THE IMPACT OF DISTRIBUTION CHANNEL ON MARKETING OF PETROLEUM PRODUCT

(A CASE STUDY OF ELF MARKETING NIGERIA LTD)

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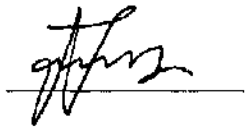
AHMADU BELLO UNIVERSITY

OCTOBER 1997

DECLARATION

I hereby declare that this project is original and a product of my research findings and is to the best of my knowledge never been previously presented in any submissions for a Higher Degree.

All materials used have been acknowledged accordingly by Reference and Bibliography.

		15-08-05
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CERTIFICATION

This project entittled "The Impact of Distribution Channel on Marketing of Petroleum Products.

"A case study of ELF Marketing Nigeria Limited (Kaduna) by SADIQA. MUSA meets the regulations governing the award of the Decree of Master of Business Administration (M.B.A.) Of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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DIGITIZED

DEDICATION

This research work is dedicated to my beloved father and mother and those who contributed to making this work a success.

ACKNOWLEDGEMENT

First and foremost, I must give thanks to Almighty Allah, for sparing my life, and guiding me throughout my stay in the University and for undertaking my academic works without hitch.

A number of people, many, more than I can mention, helped me directly or indirectly in achieving this set objective, more especially Alhaji Zakari – Yususf, Barrister Aliyu Dogara, Alhaji Suleiman White (Sarkin Yamma). Hajiya Hauwa Musa, Alhaji Garba Attahiru, and many more whose names cannot be mentioned due to limited space available. Your contributions are well noted and shall always be fresh in my mind. May Allah reward you all, Amen.

I also wish to acknowledge the efforts and expertise of my supervisor, Mr. Essienesak J. Ubom, who I owe a debt of gratitude for his encouragement and guidance in undertaking this research work. In fact without his help this dream could not have been a reality. His invaluable assistance and expertise in handling this work had left an indelible mark in my heart. May Allah reward you for your kind assistance and guidance, Amen.

This piece of work cannot be complete without giving a vote of thanks to my dear one Hauwa Ahmed Bello whose encouragement contributed greatly towards the accomplishment of this work. May Allah keep us together, Amen.

I consider myself highly indebted to all these people, and those whose names are not mentioned due to limited space. I hope shall continue to be together. May Allah reward you all. Amen.

Thank you all.

ABSTRACT

This study is an attempt to have a thorough look at the impact of distribution on the marketing of petroleum products.

In this introductory part of the work, the researcher took a brief look at how petroleum products are moved from the depot to the various filling stations where the products are sold to the final consumers.

In the second chapter, the researcher reviewed the work of various scholars on this topic. The sampling procedure used is the random sampling so as to give each element in the population has the chance of being choosing. Fifty (50) questionnaires were distributed while 30 were returned fully complete. The researcher also conducts oral interview and observation. However, in the analysis and tabulation of data collected, simple percentage method was used.

The result obtained in this analysis agree with working hypothesis which states that the distribution method used by ELF is efficient and that it makes petroleum products available at affordable prices.

The researcher also discovered that ELF has only two filling stations in Kaduna and the channel of distribution employed by ELF is short because it involved only one intermediary.

ELF Marketing Nigeria Limited should open up more retail outlet in Kaduna Metropolis to meet the demand of its customers that are scattered within Kaduna Metropolis and its environs.

In conclusion, the researcher recommended that the organisation should engage in other promotional activities like advertising and publicity to create awareness and boost customers' morale.

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CHAPTER ONE

1.0 INTRODUCTION

Distribution, one of the marketing mix, is a major marketing decision area, which includes Physical Distribution Management, Management of Marketing Institutions and Management of Marketing Channels. A distribution system is an organized network of people and organisations, it performs all the marketing functions and activities aimed at providing consumers (both industrial and domestic) with their wants and also satisfying the needs of all the participants.

According to Eorelock et al (1980:182) in physical goods marketing, distribution management consists of two main areas.

a. Logistic or physical distribution which is concerned with the activities involved in physical moving and storing goods, and

b. Channels, the set of perhaps independently owned and operated results that represent the path that a product takes in moving from manufacturer to buyer.

Providing the right product at the right place at the right time is the ultimate goals of distribution management. Efficiency in physical distribution greatly influences a firm's chances of marketing success.

It is stated that for physical distribution to be efficient, it requires optimum decision on combination of inputs such as size of inventory, storage, inventory location, modes of transportation, material handling, order size and order processing.

In the distribution of petroleum products, a lot of activities are involved, the products are moved from the depots by trucks especially designed for such purpose and they are delivered at the filling station (the retail outlet) into the ground tanks. It is then pumped up for sale to the end users. Some of the products are packed in plastic containers and displayed in the showroom e.g. Lubricants such as engine oil, grease, gear oil and break fluid. In the case of supply to industrial customers the products are lifted from the depots and delivered directly to the industries concerned.

However, some intermediaries are involved (apart from the oil companies) who are mostly registered independent oil marketers in the channels of distribution of petroleum products. The functions of the products at the appropriate places and at affordable price.

1.1 STATEMENT OF THE PROBLEMS

Petroleum is the bedrock of Nigerian Economy. It is the highest revenue earner for Nigeria. All the other sectors of the economy depends on earnings from petroleum products.

Nigeria is one of the world leading countries in the production of crude oil, and also a member of OPEC. But despite the millions of barrels produced daily and the daily lifting of petroleum products at the Nigerian National petroleum Corporations Refineries and deports nationwide, Nigerians cannot get fuel at the filling stations located in all parts of the country. Long and unending queue has become the order of the day. As a result a lot of business activities get paralyzed because of this persistent problem, which is very common in every part of the country.

The consumption of petroleum products have become paramount in our daily activities, both the industrial and domestic sector consumers a lot of petroleum products. Despite the large numbers of firms involved in the marketing of the product we still experience scarcity or shortage in the supply of these products inspite of the network of distribution involved in the marketing of petroleum products.

But the problem is not in the production, that is thee is no shortage in production, because if there is any breakdown in one of refineries or depots, another quick alternative is provided to make for the short fall in the supply of the products.

This shows that the problem now lies in the distribution. This is because there are times when all the refineries will be working in full capacity but due to one reason or the other, the distributors or dealers usually hoard this products, or the truck drivers will divert the products to other places, thus paralyzing the economic life of the affected areas.

What are the causes of these problems? Are the channels members not co-operating with the petroleum marketer? Is the distribution system not effective? Or is the problem cause by the activities of the smugglers who smuggle petroleum products to the neighboring countries so as to sell at exorbitant price as claimed by the Nigerian National Petroleum Corporation and Petroleum marketing companies? These are some of the question this research work intends to address.

1.2 HYPOTHESIS

Hypothesis I

H_0: The distribution method used by ELF is efficient

H_1: The distribution method used by ELF is not efficient

Hypothesis II

H_0: The ELF distribution method makes petroleum products available at affordable cost.

H_1: The ELF distribution method does not make petroleum products available at affordable cost. Corporation and the Petroleum Marketing Companies. These are some of the questions this research work intends to address.

1.3 BRIEF HISTORY OF THE COMPANY

The company, ELF Marketing Nigeria Limited came into being in February, 1983 through a sister company ELF Nigeria Limited, which deals mainly in petroleum exploration and exploitation. ELF Nigeria Limited is the product of Joint Venture agreement between ELF Aquitaina of France and IBRU Organisation of Nigeria. ELF Marketing Nigeria Limited is engaged in the Marketing of Petroleum products.

Kaduna district office, that is the Northern District Office, opened for Business in 1985 and it is in charge of operations in Kaduna, Kano, Maiduguri, Sokoto, Katsina, Abuja, Jos, Bauchi to mention a few.

