

DISTRIBUTION STRATEGY AND PERFORMANCE OF SELECTED FOOD  
AND BEVERAGE FIRMS IN LAGOS STATE NIGERIA

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**Abstract**

This paper investigated the effect of distribution strategy on the performance of food and beverage manufacturing companies in Lagos State, Nigeria. The study adopted a cross-sectional survey research design. The total population of the study is 1,980 staff of the selected food and beverage firms operating in Lagos State, Nigeria. The sample size determination table developed by Krejcie and Morgan was used to determine the sample size of 731. Simple random sampling and proportionate sampling techniques were used. A validated questionnaire was administered and a total of 598 were retrieved for analysis. The data collected were analyzed using multiple regression analysis. Findings revealed that there was a positive and significant effect of distribution strategy on the performance of selected food and beverage firms in Lagos State, Nigeria ( $df = 5, 598 = 63.692, p < 0.05$ ). Therefore it was recommended that consumer products businesses in Nigeria should think about multi-channel strategies including selling through sales personnel in regions where the end-user does not have a direct vendor presence, selling through retailers to end-users, and selling through dealers and wholesalers.

**Keywords:** Distribution strategy, Food and Beverage industry, Performance.

## INTRODUCTION

Manufacturing firms all around the world confront challenges in their everyday operations. This is particularly significant in industries where firms must continually deal with the delivery of items to end-user customers. One of the causes of manufacturers' poor performance is insufficient or inadequate control of these distribution systems by firms. Many issues emerged, all of which offer obstacles to many manufacturers' performance. Low product turnover, excess inventory, failed inventory management, low service standards, and difficulty tracking demand are all issues that these businesses confront.

In Africa, however, the manufacturing sector has witnessed strong economic growth, with an average annual rate of 5.5 percent over the last decade and a half. However, manufacturing's proportion of the continent's GDP decreased by nearly 10% in 2008. The degree of economic production in African countries is often seen as poor. This is because these nations' export structures are dominated by significant mining and agro-industry commodities, rather than more sophisticated industrial items. Consumer satisfaction, competitive advantage, revenue and expenditure, organizational culture, technological advancement, global markets, diverse consumer demands, and the need for an efficient workforce with a global mindset are all challenges that the African manufacturing industry is still facing today corporations (Nzioka, 2013).

Africa's manufacturing sector has evolved throughout time as a result of changes in state policy, internal demand shifts, and global market dynamics. Since independence, the significance of the manufacturing sector to African nations' national economies has fluctuated, but its contribution to national income and importance has grown. The

African region's industrial organization, politics, production structure, and size have all changed dramatically throughout time. Even though manufacturing is often a minor sector of African countries in terms of overall production or employment, its expansion has been seen as critical for economic development (Kariithi & Kihara, 2017).

Manufacturing firms' capacity to perform effectively and remain competitive in the Nigerian brewery industry is heavily reliant on developing viable distribution methods that allow them to compete in both local and global markets. As a result, distribution management has placed a premium on the efficient coordination of operations to satisfy customer service expectations. It is also seen as a significant source of a company's competitiveness. Furthermore, Nigerian food and beverage firms incur financial losses as a result of needless budgetary limitations, as well as theft and corruption as a result of ineffective distribution tactics. Furthermore, different firms utilize various distribution methods to distribute their goods. Organizations must be aware of the elements that impact channel selection since it results in poorer company-wide profits returns and a greater rate of customer turnover. Based on these problems discussed, this study, therefore, examines the effect of distribution strategy on the performance of food and beverage manufacturing companies in Lagos State, Nigeria.

## **LITERATURE REVIEW**

### **Distribution Strategy**

Distribution channel strategy, according to Palmatier, Stern, El-Ansary, and Anderson (2016), is a collection of actions focused on creating and operating a marketing channel to improve the firm's long-term competitive advantage and financial performance. In another sense, channel strategy refers to the complete process of establishing and running the contractual organization in charge of achieving the firm's distribution goals

