

**THE IMPACT OF EFFECTIVE DISTRIBUTION SYSTEM
IN AN ORGANIZATION
(A STUDY OF PZ CUSSONS NIGERIA PLC, SOKOTO)**

BY

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APPROVAL PAGE

This research work has been supervised and approved as having satisfied one of the necessary requirements for the award of Postgraduate Diploma in Management (PGDM)

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DEDICATION

This project work is dedicated to Almighty God, for most compassionate and most merciful, who generously gave me the strength, health and other resources to successfully accomplish this research amid other competing demands.

No idea can really be said to be original. Every “new idea” is a development of the countless ideas which had gone before. Any research work is therefore an expression of the knowledge, experience and skill acquired during the author's lifetime of contact with other people. To all those people (particularly Dr. Yakubu Shaba, Mal. M. Namakka) who have in any way been influential in my own development and learning and who have therefore contributed often without my knowing, to the ideas expressed in this research project; I owe my gratitude.

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 Background to the Study

One of the important aspects of the production of goods and services is the proper distribution of the same in such a manner that it will reach the target consumers in the most cost-effective and expeditious manner. Marketing is an organizational function and a set of processes for creating, delivering and communicating value to customers, and customer relationship management that also benefits the organization. Marketing is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer behavior and providing superior customer value. From a societal point of view, marketing is the link between a society's material requirements and its economic patterns of response. Marketing satisfies these needs and wants through exchange processes and building long term relationships. Marketing activities have contributed greatly to the creation of affluent society.

The exact distribution mix that a company will select depends the analysis of the environment in which it is operating, the analysis of the target consumers, and the type of resources at its disposal. Manufacturers and producers depend on the availability of products to those who wish to purchase them in order for the products to move off the shelves and for the company to make profits, which shows the importance of selecting the

right distribution mix. For example, an orange juice producer must select the most effective distribution mix to ensure that its products get to the right places from where customers can purchase them, a factor that is made more urgent by the short shelf life of such products.

Kaci Lane Hindman (2013), one of the factors that will be considered when coming up with the right distribution mix is the nature of the product to be distributed. For instance, in the case of a product with a limited shelf life, such as the orange juice, the distribution mix must enable a swift transfer of the products from the production plants to the warehouse and to the eventual retailers for purchase by final consumers. In the same sense, a product with a longer shelf life might benefit from the application of a different distribution mix. When considering the effect of the environment on the selection of the proper distribution mix, a lot of factors come into play, such as the state of the transportation infrastructure in place in the environment, since this can lead to different outcomes for the same product in different environments.

For instance, a company that is located in an area with good infrastructural framework in terms of good roads and reliable transportation schedules will adopt a different distribution mix that it will use in another country with a poor infrastructural framework. As such, if the orange juice company is located in a country with good infrastructure, it might use a combination of trucks, inventory and differently packaged products to distribute the finished product. If the same company is located in a country with poor roads and unreliable electricity supply, it might slightly modify the product in

order to extend the shelf life, since the poor state of the roads means it cannot expect the same expeditious and reliable delivery routines that it enjoys in more developed regions.

Kotler (2000), says that Place as one of the marketing mix elements is simply getting goods to the right place at the right time in the right quality. Place is the fourth “P” which has its traditional marketing term as distribution. Product distribution (or place) is one of the four elements of the marketing mix. Distribution is the process of making a product or service available for use or consumption by a consumer or business user, using direct means, or using indirect means with intermediaries.

The distribution mix is all those functions marketers perform to move goods from producers to consumers. These intermediate consumers are wholesalers and retailers. They are known as marketing middlemen because they are in the middle of a distribution network that connects producers with consumers (Nwokoye, 1980).

Clifford (1992) opines that management needs to search for distribution economics in inventory control, warehouse location and transportation modes. One problem is that distribution efficiency declines when the company did not meet with delivery date. This leads customers to “bad-mouth” the company eventually sales fall. Management responds by increasing sales force incentives to secure more orders. The sales force succeeds but once again the company slips in meeting delivery dates. Management needs to identify the real bottleneck and invest in more production and distribution capacity.

Physical distribution is an integrated set of activities that deal with managing the movement of goods within firms and through marketing channels (Kotler, 1980). Planning an effective physical distribution system can be significant decision point in developing an

overall marketing strategy. A company who places the right goods in the right places at the right time, in the right quantity, and with the right support service, is able to sell more than competitors who fail to observe or accomplish some goals.

Physical distribution is of great importance to most firms because it accounts for about 19% - 22% of the retail price. Part of these cost go for movement of products and the remaining part is related to inventory holding. Although physical distribution cost vary from industry to industry. With the above importance and many others prompted the researcher to verify more on the effectiveness of distribution in an organization and suggest other possible ways of distribution in an organization.

1.1 Statement of the Problems

As earlier mentioned in our introduction, it was said that a company places the right goods in the right places, at the right time, in the right quantity and with the right support services and is therefore able to sell more than competitors who fail to observe or accomplish some goals. But over the years, organizations have been trying in one way or the other to bring about an effective distribution but still most organizations lack these areas of marketing mix element.

The various questions one would ask here are:-

1. What are the distribution channels and how effective are the physical distribution activities in areas such as transportation, warehousing, communication and inventory management?

2. Does distribution creates any impact on sales of organization product? What product characteristics have the company and what are the characteristics of middlemen?
3. Are there lack of incentives of any kind by the company to its distributing agents?
4. Is the design of channels of distribution enough to reach the potential customers?
And is there poor road-network?

The present research work is an attempt of finding answers to the above questions that will lead to an effective distribution in an organization especially in 4P.Z Cussons Nigeria Plc. Sokoto.

1.2 Objectives of the Study

The magnitude of the problems associated with the importance of effective distribution in an organization has reached an unacceptable proportion as many sectors of the society begin to show negative attitude towards it and to make derogatory statements about it.

The principal objective of this research is to assess the importance of effective distribution with particular reference to P.Z. Cussons Nigeria Plc.

