Rate of Urbanization

According to a forecast of the survey conducted by the United Nations, it is estimated that in the year 2020, 60% of Nigerians will be urbanized. The country is expected to add approximately 212 million individuals to its population in the year 2020. The increase in urbanization demands improved infrastructure. Thus, it is important for FMCG industries to focus on tackling the challenges in the distribution channel for its products.

Rapid Evolvement of Shopping Habits

The torrent of globalization in Nigerian has influenced the shopping habits of Nigerians in recent times. Most people now aspire to purchase goods from renowned stores and identify with unique brands. Current trends show that most Nigerians now purchase goods for status rather than for functionality.

Increase in Family Income

The activity of mothers and wives in the labor force of the country has resulted in an increase in the income earned by different families (or family incomes). Developing countries like Nigeria are rapidly outgrowing the income of less than €1000 per annum. The income level of the middle class in developing countries has increased to €25,000 per annum. This current trend can be maximized by FMCG industries to gain competitive advantage.

Increasing health consciousness of Nigerians

There is an ever-increasing health consciousness of Nigerians in urban regions of the country. FMCG companies that fail to acknowledge the importance of quality management and assurance will gradually approach the brink of liquidation. This is particularly true because the advent of social media platforms has increased the rate at which information is conveyed to people in different locations. When a product loses credibility on social media, it may eventually lose its value. Thus, FMCG companies must constantly monitor the health consciousness of their target consumers.

Customer Value Proposition (DPSM)

The food industries in the fast moving consumable goods (FMCG) industries should focus on the development and effective management of their different channels. Some of these channels include the following:

Distribution: FMCG industries should lay emphasis on distribution channels that adds more value to the industry. Products that are produced and packaged for a specific group of consumers should be distributed via channels that does more than create a presence for the company.

Pricing: Nigerian consumers are sensitive to the prices of different products. Thus, FMCG industries should focus on adding appropriate prices to their products. The pricing strategy adopted by FMCG companies must be flexible.

Shelving: A product may lose its value if it is not shelved appropriately. This is because many consumers purchase products that are arranged to meet their eye level. Hence, products that are not well shelved will lose sales over time.

Merchandising: merchandising is another strategy that can be used by FMCG companies to boost sales. Companies can use this strategy to compete successfully in the market place at any time.

Key Resources

The implementation of an effective sales strategy is dependent on a workforce (particularly sales personnel) that are skilled and qualified. FMCG companies that invest in the development of their staff, particularly employees in the marketing and sales department, stand the chance of developing a unique and long term winning strategy. Successful companies are driven by skilled and well-trained personnel. One of the foremost FMCG companies when it comes to capability development is Procter and Gamble (P&G).

Key Processes

The importance of branding cannot be overemphasized in the Nigerian food industries of the fast moving consumable goods (FMCG) sector. Branding encompasses the quality of products as well as packaging material used for delivery to consumers. Most FMCG companies in developing countries such as Nigeria have learnt the hard way from quality issues in their production line. Thus, companies that want to remain relevant in the competitive market must focus on branding.

Sustainability

Food companies (FMCG) must support their supply chain to gain an edge in the present competitive market. Investment of companies in the future of their businesses will improve profit sharing and goodwill. Additionally, the torrent of globalization and increased need for environmental security means that fast moving consumable

goods (FMCG) companies must adopt corporate social responsibility (CSR). Companies that pay attention to CSR gain a competitive advantage.

2.14 Summary

This chapter studies the distribution strategy adopted by different FMCG industries in Nigeria for their distribution channels. Very few food industries (FMCG) were investigated in this study, as a result of a limited time frame of the research in addition to other limitations of this study. However, the food companies (FMCG) examined in this study are true representatives of FMCG industries in Nigeria. There are some constraints to the selecting an appropriate distribution channels. Such constraints include traditional distribution channel patterns, availability of good intermediaries, characteristics of products, company finances, questions of consumer dispersion and competitive strategies. The design of a particular distribution channel network is not controlled by a single organization. Many FMCG companies are faced with limited alternatives when it comes to designing the appropriate distribution channels for their products. Some of these limitations include choice of trading areas, consumers and types of middle men. The structure of a distribution channel can also be linked with the class of products (household care, personal care, food and beverages) distributed. For instance, personal care products and food and beverages are intensively distributed, goods with unique characteristics and brand identification are exclusively distributed examples are electronics. Different approaches have been developed to identify the challenges in the distribution channel. However, not many studies have investigated challenges affecting the structure and intensity of distribution.

3 RESEARCH METHODS

This chapter discusses the methods used to conduct this research. This section describes the research approach and design, study population, sampling frame, sampling technique and procedure, sources of data and instruments of data collection, techniques used in data analysis, and the reliability and validity of the data collected.

3.1 Research Methods

Research can be defined as the process used in deriving solutions to a problem. The process is conducted via objective, coordinated and systematic collection, analysis, report and interpretation of data. The research approach adopted in the investigation of distribution policy encompasses thorough structuring, planning and investigations of issues. The research approach used in this aspect of study include survey research, ex-post facto research, case study research, experimental research, action research, ethnography research, grounded theory research and archival research methods. Mixed research approaches are used to investigate issues; this is due to the multifaceted nature of the aforementioned research methods (Kothari, 2004).