(Rosenbloom, 2013). Kotler & Keller (2009) and Segetliga, Mearic and Dujak (2012) identified two major channel strategy alternatives to be the direct channel and the indirect channel. According to them, in a direct channel, the producer sells directly to final consumers through its own sales force. But, this has evolved overtime from the traditional face-to-face selling in the market place to modern selling through the internet in the market space (Berkowitz Kerin, Hartley & Rudelius, 2000). Where it is employed, direct channel strategy leads to disintermediation or elimination of supply chain middlemen (Kotler & Armstrong, 2006). The practice of direct channel strategy is usually aimed at enhancing the efficiency of marketing activities in the areas of communication, distribution, and building loyal and profitable customer base (Moller & Halinen, 2000). Indirect channel involves the use of independent intermediaries in the target market (Nhem, 2016). However, this is further characterised by first-tier and second-tier structures depending on the channel objectives of firms. The first tier structure involves the use of value-added resellers to sell directly to end customers, whereas the second tier structure involves the existence of an additional level, the distributors, between the sales subsidiary and the resellers or retailers.

Various writers have explored in the literature their perspectives on the distribution practices of direct and indirect marketing distribution methods, multichannel strategy in marketing channels, multichannel retail, and numerous marketing channels (Levy & Weitz, 2013). Multiple channel strategy is a channel strategy that combines traditional and electronic channels (Berman & Evans, 2012). This occurs when an organisation uses two or more marketing channels to reach one or more customer segments (Stojkovic, Lovreta & Bogetic, 2016). In addition to the use of internet-based online channels, Rosenbloom (2013) provided a list of other channels that can be combined in a multichannel structure as retail store channels, mail order channels, wholesale

distributor channels, sales representative channels, call center channels, company sales force channels, vending machine channels and company owned retail store channels. The high expectations of today's customers (both at the level of business-to-customer and business-to-business), which cannot be easily satisfied by one channel strategy structure is a major justification for the increased adoption of the multichannel strategy practices among businesses worldwide. To fulfill these demands, businesses must build multichannel strategies that complement rather than compete (Rosenbloom, 2013).

### **Performance**

Firm performance is defined as the consequence of a firm's internal and external goals being met (Lin, Peng, & Kao, 2008), and it acts as an indicator of how successfully they have met their objectives. Performance is a broad concept and its meaning changes per user's perspective and needs (Kabuoh, Ogbuanu & Chieze, 2016). As a multi-dimensional construct, performance has several names, including growth (Dobbs & Hamilton, 2006), survival, success, and competitiveness. A firm's performance is complex and it is characterized by the firm's ability to create acceptable outcomes and actions (Koh & Petrovic, 2015). Firm performance is related to the ability of the firm to gain profit and growth to achieve its general strategic objectives. It is also seen to be effective if it attains its sales or market share goals which depend on efficiency and makes use of its resources to attain its set goals (Adeleke, Ogundele & Oyenuga, 2008). Furthermore, it is viewed as a consequence of the interaction between actions taken concerning competitive forces that allow the firm to adapt to the external environment, thereby integrating competence and usefulness. In addition, a firm's performance is dependent upon the resources and capabilities it has as a source of sustainable competitive advantages in the market (Eniola & Ektebang, 2014). Adeoye and Elegunde (2012) view performance as real output as against expected output which they

categorized into financial performance, product market performance, and shareholders returns.

Icha and Agwu (2015) argue that firms must access, mobilize and deploy resources before they can grow. A firm is said to be effective if it makes use of its resources to attain a high level of performance (Adeleke et al., 2008). They posit that a firm is effective if it attains its sales or market share goals which depend on efficiency. Adoption of various strategies by firms also determines firm performance. Different firms use different strategies of performance (Collins & Porras, 2000); hence, a firm's performance is concentrated in its strategy. However, performance indicators can be measured in financial and non-financial terms (Bagorogoza & Waal, 2010). Abdullateef, Mokhtar, and Yusoff (2011) posit that a productive organization achieves its goals by transforming inputs into output at the lowest costs. An organization that is capable of doing this can be said to be performing. Performance according to Adeleke et al (2008) is a set of processes for establishing a shared understanding about what is to be achieved and of managing and developing people in a way that increases the profitability that it will be achieved in the short and long term. Moreover, Pervan and Višić (2012) argue that the determinants of the firm performance vary and they include management of employees, the larger market, competition, sources of raw materials and supplies, legal structure, and even globalization. Furthermore, performance is an important aspect of an organization because it reflects how the organization understands the needs and expectations of customers (Fourie, Theron, & Ochse, 2015).