Other objectives of this study are as follows:

1. To appraise the company's product and its various distribution.
2. To be able to determine the effective and profitable form of sales in organizations.
3. To identify the means and processes of transportation and selecting the caliber of distributing agents.
4. To determine the effectiveness of distribution channel.

1.3 Statement of Hypothesis

A hypothesis is a tentative statement of plausible assumption, the validity of which is yet to be known. Here statements of reasonable assumption are made and later subjected to test. The study shall test the following hypothesis:

Ho: That the poor state of roads has no significant impact on effective distribution of goods.

Hi: That the poor state of roads has significant impact on effective distribution of goods.

Ho: That the physical distribution activities such as transportation, warehouses, communication or inventory management has no relationship with effective distribution.

Hi: That the physical distribution activities such as transportation, warehouses, communication and inventory management has a great deal with effective distribution.

1.4 Significance of the Study

The researcher hopes that the findings of this study will help distributors and marketing managers appreciate the role of distribution, that distribution is an essential tool in the marketing world to enhance efficiency, effectiveness and profitability. The work also could be used as a source of secondary data for academic work for future researchers.

1.5 Scope and Limitations of the Study

The limited coverage and scanty materials for references have created a serious limitation for the researcher. Most of the relevant facts and information are based on very few published materials and questionnaires.

In the light of the above reasons and others, therefore, it is however not possible for the researcher to design her study to cover the entire branches of P.Z. Cussons Nigeria Plc. due to some other unavoidable circumstances such as financial constraints and the time limited which the work ought to be done. For these reasons the study has limited to P.Z. Cussons Nigeria Plc. Sokoto branch in Sokoto state as a true representative of all other branches of P.Z Cussons Nigeria Plc. and to be generalized to cover the number of branches all over the country.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter review relevant literature on effective distribution system in an organization. In this chapter, view of several scholars on the meaning of interrelated concepts of the impact of effective distribution system in an organizations.

2.1.1 Concept and Nature of Distribution

Production is not the ultimate means of satisfying consumer needs or wants. Even in the production era where consumers were induced to buy goods at a firm or company determination. Yet, distribution was very important as at then. This is supported with the fact that finished goods produced in question have to move from processing point to the point of consumption. (Malhotra, 1996).

For a firm to achieve its objective, finished goods have to move to where they are more needed, this depends on strategic policies of an organization may adopt to suit plans, that, is rely there are always variation on distributing pattern this attributed from the concept of authorities in defining the term distribution as:-

Distribution is the movement of goods and services from the point of production and the finished product to the final or ultimate users. This process occurs in two distinct ways: firstly, the raw materials from its source to the factory where it will be processed into finished goods and secondly these finished goods to the users. To provide later with convenient means of obtaining the product he/she wishes to buy. This essentially, is the function marketing distributing channels the path that goods and title to them follow from producer to consumer. In moving goods to convenient location channel provide time, place and ownership utility.

Time – Production available when consumers want to buy. Production and distributing obstacle are greatly reduced seriously under a system of job order production. In this system consumer places an order and return several week or month later to claim the finished product and a few marketing risks. However, except for major purchase of installation with unique specification and large government contract, few products are purchased on a job order basis.

Place utility: Product available where consumers want to buy. Products in the manufacture custody are of no use to the consumer, since few consumers are willing to seek out the manufacturer, thousands retail stores have been established to provide goods in location convenient to consumers. This store along with vending machines mail order catalogues, and telephone sales, are a means of convenient supply of product to the consumer.

Ownership utility: Exchanging title of product. Marketing channels also provides a means for title to be transferred from manufacture to buyer. The purchaser or buyer can obtain

physical possession of and title of the product at the store. The authority BOONE AND KURTZ has propounded the later.

However, some authorities also define distribution in number of ways. Oliver said distribution in marketing must be noticeable to enable exchanges in the physical movement of product from producer to consumer or in locating service points. While Goodridge define it as the business of transferring goods from producer and manufacturer to consumer. Distribution is said to be the focal point of all business activity without distribution all other operations (production finance and the like) become meaningless.

Also Moden define distribution as the link between production or supply and consumption.

Another authority Marcus, refer distribution as the network of channel, and institutions that facilitate the marketing exchange that consist of three basic channel with number of modifications manufacturer (processor)Consumer, processor – retailer – consumer and manufacturer- wholesaler – retailer – consumer.

Nigeria authority Nwokoye also view distribution as a task to make goods physically available to buyer. Nevertheless Philip define distribution as the process of physical handling of goods, passage of ownership and most important from the stand point to marketing strategy to the buying and selling negotiation between middlemen, producers and consumers.

2.2.1 Physical Distribution

Physical distribution came into existence during the Second World War when the allied military forces effectively used physical distribution, mathematical models and systems

analysis to ensure that the right materials were at the strategic place at the current time. These techniques were invariably not realized immediately by business sectors. However, firms turned their attention to the pressing job of filling the unprecedented demand for goods and services that existed at the end of the war, when marketing managers re-examined their physical distribution network. Almost all firms came to realize that physical distribution was a major cost that had never been carefully studied and coordinated.

Distribution is the broad range of activities concerned with the efficient movement of finished products from the end of the production line to the consumer physically. These physical activities cover warehousing, inventory control, transportation, market forecasting and consumer service.

Warehousing: This is a building provided to store stock before distributing to retailers. Warehousing is the process of making all finished goods stored under roof.

Inventory control: This is the physical control of stock available in avoidance of unnecessary trespasses.

Transportation: This is the movement of the stock from the processing line to the point of consumption. Physical distribution also assists in the aspects of forecasting market situation whether there are numbers of patronage of the goods provided or not.

2.2.2 Objective of Physical Distribution

Objective of a concept is the total or complete aim, determined by the concept in question which it will achieve within a given point in time.

Physical distribution in question has objective or goals of producing a specified level of customer service with the effort of minimizing the cost involved in transporting and storing the product from its production point to the point where it is ultimately purchased. Marketers must agree on the necessary level of consumer service, to minimize cost of moving the product to the almighty users.