DISTRIBUTION CHANNELS

The company used the following channels of sales:

Industrial
Official
Organic
Third Party
Peddlers

INDUSTRIAL – They are industries, they take their supply directly from the company. The products they use include Automotive Gas Oil (A.G.O), Premium Motor Spirit Petrol (P.M.S), Low Pure Fuel Oil (Black oil) and Lubricants. They are however licensed by the Nigerian National Petroleum Corporation (NNPC).

OFFICIAL – These are the companies owned filling stations, the retail outlets. The company either leases the land from the land owners or buy the existing facilities on the land and complete or shape it to its own standard. These stations are licensed to sell fuel. They get their supply from the company and payment is made after delivery, that is, after the products are sold. This is because the stations are part of the company.

ORGANIC – These are also retail outlets filling stations. They are registered with the Nigerian National Petroleum Corporation. The company supplies them with the equipment needed for their operation. And also supply them with products only after they have made their payment for the products.

THIRD PARTY – These are independent petroleum suppliers. They may be registered or not. They use their own facilities i.e. (Trucks) to collect supplies from the companies depot situated at Kaduna refinery. They however pay before taking supply.

PEDDLERS – They deal mainly in Kerosine. They buy from the company and use their own truck to collect supply, which they in turn sale to surface tank operators. They however pay before getting supply.

The company has no trucks (tankers) for distribution, it hires trucks periodically.

1.4 OBJECTIVES OF THE STUDY

The aims of this research cannot be over-emphasized. This is because petroleum is the bedrock of Nigerian Economy. All the industrial sectors solely dependent on petroleum products for their raw materials and power supply, and the daily domestic consumption of petroleum products is higher than any other product. That anytime there is any slight scarcity of petroleum products, the commercial life of the affected area is brought to stand still, and this lead to loss of millions of Naira in terms of revenue.

Therefore, the result of this research will be of immense importance to both the Federal Government, the National Petroleum Corporation, the Petroleum Marketers. The Manufacturing Companies, Institution of Higher Learning's Research Centres and of course the Nigerian Public in general who bear the brunt of the adverse effects occasioned by the non-availability of petroleum products.

The research will also highlight ways and facts that hinder effective petroleum distribution that has become the permanent future of the country. Oil industries have different limited resources, as such cannot compete effectively in all markets thus there is need distribution channels will be profitable. In this regards, oil industries, executives, individuals, students, academicians and government officials will find this study relevant and useful in broadening their view and serve as a guide to future research.

1.5 SIGNIFICANCE OF THE STUDY

This study is of importance to ELF Marketing Nigeria Limited and other oil marking companies and the country in general.

ELF will find this study useful in developing an efficient and effective channel of distributing petroleum products in the country. The study will also highlight the administrative bottlenecks in the distribution of petroleum products from the depots to its final destination.

Since indiscipline has been recognized as one of the cardinal factors that hindered effective distribution of petroleum products in the country, this study is designed to show how administrative officials constitute a stumbling block of effective distribution of petroleum products in the country.

The research is also inevitable because of the re-occurring increase in the people outcry about the persistence shortage of petroleum products in the country.

The work will also assist the government, policy makers and oil executives in fashioning out efficient and effective ways of distributing petroleum products in the whole country.

1.6 METHODOLOGY

The source of data in this project is principally through structured questionnaire (copy attached) where views of top-flight oil executives are sought regarding petroleum products distribution and scarcity in the country.

Primary data was also obtained from series of personal interviews with various categories of workers and stakeholders in oil industries.

The study of data, both primary and secondary, on national oil policy, both production and distribution, will be undertaken. These will be in form of available official bulletins, gazettes, selected official releases and documents, government pronouncements, speeches and lecturers by important government functionaries and scholars related to the subject matter.

Studies will also be undertaken on relevant articles and reports in journals, periodicals and newspapers related to the subject matter of the work.

1.7 SCOPE AND LIMITATION

For this study, the limitation derives from the scanty literature available on petroleum product distribution in the country. In most cases where such studies can be found, they are far from being comprehensive. More so, such information are considered secret documents.

The scope of this study though is specifically related to ELF Oil Marketing Nigeria Limited. It is an issue which generally concerns all oil marketing companies. This is because of the constant and unending petroleum scarcity been experienced in the country, despite the large amount of resources being pumped into the maintenance of the refineries by the Federal Government. So the issue of distribution does not only affect ELF alone but the generality of the oil companies operating in Nigeria.

RESPONDENTS ATTITUDE

Most of the respondents especially the customers are skeptical in giving out information and filling questionnaires, some see the exercise as an intention to increase the pump price of petroleum products and therefore not ready to disclose any information.

However, this limitation does not render the research work useless as the writer has given in all he has to the research so that it could be used for decision making and further research.

The source of materials used in this work have not been without their difficulty, since information on oil activities are general security documents and are labeled "classified' and "restricted". But despite all these problems where vital information was found to be lacking, supplement and substitute is made with related ones, thus confirming the saying that "in the absence of the desirable the available becomes the desirable".

All efforts to interview some of the key actors involved in petroleum distribution in the country in the past and present proved abortive due to the prohibitive financial commitment it involves and their refusal to reveal information at their disposal.

The source of this work includes study of different writers' work on oil exploration and distribution management, which were mainly papers, presented at seminars and workshops on "the study of both primary and secondary data on petroleum products distribution".

1.8 DEFINITION OF TERMS

ADVERTISING: The science and art of facilitating distributing and creating sales by making known the availability, location and advantages of goods and services.

AGENT: Persons or organisation with express or implied authority to act for another (the principal) in order to establish a contractual relationship between the principal and any third party.

CONSUMER GOODS: Products or merchandise intended for use or consumption by individuals as opposed to organisations, companies or businesses.

CUSTOMERS: Those who buy goods and services.

CONVENIENCE GOODS: Goods which are very widely distributed and which are brought more accordingly to convenience of acquisition than by "brand" or particular value.

CHANNELS MEMBERS: Those who perform one function or the other in moving goods from the producer to the consumers.

DEALERS: Middlemen in distribution chain, buying goods in order to sell them.

DEPOT: Place where goods are stored for onward transporting to the market.

DOMESTIC USERS: Those who buy goods and services for home consumption and use without putting them into further production of goods and services.

INDUSTRIAL USERS: Those who use industrial goods.

INTERMEDIARIES: Those who perform one function or the other in bringing goods from point of production to the point of consumption.

MERCHANDISING: All activities directed towards selling goods once they have reached the point-of-sale.

OPEC: Organisation of Petroleum Exporting Countries

ONE-STOP-SHOPPING: Facility to provide shoppers with a wide range of goods from one shop or from one shopping centre.

OPERATING SUPPLIES: All consumable materials and articles required for the production of goods and services, which are consumed in, used and in which are they not incorporated in final goods and services.

PROMOTION: Short-term incentives designed to encourage purchase of a product or services.

PUBLICITY: Non-personal stimulation of demand for a product or service by planting commercially significant news about it in a published medium or stage that is not paid for by the sponsor.

RETAILER: Person or organisation which sells goods to the general public, usually through the operation of a shop or store.

RETAIL OUTLET: Physical point or premises at which goods are sold to the general public.

WHOLESALER: Intermediary between the retailer and manufacturer. Usually buys good in quantity at discount and sells them in small batches at higher unit prices.

WORDS-OF-MOUTH: Verbal communication or influence on a buyer by friends, neighbours, family about a producer service. It influences a buyer's decisions about a product or service.

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CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter involves a complete review of information that has existed in work of certain scholars.

Distribution of products, that is, movement of product from the manufacturer to the end users has been receiving much attention in marketing oriented companies, because of its importance in getting the product to the right place at the right time and at an affordable cost to the buyers.