This study used the quantitative and qualitative method of market research. The quantitative research method deals with market segment like the size, purchasing frequencies, product awareness, and the distribution channel that is used. The qualitative method deals with the consumer relationship towards the company brand, products and availability in the market. In this study information was obtained through questionnaires and phone interviews between the researcher and the subjects. The questionnaires were sent to the subjects through e-mails. Primary and secondary data sources were used for the collection of data that pertained to distribution challenges and strategies adopted in FMCG industries.

This study used a two stage approach including the pre data and post data collection stages. The pre data phase encompassed stating the research problems, research objec-

tives and formulation of research questions. The post data phase encompassed the collection of data, research design, study population, determination of sample size, sampling technique, techniques used in data collection, data collection instruments, measurement of variables and reliability/validity of research instruments used. A quantitative and qualitative approach was used to conduct this study. A quantitative research approach can be defined as an objective, formal and systematic procedure which is used to investigate and describe relationships as well as determine the cause and effect interactions between different variables. On the other hand, a qualitative approach is an exploratory research method which is based on empiric investigation and evidence. This approach explores information from a group or an individual's perspective to generate findings (Kothari, 2004). This research design was chosen because it gives a precise account of characteristics such as opinions, behavior, abilities, knowledge and beliefs of a specific group or circumstance.

3.2 Population of the Study

A population can be defined as the total number of events, individuals and/or objects that meet the sample inclusion criteria in a particular study (Kothari, 2004). In this study, the population investigated include the sum total of the participants involved in the distribution of products and the population of food companies in the FMCG sector. The nature of this research necessitated the two segments of study population used in this study. The study population in this study comprised of all registered FMCG industries documented on the Nigerian Stock Exchange (NSE) Fact book, 2008.

This study concentrated on the food companies in the South-West region of Nigeria, particularly the industrial areas in Lagos state. This is because 70% of FMCG companies are located in this geographical region. Also, 40% of FMCG companies are located in the industrial areas in Lagos State, Nigeria. This location is a good representative of FMCG industries in Nigeria. Thus, this individuals in this location are used as the study population for this study. This constitutes the first segment of the study population. The second segment of the study population comprise of participants involved in the distribution of

consumable goods. The population includes distribution staff, distribution managers, logistics and planning managers, sales/marketing managers, general managers and procurement managers. These categories of individuals and subjects from different FMCG companies were investigated in the study research during interviews.

FMCG Companies	Managers	Officers
Flour Mills Plc.	32	300
Nigerian Bottling Company, Plc.	29	700
Nestle Nigeria Plc.	30	500
Dangote Sugar Plc.	26	305
Total	117	1,805

Table 5: Survey Population in FMCG Companies

The sample criteria for inclusion used in the selection of FMCG companies investigated in this study include the following (Ige, 1975; Ige, 1979):

- FMCG companies must be quoted on the Nigerian Stock Exchange
- FMCG companies must have existed for a minimum of a decade
- The selected companies must have posted an annual balance sheet of 2 billion naira (4.7 Million euros) or more.
- FMCG companies must be present in all the geographical zones of the country
- The selected companies must be involved in the nationwide distribution of consumable goods.

The most crucial of the aforementioned criteria for inclusion of a food (FMCG) company is the presence of the company in all the geographical zones in Nigeria. This is because FMCG companies that do not have branches in all the geographical regions will not have adequate experience and true knowledge of the current state of Nigerian roads. According to Ige (1979), “any company that fails to meet this criterion should not be included in studies conducted to investigate physical distribution challenges and strategies”.

This study covered food FMCG companies located within the industrial areas in Lagos State. The companies selected satisfied the aforementioned criteria. The selected food FMCG companies comprised of both multinationals and domestic enterprises.

3.3 Sampling Procedure

The research was randomly selected sample size that is an appropriate representative of the FMCG industries in Lagos, Nigeria. The basis of random sample selection was due to the large sample size of the study population (FMCG companies in Nigeria).

The participants from the aforementioned companies were selected with verification and validation from the documents NSE Fact book, 2008. These companies were selected based on convenient and judgmental methods of sampling (Asika, 1991).

The industrial area in Lagos state was selected as a study population due to the following reasons:

- There are more businesses situated in Lagos State.
- All the ethnic groups in Nigeria are well represented in the State
- All multinational corporations have head offices or major branches in the State
- There is a high income earning capacity of residents in the State. Thus, this motivates people to establish businesses in Lagos State industrial areas.

3.4 Sampling frame

This encompasses a list of sampling properties and entities used to determine factors included in a sampling frame. This may include institutions, organizations, departments, individuals, children, women, and men. The sampling frame for this study includes FMCG companies, managers, and distribution staff. The frame comprises of companies, women, men, different departments and people.

3.5 Data Sources

The primary data sources for this research were obtained via the administration of questionnaire (sent through e-mail to participants) and a well-structured phone interviews. The data collected is for study purposes and the questions and the interview conducted are to help the main research of the study. Both primary and secondary data sources were utilized to obtain data. The secondary data sources used in this study includes the NSE Fact book, 2008, published documents of NCM, and CBN. Additionally, journals and other electronic materials from financial institutions were used to obtain information on the different contributions of innovative distribution strategies. Further information on data collected were sourced from other sources such as the internet (Kothari, 2004).