For a manager to attain a specific level of distribution she/he must use some basic concepts, which are important for effective management. These concepts are: Total cost approach, avoidance of sub-optimization approach and cost trade-offs approach.

Total cost approach - The environment where all relevant factors in physical moving and storing product should be completely considered not individually forms the basis of the total approach, some number of functions must be looked at:-

Transportation, the movement of goods from the point of its production to the point of consumption. Warehousing, provision of storage facilities for the stock produced. Warehousing location, the position of warehouse in a suitable place. Inventory control, proper handling of stock in store internal information flow, this is the channel of communication flow within an organization.

Customer service standard: adequate satisfaction of customer needs and wants. All these functions must be considered completely in order in order to minimize cost for customer service levels. Avoidance of sub-optimization: this is the condition where the manager of each physical distribution function attempts to minimize cost, but due to the impact of one physical distribution task on the other, the result is less than optimal.

Cost trade-offs – Another fundamental concept of physical distribution is the cost trade-off. This approach assumes that some functional areas of the firm will experience cost increase while others will have cost decrease. The end result will be the minimization of total physical distribution costs. The integration and objective of the later approach is the provision of customer service level at the lowest possible distribution costs.

2.2.3 Importance of Physical Distribution

Physical Distribution is an integrated set of activities that deal with managing the movement of product within firms and through marketing channels. Planning an effective physical distribution system can be a significant decision point in developing an overall marketing strategy.

A company that places the right goods in the right places at the right time, in the right quality, and with the right support service is able to sell more than competitors who fail to observe or accomplish some goals. Physical distribution is an important variable in the marketing strategy because, it can decrease cost and increase customer satisfaction. In fact, speed of delivery, service and dependability often as important to buyer as cost.

Physical distribution activities should be integrated with marketing channel decisions. The marketing channel is a group of interrelated organization that directs the flow of a product to consumers, physical distribution deal with physical movement and inventory holding (storing and tracking stock until they are needed) within intermediary.

Often, one channel member will arrange the movement of goods for all channel member involved in exchange. For instance, a packing company ship, fresh California cherries and

straw barriers to remote market on a routine basis, frequently, buyer are found while the fruit is in transit.

The physical distribution systems often adjust to meet the unique needs of a channel number. For example, a dealer of construction equipment who keeps a low inventory of replacement parts will require the fastest and most dependable service when the need arises for parts that are not in stock. In the situation, the physical distribution cost may be minor consideration when compared with service. Physical distribution is of great importance to most firm because, it account for about 19-22% of the retail price. Part of these cost go for movement of product and remaining part is related to inventory holding. Although physical distribution cost very by industry.

2.2.4 Problem of Physical Distribution

The basic infrastructures needed to facilitate modern marketing activities are poorly provided for in developing economies. These cause distribution bottleneck, which in turn increase the rate of price inflation. Although inflation is fundamentally caused by insufficient supply of essential commodities in relation to demand. It is worsened by the ineffective physical distribution of whatever stock is available.

Taken into consideration the physical distribution activities areas such as transportation, warehouses, communication and inventory management.

Transportation: - In the area of transportation, roads are poorly constructed and not well maintained, access road to remote areas such as crop producing area are typically nothing more than paths. Carrier system are not well developed in spite of existence of many

small transportation companies, specialized vehicles such as road tankers and cold storage vans are too few. The railway system is usually oriented to the evaluation of export produce, the modernization and flexibility needed for serving domestic trade seem never to materialize.

Warehouses – material handling are much unsophisticated with the exception, perhaps of what is available in the wharves at the sea ports because the warehouses are too few and far between each other. Specialized storage structures like large storage tank for petroleum product or silos for grains are either too few or non-existence.

Modern communication – communication network are often too small in scope to make any real impact in business transactions. Sometimes telephone service tends to be confined to the urban centers, the lines are too few, and the quality of service offered is often poor. The postal system works well at the other hand it may be grossly inefficient.

Inventory management – Inventory modern management is rarely practiced. Due to insufficient storage facilities and inappropriate storage method, spoilage and waste of product tend to be high.

The above inadequacies merely indicate the marketing system of a developing economy is typically under-developed. Reflecting the overall level of industrial development in the country. Development in the physical distribution sector has to be linked with development in allied sectors of the economy.

The important point or rather a lamentation is that development planners can often engineer the rapid increase of commodity supplies in the economy, such as by massive

importation or by push in agricultural production, but fail to plan any prior investment in the logistic system needed for effective distribution of the stock in question.

2.2.5 Solution to Problem of Physical Distribution

Overview of physical distribution obstacle which brought tremendous stoppage in most marketing activities will be looked upon in the following ways of possible solution.

Transportation: A wide variety of transportation modes is available to move product to market – rail way, water pipeline and air, each with different cost and way of service (speed) characteristics. Decision must be made regarding the mode of transport to use for each type of shipment coordinated movement using more one mode might be possible. For convenience, we include order processing under transportation activities area. Order processing includes checking price and customer credit and preparing invoice and shipping documents.

Warehousing (material handling) - warehouses store inventories. Decision must be located and what product should be stocked in what quality, warehouses may emphasis storage in which case the product remains in one place for a long period of time. Seasonal product of agriculture in processed from required long-term storage – before sale. Temporary storage may however; emphasized in which case the warehouse becomes a distribution center. A distribution center receive large huge homogeneous goods which are mixed and consolidated into out bound shipment to and from markets. The emphasis is on moving

goods through the facility and not on storage. Material handling involves the movement of goods within the plants and warehouses. Suitable equipment must be available to permit economical handling of goods.

Inventory – inventory is of ventral importance in physical distribution system design. Since actual demand is rarely exactly the same as forecast demand. Inventories of goods must be established and maintained. Some other reasons for carrying inventories includes: to ensure against risk of various kinds, accommodation of production and production runs before sales, seasonality of production and seasonality of demand. Raw materials inventories are also needed to support production. The cost of carrying inventories is high and procedures for proper inventory management must be installed.