Manufacturing companies and distributive agencies do not sell their product directly to the final consumers. Between the firms and the final users exists a host of marketing intermediaries performing a variety of functions. Only in rare and special situations that a company engage in direct selling to the final consumers of its products, however some manufacturers do reach their consumers through their own retail outlets while others, use the door-to-door selling methods.

However, many authors have written on distribution and the researcher will analyse the views of various writers on the subject.

2.1 WHAT IS DISTRIBUTION

Cundiff et al (1980) belied it that distribution is concerned with the activities involved in transferring goods from producers to the final buyers and users. It includes the physical activities such as transportation and storing goods and the legal, promotional and financial activities performed in the course of transferring ownership.

The author went on to say that distribution is a major marketing decision area embracing physical distribution management, management of institutions, and management of marketing channels.

According to Love Lock and Weinbers (1986:182), distribution system is concerned with making desired goods and services available to consumers at location and times that are convenient. Distribution decision often involves long-term commitments of the firm's resources and directly affects its interaction with customers. The author further identify two main area of distribution management decision in physical goods, marketing, the areas are:

i. Logistics or physical distribution, which is concerned with the activities involved in physical moving and storing goods, and

ii. Channels, the sets of perhaps independently owned and operated, resellers that represent the path that a product takes in moving from manufacturer to buyers.

It is further stated that providing the right product at the right place at the right time is the crucial goal of distribution management, that marketers must effectively manage a complex set of distribution tasks often involving distant location and autonomous intermediaries to ensure delivery and availability of a product in a manner that meets customers' need. A well-designed and excellently implemented distribution strategy can provide an important competitive advantage. While an inadequate distribution system can quickly leads to fall in sales and customers ill-will that dissipates the potential of an otherwise sound marketing programmes.

From the above, it is evident that before one can safely say that distribution has taken place, a lot of activities must have taken place in seeing that goods move from the producer to the final user. Some very vital decision must also be taken, decision on logistic or physical distribution management, institutions management and also marketing channels management.

A good product with well designed package, with appropriate price tag and with adequate promotional back up, but not effectively distributed or with

bad distribution management will not yield returns to the organisation because it will not be at the right market (where it is needed) at the right time (when it is needed). Therefore, a product cannot be said to be complete until it is effectively distributed to the ordered point.

Distribution management is sub-divided into two main areas, as we have seen from the foregoing, the two areas are:

a. Marketing channels and

b. Physical distribution

2.2 WHAT IS MARKETING CHANNEL

A marketing channel or channels of distribution, is a path traced in the direct or indirect transfer of ownership of product, as it moves from a producer to ultimate consumer or industrial users; (Cundiff et al 1980:271-272).

Channels of distribution are the means by which products are moved from the manufacturer to the ultimate consumer. Davidson (1979:64) described it as a railway line connecting these two points. He stated that products may run straight down the line without interruption or it may have to pass through a network of functional, commonly known as middlemen (Davidson, 1979:64).

This definition shows that marketing channels are the route taken by products from producers to the final consumer or the industrial users. The route can be either direct or indirect, in the sense that these products move from the producer to the final users without any interruption and indirect means that it will pass through the middlemen before it get to the final consumers.

Channel of distribution is also defined as the mechanism by which goods flow from the producer to the consumer. Davidson states that the channel consists of the institutions, (e.g. while sellers and retailers) that move goods from producer to the ultimate consumers. A channel consists of series of institutions, such as wholesaler and retailers that facilitate the flow of goods. Whole seller the sell to the middlemen or to manufacturer. Wholesaler sell to the middlemen or to manufacturer. Retailers sell to the final consumers.



The above definition is in line with the first two definitions, Mc Daniel Jnr. (1982) only went further to throw more light on the institutions involved in the channel of distribution.

Channels of distributions also provide the link between production, supply and consumption. They are used to make products or services accessible and available to make products or services accessible and available to consumers or buyers, it is further stated that "as a product or services pass through its channels of distribution it gains added value (or value enhancement) because it becomes available to the consumers when and where it is wanted". (Modern 1991:329).

Kotler (1980), (413) adopted L.P. Buckmlins definition of a marketing channel. "A channel of distribution shall be considered to comprise a set of institution, which performs all of the activities (functions) utilized to move a product and its little from production to consumption.

Both authors are saying the samething in different versions because Modern states that channels of distribution provide "the link between production and supply, and consumption". Buskirk (1976) refers to the links as a set of institution". This institution according to Buskirk perform all the activities or functions necessary in moving a product and its title from the producer to the

final consumer, while Modern sees the function performed by the channel in making products or services accessible and available to the consumers or buyers. He further added that these functions make products to gain value by making them available when and where they are needed.

Stanton (1981:283-284) sees a channel of distribution (sometimes called trade channel) for a product as the route taken by the product as it involve moves from the producer to the ultimate consumer of industrial users. A channel always includes both the producer and the final consumer for the product, as well as all middlemen involved in little transfer.

Stanton highlights here, that the movement of the title of a product from the producer to the ultimate consumer is made possible by the trade channel, that is the producer, the final consumer and also the middlemen because he is involved in the transfer of title.

A product is not complete if it is not available when and where it is needed. For example, an air conditioner can not be truly an air conditioner if it is manufactured in Lagos but needed in Maiduguiri and it is not available in Maiduguri at the time it is needed. To make its availability possible in Maiduguri at the time it is needed, there must be the involvement of some intermediaries. That is, there must be some links between manufacturer in

Lagos and users in Maiduguri who will make it available by performing the function associated with channels of distribution.

This then makes it a complete air conditioner. This is just the simple meaning or illustration of the channels of distributions.

In an attempt to define the channel of distribution, there are some functions that the channel performs in the task of getting goods from producers to the final consumers (either domestic or industrial).

2.3 MARKETING CHANNELS FUNCTIONS

It has been argued in some quarters that middle-men should be eliminated. This is due to the fact that people who put such argument are ignorant of the functions performed by the marketing intermediaries. In order to justify their continued existence in the trade, they have to perform some activities, which will be too expensive or impossible for producers to perform.

Buskirk (1976:303-308) sees the distributive system as fulfilling several defined functions in society. He identified seven distributive functions, they are as follows:

ROUTINIZATION OF DECISIONS

Buskirk stated that distribution system establishes a routinization of decisions and transactions that result in lower cost. Once a manufacturer has sold the wears, there is little need for him to call frequently on individual stores, home or offices. Each of the wear division manager will automatically lead in purchase order for the products if he feels it fits into his operations. As a result, the total amount of volume realized is substantially in comparison with the effort necessary to obtain the volume. Once a system is established, goods tend to flow through it with a minimum of effort in comparison with work that was required to establish originally.

FINANCING

One of the realities of business is that everything must be financed from its inception to its consumption, at all times somebody has funds tied up in every item of merchandise existence. It is further stated that most firms operate with insufficient funds, it rear to see a business, which does not need additional working capital. Once a manufacturer has made a product, normally he would like to get his money back as quickly as possible in order to re-invest in other merchandise and to reduce his risks. The wholesaler may buy merchandise and pay for it within a relatively short time. In such an

instance, the wholesaler has to perform a definite financing function in the society.

He went on by stating that at the other end of the channel, retailers and banks must often finance the consumer in his acquisition of merchandise. Frequently retailers will have 45 to 60 days sales tied up in accounts receivable – a financial burden that might have to be carried by the manufacturer, if retailers were not involved in the transaction.

He concluded that one of the most important weapons the distributive system possesses in selling a product is the ability to finance the entire transaction.

PRICING

Here Buskirk sees distributive institutions as having strong influence on the retail price of a manufacturer's product. He said that, first manufacturers frequently consult with middlemen in order to establish a realistic factory price-one that will be readily acceptable by them. Often the retailers are in close touch with what the market will pay for an article than the producer is.

