STRATEGIC DISTRIBUTION CHANNEL FOR DEVELOPMENT SUSTENANCE IN NIGERIA

Michael 0. Orisanaye

Abstract

Although many ideas in marketing are borrowed from other disciplines such as Economics, Sociology, Psychology and Management, the idea of distribution channel is unique to marketing. Between the producers and final consumers, we have a host of marketing intermediaries known as distribution channels. They perform a variety of functions and bear a variety of names. Marketing channel decisions are among the most critical decisions facing management. Management must therefore choose and effectively manage channels of distribution to enable it operate competitively so as to sustain economic development. It is in this view that this paper has tried to focus on how distribution channels can contribute to the sustenance of economic development in Nigeria.

Introduction

Most manufacturers work with marketing intermediaries to bring their products to market. The marketing intermediaries make up a marketing channel. Marketing channel is referred to as trade channel, or distribution channel. Channel members include manufacturers, wholesalers and retailers who work together to deliver the right quality and quantity of goods and services in the right form to the right place, and at the right time. Bach channel member plays an integral role in making goods and services available to ultimate consumers (Kotler, 2001)

Distribution channel design and management are among the most difficult tasks faced by management because the channel members are dynamic and their activities are subject to change from time to time in their efforts to provide economic goods and services to the public (Kotler, 1988) Distribution channels not only distribute goods and services but also have to contend with challenges of creating economic values for the society. It is of this background that this paper examined the critical tasks before the marketing channels in their efforts to create values that contribute to sustainable economic development.

The Concept of Distribution Channel

Distribution channel exists because of the unique role it performs. The members make the exchange of goods and services more efficient for the producers at one end of the channel and customers at the other end. The channel intermediaries are wholesalers, retailers and other merchants or agents who serve both producers and buyers. They exist because of the need to minimize the number of contacts required to move each product from the manufacturer to the consumer.

Distribution refers to the various methods of moving products from the original producer or manufacturer to the final consumer (Anderson, 1993). Distribution channels can therefore, be viewed as sets of interdependent organizations involved in the process of making product or service available for use or for consumption (Stern & El-Ansary,1988). Distribution channels are used to provide consumers with a convenient means of obtaining the products and services they desire. Based on this fact, Kurtz and Bonne (1984) viewed Distribution Channels as the various marketing institutions and the interrelationships responsible for the physical and title flow of goods and services from the producer to the consumer or industrial user. We can see that the middlemen are the marketing institutions in the distribution channel. Marketing intermediaries may take various forms, but the basic principle about them is that they are specialists of considerable experience, often with an important network of trade contact (Paliroda & Thomas, 1999). In international marketing, marketing intermediaries include importers who are wholesalers, importers who are cash-and-carry wholesalers, brokers, commission agents, exclusive distributors, sales officers, and international cooperative food and grocery distribution groups. In national or international marketing therefore, channel of distribution can be referred to as the series of firms (or individual) from producer to final user or consumer (Me Carthy, 1982). Various marketing textbooks coined the term "distribution channel" in various ways but the basic principle in the definitions is clear as Markin (1979) put it that these channels are the routes or pathways that goods follow in getting from producer to consumers. This view conforms most closely (o that established by the American Marketing Association that channels of distribution can be seen as the path taken, as evidenced by title or ownership, by goods in moving from producer to consumer (AMA, 1960).

Types Of Distribution Channels

In today's competitive business environment, literarily hundreds of distribution channels exist and there is no such thing as one best distribution channel. The fact about the channels is that, channels like other many marketing variables frequently change. As a result, today's ideal channel may prove disastrous in just few years.

This paper treats the major channels available for markets of consumer and industrial products and services. A close observation of ail different channels revealed that industrial product channels tend to be shorter than consumer goods channels due to geographical concentrations of industrial buyers and limited number of purchasers. Service channels are also seen to be short because of the intangibility of service and the need to maintain personal relationships in the channel. Kotler (1988), Kurtz and Bonne (1984), Stanton (1981), Anderson (1993) and Gbede (2001), enumerated major marketing channels of consumer goods, industrial goods and services as:

(a) **Distribution of Consumer Goods**

Five channels arc widely used in the marketing of consumer products.

Producer to Consumer: This is the shortest, simplest channel of distribution for consumer products. It is from the producer to the consumer, with no middlemen involved.

Producer to Retailer to Consumer: Many large retailers buy directly from manufacturers and agricultural producers.

Producer to Wholesaler to Retailer to Consumer: This is a traditional channel for consumer goods.

Producer to Agent to Retailer to Consumer: Instead of using wholesalers, some producers prefer . lo use manufacturer agents, a broker or some other agent middleman to reach the retail market, especially large-scale retailer

Producer to Agent to Wholesaler to Retailer to Consumer: To reach small retailers there are some producers that use agent middlemen, who in turn call on wholesaler who sell to small stores.

(b) **Distribution of industrial Products**

Four types of channels are widely used in reaching industrial users:

Producer to Industrial User: Manufacturer of large installation, heavy equipment e.t.c. usually sell directly to users.

Producer to Industrial Distributor to User: Producers of operating supplies and small accessory equipment frequently use industrial distributor to reach their market. Producer to Agent to User: Firms without their own marketing departments find this a desirable

• channel. A company that wants to introduce a new product may use agents rather than its own •sales force.