3.6 Data Collection Techniques

The Yard formula was used in the selection of participants for this research. Based on this method, the names of all the FMCG companies are first written and later numbers are assigned to them. The participants were randomly selected using a table of random numbers. A total number of 327 participants were selected randomly from a total number of 1805 sales/ distribution staff.

3.7 Research Instrument

The two types of research instruments utilized in this study are questionnaires and interviews. The questionnaires were pre-tested to determine if the participants may encounter any form of difficulty in understanding the questions. The questionnaires were screened

to ensure that there were no questions with bias or ambiguity. This test enabled determining if the questionnaire was suitable for the study.

3.7.1 Questionnaire

The questionnaire is design to be participant-friendly and simple. The questions are drafted to obtain information about the food FMCG industries and participant profile. The information elicited includes gender, age, educational background, position in the FMCG company, level of income, type of business, number of employees, sources of capital, business location, measurement of performance base on gross sales turnover, distribution channel and profit margin. The respondents who work in multinational companies were asked if they had worked in other countries, duration of employment in other countries, and their functional responsibilities.

The questionnaire is sub-divided into four main sections, these include section A- personal information, section B- company information, section C- challenges in the distribution channel of the company, and section D- physical distribution/management strategy. Section D is further sub-divided into sections which has questions relating to innovative distribution, sales turnover, recruitment and selection processes, salaries and wages, consumable goods distribution, appraisal of performance and the role of the department of physical distribution on the FMCG Company.

Prior to the administration of questionnaires to the respondents in this study, a pilot study was carried out to ascertain that the questions asked could be easily understood by interpreters and lacked ambiguity and bias (Kothari, 2004).

3.7.2 Interview

Aside the administration of questionnaires, well-structured phone interviews were held with a total of ten top management staff of the FMCG companies related to this study. The interviews were conducted to assess the creativity of the distribution strategies as well as the innovativeness of team members in the company. Categorical and open ended

questions were asked during the course of the phone interviews. The list of questions asked elicited information about the following:

- A brief history of the sales profile of the FMCG Company
- Types of distribution strategy adopted by the FMCG Company
- The likely challenges affecting the efficacy of the distribution strategy
- Types of depot and storage used
- Types of vehicle and special equipment used for the distribution of consumable goods
- Likely issues encountered during transportation, loading and off-loading of goods
- Major hazards encountered during the distribution of consumable goods and travelling by road.
- The coordination of an effective distribution strategy in FMCG companies

On many occasions, the questions were expanded to elicit detailed information from the participants in this study. The phone interview sessions were formally conducted in English language. The duration of the interview with each participant ranged from 40 minutes to 90 minutes approximately (Asika, 1991; Kothari, 2004).

3.8 Measurement of Variables

Variables were measured to investigate distribution channel used by FMCG companies in Nigeria. The questions compiled for the questionnaire and interview used in this study were carefully derived from a critical review of the methods associated with the effective distribution of consumable goods in Nigeria (Iyanda, 1990; Lagos Business School, 2016). Important items to this study include sales performance, sales turnover, profitability, returns on investments and market share of the multinational and domestic FMCG companies investigated in this study.

3.9 Reliability and Validity

The accuracy of a research is defined by the conventional reliability and validity. A reliability test was conducted to measure the consistency of the data, and to help arrive at the needed decision (Desai, 2002, 124).

The tools that was used was questionnaires which was given the respondents in the food FMCG industries through the emails and some discussion on the phone, the questions was well constructed in a very simple way for better understanding for the respondents. The questionnaires was handed to the respondents as a hard copy.

The research problems and the objective identification with help of some sources and references like the internet, books, published journals, government websites and publications relating to distribution channel to support the research process establishes the validity of the research work.

The systematical approach helped to increase the validity of research because the questionnaire used was pretested and some important view of the sample questions was included in the final questionnaire. The research is reliable and valid based on the response and the answers given corresponds.

3.9.1 Summary

A sample size that is an appropriate representative of the FMCG industries in Nigeria was randomly selected. The basis of random sample selection was due to the large sample size of the study population (FMCG companies in Nigeria). The questionnaire that was used for this research is attached in the appendices and the observations will be discussed in the next chapter.

4 RESULTS

This chapter presents the result of the findings and analysis made in this study. The analysis of results is based on the collection of information and generation of inferences based on the questionnaires administered and the phone interviews conducted from the respondents and the interviews of some selected distributors and sales representatives both will be analyzed qualitatively and quantitatively in order to arrive at a conclusion and to adjustment for recommendations in regards to the research issues.

4.1 Characteristics of Participants

This section highlights the various characteristics of the different participants in this study. The characteristics of participants include gender, age, educational background, and experience in the industry.

4.1.1 Distribution of Respondents by Gender

This study involved a total of 414 respondents. The respondents were divided into two groups; the first group comprised of 87 managers while the second group comprised of 327 distribution/sales staff. The majority of the managers of FMCG companies in this study were male (95%) while the remainder were females (5%). Also, the distribution staff in this study were dominated by males with a proportion of 87% while a proportion of 13% were females. This distribution of respondents by gender is shown in Table 6

Gender	Managers		Distribution staff	
	Frequency	Percentage (%)	Frequency	Percentage (%)
Male	83	95	285	87
Female	4	5	42	13

Total	87	100	327	100
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Table 6: Distribution of respondents by gender.