Finally, he believes that in many instances the retail dealers decide the actual price charge on the consumer. They may be free to establish whatever they

wish – sometimes they will even sale Merchandise below cost for promotional purposes.

CHANNEL OF COMMUNICATION

Most of the writers see the middlemen as intelligence agents for the producers. One of the important means by which they keep communication with the market is through their dealers who are in constant contact with customers and are usually extremely sensitive to change in demand. When a retailer notes a significant change in demand pattern he usually passes the information to his suppliers quickly. The dealer is familiar with his customer, whereas the manufacturer can seldom know them, even with the most intensive marketing research efforts.

PROMOTIONAL ACTIVITIES

The author further explains that a large portion of promotional activities behind the final sales of product to the consumer is performed by middlemen. The actual point-of purchase display of merchandise in the store is almost completely in the hands of retailer. The retailer also does a great deal of advertising, selling and promoting of the wares he sales. He further say frequently, that the retailers promotions are far more effective and actually moving the merchandise than are the efforts of the producer.

MIDDLEMEN ORIGINATED BEHAVIOUR

Furthermore, the author feels that middlemen should not be regarded as passive institutions, i.e. moving only at the orders of the manufacturers. Most aggressive middlemen will institute actions of their own when they see a need for it. Many retailers and wholesalers have originated private brands with which they complete in the market placed side by side with the manufacturers brands. They frequently originate promotions of their own, often in conflict with the promotional programs of the manufacturer with whom they deal. He cited the example of a food manufacturer who may have a certain promotion underway which requires a mass floor display in a super market, but the super-market owner may have promotional plans of his own that do not provide for such display.

Buskirk feels middlemen are influential in determining the actual location at which the merchandise will be delivered to the customer. Most manufacturers have little control over where the customer will purchase less product. The manufacturer is dependent on the wisdom of the dealer in this matter. The manufacturers have some degree of control over location through their selection of outlets. In fact, the manufact6uyrer has an absolute right to select its distribution outlets.

He concluded by stating that middlemen are economically justified because of their role in reducing the transaction and transportation cost of marketing.

As economies developed, there is an increasing emphasis on specialisation and the division of labour, as a result of which a "gap" develops between producers and users. The primary purpose of a distributive channel is to bridge the gap by resolving special and temporal discrepancies certain in supply and demand. Irrespective of the extent of these discrepancies certain essential functions need to be performed which may be summarized as:-

- Transfer of little of the goods involved
- Physical movement from the point of production to the point of consumption.
- Storage functions
- Communications of information concerning availability, characteristics and price of goods.
- Financing of goods in transit, inventory and on purchase.

He further emphasis the importance of these functions varies, depending upon the nature of the goods themselves. Physical movement and storage tends to predominate in the case of bulky raw or part processed materials such as basic chemical, petroleum products and steel, where price and

specification are standardized and the market comprises a limited number of buyers and sellers.

Buskirk and Baker have tried to explain the functions of marketing channel. They both explain the same functions in different ways, except that Burkirk went a bit further to explain some other functions, which were not mentioned by Baker.

Although Baker's explanations were in summary, they are not different from those of Buskirk because they both agree that the marketing channel. Perform the financing of goods from inception to consumption; act as channel of information, that is they serve as intelligence agent for the manufacturer about what the consumer want, and how they want it and also about the activities of the competitors, they also provide information about availability of goods, nature of goods and their prices. Baker states that the channel of distribution performs the transfer of title to goods and their physical movement from the point of production to the point of consumption; these Burkirk summarizes under one heading, that they minimize total transaction. He further added that middlemen originated behaviour by embarking on promotion of their own, instituting own brands.

Modification of products to make it more appealing to customers and also influential in determining the location of delivery of goods to customers.

Kotler (1996 pg. 180-419) sees the work of middlemen as designed to create form, time, place and possession utilities. Several functions or tasks are involved in this work. He summarizes the major marketing channel functions as follows:-

RESEARCH;- The gathering of information necessary for planning and facilitating exchange.

PROMOTION:- The development and dissemination of persuasive communication about the offer.

CONTACT: The searching out and communicating with prospective buyers.

MATCHING: The shipping and fitting of the offer to the buyer's requirements. Including such activities as manufacturing, grading and packaging.

NEGOTIATION: The attempt to reach final agreement on price and other terms of the offers so that transfer of ownership or possession could be affected.

PHYSICAL DISTRIBUTION: The transporting and storing of the goods.

FINANCING: The acquisition and disposal of funds to cover the cost of the channel work.

RISK TAKING: The assumption of risks in connection with carrying out the channel work.

The first five functions deal primarily with consummating transactions. While the last three act as facilitating functions. All of the functions have three things in common. They use up scarce resources, often they can be performed better through specialization, and they are shiftable.

Stanton (1991 P 284-285) emphasise the importance of middlemen. There is an old saying in marketing that "you can eliminate the middlemen, but you cannot eliminate their functions (activities). Middlemen serve as purchasing agents for their customers and as sales specialists for their suppliers. Middlemen frequently provide various financial services for both their suppliers and their customers. The storage service of middlemen coupled with their bulk breaking activities (dividing large shipments into smaller quantities for resale), and the market information, they provide benefit to suppliers and customer alike.

He went further by clarifying the functions of the marketing channels as follows:-

CONCENTRATION, EQUALISATION, DISPERSION:- Frequently the quantity and assortment of goods produced by firm are out of balance with the variety and quantity wanted by consumers or industrial users. No single firm produces all the items either of these users wants. And, no producer would sell any of them in the small quantity the use desires.

The job to be done involves (1) collecting or concentrating on the outputs of various producers; (2) subdividing these outputs into the quantity desired by customers and then putting the various items together in the assortment to consumers or industrial buyers.

CREATION OF UTILITY:- Middlemen aid in the creation of time, place and possession utilities. FORM UTILITY result from chemical or physical changes that make a product more valuable, when timber is made into furniture or flour into bread. Transporting the furniture from Michigan to California increases its value.

Both authors (Kotler and Stanton) looked at the marketing channel functions in the same light in the first [lace and they both agreed that the marketing channels perform the financing function. Stanton sees the middlemen as providing storage services and Kotler too sees the marketing channel as performing storage and transportation services through the physical

distribution. Stanton also identifies another function of marketing channel as bulk breaking while Kotler sees this function through matching. Stanton identifies another function as provision of marketing information, both writers have no contrary views on the functions performed by the marketing channel.

These functions cannot be performed by the producers because apart from his time and the financial implications, it also entails a lot of specialization. Therefore, it is better performed by the middlemen.

2.4 ALTERNATIVE CHANNELS OR TYPES OF CHANNELS OF DISTRIBUTION

PRODUCT:- Producers seek to get their product to the final users (either household or industrial) through a number of intermediaries, some link their final consumers directly. This part of the research will now attempt to look at these different levels of intermediaries involved in distribution of goods. Kotler (1991 P 413-414) identified four different types of channels of distribution:-

A-ZERO LEVEL CHANNEL

Often called a direct marketing channel, consists of a manufacturer selling directly to a consumer. Many examples can be found. Avon's sales representative sells cosmetics directly to homemakers on a door-to-door

basis, IBM's sales representative sells computer equipment directly to users firms, and Bell Apple Orchad invites the public to pick their own apples at a flat price per bushel.

A ONE-LEVEL CHANNEL

Contains one selling intermediary in consumer market this intermediary is typically a retailer (B) in industrial markets, it id often a sales agent or a broker.

A TWO-LEVEL CHANNEL

Contains two intermediaries. In consumer markets, they are typically a wholesaler and a retailer, in industrial markets, they may be a sales agent and a wholesaler.

A THREE-LEVEL CHANNEL

Contains three intermediaries. An example is found in the meat-packing industry, where a jobber usually intervenes between the wholesalers and sells to the smaller retailers, who generally are not serviced by the large wholesalers.

