

CHAPTER ONE

INTRODUCTION

Background to the Study

Over the years, many manufacturers have not necessary ability for direct marketing and use brokers for economy in huge distribution, considerable decrease in work volume. Even if there are sufficient financial facilities, use of these facilities in main profession has more efficiency; therefore, advantages of using distribution channel is obvious (Kotler & Armstrong, 2010). Function of distribution companies as one of the most important distribution channels in viewpoint of economics is to change form of manufacturers' goods into form of consumers' demanding goods. A distribution channel has other important tasks besides transfer of goods from manufacturer to consumer, time saving and connecting goods owners and customers to each other. Researches show that having relation with customer is one of the important duties of distribution channel which causes to keep customer, collect necessary information, new ideas from customers and facilitate functional planning. Increase of relationship quality with customer has external positive effect for distributor.

For any organization to be effective there should be effective distribution channel or process to convey finished products from the manufacturer to the final consumers. This is because without distribution the best product will not be delivered and the marketing mix will break down and fail. As a result of this, firms are increasingly adopting supply chain management to reduce cost, increase market share and sales, and build solid customer relations (Ferguson 2000). The idea of using an effective channel of distribution as a strategic tool in purchasing of technical goods can be viewed as a philosophy based on the belief that each firm in the supply chain directly and indirectly affects the performance of all the other supply chain members, as well as ultimately, overall supply chain performance. The effective use of this philosophy requires that functional and supply-chain partner activities are aligned with company strategy and harmonized with organizational structure, processes, culture, incentive and people (Abell 1999).

Distribution station comprises a group of individuals or organizations that assist in getting the product to the right place at the right time. Distribution plays a vital role, primarily because it ultimately affects the sales turnover and profit margins of the organization. If the product cannot reach its chosen destination at the appropriate time, then it can erode competitive advantage and customer retention. The retail industry is responsible for the distribution of finished products to the consumer as well as the public. The retail sector comprises of general retailers (managed by individuals/families), departmental stores, specialty stores and discount stores.

Practically, many organizations use a mix of different channels; in particular, they may complement a direct sales-force, calling on the larger accounts, with agents, covering the smaller customers and prospects. The major challenge facing the retail industry is the power of the customers or buyers. The reason for this is that the customers are becoming

increasingly knowledgeable; they are impatient, not wanting to wait for the suppliers' products for any period of time. This coupled with the fact that firms are now trying to implement specific distribution strategy or practices based upon their unique set of competitive priorities and business conditions to achieve the desired level of performance, this brought about an examination of effective product distribution and organizational performance with the view to establish the strategy or practice which has the most influence on the purchase of technical goods in Nigeria.

1.2 Statement of the Problem

Poor road network adversely affects the effectiveness and efficiency of product distribution in the country. This results in high rate of vehicle breakdown and causes the products to get to the final consumers at the wrong time. The high cost of transportation and delivery also affects the distribution strategy of a firm. These factors increase both the production and market cost of goods and services to the detriment of the final consumers and also affect organizational performance.

Government policy is generally seen as a factor that may affect the distribution strategy of a firm. It is obvious that government contracts or appoints staff standing task force who mobilizes revenue for the government or its representatives in line with the established Law. This therefore causes problems to smooth flow of business by demanding for tax identification number, annual official registration, stickers, infrastructure levy during the course of business in an area.

1.3 Research Questions

The following are some of the questions which this study intends to answer:

- i) what is the prevalence of Effective Product distribution and organizational performance in Nigeria?
- ii) what are the factors that are responsible for effective product distribution and organizational performance in Nigeria?
- iii) what are the efforts of organizations in ensuring effective products distribution in Nigeria?

1.4 Objectives of the Study

The following are the objectives of this study:

- i) to identify the prevalence of Effective Product distribution and organizational performance in Nigeria.
- ii) to survey the factors that are responsible for effective product distribution and organizational performance in Nigeria.
- iii) to assess the efforts of organizations in ensuring effective products distribution in Nigeria.

1.5 Research Hypothesis

The research hypothesis to be tested include:

H₀: There is no significant relationship between effective products distribution and organizational performance.

1.6 Significance of the Study

This study seeks to examine the effective distribution and organizational performance. It will therefore seek to enable the management to provide consumers with the right products at the

right time, right place and at the right price which result to a substantial percentage of sales for the company. It will also serve as a blue print of action guide to infant companies and as a compendium of knowledge for further research work in logistics/distribution channel management of indigenous and multinational companies in the oil and gas industry.

1.7 Scope of the Study

This study will cover the guidelines involved in using effective channel of distribution as a strategic tool in purchasing technical goods. President Paints Nigeria will therefore be used as a case study

1.8 Limitation of the study

Time factor is the major constraint of this research work. This research work was made in a understanding way in order to meet the aspirations of people interested in the field for further studies though time could not permit me to go further.

1.9 Definitions of Terms

The following terms were used in the course of this study:

Distribution: the act of giving or delivering something to people

Organizational performance: comprises the actual output or results of an **organization** as measured against its intended outputs (or goals and objectives).

Product: an article or substance that is manufactured or refined for sale

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Kotler, P. J., & Armstrong, G. M. (2010). *Principles of marketing: Pearson Education*.

EFFECTIVE PRODUCT DISTRIBUTION AND ORGANIZATIONAL PERFORMANCE

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