4.1.2 Distribution of Respondents by Age.

The descriptive analysis of the distribution of respondents by age showed that 55% of the respondents in distribution staffs category were between 26 and 35 years old, 19% of the respondents were between 36 and 45 years, 14% of the respondents were below 25 years while 12% were between 46 and 55 years. On the other hand, all the respondents in the managers' category were aged between 26 to 35 years (35%) and 36 to 45 years (65%). The respondents were adults with the capability to make effective strategic decisions.

The distribution of respondents by age is shown in Table 7.

Age	Managers		Distribution staff	
	Frequency	Percentage (%)	Frequency	Percentage (%)
25 years and below	0	0	46	14
26- 35 years	30	35	180	55
36 – 45 years	57	65	62	19
46 – 55 years	0	0	39	12
Total	87	100	327	100

Table 7: Distribution of respondents by age

4.1.4 Distribution of Respondents based on Level of Education

The findings from the managers' category showed that 74% (64) had a master's degree while 26% (23) had a bachelor's degree. However, in the distribution staff category, findings revealed that 65% had a bachelor's. The respondents in this study were asked to disclose their highest level of educational qualification degree, 10% had postgraduate degrees, 4% had a national diploma certificate, and 18% had a senior secondary school certificate while 3% had a primary school certificate. None of the respondents in this study had a PhD. degree. This result shows that the respondents in the managers' category were more educated and professionally qualified compared to respondents in the distribution category. The distribution of respondents by their highest level of education is shown in Table 8

Level of education	Managers		Distribution staff	
	Frequency	Percentage (%)	Frequency	Percentage (%)
PhD.	0	0	0	0
M.Sc. degree	64	74	33	10
B.Sc. degree	23	26	212	65
National Diploma Certificate	0	0	13	4
Senior Secondary School Certificate	0	0	59	18
Primary School Certificate	0	0	10	3

Total	87	100	327	100
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Table 8: Distribution of respondents based on their highest level of education

4.1.5 Distribution of Respondents by level of Experience

The findings from the distribution of respondents in the managers' category showed that 15% had been in the company between 1 to 5 years, 65% had been in the company between 6 to 10 years, 18% had been in the company between 11 to 15 years while 2% had been in the company for more than 15 years. On the other hand, the findings in the distribution category showed that 12% had work experience between 1 to 5 years, 33% had work experience between 6 to 10 years, and 43% had work experience between 11 to 15 years while 12% had work experience of more than 15 years. The distribution of respondents by their highest level of education is shown in Table 9.

Experience	Managers		Distribution staff	
	Frequency	Percentage (%)	Frequency	Percentage (%)
1 to 5 years	13	15	39	12
6 to 10 years	56	65	109	33
11 to 15 years	16	18	140	43
More than 15 years	2	2	39	12
Total	87	100	327	100

Table 9: Distribution of respondents based on their level of experience

4.2 Characteristics of Multinational and domestic FMCG companies

The findings in this study showed that all the FMCG Companies investigated in this study (Nestle Nigeria Plc., Dangote, Nigerian Bottling Company and Flour Mills) were documented in the Nigerian Stock Exchange (NSE) list. The sales of each of the FMCG Companies were more than N5 billion. Also, the profit before tax of the companies were above N300 million.

The analysis of findings in this study also showed that 75% of the FMCG Companies posted an annual sales turnover of more than 1.5 billion naira (3.5 Million Euros) while 25% of the FMCG Companies posted an annual sales turnover of less than 1.5 billion naira (3.5 Million Euros). All the FMCG Companies (100%) also documented a profit of more than 300 million naira per annum after the payment of tax. The various characteristics of multinational and domestic FMCG companies are shown in Table 10.

4.3 Year of Establishment of FMCG Companies

The analysis of the years of establishment of FMCG companies investigated in this study showed that 25% of them were established between the years 1951 to 1960, 50% were established between the year 1961 to 1970 while 25% were established between the year 1971-1980. The result of this data are shown in Figure 4.