Communication: Information is crucial for the effective management and control of physical distribution, information requirement within physical distribution are related to action and performance within the areas of inventory, warehousing and unit loading and transportation. For example a good communication system should be able to make available on demand the present stock position of each item at each stock location. The type of communication system installed will depend on the available technology and on the volume of goods flow; a high volume system might justify the expenses of a sophisticated communication system.

2.3. Relationship of Marketing/Sale to Distribution

Business organizations perform basically two operating functions. They produce goods and service and they market them. This is true of all form of business from the giant

manufacturer to the neighbor convenience store. Production and marketing are the very essence of economic life of the society.

Society allows business to operate, so long as they make a contribution to the entire member of the society. By producing and marketing desired goods and service business satisfy societal commitment of utility – the satisfying power of a product or service.

All organization must create utility if they are to survive. To create utility for customer organization must listen carefully to what the market place is saying. Marketing being the performance of all business activities that direct the flow of goods and services from producer to consumer or user. Here it could be said that marketing is narrow because it emphasis only the flow of product already been produced. But in broad it is that aspect of the firm as an organized behavior system designed to generate output of value of customer. Under this view, marketing is the development and efficient distribution of goods and service for chosen consumer at the place and time.

Marketing activities beginning with new product concept and design analysis needs effective and efficient distribution for the achievement of the product profitability. Profitability is achieved through creating consumer satisfaction.

Marketing activities is assumed to be in accordance with the effective of both society and the individual firm practice. It also emphasis the need for efficiency in distributions, although the nature and degree of the efficiency depend on the kind of business environment in which the business operate.

Finally, production and making activities selected and analyzed to satisfy consumer needs are prior to the channel of distribution. However, customer determines the marketing program.

2.4 Relationship of Transportation and Warehousing to Distribution

Transportation system in Nigeria is a regulated industry, much the same as the telephone and electric industries. In fact, transportation modes are often referred to as public utilities.

In general, the regulation of the entire transportation mode includes a provision that the rate charged must be “just and reasonable”. Just means that the rate must be fair to the carrier in relationship to what another carrier pay for moving similar commodity. Reasonable implies that the carrier should be allowed to earn a fair return on the company investment.

Manager of physical distribution face most difficult problem of determining correct rate or cost of service of transporting this product. There are two basic freight rates: class and commodity rate. The class rate is the standard rate, since one can be found for every commodity moving between any two destinations. Commodity rate is sometimes called special rate. Since carrier gives it to shipper as a reward for their regular use. The railroads and inland water carries extensively use commodity rate. Of the two classes rate is more costly or expensive.

The physical distribution managers has five (5) major transportation alternative for distribution: - Rail roads, motor carriers, water carriers, and pipeline and air carriers.

Rail roads: - The largest transporter of freight continuous to be rail roads. They are the most efficient mode for the movement of bulk commodity over long distance. Railroads are also making extensive use of unit train to provide time and cost saving for their customer's unit train to provide single customer, which receive lower rates than others.

Motor carrier: - Over the last decades trucking industries has shown dramatic growth than any other mode of carrier or transportation, motor carrier fast, consistent service for both large and small movement. Motor carrier concentrate on manufacture products and it therefore receive more revenue.

Water carrier: - This mode of transport is slow and in-expensive. There are basically two types of water carrier, inland and ocean deep water ships. Inland lines are efficient transporter of bulk commodity. Ocean going ship operate on the great lake between United States port cities and in international commerce.

Pipelines – Even though pipelines are second to railroad in number of mile transport, many people are barely aware of it existence. Pipeline are extremely efficient transport of natural gas and oil product: Pipeline carry two types of commodities: crude (unprocessed) oil and refined product such as gasoline and kerosene.

Air carrier: The air carriers are fast but very expensive. Because of freight relative high cost, it is used primarily for valuable and perishable product such as computer, furs, fresh flower high fashion, watches and live lobsters. It satisfy customer with fast service.

Warehousing in relationship to physical distribution is basically in two distinct forms: storage and distributing warehousing. Storage warehouse – store product of moderate to

long period of time in attempt to balance supply and demand for produce and purchasers. Company mostly uses them whose products are characterized by seasonal supply or demand.

Distribution warehouse are place to assemble and re-distributed products. They are used to keep the product on the move as much as possible. Many distribution warehouses or center achieve and operational objective of having the goods physically in the warehouse less than a day or two.

To save on transportation costs, manufacturers have developed central distribution centers. A manufacturer located at reference company PZ Cussons Nigeria Plc. With customers at Lagos, Kano and Sokoto Area could send each customer a direct shipment. An alternative distribution center brings together shipment going to one point from others and consolidates them into one shipment.

However, for physical distribution of a company to achieve its objective successfully there must be effective and efficient transportation and warehousing in existence.

2.5 Retailing

Retailing can be traced to be the establishment of trading posts sure as the Hudson Bay Company to Rack Peddles who literally carried their wares to outlying settlement. The first important retailing institution in the United State was the general store which general merchandise store stocked to meet the needs of a small community or rural area.

The basic need that caused the general store to develop is due to the efficiency of the storekeeper that attempted to satisfy the need of customer for all types of goods. Today,

some of these store are still operating, mostly in rural areas. Retailing is said to be the end of marketing channel for the consumer of goods manufactured. Retailing consist of all the activities involved in the selling of products and services to the ultimate consumer for their own use. This does not involve sale in retail store only, but also mail order and telephone sales, vending machine sale and direct house to house solicitations. The success of the entire marketing strategy rides with the decision of consumer in the retail store. Type of retail: Retailing operations are remarkable illustration of the marketing concept in operation. The development of retail innovation can be traced to attempt to better satisfy particular consumer needs.

As consumer demand different satisfaction from retailer, new institution emerges to meet this demand. Super market appeared in the response to consumer desire for lower prices. Today convenience in purchasing at late hour available. Discount houses reflect consumers demand for lower price and their willingness to give up services. Department store meets the demand for their wide variety of product and services.