While Stanton (1981 P.337-339) grouped the major channels into two, that is the channels used for consumer products and industrial goods.

DISTRIBUTION OF CONSUMER GOODS

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

PRODUCER-CONSUMER: The shortest, simplest of distribution for consumer products is from the producer to the consumer, with no middlemen involved. The producer may sell from house to house or by mail.

PRODUCER-RETAILER-CONSUMER:- Many large retailers buy directly form manufacturers agricultural producers

PRODUCER-WHOLESALER-RETAILER:- If there is a traditional channel for consumer goods, this is it. Small retailers and small manufacturers, find this channel the only economically feasible choice.

PRODUCER-AGENT-RETAILER-CONSUMER:- Instead of using wholesalers, many producers prefer to use a manufacturer's agent, broker, or some other agents' middlemen to reach the retail market, especially large-scale retailers. For example, a manufacturer of glass cleaner selected a food broker to reach the grocery market, including the large chains.

PRODUCER-AGENT-WHOLESALER-RETAILER-CONSUMER

To reach small retailers, the producers mentioned in the preceding paragraph often use agent middlemen, who in turn call on wholesalers who sell to small stores.

DISTRIBUTION OF INDUSTRIAL GOODS

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

PRODUCER-AGENT-USER:

Firms without their own marketing department, find this a desirable channel. Also, a company that wants to introduce a new product or enter a new market may prefer to use agents rather than its own sales force.

Producer-agent-industrial distributor-user: This channel is similar to the preceding one. It is used when for some reasons, it is not feasible to sell through agents directly to the industrial user. The unit sale may be too small for direct selling, or decentralized inventory may be needed to supply users rapidly, in which case the storage services of an industrial distributor are required.

The two authors Kotler and Stanton are saying the same thing in different ways. Stanton only went a step ahead by distinguishing different channels in the distribution of consumer and industrial goods respectively. He tried to distinguish the consumer goods channels from the industrial goods channels.

Kotler's zero level channel can be likened to Stanton's producer-consumer/producer industrial/user while the one level channel is also similar to producer – retailer – consumer/producer-industrial distributor-user or producer-agent-user channel. Finally, Kotler's three level channel cam also be seen in Stanton's producer-agent-wholesaler-retailer-consumer channel

Modern (1991 P.333-338) also identified four main types of channel of distribution. They are:

DIRECT SUPPLY

MERCHANT SUPPLY

SHORT CHANNEL

LONG CHANNEL

DIRECT SUPPLY

The supplier or manufacturer supplies the customer direct, thus;

MANUFACTURER/SUPPLIER-CUSTOMER

This type of channel is common in industrial goods markets. Industrial companies usually purchase machine tools, computers and bulk consumables, like fuel oil or paint directly from their manufacturers. This is why the technical sales representative is so important in promoting and selling such products under conditions of direct supply.

In consumer goods markets, direct supply can usually take one of two forms. One is direct marketing which does not normally involved the use of any intermediaries, within the chain of distribution and the other is the use of agencies or retail outlets owned or controlled by the supplier.

instance, builders merchants will sell brick, sand, cement, roofiles, and rainwater goods (gutters etc) to building companies large and small.

This type of channel is also widely used in export markets. Exporters often use import agents who fulfill the role just described.

The advantages of merchants supply are three folds. Firstly, supply to the merchant (or agent) takes place on a bulk basis, which is economic. The manufacturer does not have to deal with, or distribute, small orders. Secondly, regular payments will be received from merchants. Thirdly, there is very little risk of payment default or bad debts, since the trading record of the merchant (which may be a long established company) will be reliable and known.

However, the disadvantage of merchant supply is that the manufacturer or supplier is dependent upon the marketing and selling effort of the merchant or agent. Merchant may need periodic motivation. This is especially difficult and expensive in scattered export markets in which the manufacturer is dependent upon the effort of his import agent.

SHORT CHANNEL

The supplier or manufacturer supplies the customer in a consumer goods market through a retailer, which acts as the reseller ort intermediary, thus:-

MANUFACTURER/SUPPLIER-RETAILER-CUSTOMER

While the supplier is not indirect contact with the customer, this channel minimises the supplier's influence and control over the retail intermediary or agent. For instance, in some consumer markets the supplier and retailer will agree to cooperate in funding, designing or specifying:-

- Promotional activity, whether external/advertising or in-store sales promotion.
- Store layout and product display;
- Training of shop sales staff

The disadvantages of the short-channel are as follows:-

First, the supplier may be maximizing the number of separate account with which he or she has to deal. This in turn maximizes the administrative costs of supplying these accounts, and controlling the flow of revenue from them. It may also maximise the physical distribution cost of supplying direct to a large number of retailers.

Secondly, the supplier will be maximizing the risk of payment default and bad debt, since it will be statistically inevitable that a significant proportion of retail intermediaries will suffer from ineffective financial management and control, or go out of business. It also exposes the suppliers to the bulk-buying power of large-scale retailers. Such retailers will demand large trade

discounts, and can interrupt the smooth flow of production by arbitrary changes in the rate at which they order.

LONG CHANNEL

The supplier or manufacturer supplies the customer in a consumer goods market through a set of two intermediaries are;

MANUFACTURER/SUPPLIER-WHOLESALER-RETAILER-CUSTOMER

The supplier sells his merchandise on a bulk basis to the wholesaler, who in turn breaks these bulk order down and supplies smaller quantities to retail outlets. At same time, the wholesaler is able to supply a range of complementary products to the retailer, who stocks his shop entirely from one or a small number of wholesaler outlets.

The advantages of the long channel are as flows:-

The long channel is a cost-effective means whereby the supplier or manufacturer can get his product into a large number of small retail outlets, since each does not to be supplied direct. The supplier will receive bulk or des, which will be paid for reliably on a regular basis by their wholesale purchasers. Such bulk order will minimize operational uncertainty, assist in smooth production planning and minimize the requirement for the manufacturer or supplier to hold large stocks. They will also simplify the

physical distribution problems. Bulk supply to wholesalers will also minimise the number of accounts, and reduce the risk of payment default and bad debts to a very low level.

The disadvantage of the long channel is that the supplier is exposed to the bulk-buying power of the purchaser (in this case the wholesaler). Given the structure of trade discounts and the effect of cost-plus pricing, this channel type may maximize the difference between the unit price received by the supplier, and that paid by the final customer in the retail outlet. Whilst, the manufacturer may not be exposed to the worst problems of bulk-buying by a national retail companies that can arise within the short channel, it may nevertheless be an expensive channel in which to operate.

In deciding any of the marketing channels to be employed by a manufacturer, certain factors have to be considered. The factors that manufacturer should look into in considering its choice of distribution are:-

2.5 FACTORS AFFECTING CHOICE OF DISTRIBUTION CHANNELS

Cundif, et al (1980:272-274), identified four factors that influence the channel usage, they are the product, the market, the producer and the middlemen.

PRODUCT FACTOR

The authors stated that the product technical characteristics, its degree of differentiation from competitive producer when it is perishable, whether it is a staple or non staple- these and other products characteristics limit the possible channel alternatives. The authors further say that these characteristics either individually or in combination restrict the alternatives to those in a given line of trade, or to those where middlemen are equipped to provide technical service and repair or to those where middlemen have specialised storage facilities (e.g. for frozen foods) or a specialized in some phase of marketing (e.g fashion merchandising).

Product characteristics also determine the length of the channel (i.e number of distribution levels). That perishable items must move through short channels to get them to the final buyers quickly; highly technical products required specialized selling and/or servicing talent move through the shortest channel available; highly standardized items can be marketed through large and complex channels; and custom-made are best distributed direct to the user.