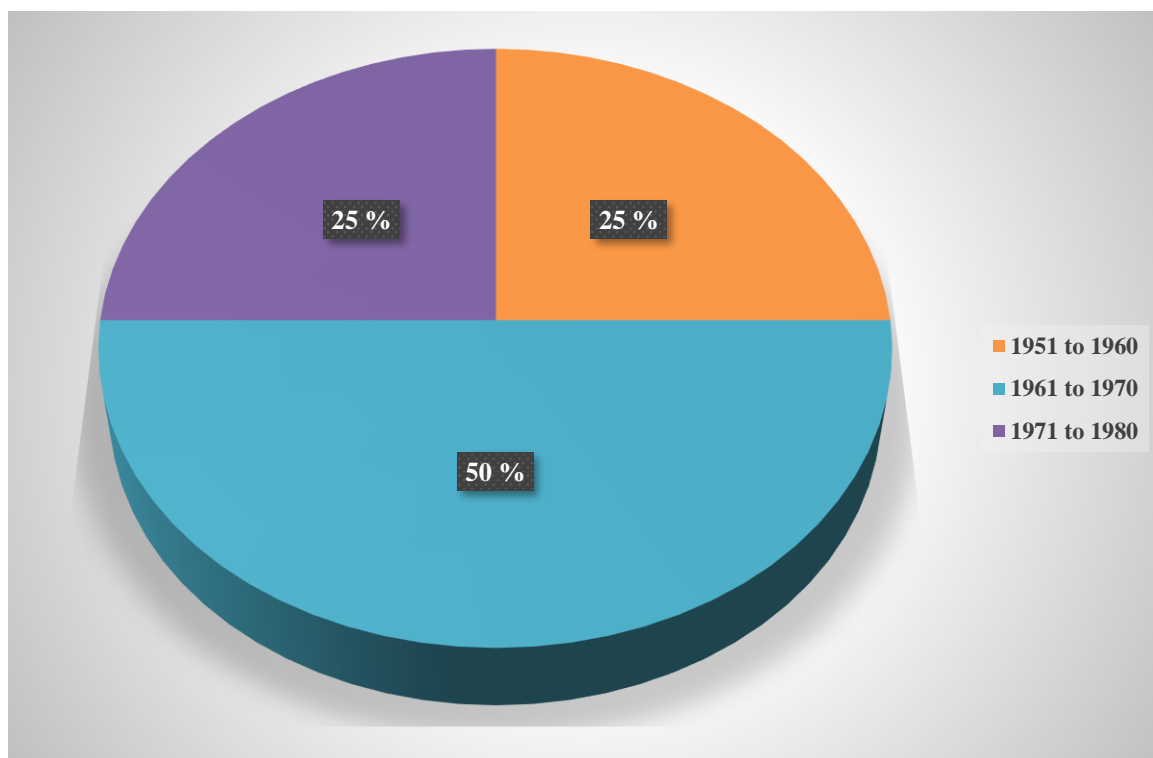


Figure 4: Year of establishment of FMCG Companies

Characteristics	Sources	Frequency	Percentage (%)
Registered in Nigerian Stock exchange	Yes	4	100
	No	0	100
Sales turnover in year 2016	Less than N250 million	0	0
	N251million - N500million	1	25
	N501million – N1 billion	0	0
	N1.1 billion – N1.5 billion	0	0

	Above N1.5 billion	3	75
Profit before tax in year 2016	N101 million – N200 million	0	0
	N201million – N300million	0	0
	N301million – N400 million	1	25
	Above N400 million	3	75

Table 10: Characteristics of multinational and domestic FMCG Companies

4.4 Distribution Challenges encountered by FMCG Companies

The findings from the administration of questionnaires and well-structured interviews revealed the different distribution challenges encountered by the Nigerian FMCG Companies investigated in this study.

Both the managers' and distribution staff category identified the following distribution challenges: defaults in payment (4%), stolen goods (7%), poor infrastructure (2%), presence of counterfeit goods in the market place (10%), quality issues (2%), discriminatory trade offers (11%), inadequate training of sales personnel (13%), nature of the economy (9%), narrow pathways for distribution of products (6%), poor road networks (34%) and limited brand visibility (2%). The result of this data is shown in Figure 5.

The analysis of findings in this study showed that the distribution challenge with the highest percentage was poor road networks (34%) while the distribution challenge with the least percentage were poor infrastructure (2%), quality issues (2%) and limited brand visibility (2%).

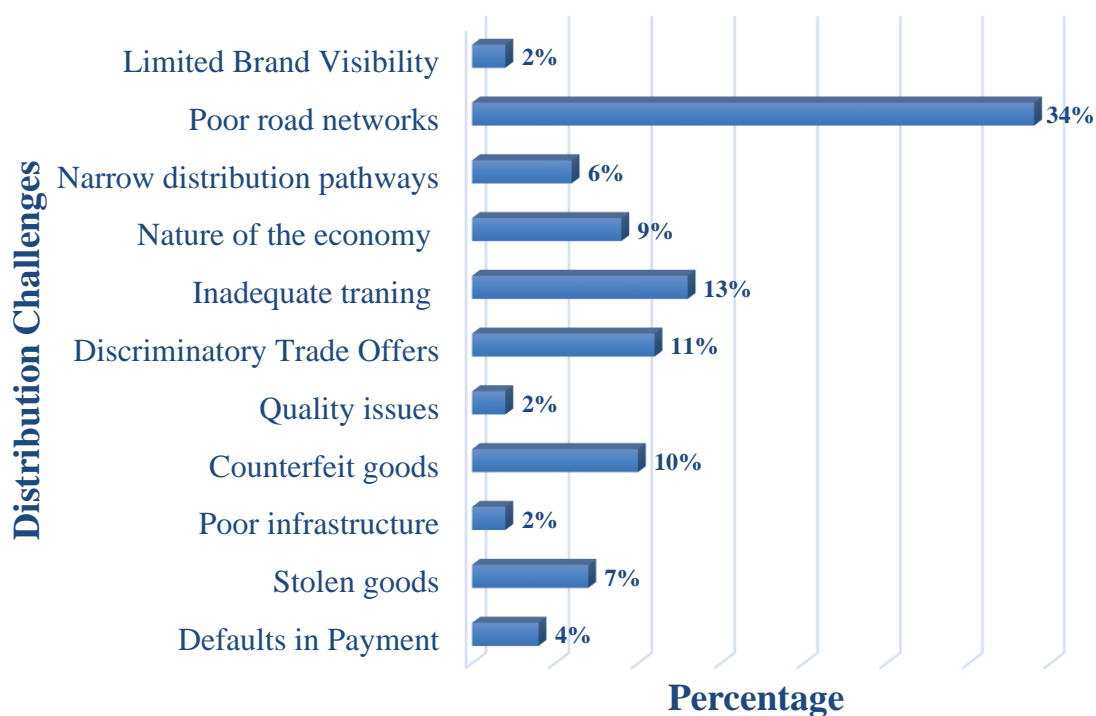


Figure 5: Distribution challenges encountered by FMCG Companies.