Super marketers: - They are large scale departmentalized retail store offering a variety of food product such as meat; produce, dairy products, frozen foods even with non-food items such as toys, toiletries, and magazine as they like. They operate on self-services basic and emphasis prices and packing facilities.

Specialty store: they are greatest strong hold of independent retailers who can develop expertise in providing a very narrow line of product for their local market. Specialty stores includes bakeries, furriers, meat, market, millinery shops and as like.

Merchandise store: These are store that carries a wide variety of product line, all of which are stocked in some depth.

Department store – The department store is actually a series of limited line and especially stores are under one roof. Department store is said to be a large retail firm handling a variety of merchandise that includes men, goods, home furnishing, appliance and furnitures. It serve customer byacting as a center of all personal and household items. Department store are known for offering their customer a wide variety of service, such are charger account, delivery, gift-wrapping and liberal run privileges.

Having discussed about retailing under roof let us also look at some kinds of retailing that dealt with personal contact or face-to-face retailing. These are known as non-store retailing. A number of retail sales are not made in store. Goods are sometimes sold door-to-door, in mail-order houses and by automatic vending machines.

Door-to-door retailing: This is one of the oldest marketing channels that were built around direct contact between the seller and customer at the customer home. This channel provides much convenience for the customer and allows the manufacture to control the firm a marketing channel. Door-to-door method of retailing seems to be a low-cost method of distribution.

Mail-order retailing – This type of retailing where a customer can use mail to order merchandise on certain goods needed. Mail order customer could also use telephone or by visiting the mail house.

Automatic vending machine – Automatic vending machine provide maximum convenience wide range of goods. This form of retailing is very fast than other form of non-store retailing.

2.6 Channel Flow of Distribution

Channel of distribution is a group of interrelated intermediaries who direct the flow of product to consumer. The marketing intermediaries perform some activities designed to move product from producer to consumer or industrial buyers. There are basically two major types of marketing intermediaries, merchants and agents. Merchants take little to merchandise and resell it, where as an agent receive a commission or free for expediting exchange.

Both wholesalers and retailers are classified as intermediaries. They can be either merchants or agents. Channel member share certain significant characteristics each member has different responsibilities within the overall structure of the distribution system, but mutual profit and success can be attained only if the members co-operate in delivering products to the market.

However, channel decision should not precede other marketing decision. They do have powerful influence on the rest of the marketing mix. In addition relationship among channel member (producer, wholesaler and retailer) usually involve relatively long term commitment. A major change in a firm marketing channel can have a profound impact on the sales of the company product. Channel of distribution make products available at the right place, and in the right quantity by providing such product enhancing functions as transportation and storage to be effective.

2.7 Types of Channel

The marketing channel structure defines the arrangement and linkage of its members. Consumer may need and organization can design almost any number of different distribution path.

Channel took course in respect to the kind of product to be distributed. There are two distinct type of products. Consumer products and industrial products.

Consumer products are product purchased for immediate satisfaction whereas industrial products are product purchased for further processing of other products. Channel for consumer products:-

2.7.1 Channel A: Producer – consumer.

A farmer producing vegetable sale direct to it consumer.

2.7.2 Channel B: Producer – retailer – consumer.

Producer producing product like automobile sell to large retailer who resale to consumer.

2.7.3 Channel C: Producer – wholesaler – retailer – consumer.

This is the most traditional channel of distribution. Product like bread, beer follow the hand of wholesaler – retailer – consumer.

2.7.4 Channel D: Producer – agent (broker) – wholesaler – retailer – consumer.

Channel for industrial product.

Channel A – Producer – industrial buyers, product like aircraft are sold to industrial buyer.

Channel B – Producer – industrial distribution – industrial buyer.

Channel C – Producer - agents (broker) - industrial buyers.

A farmer farming Soya beans sold to an agent and agent resell to animal food processors.

2.8 Main Channel of Distribution

Any company adopting a specific channel strategy usually cannot extract itself easily if difficulties arise. It is practical that market invest significant sum in supporting middlemen, providing them with anything from relatively small point-of sales item to substantial kiosk and promotional investment may be used to support this efforts. Customer loyalty is frequently shared between the outlet and the product. For example, a retailer may regularly purchase a specific branded product from local cash and may unless customer demand for the line is substantial, will not visit another cash and carry if that is dropped. The individual consumer can often be persuaded by retailer to switch to a substitute if the original is not available.

The construction or modification of channel requires careful and through review of the market perspective, in which the number of intermediaries sought is a fundamental consideration.

However, deciding in any of the channel of distribution depends on the nature of product a firm is producing.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

For every research to be carried out successfully, data must be collected and appropriately analyzed in a desired and acceptable manner. Thus, this chapter would be devoted to the procedures adopted in sourcing, gathering and analyzing data relevant with a view to arrive at appropriate research findings.

This chapter examines the research methodology with emphasis on research design, population of the study, sample and sampling techniques, sources and methods of data collection, method of data analysis, and hypotheses testing method are all stated in this chapter.

3.1 Research Methodology

Research design is a useful guide for data collection. It is useful for the purpose of obtaining data to test the hypothesis or to answer research questions. It is aimed at identifying the relevant variables of the study and determining how they shall be related in the course of investigation.

Survey research is the design adopted in this study which involves taking a sample from population on which research instruments (questionnaires) will be administered to generate data in order to answer the research questions and test the research hypothesis.

3.2 Method of Data Collection

Both primary and secondary data were used in the study. Primary data was collected through the use of well-structured questionnaire and oral interview. Secondary data was collected and use for the study to complement the primary data.

3.3.0 Sources of Data

The data for this study were collected from both the management/staff of the organization and it's widely spread customers. These sources constitute both primary and secondary as follows:

3.3.1 Primary Source

All the primary data used were collected from two major sources, via, oral interviews and questionnaires. Oral interviews were framed and conducted during the pilot testing and many questions were framed by the clues from these interviews. Both the managers/directors and some staff of the organization were interviewed. Oral interviews were also applied during the stage of distribution and collection of questionnaires.