MARKET FACTOR

In explaining the market factors, the authors stated that market factors exert powerful influences on channel usage. They identify customer-buying habits

as the most important in market factors because when customers are used to buying a particular source, it is difficult to switch them to a different source. They also identify market size and location as also important, that if the number of final buyers is large, then the channel is likely to contain at least one group of middlemen and if the final consumers or buyers are widely dispersed geographically, generally the product moves through a channel containing one or more groups middlemen.

PRODUCER FACTOR

Here they also identify factors within producers' own organization influence channel usage. They are as follows:- management's experience and ability in getting up and controlling a direct sales force otherwise channels including middlemen or agents are needed.

Financial strength is important-short channel requires a large outlay for fixed selling expenses than do long channels. The producers desire for control over the product sale to end buyers also influences channel length usage because middleman accept well-known product line, but hesitate to take on unknown items made by unknown companies

Financial strength is important, as short channel requires a large outlay for fixed selling expenses than do long channels. The producer's desire for

control over the product sale to end buyers also influences channel usage because middlemen accept well-known product line but hesitate to take on unknown items made by unknown companies.

The width of the manufacturer's product line also influences channel length. If a wide of related product is to be sold to the same general class of buyers a short channel is feasible when the product line is narrow, by contrast, or consists of item sold to different markets, the distribution is likely to include one or more levels of middlemen.

THE MIDDLEMEN FACTORS

Market channels are often dictated by the middlemen available, their willingness to represent particular manufacturers, and the relative costs of using them. A manufacturer may be restricted in its choice channel by the availability of particular middlemen; thus, if middlemen of the type the producer wants are not available or those the manufacturer wants are unwilling to take on manufacturer product line. The producer may have to take second choices. Some middlemen may be willing to accept the manufacturers distributor policies, with respect to price, required promotional effort and the like. Furthermore, the cost of using different middlemen relative to producer's own sales and profit goals influences the manufacturer's channel choice.

Stanton also states that company should consider four factors in its choice of distributions channels.

The four factors to be considered are;

MARKET CONSIDERATIONS

PRODUCT CONSIDERATIONS

MIDDLEMEN CONSIDERATIONS

COMPANY CONSIDERATIONS

MARKET CONSIDERATIONS

Perhaps the most obvious point to consider is whether the product is intended for the consumer or the industrial market. If it is going to the industrial market, of course retailers will not be included in the channel. In either case, other significant market available should be considered.

Number of potential customers:- With a relatively small number of potential customers, a manufacturer may use his own sale force to sell directly to consumers or industrial users. For a large number of customers, the manufacturer would be more likely used by middlemen.

Geographic concentration of the market; direct sale to the textile or garment manufacturing industry is feasible because most of the buyers are concentrated in a few geographic areas. Even in the case of a national

market, some segments have a higher density rate than others. In densely populated markets, sellers may establish sales branches that they would use middlemen in the less concentrated markets.

Order size: a food products manufacturer would sell directly to large grocery chains because the large order size and the total volume of business make this channel economically feasible. The same manufacturer, however, would use wholesalers to reach the small grocery stores whose orders are usually too small to justify direct sale.

PRODUCT CONSIDERATIONS

Unit Value:- The unit value of a product affects the amount of funds available for distribution. Consequently, the lower the unit value, the longer usually, are the channels of distribution. However, when products of low units value are sold in large quantities or are combined with other goods so that the total order is large, shorter channels may be economically feasible.

Perishibility: Product subject to physical or fashion perishibility must be speeded through their channels. The channels are usually short.

Technical nature of a product: An industrial product that is highly technical of is often distributed directly to industrial users. The producers' sales force

must provide pre sale and post sale service; wholesalers normally cannot do this.

MIDDLEMEN CONSIDERATIONS

Services provided by middlemen:- Each producer should select middlemen who will provide these marketing that the producers either is unable to provide or cannot economically performed.

Availability of desired middlemen:- The middlemen whom a producer desired may not be available. They may be carrying competitive products and may not wish to add another line.

Attitude of middlemen towards manufacturers policies; sometimes manufacturers choice of middlemen are limited because their marketing policies are not acceptable to certain types of middlemen. Some retailers or wholesalers, for example, are interested in carrying a line only if they can get an exclusive franchise in a territory.

Company considerations

Financial Resources:- A financially strong company needs middlemen less than one that is financially weak. A business with adequate finances can establish its own sales force, grant credit, or warehouse its own products. A financially weak firm would have to use middlemen who could provide these services.

Ability to Management:- Channel decisions are affected by the marketing experience and ability of the management. Many companies lacking marketing know how prefer to turn the distribution job over to middlemen.

Desire for channel control:- Some producers establish short channels simply because they want to control the distribution of their products, even though the cost of the more direct channel may be higher. By controlling the channel, producers can achieve more aggressive promotion, better control of the fresh merchandise in stocks, and better control of the retail prices of their products.

Cundif et-al and Stanton both identified four factors that are to be considered in deciding on an appropriate channel(s) to be used for distribution of a manufacturers product(s). The factors are the product itself, the market for the product, the producer of the product and the middlemen to handle the product.

In the product factors, they agreed that the technical nature has to be considered in the light of the presale and after sales services and facilities to be provided, the permissibility of the product and its value will determine the channel length.

The market factor has to be considered too in the light of the geographical location and concentration, customer buying habit and order size, number of potential customers and also if the product is intended for the ultimate consumer market ort the industrial market. The authors agreed on these as vital in determining the length of channel use.

They also agreed that the organization also has to consider its financial capabilities, managerial know-how, the desire to control and in deciding whether to distribute direct or through middlemen.

The availability of the desired middlemen, tlie promotional back-up to be provided by such middlemen, the acceptability of the company's policies and the acceptance by the middlemen to stock the company's product should also be considered seriously, these and other areas, both authors strongly agreed as vital in the choice of the type of channel to employ by manufactures.

McDaniel (1982: 216-219) identified the following as factors influencing channel selection. The factors are:-

Product related factors
Market related factors
Company related factors
Intensity of market coverage

PRODUCT RELATED FACTORS

The nature of the product is a major determinant of distribution channels. Industrial merchandise tends to be more expensive and technically complex than consumer good usually, the higher the product's unit value, the shorter the channel (fewer middlemen), and vice versa. Also, the more technically complex the product, the greater the need for the producer to work directly with the producer and thus, shorter the channel. Similarly, custom-made products usually flow through a very short channel.

Bulky items, such as timber, coal and gravel tend to move through shorter channels. Cost of storage and lack of storage facilities render lengthy channel unstable.

Another important product aspect of distribution channel is the extent of the product line. If a firm has an expensive product line, even if it consists of low-priced products, the sale to individual retailer may be high enough to justify direct distribution. Generally speaking the wider the production line the shorter the channel as larger as the quantities.

Justify such as approach.

MARKET RELATED FACTORS

Buyers, particularly in industrial markets often have widely varying needs even when they are purchasing the same product. Such a situation may call for multiple channels of distribution.

Consumer goods also flow through multiple channels because of differing needs of buyers.

Customer order size is another important channel determinant. In industrial markets operating supplies are commonly sold through industrial distribution because order typically are not large enough to make direct sales economically feasible. Small hardware's stores must rely on hardware wholesalers for similar reasons. Large orders make it possible to use shorter channels.

COMPANY RELATED FACTORS

In addition to markets and product factors, organizational consideration strongly influence channel strategies. Probably the most important of these considerations is financial strength or the lack of it. Well-financed companies may be able to set up corporate systems that completely remove the outside middlemen from the picture.

INTENSITY OF MARKET COVERAGE

Product, market and organizational factors will influence the intensity of distribution as well as the channel selected. There are three basic coverage strategies: intensive, selective and distribution.

Intensive distribution: Is maximum market coverage. The manufacturer tries to offer the product in every outlet where the potential customer might want to buy it. If a buyer is unwilling to search extensively for a product as is true of convenience goods and operating supplies, the product must be taken close to the buyer. Assuming that the product is of low value and frequently purchased, a lengthily channel may be required.