The information obtained from the answers to open ended questions revealed more distribution challenges encountered by the studied companies. The respondents in the distribution category mentioned that not all the consumers valued the time invested in the production of quality FMCG goods. Such consumers opt to purchase available counterfeit goods. Other issues identified include the poor level of education of distributors, nature of the economy and the dissemination of information technology in the country.

The respondents also identified that getting the required size of the warehouse at the required location was a major distribution challenge. Some of the distributors of the FMCG goods had small warehouses. Moreover, these distributors do not have plans to expand the warehouse due to the increased rent as a result of inflation in the Nigerian economy. However, the respondents in the managers' category mentioned that the company supports such distributors by granting loans to build bigger warehouses. Payment for the loans are deducted via incentives such as sales target for the month.

Additionally, escalating prices was also identified as a challenge to distribution of FMCG goods. This challenge was also identified by respondents as an obstacle to the implementation of distribution strategies. Escalated prices of FMCG goods are caused by sales personnel increasing the commission earned from sales. When prices of goods escalate, retailers switch between suppliers; this strategy is to help the retailer to increase profitability. Respondents in the managers' category have expressed that the companies find it difficult controlling this distribution challenge.

4.5 Distribution Strategies Implemented by FMCG Companies

The information obtained via phone interviews with managers of FMCG companies revealed the following implemented distribution strategies:

- FMCG Companies provides staff to assist distributors with the execution of market activities in different Nigerian territories. The companies also gave their distributors tools such as promotion boards, ledger books and cover sheets for stocks in addition to their sales target.
- Distributors of FMCG goods were assigned to specific Nigerian territories to ensure efficacious distribution of stock. This strategy was adopted to fully maximize the sale potential of distributors. The companies conducted a dealer survey to assign distributors to different territories. Distributors that failed to adhere to the strategies of the company were dropped.
- The company gave tricycles (a.k.a. Keke Napep) on loan to their distributors to enable them distribute goods to narrow distribution pathways. The companies mandate distributors to deposit a fixed amount for the tricycle, this strategy was devised to improve distribution logistics. The operating costs of the tricycle is catered for by the distributor.
- Loans are granted to distributors with few loan cases and/or during festive seasons such as Christmas, Sallah, New Year or government celebrations. Distributors are expected to uphold their agreement to pay back the loan as at when due. However, some distributors may default payments to loans.

- Distributors enjoy access to credit facilities from FMCG Companies; this is often extended for some days or prior to the issuance of another consignment to the distributor.
- FMCG companies help distributors to execute market activities by issuing Point of Sale Materials to distribution areas. These materials include banners, calendars, T-shirts, openers, caps, fliers, posters, coolers, refrigerators, table sets, umbrellas and many more. This strategy was adopted to increase the awareness of their products in distribution areas.
- The company has increased capacity of production of consumable goods to meet the increase in demand of consumers.
- FMCG companies have a clear return policy for goods with quality issues.
- Companies have created distribution structures and employed loyal personnel to reduce the occurrence of counterfeit goods in distribution areas. The companies also ensure that the trends in the market place are monitored to quickly detect suspicious activities.
- FMCG companies ensure that attractive trade offers are made available to all their distributors in different Nigerian territories.

4.6 Effect of Distribution Strategies on Sales Turnover of Food companies

The effect of distribution strategies on sales turnover of food (FMCG) companies was determined by calculating the average turnover of multinational food companies and domestic food companies as a result of their innovative distribution strategies. These average values were compared to generate findings. The findings in this study showed that the sales turnover of multinational FMCG companies (53%) was higher compared to domestic FMCG companies (47%). The results of this finding is shown in Table 11.

Type of FMCG company	Number of FMCG companies	Mean Percentage of Sales turnover (%)
Innovative distribution strategies of multinational companies	2	53
Innovative distribution strategies of domestic companies	2	47
Total	4	100

Table 11: Effect of distribution strategies on Sales turnover of FMCG industries in year 2016.

4.7 Effect of Distribution Strategies on Profitability of Food (FMCG) Companies

The effect of distribution strategies on profitability of FMCG Companies was investigated in this study. The findings showed that the profitability of multinational companies (62%) was higher than the profitability of domestic companies (38). The result of this finding is shown in Table 12

Type of FMCG Company	Number of FMCG Companies	Mean Percentage of Sales turnover (%)
Innovative distribution strategies of Multinational companies	2	62
Innovative distribution strategies of Domestic companies	2	38
Total	4	100

Table 12: Effect of distribution strategies on Profitability of FMCG Companies in year 2016

4.8 Summary

The FMCG sector in Nigeria has created positively in the growth of the economy over the past fifty years. It has created job opportunities for Nigerians and it has helped with the country in international trade. Both direct and indirect distribution channel has helped tremendously in achieving a positive and accurate productivity in the sector.

However, despites all its achievement in the FMCG sector, the distribution channel has its own challenges and although it has room for improvement (improvement with the government intervention to help with poor infrastructures for examples construction and road maintenance).

The next chapter discusses the analysis in order to summarize the findings and making the recommendation and arriving at a conclusion.