Questionnaires were used at two stages in the process of data collection. One was during the pilot survey when the initial questionnaires were used. These questionnaires were used both for collection of data and as a guide to preparing the final ones in which several mistakes detected in the formal were corrected. The final questionnaires were distributed to the staff and potential customers of Cussons PZ Nigeria Plc.

3.3.2 Secondary Sources

For the secondary data, analyses from the company and other related texts were consulted.

3.4 Method of Data Analysis

Data was analyzed using descriptive statistics i.e. Percentage, and Regression analysis. Objective one was analyzed using descriptive statistics such as tables, charts and percentages. Objective two was analyzed using regression analysis and Objective three was analyzed using descriptive analysis.

3.5 Method of Investigation

In study of this nature where few secondary data exist, every available method of collecting accurate and dependable data became necessary. Thus to alleviate problems of inadequate information, the following methods of investigation were adopted.

(1) Interview

(2) Questionnaires

(3) Secondary information

The need for all types of method of investigation was aimed at helping to crosscheck and validate the authenticity of both questions and answers and secondary data.

3.6 Sample and Sampling Techniques

For this study, the researcher employed the random sampling techniques in arriving at the sample size. Members of staff of the Cussons PZ were randomly picked and more so distributors and wholesalers present during visit made to the Cussons PZ Plc. in course of the study were also served. However, not all the questionnaires distributed were returned.

The number received eventually amounted to the total of 75 served as the sample size of this work. Samples are known as the true representative sub-set of the population.

3.7 Questionnaire Design and Collection A combination of many different types of questionnaire were used among which are dichotomy questions for their simplicity and

demand for a choice between two options, multiple responses the chance to choose from a range of flexible character which also gives respondents the chance to express their own opinions.

A total of 95 questionnaires were distributed and wholesalers received a high member. A total of 30 questionnaires were served, the employees of Cussons PZ Nigeria Plc. Sets of 65 were served to distributors and wholesalers of the Cussons PZ out of which 45 were returned.

This brings a total of 75 shown below:

Category	No. Issued	No. returned	Percentage
Cussons Staff	30	30	40%
Distributors/Wholesalers	65	45	60%
Total	95	75	100%

To arrive at relative objective results the data is analyzed and interpreted in the next fourth chapter.

CHAPTER FOUR

4.0 Introduction

This chapter presents data and analysis of data gathered from the survey study. Data were collected via the used of questionnaires from the sampled respondents for the study.

A total of thirty (30) questionnaires were administered to staff of P.Z. Cussons Nigeria Plc. Sokoto State and sixty-five (65) were administered to Distributors/Wholesalers.

4.1 Data Presentation and Analysis

This chapter deals with analysis and presentation of data collected from respondents as discussed in chapter three. The questionnaire distributed were administered by respondents, processed by the researcher manually and presented in a tabular form for efficient and accurate analysis of the information.

Here, both percentage and chi-square methods were used in testing and arriving at statistical inferences between the variables contained in the hypothesis.

The method of organization and interpretation of the data collected was by the combination of the statistical tables and word statement, which were used to test the hypothesis. This is aimed at providing at a simpler and effective understanding of the data presented.

4:1:1 Age of Respondents

Opinion	Response	Percentage
20 years	20	26%
21-30 years	25	33%
31-40 years	2	3%
41-50 years	20	27%
51 above	8	11%
Total	75	100%

SOURCE: Field Survey: In above table I, the quality of the information was tested judging from the age group level in information was gotten. This is to ensure objectivity of this research.

4:1:2 Qualification of Respondents

Qualification	Responses	Percentage
HND	20	26.7%
BA/BSC	25	33.3%
MA/M.SC	30	40%
Total	75	100%

SOURCE: Field Survey. The above table showed that 20 respondents (HND) constitute 26.7% while 25 (BA/B.SC) constitute 33.3% and 30 (MA/M.SC) holders took the larger percentage of 40%. This seeks to test the quality of information received for the purpose of objectivity of the study.

4:1:3 Whether Firm has Inbuilt Distribution Department

Opinion	Response	Percentage
Yes	75	100%
No	-	-
Total	75	100%

SOURCE: Field. From the above table, 75 respondents, which constitute 100%, agreed that there is distribution unit in the organization.

4:1:4 Inadequate Intermediaries Hinder the Distribution of Products to Customers

Opinion	Response	Percentage
Yes	50	66.7%
No	25	33.3%
Total	75	100%

SOURCE: Field Survey. In the table, 50 respondents constitute 66.7% said while 25 respondents that contain 33.3% said no. this shows clearly that the workers in the distribution unit are not enough.

4:1:5 Need for Distribution Channel

Opinion	Response	Percentage
Yes	57	76%
No	18	24%
Total	75	100%

SOURCE: Field Survey. The above table shows that 57 from 76% of the total respondents while 18 respondents constitute 24%.

4:1:6 The Channel of Distribution Used

Distribution channel	Responses	Percentage
Producer-Wholesaler-Retailer- Consumer	30	40%
Producer-Retailer-Consumer	25	33.3%
Producer- Consumer	20	26.7%
Total	75	100%

SOURCE: Field Survey. In the above table 30 respondents constitute 40%, 25 respondents constitute 33.3% and others took 26.7%. This indicates that more are of the opinion that the distribution channel mostly used is producers- wholesale-retailer-consumers.

4:1:7 The Level of Impact Distribution has on Image of the Company

Responses	Responses	Percentage
Great impact	55	73.3%
Little	20	26.7
No	-	-
Total	75	100%

SOURCE: Field Survey. From the above table, it can be seen that 55 respondents said, distribution has great impact on the image of the company, while 26.7% said distribution has little impact on the company's image.