Producers to Agent to Industrial Distributor to User: When it is not feasible to sell through agent directly to the industrial user, because the storage service of industrial distributor arc required, the producer makes use of the channel.

(c) **Service Channel**

Service Provider to Consumer or Industrial User: Distribution of services to both consumers and industrial users is usually simpler and more direct than for industrial and consumer goods. This is due to the intangibility of services.

Service Provider to Agent to Consumer or Industrial User: When marketing intermediaries are used by service firms, they are usually agents, travel agents and entertainment agents.

The recent development in internet technology has the potential to erode the work of the channel of distribution. Fears have been expressed in many quarters about the internet's ability to sweep away middlemen and place the fate of consumers in their own hands (Gbede, 2001). This has been true for most e-commerce transactions and if the trend continues, the internet will become "the universal middleman" as nearly all business transactions or at least a vast majority of transactions will pass through the internet.

A close look at the activities of the channel members revealed that distribution channel not only economically link the producers with the consumers but actively contribute effectively lo development sustenance.

Distribution Channels And Economic Development

Channel intermediaries arc wholesalers, distributors, dealers, retailers and other merchants or agents who serve both producers and buyers. These intermediaries exist because of the need to minimize the number of contact required to move each product from the manufacturer to the consumer. These channel intermediaries or the distribution channel perform many economic functions in the overall marketing system. In their submission, Kurtz & Bonne (1984), Stern & El- Ansary (1988), Stan ton (3981), Kotler (2001) asserted that economic functions of distribution channel can be categorized into facilitating exchange process, sorting to alleviate discrepancies in assortment, standardizing transaction, search process, creation of utility and a host of others.

(a) Facilitating Exchange Process There are many producers as well as potential buyers. The middlemen came into existence to facilitate easy transaction by cutting the number of market place contacts and make it easy for sellers and buyers to transact their business quickly and effectively.

(b) Sorting to Alleviate Discrepancies in Assortment: The distribution channel adjusts discrepancies in assortment via a process known as sorting. Sorting is the process that alleviates discrepancies by adjusting the buyer's and the producer's needs. To satisfy this need, intermediaries perform the following activities.

Sorting out This is like grading agricultural products into a homogeneous supply such as grading cocoa beans into grades A, B and C before the final sale.

Accumulation Gathering similar stocks from numerous sources to make one large homogeneous supply.

Allocation Breaking a large homogenous supply into smaller lots.

Assorting Building up assortment of products for resale to consumers.

(c) Standardizing Transaction Distribution channel standardize exchange transactions in terms of the product, such as the grading of oranges into types and grades, and the transfer process itself. Order processing, prices, payment terms, delivery schedules, and purchase lot tend to be standardized by distribution channel members.

(d) The Search Process Distribution channels also accommodate the search behaviour for the buyers and sellers. Buyers are searching for specific products and services to fill their needs, while sellers are attempting to find what consumers want. Such a process works both ways. Manufacturers, wholesalers, and retailers are not certain what their customers want and need and customers are not certain they will be able to find what they want. For these important reasons channel structure has evolved to facilitate the search process.

(e) Creation Of Utility Distribution channels create three types of utilities for consumers (Anderson, 1993).

Time Utility: Time utility is created when distribution channels have products and services available for sales when the customer wants to purchase them.

Place Utility: Place utility is created when goods and services are made available by channel members in a convenient location.

Possession Utility Possession utility is created by the distribution channel members when title to the goods passes from the producer or intermediary lo the purchaser. By making products and services available to consumers when and where they need them contribute significantly to the economic development.

(f) **Linkage between Buyers** and Sellers Distribution channel perform other economic roles that can contribute positively to the economic development of the country. Among such contributions to the genera] economic growth are providing economic and social link between the producers and the consumers. The channels make exchange of goods and services more efficient for the producers and the customers.

(g) **Improves Standard of Living** Distribution channels contribute to an improved standard of living by offering goods and services to the buying public. They provide job to a large segment of workforce, and act as an important source of income to suppliers and other channel intermediaries. Distribution channel offers career opportunities to the public.For instance, wholesaling and retailing careers offer many opportunities- for rapid advancement to bright young people with the right skills, abilities and initiatives to take on responsibility.

(h) ***Social Services:*** Channels members such as retailers, wholesalers and distributors are socially responsible forces in the community within which their businesses are located. They sponsor sports competitions, build schools and hospitals, build modern markets and social clubs. These contributions contribute to the upliftment of economic advancement and development sustenance, in the society at large.

(i) **Creation of Economic Values:** By aiding demand and supply chain, the internet systems such as. E-mail, E-commerce, E-marketing e.t.c give effective and easy link between producers and consumers. The internet is revolutionizing distribution and logistics and is creating value added chains. In many business segments now, customers are contacted directly, while others, extranets arc created to link together the company, its suppliers and the customers in an effort to create-value and economic goods for development sustenance in Nigeria.

Conclusion

This paper has analyzed the unique position and the economic roles the channel members play in facilitating exchange process. Different types of channels of distribution available to the producers of consumer goods, industrial goods and services have been highlighted.

The implication of the issue raised therefore, is that distribution channels exist because of the need to minimize the number of contacts between the producers of goods and services and the consumers or users. The channel intermediaries therefore, perform a unique economic role that effectively contributes to the economic development for sustainable growth in Nigeria.

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