### **Theoretical Framework**

The study was anchored on the contingency theory of leadership and organization structure as propounded by Fiedler (1964). It was the earliest and most extensive research. The theory postulated that the performance of a group is dependent on the

psychological orientation of the leader and some contextual variables such as the size of the organization, technology that is in use, leadership style, and adaptation to changes in strategy (Flinsch-Rodriguez, 2017). The underlying assumption upon which the theory was built is that no one type of organizational structure is equally suitable to all organizations (Islam & Hu, 2012). Instead, the best course of action for organizational performance is dependent upon the prevailing internal and external situations. In other words, the theory assumes that organizational performance is the contingency of fit or match between two or more variables (Donaldson, 2001). The theory dwells more on the functionalist perspective of organization structure (Woods, 2009). In a nutshell, the theory is made up of three components: contingent factors (situational features), reaction variables (organizational or administrative activities required to adjust to changing circumstances), and performance variables (that is, contingency variables). This study is theoretical since the practice of distribution channels in the consumer products industry necessitates the use of most of the distinct viewpoints of contingency theory (i.e., contingency variables, response variables, and performance). This is an excellent time to go through the framework and assumptions once more. In every economy, the FMCG sector's distribution strategy is a marketing environment in which firms must sell their products within the context of the current market circumstances. In addition, as previously indicated under the concept of channel strategy, the approach used in developed nations varies from that used in developing economies. The reason for this is because channel strategy selection is influenced by a variety of factors, including the level of economic growth, political stability, and cultural customs of various nations and communities. FMCG firms must employ a channel strategy that is appropriate for their operational environment to increase their marketing success. According to contingency theory, the most successful marketing performance

assessment method is most matched to the organization's goals, strategy, structure, and environment.

## **Empirical Review**

Previous empirical research with a focus on various sectors has looked into channel strategy. Kalubanga, Tumwebaze & Kakwzi (2012) studied multi-channel strategy in the food and beverage industry in Ugandan; Forbes & Kennedy (2016) focused on direct channel strategy in the wine industry in New Zealand; Gabrielsson, Kirpalani, and Luostarinen (2002) investigated multiple channel strategies in the European computer industry; Yeboah, Owusu, Boakye, and Mensah (2013) studied distribution strategies in the fast-moving consumer goods sector in Ghana. These studies covered the three major types of channel strategies in literature (direct, indirect, and hybrid channel strategies). The approach adopted by the authors for these studies showed consistency in the use of case study research design; and collection of primary data from top management of the case study companies. The result of data analysis by Kalubanga et al. (2012) and Gabrielsson et al. (2002) showed that despite several challenges identified in the literature that are associated with the implementation of multiple channel strategy, it provides an optimal solution for expanding sales volume and showed more linkage to a different market segment, increased market intelligence and customer base.

However, findings by Forbes & Kennedy (2016) showed that the wine business of the case study firm in New Zealand has been able to earn ninety-five percent of their total revenue through direct channel strategy by focusing on events and functions, online sales, and store sales. The result further showed that the company gained several competitive advantages from the direct sales channels such as price control, higher profit margins, efficiency in distribution and communication, enhanced customer



relationship leading to potential loyalty, and more future sales. But by viewing channel strategy from the perspective of the business environment, Yeboah et al. (2013) found that the best channel strategy depends on the target market and the operational environment.

Likewise, Kalubanga et al. (2012) found a positive link between multiple channel strategy and sales volume and customer base. Forbes and Kennedy also found a positive link between direct channel strategy and sales revenue. However, these findings cannot be said to be conclusive judging from findings of other authors on the same concepts which showed a negative relationship. Yeboah et al. (2013) in a study on effective distribution management established a negative relationship between distribution strategy and increase in sales and rate of return whenever organizations try to change their distribution strategy. In addition, Odigbo et al. (2015) ascertained that distribution strategies have no significant effect on yam production performance of farmers in Boki local government area of Cross River State, Nigeria. Further to the above inconclusive findings from previous studies, the researcher hypothesized that distribution strategy has no significant influence on market performance of selected food and beverages firms in Lagos State, Nigeria.