4:1:8 The Rationale for Distribution

Responses	No. of Responses	Percentage
Retention of potential and existing customers	20	26.7%
Increase in the general sale volume	30	40%
To achieve target return on investment	15	20%

To maximize Profit	10	13.3%
Total	75	100%

SOURCE: Field Survey. From the table, it can be seen that 20 respondents agreed that the rationale for distribution is to retain potential and existing customers, 30 respondents, that is 40% said the rationale is to increase sales volume, while 15 responded said that, it is for the organization to achieve target return on investment and 13.3% said, is for the organization to maximize profit.

4:1:9 Responses on Whether Poor Road Network Hinder Effective Distribution

Opinion	Response	Percentage
Yes	57	76%
No	18	24
Total	75	100%

SOURCE: Field Survey. In the table above, 57 respondents are saying that poor roads network hinders smooth distribution of product, while 24% of the respondents are against the 76% of the respondents.

4.2 Test of Hypothesis

In all two (2) hypothesis were stated as a guide for this study. In the testing of the above said hypothesis, the research has arrived at 5% level of significance and chi-square test statistics was applied.

4.2.1 Hypothesis 1

The hypothesis stated that the poor state of roads has no significant impact on effective distribution of goods. In testing the hypothesis table number one is hereby reproduced.

Responses	PZ Cussons staff	Distributors	Wholesales	Total
Yes	25 (21)	20 (25)	8 (7)	53
No	5 (9)	15 (10)	2 (3)	22
Total	30	35	10	75

SOURCE: Field Survey.

Expected frequency:

The bracket figures represent the expected frequency.

Expected frequency = $\frac{RT \times CT}{OT}$

OT

Where:

RT = Row Total

CT = Column Total

$$\frac{22 \times 30}{75} = \frac{660}{75} = 8.8$$

75 75

$$\frac{53 \times 35}{75} = \frac{1855}{75} = 24.73$$

75 75

$$\underline{22} \times \underline{35} = \underline{770} = 10.27$$

75 75

$$\underline{53} \times \underline{10} = \underline{530} = 7$$

75 75

$$\underline{22} \times \underline{10} = \underline{220} = 3$$

75 75

The chi-square = $x^2 = \frac{(O - E)^2}{E}$

E

$$\frac{(\underline{25} - \underline{21})^2}{\underline{4}} = \frac{\underline{16}}{\underline{4}} = 0.75$$

21 21 21

$$\frac{(\underline{5} - \underline{9})^2}{\underline{4}} = \frac{\underline{16}}{\underline{4}} = 1.77$$

9 9 9

$$\frac{(\underline{20} - \underline{25})^2}{\underline{5}} = \frac{\underline{25}}{\underline{5}} = 1$$

25 25 25

$$\frac{(\underline{15} - \underline{10})^2}{\underline{5}} = \frac{\underline{25}}{\underline{5}} = 2.5$$

10 10 10

$$\frac{(8-7)^2}{777} = \frac{(1)^2}{777} = \frac{1}{777} = 0.14$$

777

$$\frac{(2-3)^2}{333} = \frac{(-1)^2}{333} = \frac{1}{333} = 0.33$$

333

$$\chi^2 = \sum \frac{(O-E)^2}{E} = 0.76 + 1.77 + 2.5 + 0.14 + 0.33 = 66.77$$

Determination of degree of freedom

$$(R - 1) (C - 1)$$

$$(R - 1) (K - 1)$$

$$(2 - 1) (3 - 1)$$

$$(1) (2)$$

Degree of freedom (2)

Decision: At 0.05 level of significance, the difference is significant of the calculated value of χ^2 is greater than 5.991 which is the value at 2 degree of freedom. In the case above, the computed value falls in the rejection region. Hence, we conclude or rather reject the null hypothesis and accept the alternative hypothesis, which is of the view that the poor state of roads has significant impact on effective distribution of goods.

4.2.2 Hypothesis II

This hypothesis tested that the physical distribution activities such as transportation, warehouses, communication or inventory management has no relationship with effective distribution.

In testing the hypothesis table number two is here reproduced.

Responses	PZ Cussons staff	Distributors	Wholesales	Total
Yes	25 (25)	10 (13)	20 (18)	55
No	5 (5)	5 (2)	2 (4)	12
Total	30	15	22	67

SOURCE: Field Survey.

Expected Frequency

The bracket figures represent the expected frequency.

Expected Frequency = $\frac{RT \times CT}{OT}$

OT

Where:

RT = Row Total

CT = Column total

OT = Overall Total

$$\frac{55 \times 30}{67} = 25$$

67 67

$$\frac{12 \times 30}{67} = \frac{360}{67} = 5.37$$

67 67

$$\frac{55 \times 15}{67} = \frac{825}{67} = 12.31$$

67 67

$$\frac{12 \times 15}{67} = \frac{180}{67} = 2.69$$

67 67

$$\frac{55 \times 22}{67} = \frac{1210}{67} = 18.06$$

67 67

$$\frac{12 \times 22}{67} = \frac{264}{67} = 3.94$$

67 67

$$\text{Chi-square} = \sum \frac{(O - E)^2}{E}$$

E

$$\frac{(25 - 25)^2}{25} = \frac{(0)^2}{25} = 0$$

5 5

$$\frac{(5 - 5)^2}{5} = \frac{(0)^2}{5} = 0$$

5 5

$$\frac{(10 - 13)^2}{13} = \frac{(-3)^2}{13} = \frac{9}{13} = 0.69$$

13 13 13

$$\frac{(5 - 2)^2}{2} = \frac{(3)^2}{2} = \frac{9}{2} = 4.5$$

$$2 \ 2 \ 2$$

$$\frac{(20 - 18)^2}{18} = \frac{(2)^2}{18} = \frac{4}{18} = 0.22$$

$$18 \ 18 \ 18$$

$$\frac{(2 - 4)^2}{4} = \frac{(-2)^2}{4} = \frac{4}{4} = 1$$

$$4 \ 4 \ 4$$

$$\chi^2 = (O-E) = 0 + 0 + 0.69 + 4.5 + 0.221 + 1 = 6.41$$

Determination of degree of freedom

$$(Row - 1) (Column - 1)$$

$$(R - 1) (K - 1)$$

$$(2 - 1) (3 - 1)$$

$$(1) (2)$$

Degree of freedom

Decision: At 0.05 level significance, the difference is significant of the calculated value of χ^2 is greater than 5.991 which is the value of 2 degree of freedom. In the case above, the computed value is 6.41 which is higher than 5.991, the value falls in the rejection region.