5 CONCLUSIONS AND RECOMMENDATIONS

This section discusses the results and findings generated in this study. Comparisons between the findings of this study and other studies conducted by different researchers are discussed in this section. Also, the various suggestions and inferences based on the findings of this research will be highlighted in this section.

This study was conducted to investigate the distribution channels used by a food companies in the FMCG sector in Nigeria. The research also explored the effective way of the innovative distribution strategies adopted by the companies.

The analysis of data in this study showed that the majority of the respondents were male (95%), most of the respondents had more than 5 years' work experience (85% in the managers' category and 88% in the distribution staff category), all the respondents in the managers' category were between the ages of 26 to 45 years (100%), most of the respondents are married (79% in the managers' category and 65% in the distribution staff category), and the highest education level of most of the respondents in the managers' category was a master's degree (74%).

Research Question 1: What are the challenges encountered by the distribution channel of FMCG industries in Nigeria?

The findings from the administration of questionnaires and a phone interview showed that the various distribution channels and challenges identified in this study include defaults in payment, stolen goods, poor infrastructure, presence of counterfeit goods in the market place, quality issues, discriminatory trade offers, inadequate training of sales personnel, nature of the economy, narrow pathways for distribution of products, poor road networks, dissemination of information technology, poor level of education of some distributors and limited brand visibility. The findings in this study are accordance with the distribution challenges identified by Navarro *et al.* (2010).

Research Question 2: What strategies have been adopted by FMCG Companies to tackle distribution challenges?

This study revealed the strategies adopted by FMCG companies to tackle distribution challenges in their supply chain. These strategies include provision of credit facilities, merchandising via point of sale materials, granting of loans, provision of company staff to help with distribution, training of sales personnel, provision of tricycle to boost the efficiency of distribution, provision of distribution tools, increase in capacity of production, clear return policy, creation of distribution structures and availability of non-discriminatory trade offers. These findings are in consonance with the strategies documented by Navarro *et al.* (2010) and International Institute for Management Development (2013). However, it is in contrast with the findings of Nieuwoudt, (2011) and Africa Supply Chain Frontier (2012) in which other strategies were identified.

Companies that adopt these strategies are more likely to boost sales turnover and improve their efficiency of distribution compared to companies without distribution strategies (SABMiller, 2011). According to Africa Supply Chain Frontiers (2012), companies can effectively tackle distribution challenges by supporting distributors with getting larger warehouses, infrastructure (such as three wheel trucks or pushcarts), distribution tools and other routes to market support suggestions (stipulated by Africa Supply Chain Frontiers).

An effective distribution channel is built on coherence, balance, flexibility and increased market drive. It is also dependent on the ability of the company to choose loyal personnel and the right partners with a high growth potential, understand the selection criteria for partners, communicate selection criteria to concerned stakeholders, effective and continuous evaluation of distribution strategies and identify important drivers to success (Navarro *et al.*, 2010). Furthermore, companies ensure the efficacy of their routes to market

strategy by monitoring its territory management, business status, infrastructure compliance and financial capability (Nieuwoudt, 2011).

Research Question 3: What are the effects of such challenges on the production and distribution of FMCG in Nigeria and neighboring countries?

The information obtained from the interviews showed that distribution challenges may affect the sales turnover, profitability, revenue generation, productivity and market share of FMCG companies. The findings in this study are in consonance to the reports of International Institute for Management Development (2013), Lagos Business School (2016); and KPMG International (2016).

This study also investigated the effect of innovative strategies on the sales turnover and profitability of FMCG companies. The findings suggest that FMCG companies with a higher sales turnover and profitability i.e. multinational companies implemented innovative distribution challenges. Furthermore, it can be suggested based on these finding that the higher sales turn over and profitability of multinational companies is due to the use of better innovative distribution strategies compared to innovative distribution strategies of domestic companies.

Conclusion

The findings in this study revealed the various distribution channels that are used by food (FMCG) companies in Nigeria. The distribution channel has some challenges which is reported in this study including defaults in payment, stolen goods, poor infrastructure, presence of counterfeit goods in the market place, quality issues, discriminatory trade offers, inadequate training of sales personnel, nature of the economy, narrow pathways for distribution of products, poor road networks, dissemination of information technology, poor level of education of some distributors and limited brand visibility.

These distribution channel challenges affect the profitability, sales turnover, market share, productivity and revenue generated by food (FMCG) companies. These challenges

can be tackled by implementing innovative and effective distribution strategies; the strategies adopted by food (FMCG) Companies include provision of credit facilities, merchandising via point of sale materials, granting of loans, provision of company staff to help with distribution, training of sales personnel, provision of tricycle to boost the efficiency of distribution, provision of distribution tools, increase in capacity of production, clear return policy, creation of distribution structures and availability of non-discriminatory trade offers.

On the whole, FMCG Companies must be willing to monitor their territory management, business status, financial capability and infrastructure compliance to ensure the efficacy of distribution strategies.

Recommendations

This research can be use or for further findings or research for a successful entry into the Nigerian market of any food industry in terms of a distribution channel. This can be utilized by analyzing and learning from the different types of distributing channels used by the FMCG sector in the food industry. It can also serve as a basis for research to understand the challenges and the strategies that are used when there are problems.

The work can be used for further research into other states in Nigeria and this research can serve as a starting phase for research into the distribution channels in food companies in every other part of Nigeria.