**H1:** Distribution strategy has no significant influence on performance of selected food and beverages firms in Lagos State, Nigeria.

## **METHODOLOGY**

A cross-sectional survey research approach was used in this study. Employees in the sales and marketing departments of selected food and beverage manufacturing firms in Lagos State, Nigeria, make up the study's population. These workers were chosen as possible respondents for this study because they were regarded as qualified to offer

information regarding the issue of channel strategy and marketing performance of the selected businesses. They are referred to as key informants in the literature (Chinomona, 2013). The companies chosen were chosen because they have a market share of greater than 70% in their product category Vengasai & Matsika (2012). The target population of the study is 1,980 staff of the three selected food and beverages firms in Lagos State, Nigeria.

### 3.1 Population Distribution table

Name of Company	Target Population
Dangote Sugar Refinery Plc	648
Cadbury Nigeria Plc	629
Nestle Nigeria Plc	703
<b>Total</b>	<b>1,980</b>

Sample size determination table developed by Krejcie and Morgan was used to determine the sample size of 731. Simple random sampling and proportionate sampling techniques were used to select the respondents. A well-structured questionnaire was adapted and validated to collect primary data. The chosen companies for the study are Cadbury Nigeria Plc, Dangote Sugar Refinery Plc and Nestle Nigeria Plc. Data collected were analysed using multiple regression inferential statistics. Statistical Package for Social Sciences (SPSS Inc. 24) was used as analytical tool.

## FINDINGS AND DISCUSSION

### Results

#### Demographic Characteristics

Total numbers of 731 copies of questionnaire were administered on employees in the sales and marketing department of the selected food and beverage manufacturing companies in Lagos State, Nigeria with 81.81% response rate achieved. The majority of

the participants were male of 62%. Almost all the respondents with 70.7% rating were married and over 97.3% had a university degree. The year of experience showed that majority (77.3%) of the respondents had spent more than 6 years in the companies under study.

## Hypothesis Testing

The hypothesis earlier formulated was tested using multiple regression analysis. Table 1.2 shows the results of hypothesis testing.

### 1.2: Regression Result of Effect of distribution strategy and Performance

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.392	0.193		7.220	0.000
	Through Wholesalers	0.170	0.053	0.150	3.229	0.001
	Dealers incentives	0.158	0.050	0.162	3.190	0.001
	Through retailers	0.101	0.041	0.111	2.473	0.014
	Direct sales	0.091	0.052	0.088	1.762	0.079
	Customer persuasion	0.210	0.044	0.219	4.763	0.000
a. Dependent Variable: performance b. $R = 0.592^a$ $R^2 = 0.351$ $Adj. R^2 = 0.345$ c. $F(5, 598) = 63.692, (p=0.000)$						

**Source: Researcher's Study (2021)**

Table 1.2 above portrays the results of multiple regression analysis for interactions between distribution strategy and performance of selected food and beverages firms in Lagos State, Nigeria. The result of the analysis revealed in table 1.2 shows that the

predictors; through wholesalers ( $\beta = 0.170$ ,  $t = 3.229$ ,  $p < 0.05$ ), dealers incentives ( $\beta = 0.158$ ,  $t = 3.190$ ,  $p < 0.05$ ), through retailers ( $\beta = 0.101$ ,  $t = 2.473$ ,  $p < 0.05$ ) and customer persuasion ( $\beta = 0.210$ ,  $t = 4.763$ ,  $p < 0.05$ ) exhibit positive and significant effect on performance except for direct sales ( $\beta = 0.091$ ,  $t = 1.762$ ,  $p > 0.05$ ), that shows a positive but statistically insignificant effect on performance of selected food and beverages firms in Lagos State, Nigeria.

The result further explains that a unit increase in sales through the wholesalers will result in 0.170 increase in performance, a unit increase in dealers incentives will lead to a 0.158 increase on performance, a unit increase in sales through retailers will result to 0.101 increase in performance, and a unit increase in customer persuasion will yield a 0.210 increase in performance. These finding indicated that all but one (direct sales which has a positive but insignificant effect) predictors of distribution strategy have positive and significant effect on performance in food and beverages firms in Lagos State, Nigeria.