Hence we conclude or reject the null hypothesis, which is of the view that the physical distribution activities such as transportation, warehouse, communication or inventory management has relationship with effective distribution.

4.3 Research Findings

From the data collected, analyzed and tested, it was discovered that customers satisfaction will be derived when goods get to them at the right time, right place and right quantity and transfer of ownership (i.e. possession) to the consumers, this can only be achieved through effective distribution. The role of distribution and physical distribution activities played in a company or an organization cannot be over emphasized. Distribution is one of the elements of marketing mix, which must be well carried out for companies to continue or survive. Because, if goods does not get to the final consumers on time, they turn to other competitors whose distribution channel are very effective.

Another finding of the research work was the motion that companies need to consider some factors before choosing an effective channel such as the product characteristics, intermediaries, and company's policy etc. Also, from the research work, it was discovered that, there are some problems impending effective distribution such as poor roads, inadequate warehouses etc.

However, companies should be able to build enough warehouses or hire one as to help in storage facilities. Also, companies should solicit government in other to help reconstruct good roads transportation and movement of goods and services.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This is the last chapter of this survey research. The major highlight of each chapters that form the bedrock of this study will be summarized, while the conclusions will be drawn thereof and recommendations are given based on the outcome of the findings.

5.1 Summary

This project is concerned with “the impact of effective distribution system in an organization” pricing and promotion are basically essential features of product distribution system in business organization with the fact that, production is not complete until the product and service rendered, gets to the final consumer.

The distribution mix is all those function marketers perform to move goods from producers to consumers. These intermediate consumers are wholesalers and retailers. They are known as marketing middlemen because they are in the middle of a distribution network that connects producers with consumers.

5.2 Conclusion

From the findings so far, the researcher discovered that, distribution efficiency declines when the company fail to meet with delivery date. This leads to customers “bad-mouth” the company and eventually sales fall. When management responds by increasing sales force incentives to secure more force succeeds but once company slips in meeting delivery dates the sales force declines.

5.3 Recommendations

One of the problems identified in the impact of effective distribution system in an organization is their failure in meeting delivery date. In this instance, the researcher hereby suggest that management should search for and employ distribution economies in inventory control, warehouse location, and transportation modes so as to meet delivery dates as at when due.

Another findings in relation to the hypothesis, to alleviate the problem of distribution system in an organization, the researcher recommends that there should be increase in the number of workers in distribution section so as to meet delivery dates of the numerous customers available.

In respect of poor road network, organization should construct road leading to her major market to ease distribution. Federal government should also encourage companies by improving on the road network of the country to allow free movement of goods from the factory to customers.

Research and development department should be established so as to furnish information to the management about problems facing any department in the organization.

Finally, remuneration should be increased to equate the responsibilities as motivation leads to increase productivity.

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APPENDIX

QUESTIONNAIRES FOR THE MANAGEMENT STAFF OF PZ CUSSONS NIGERIA PLC SOKOTO

Department of Business Administration

Usman Danfodiyo University

P.M.B 001

Sokoto State.

The Management PZ Cussons Nigeria Plc

Sokoto State

Dear Sir/Madam,

**RESEARCH PROJECT ON IMPACT OF EFFECTIVE DISTRIBUTION
SYSTEM IN AN ORGANISATION.**

I am a Post graduate student of the department of Business Administration, undertaking a research on the above topic. The aim is to satisfy the necessary requirements for the award of “Post Graduate Degree” in Management Science. I will be grateful if you could please answer the attached questionnaire in the space provided by ticking or writing against the appropriate answer where applicable.

I hereby assure you that information provided are for academic purpose and would remain highly confidential.

Thank you for your anticipated co-operation.

Yours faithfully,

EMPLOYEE OF PZ CUSSONS NIGERIA PLC SOKOTO STATE

Please tick in the box or comment where necessary.

1. Sex

A. Male ()

B. Female ()

2. What is your age?

A. 18-25 Years ()

B. 26-33 Years ()

C. 34 – above ()

3. What is your highest qualification?

A. HND ()

B. BA/BSC ()

C. MA/MSc ()

D. PHD ()

4. Is there distribution unit in the organization?

A. Yes ()

B. No ()\

5. If yes to 4 above, are there enough workers in the distribution unit to serve customers at the right time?

A. Yes ()

B. No ()

6. If no to question 4 why?

A. Distribution deals directly with warehouse ()

B. Due to the cost of inbuilt distribution dept. ()

C. Because distribution department is not important to the organization. ()

7. What type of distribution channel is used?

A. Producer – Wholesalers – Retailers – Consumers ()

B. Producer – Retailers – Consumers ()

C. Producer – Consumer ()

8. What level of impact does distribution have on the image of the company?

A. Great impact ()

B. Little impact ()

C. No impact ()

9. Is there any necessity for distribution in Production Company or organization?

A. Yes ()

B. No ()

10. What is the rationale for distribution?

A. Retailer of potential and existing customers ()

B. Increase in the general sales volume ()

C. To achieve target return on investment ()

D. To maintain and maximize profit. ()

11. To what extent does distribution affect the sales volume of the organization?

A. To a great extent ()

B. To an average extent ()

C. To a significant extent ()

D. I don't know ()

12. Does poor road network hinder smooth distribution of product?

A. Yes ()

B. No ()

13. What factor mostly influence choice of channel?

A. Product characteristics ()

B. Company policies ()

C. Intermediaries ()

D. All of the above ()

14. Which among these strategies is commonly used in your organization?

A. Selective distribution. ()

B. Exclusive distribution ()

C. Intensive distribution ()

15. What are the problems impending effective distribution in your organization?

Comment.....

.....

16. Suggest possible solution to No. 15 above

.....

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