Selective distribution: Involves screening dealers to eliminate all but a few in any single geographic areas. Since only, a few retailers are selected, the consumer must be willing to seek out the product. Shopping goods and some specialty products are distributed selectively. Accessory equipment manufacturers of industrial goods market usually follow a selective distribution strategy.

Several screening criteria are used to find the "right" dealers.

PRODUCT CHARACTERISTICS

Perishable products require more direct marketing because of the danger associated with delays and repeated handling. Products that are bulky in relation to their value, such as building materials or soft drinks, usually require channel arrangement to minimize the shipping distance and the number of handling; in the movement from producer to ultimate customers. Under-standardised products, such as custom-built to ultimate machinery are speciliased business forms, are usually sold directly by the company's salesmen because of the difficulty of finding middlemen with the requisite technical knowledge. Products requiring installations and/or maintenance service, usually are sold and maintained directly by the company or by dealers given exclusive franchised. Products of high unit value are often sold through a company sales force rather than through middlemen.

MIDDLEMEN CHARACTERISTICS

Channel design must take into account the strengths and weaknesses of different types of intermediaries in handling various tasks. In general, intermediaries differ in their aptitude for performing such functions as promoting, negotiating, storage and contact, as well as in their requirements for credit, return privileges, training and frequency of shipment.

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COMPETITIVE CHARACTERISTICS

The producers in some industries want their products to compete in or near the same outlets carrying the competitors' products. The marketing channels used by competitors sometimes define what the producer wants to avoid rather than initiate.

Avon decided not to compete with other cosmetics manufacturers for scarce and inconspicuous positions in retail stores and established instead a profitable door-to-door selling operations.

An accessory equipment manufacturer may seek firms that are able to properly service its product. A television set manufacturer may look for service ability and a quality dealer image. On the negative side, poor credit risks and chronic complainers are quickly removed from consideration. If the manufacturer expects to move a large volume of merchandise through each dealer, it will select only to those that seem capable of handling each volume. This may remove smaller retailers from consideration.

EXCLUSIVE DISTRIBUTION

The most restrictive form of market coverage is exclusive distribution. This normally entails establishing one or perhaps two dealers within a given geographic area. Since buyers may have to search or travel extensively to

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acquire the product, exclusive distribution is usually omitted to consumer specialty goods, a few shopping goods, industrial installations, and accessory products at the retail level. Wholesale exclusive distributorship may cover a much wider array of products.

Kotler (431-433) also identified six characteristics that greatly influenced producers in designing their channels. They are customer characteristics, product characteristics, middlemen characteristics, competitive characteristics, company characteristics and environmental characteristics.

CUSTOMER CHARACTERISTICS

Producers are greatly influenced by customer characteristics. When the number is large, producers tend to use long channels with many middlemen on each level. The importance of the number of buyer is modified somewhat by their degree of geographical dispersion. Even number and geographical dispersion are further qualified by the purchasing pattern of these buyers. The buyer's susceptibility to different selling method also influences the producer's channel design. For example, a growing number of furniture retailers prefer to make selections at trade shows, and this increased the popularity of his channel.

COMPANY CHARACTERISTICS

The company overall size determines the extent of its market, the size of its larger accounts, and its ability to secure the cooperation of intermediaries it elect to sue. Its financial resources determine which marketing functions it can handle and which ones to delegate to intermediaries. The company's product mix influences its channel pattern. The wider the company's product mix, the greater the ability of the company to deal with its customers directly. The greater the average depth of the company's product mix, the more it is likely to favour exclusive or selective dealers. The more consistent the company's product mix, the greater the homogeneity of its marketing channels. The company's past channel experience and current marketing policies influence channel design. A policy of speedy delivery to ultimate customers affect the functions the producer wants the intermediaries to perform.

ENVIRONMENTAL CHARACTERISTICS

Channel design is further influenced by environmental factors. When economic conditions are depressed, producers want to move their goods to market in the most economical way; this means using shorter channels. Legal regulations and restrictions also affect channel design. The law sought

to prevent channel arrangement that "may tend to substantially lessen competition or tend to create a monopoly".

McDaniel and Kotler both agreed on product, company and market (referred to as customer by Kotler) factors as important influence in channel consideration, they both argued on the same points in the same line. But McDaniel want further to add another factor, intensify of market coverage, where he talked on type of distribution a manufacturer wants to peruse (depending on the nature of his product) either intensive, selective or exclusive.

Kotler also went ahead to add two additional factors vital to decision on channel design. He mentioned the competitive characteristics where the manufacturer may want to use the same channel with its competitors or avoid the cost of its product due to economic depression and will thus use a shorter channel and also where the government will want to encourage competition and discourage monopoly by legislation against exclusive channel usage.

From the foregoing, it is very clear that all the authors have tried to explain what it takes a manufacturer in deciding to use certain channel or a combination of channels for the distribution of its product(s).

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter focuses on the methodology or methods employed in gathering of information for the purpose of this research work or study. The method employed is a descriptive method, because it is the most convenient. The chapter described the method in gathering the data, the instruments and tools used, the population and sample size, the sampling procedure and statistical techniques used in analysis and interpretation of data.

However, the research method employed in any study is vital to the success of the project in that it will help the researcher in finding solution to research problem.

3.2 RESEARCH METHOD USED

The descriptive method is being utilized in framing the research problem statement into sub-statements in the form of questions which were intended to test the efficiency and the impact of the distribution system employed by the ELF Marketing Nigeria Limited as regarding the marketing of petroleum products.

In an attempt to prove the hypothesis, the investigation was conducted to discover the extend to which the distribution system makes petroleum product available to the customers and at affordable cost.

Questionnaires were served to a cross section ELF dealers, that is the filling station operators and the customers that patronized ELF filling stations and products. The filling stations attendants and truck drivers were also interviewed. The researcher also made some observations at the filling stations. They however constitute the main focus of this research.

The researcher also went into an in-depth review of various textbooks related to the subject matter of the study, as a source of information. The authors are however acknowledged in the bibliography.

3.3 JUSTIFICATION OF RESEARCH METHOD USED

The descriptive method was employed because it gives relevant views on the subject matter and it also allows the researcher to observe and further ask relevant questions. The researcher finds it appropriate to use this method because data analysed and interpretation are easier through to get by.

3.4 RESEARCH INSTRUMENTS OR TOOLS USED

The researcher collected data with the use of questionnaire. The researcher also use direct interview and observation, where there use of questionnaire

was not possible or when response through the questionnaire washy not appropriate.

3.5 RESEARCH POPULATION AND SAMPLE SIZE

The population of consumer is estimated at 800,population of dealers is two (2) and the total staff strength is twenty (20). Out of the estimated consumers of 800, 50 respondents are drawn, out of the two dealers all were drawn and 8 out of the 20 staff strength were drawn.

It is evident to the researcher that the more the respondents the more accurate the result will be. However, the researcher believes that a good sample if properly investigated will give a good representation of the whole population.

The researcher also used personal interview where it was found that the respondents answers were not reliable and personnel observation was also used.

3.6 SAMPLING PROCEDURE EMPLOYED

The sample procedure used in the study is random selection. The 50 customers respondents were randomly selected from the total population, that is the customers who patronesses ELF filling station and product. The

eight (8) management/staff respondents were also randomly selected. Out of the twenty (20) total staff strength. The whole two dealers were however taken because of the small number.

As earlier stated, the researcher also employed the use of personal interview where the responses through questionnaire were not appropriate or not possible. Observation was also used. However, this study covers Kaduna Metropolitan alone.

3.7 STATISTICAL TECHNIQUES USED IN ANALYSIS

The statistical technique used in this research analysis is simple percentage method.