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INTERVIEWS:

Respondent 1. Regional Sales Manager, Dangote Sugar Refinery PLC, Apapa Wharf, Lagos State, Nigeria. Lagos, 14.07.2017 at 11:00AM -12:30PM.

Respondent 2. Assistant Area Sales Manager, Flour Mills of Nigeria PLC, Apapa, Lagos State, Nigeria. Apapa, 17.07.2017 at 14:30PM – 16:00PM.

Respondent 3. Area Sales Manager, Nestle Nigeria PLC, Ilupeju, Mushin, Lagos, State, Nigeria. Mushin, Lagos, 05.07.2017 at 13:00PM – 15:00PM.

Respondent 4. Area Sales Manager, Nigerian Bottling Company, Lateef Jakande, Ikeja, Lagos State, Nigeria. Ikeja, 27.07.2017 at 12:00PM -13:30PM.

Questionnaire to Distributor or staff

Dear Respondent,

This questionnaire was designed to obtain information about the distribution challenges encountered by FMCG companies. Furthermore, the findings in this study will be helpful in the assessment of the efficacy of innovative distribution strategies adopted by FMCG companies. The information provided in this questionnaire will be purely used for academic purposes. The information provided will remain confidential and accessible to only the researcher and other people involved in this study. Your compliance to participate in this study is highly appreciated.

Thank you.

Instruction: Kindly answer all the questions in this section.

SECTION A- Background Information

Kindly tick the appropriate boxes.

1. Sex:

Female	Male
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2. How old are you?

Below 25 years	25-35 years	36-45 years	46-55years	Above 55 years
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3. What is your highest educational qualification?

Non elite	Primary School Certificate	Secondary School Certificate	Diploma	Bachelor's Degree	Master's Degree
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4. How long have you worked with the FMCG company?

1-5 years	5-10 years	10-15 years	More than 15 years
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5. Are you an exclusive dealer of the Nestle/Dangote Sugar/Flour Mills/Nigerian Bottling Company?

Yes	No
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6. If no, what other FMCG goods do you distribute?

.....

SECTION B- Distribution challenges encountered by FMCG Companies

Do you get a monthly sales targets from Nestle/Dangote Sugar/Flour Mills/Nigerian Bottling company?				Yes	No
What is the average monthly sales volume?	Less than or equal to 5000	5001 – 7000	7001-9000	9001-11000	More than 11,000
How many products had quality issues?		500 or less	501-1000	1001-1500	1500>

Warehouse Status

What is the size of your warehouse (square meters)?	<50	51-70	71-90	91-110	>110
Is the Depot painted in branded colors of the FMCG company?				Yes	No
How secured is the Warehouse? Please rate the level of security of the warehouse.	Excellent	Good	Fair	Poor	

Status of Distribution Logistics

How many distribution trucks (Three or four wheels) do you have?			
Kindly explain the type of trucks and their carrying capacities?			
How many trips does your truck make daily (on average)?	1 - 2	3 - 5	More than 5
Are the trucks branded with the logo of the FMCG company?		Yes	No
Do the pushcarts and trucks help you to achieve your daily target?		Yes	No
If no, how do you achieve your target?			
Are your sales records documented on a computer?		Yes	No
If no, why?			

Management of territory

Do you have a map from the FMCG company to identify assigned territories/outlets?				Yes	No
If no, why?					
If yes, are the routes defined, filed and updated weekly (from Monday to Saturday)?				Yes	No
How many customers/outlets are served daily?		1-30	31-60	61-90	>90
What distribution model do you use?		Route basis		Customer orders	
How often do you visit your distribution routes or territories?	Most of the time	Sometimes	Rarely	Never	Don't know
What support do you get from the FMCG company on territory management?					

Questionnaire to RTM Managers

Dear Respondent,

This questionnaire was designed to obtain information about the distribution channel and the challenges encountered by FMCG companies. Furthermore, the findings in this study will be helpful in the assessment of the efficacy of innovative distribution strategies adopted by FMCG companies. The information provided in this questionnaire will be purely used for academic purposes. The information provided will remain confidential and accessible to only the researcher and other people involved in this study. Your compliance to participate in this study is highly appreciated.

Thank you.

Instruction: Kindly answer all the questions in this section.

SECTION A- Background Information

Kindly tick the appropriate boxes.

1. Sex:

Female	Male
--------	------

2. How old are you?

Below 25 years	25-35 years	36-45 years	46-55years	Above 55 years
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3. What is your highest educational qualification?

Non elite	Primary School Certificate	Second-arySchool Certificate	Diploma	Bachelor's Degree	Master's Degree
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4. How long have you worked with the FMCG company?

1-5 years	5-10 years	10-15 years	More than 15 years
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Section B- Interview guide to assessing the effectiveness of innovative distribution strategies

1. Kindly give an overview of the innovative distribution strategy adopted by your company?

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2. Why did you choose to use the route to market model?

.....

3. What are the FMCG company checklists when auditing the effectiveness of innovative strategies?

.....

4. How does your company empower sales/distributor personnel in achieving the innovative distribution strategies?

.....
.....

5. So far, what are the outcomes of implementing innovative distribution strategies in your company?

.....
.....

6. What challenges does the company face in implementing these innovative distribution strategies?

.....
.....

7. How can your company tackle these challenges to ensure the efficacy of the innovative distribution strategies?

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