The result of the multiple regression analysis gave the model summary, the coefficient of multiple determination, adjusted  $R^2 = 0.345$  ( $F_{(5, 598)} = 63.692$ ,  $p < 0.05$ ) revealed that distribution strategy explained 34.5% of the changes in performance in food and beverages firms in Lagos State, Nigeria while the remaining 65.5% could be attributed to other factors not included in this model. Also, the F-statistics ( $df = 5, 598$ ) = 63.692,  $p < 0.05$ ) indicates that the overall model is significant in predicting the effect of distribution strategy on performance of selected food and beverages firms in Lagos State, Nigeria. It can then be suggested that distribution strategy has a significant effect on performance in food and beverages firms in Lagos State, Nigeria.

## Discussion

The result of the hypothesis above shows that distribution strategy are vital in enhancing performance level of selected food and beverages firms in Lagos State,

Nigeria. Since all but one of the regression coefficients (direct sales) are statistically significant and not different from zero the null hypothesis can be rejected. Therefore, the null hypothesis which states that distribution strategy has no significant influence on performance of selected food and beverages firms in Lagos State, Nigeria, was rejected. This results found support from the study conducted by Kalubanga *et al.* (2012) on multi-channel strategy in the food and beverage industry in Ugandan and the study by Gabrielsson *et al.* (2002) on multiple channel strategies in the European computer industry with findings both of which showed that despite a number of challenges identified in literature which were associated with the implementation of multiple channel strategy, it provides optimal solution for expanding sales volume and more linkage to different segment, increase market intelligence and customer base. Additional support was found for the result obtained from the findings by Forbes & Kennedy (2016) who studied direct channel strategy in the wine industry in New Zealand with results which revealed that, wine business of the case study firm was able to earn 95% of its revenue through direct channel strategy by focusing on events and functions, online sales and store sales. Their findings reveal that direct sales channels have provided the firm with several competitive advantages, including pricing control, high profit margins, effective distribution and communication, enhanced customer relationships, critical loyalty, and projected high sales. Specific marketing performance metrics in this study, such as sales volume, greater levels of consumer loyalty, and consumer awareness, corroborated Forbes & Kennedy's findings (2016).

## CONCLUSION AND RECOMMENDATIONS

The study found out and concluded that there was positive and significant effect of distribution strategy on performance of selected food and beverage firms in Lagos State, Nigeria adjusted  $R^2 = 0.345$  ( $F_{(5, 598)} = 63.692, p < 0.05$ ). As a result, consumer products

businesses in Nigeria should think about multi-channel strategies including selling through sales personnel in regions where the end-user does not have a direct vendor presence, selling through retailers to end-users, and selling through dealers and wholesalers. Using persuasive advertising to attract marketing incentives to achieve marketing goals such as improved sales, increased market share, customer loyalty, company retention and loyalty, and consumer awareness. The goal of a multi-channel strategy is to help consumer goods companies satisfy the growing requirements of today's customers while also overcoming the industry's high levels of competition. However, because distribution strategy has such a large influence on productivity, Food and beverages executives must focus on integrated and multi-channel strategies to make products available to various market groups. The study's findings helped Food and beverages companies decide on a distribution plan to boost efficiency, as well as where and how to spend resources.

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## Appendix

Frequency Table 1

### Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Missing	4	.7	.7	.7
Valid Male	371	62.0	62.0	62.7
Female	223	37.3	37.3	100.0
Total	598	100.0	100.0	

Source: Field Survey (2021)

### Marital Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Missing	41	6.9	6.9	6.9
Valid Married	423	70.7	70.7	77.6
Single	125	20.9	20.9	98.5
Others	9	1.5	1.5	100.0
Total	598	100.0	100.0	

Source: Field Survey (2021)

### Educational Background

	Frequency	Percent	Valid Percent	Cumulative Percent
Missing	3	.5	.5	.5
Valid GCE/SSCE	13	2.2	2.2	2.7
OND/NCE	54	9.0	9.0	11.7

B.Sc/HND	238	39.8	39.8	51.5
MBA/M.Sc	226	37.8	37.8	89.3
Mphil/PhD	64	10.7	10.7	100.0
Total	598	100.0	100.0	

Source: Field Survey (2021)