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF RESULTS

4.0 INTRODUCTION

This chapter deals with the presentation and analysis of data collected using the various methods described in the preceding chapter.

The statistical method used here as mentioned earlier is the simple percentage method. Here the researcher has tried to investigate how efficient the distribution method employed by ELF Marketing Nigeria Limited is, and how the method makes petroleum products available and at affordable price to the final consumer. Therefore, this analysis is based on the questions contained in the questionnaires administered to the management/staff of ELF, the ELFT dealers as well as the customers. For easy understanding, the three set of questionnaires will be treated separately.

A total of eight (8) questionnaires in set one were administered to the management staff of the company, two (2) questionnaires were administered to ELF dealers in Kaduna and fifty (50) questionnaires were administered to the dealers were also returned, while thirty (3) out of the fifty (50) administered to the customers were returned.

4.1 MANAGEMENT RESPONSE

What distribution channel does your company employed in getting its products to dealers/final users? Specify;

RESPONSE

The 8 respondents that the company's product passes through the following channels;

INDUSTRIAL, OFFICIAL, THIRD PARTY AND PEDDLERS

INTERPRETATION:

The industrial means direct supply to industries that uses their products, official means the company's own retail outlet (filling stations), organic is also the retail outlet owned by the independent dealers, third party are also independent petroleum suppliers who collects their supplies from the company. Peddlers are however limited to kerosene alone. This shows that the company uses a short channel for the distribution of its products because it does not pass more than one intermediary before it get to the final consumers. Therefore, the company is able to monitor the movement of its products thus, making its distribution efficient.

TABLE 1

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Very efficient	2	25
Efficient	6	75
Fairly efficient	-	-
Inefficient	-	-
TOTAL	8	100%

INTERPRETATION

From the above table, 25% responded that that distribution channel is very efficient while 75% responded that the distribution channel is efficient. None responded that it is neither fairly nor inefficient. This shows that the distribution channel employed by ELF is efficient.

4.3 How many intermediaries does your products pass through before it gets to the final users? (Specify)

RESPONSE

All the eight respondents (100%) responded by specifying direct or one intermediary.

INTERPRETATION

This shows that the company's product does not pass through many intermediaries, it is a short channel of distribution i.e. producer - final user

or producer supplier final users. This method enables the company to monitor the movement of its products in making it available to the final users at affordable cost.

4.4 Does these intermediaries add unnecessary cost to the final cost of your products?

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Yes	3	37.5%
No	5	62.50%
TOTAL	**8**	**100%**

INTERPRETATION

From the above table, 62.5% of respondents disagree that the intermediaries add unnecessary cost to the final cost of products while 37.5% agreed that the intermediaries add unnecessary cost to the final cost of the products.

This shows that in most cases, the intermediaries do not add unnecessary cost except in cases where they are supplying to organisations and one should not forget that such suppliers are businessmen. However, such supplies are not meant to be sold at the filling station.

4.5 How cooperative are your truck drivers?

TABLE 3

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Very cooperative	5	62.5%
Cooperating	2	25%
Not cooperating	1	12.5%
TOTAL	**8**	**100%**

INTERPRETATION

From the above table, 62% responded that the truck drivers are very cooperating, 25% responded that they are cooperating while 12.5% says that they are always cooperating in most cases while very few of the truck drivers are not cooperating in some cases. This may be attributed to the fact that there can never be a 100% perfection in anything in life, there will always be some lapses. It further shows that the majority of the trick drivers are always cooperating, and this will go along way in making ELF distribution system efficient and the products always available at affordable price to the final users.

4.6 Have you ever experienced diversion of supplies meant for your dealers to other places by your truck drivers?

TABLE 4

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Yes	-	-
No	8	100%
TOTAL	**8**	**100%**

INTERPRETATION

From the table above, all the respondents (100%) agreed that the company has never experienced diversion of products, meant for its dealers to other places. This meant that the company's truck drivers are not part of petroleum smugglers, and it further shows that they are always cooperating with the company as is evident in table 3. This helping in making the company's distribution methods efficient and making the products available.

4.7 Do you monitor the movement of your supplies to your dealers?

TABLE 5

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Yes	8	100%
No	-	-
TOTAL	**8**	**100%**

INTERPRETATION

From the above table, 100% responded that the company monitor the movement of its supplies to their dealers. This shows that the company is employing all efforts in making sure that it does not only supply its dealers but also that the supplies gets to the dealers they are meant for thereby blocking all loopholes that would have allowed for diversion of its products to other ways i.e. smuggling etc. it further shows that the company is posed in making its distribution methods efficient and thus the products will be available to the final users.

4.8 If Yes, how? (Specify)

RESPONSE

The 8 (100%) respondents stated that the company monitors the movement of its supplies to its dealers by the use of invoice and way-bill. Product movement record, telephone, and also with an escort who is a staff of the company. The dealer will in turn send back an invoice stating the product received, the quantity, data and time of delivery and the name of the truck driver.

INTERPRETATION

From the above response, it further show how the company is making all efforts in making sure that its products are not diverted. This effort is backed

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up by documents and an official escort. This means that the company has gone along way in making its distribution system efficient.

4.9 Suggest measures to improve the distribution of petroleum products with a view of making them available without extra cost and time on the part of the final users.

RESPONSE

The 8 (100%) stated that government should look into the problems of tankers coaches on rail. They further suggested that the refineries should have a proper plan for the good maintenance culture of their production plants all over the country. But should ensure that it does not have effect on the availability of products by stock pilling products for the period of short down maintenance. Also autonomy should be given to the various refineries and petrochemical plants to procure spare parts and to decide on priority of operations in their various localities.

The Nigerian National Petroleum Corporation officials should improve on their relationship with petroleum marketers and truck drivers to enhance cooperation. They further suggested that the company (ELF) management should procure its own tankers for transportation of its products and that the filling station attendants' remuneration should be increased. Finally, the

government should enforce legislation on petroleum smuggling with stiffer punishment regardless of the status of the person involved.

INTERPRETATION

The above responses touched on all parties involved in petroleum business, that is, the government, the Nigerian National Petroleum Corporation, petroleum marketers the truck drivers and the filling station attendants who are in direct contact with the final users. If the above suggestions are taken into consideration and implemented, it will go along way involving the problems occasioned petroleum products shortages amidst of plenty.

DEALERS RESPONSE

4.10 Do you make payment before or after taking delivery? (Specify)

TABLE 6

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Before delivery	-	-
After delivery	2	100%
TOTAL	**2**	**100%**

From the above table, ELF allows its dealers to take delivery of its products before payments are made. This shows that the dealers will only pay for the actual quantity delivered to them alone and that ELF extends credit facilities

to its dealers which will enable them to buy even if they do not have money at the time they need the products thus making products available to final users. This means that ELF is encouraging its dealers in an effort in making its products available thereby making its distribution efficient.

4.11 How many days it takes for the company to supply you with products? (Specify)

RESPONSE

There are two (2) dealers stated that it takes the company one day to supply them when they requested for supply.

INTERPRETATION

The above response means that it takes the company up to 24 hours to deliver suppliers to its dealers when they run short of supplies. This might be attributed to administrative procedures involved. Through the administrative produce take up to 24 hours it is still better compare to other places where orders are placed and it takes up to one week before delivering.

4.12 Have you ever experienced delay in supply?

TABLE 7

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Yes	2	100%
No	-	-
TOTAL	**2**	**100%**

INTERPRETATION

The above table shows that the two dealers have ever experienced delay in supply from ELF. The reasons for the delay will be highlighted in the preceding responses and it will go to show the efficiency or otherwise of the ELF distribution system.

4.13 If Yes, how often?

TABLE 8

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Very often	-	-
Often	-	-
Not often	-	-
Sometimes	2	100%
TOTAL	2	100%

INTERPRETATION

From the table above, the 2 (100%) dealers responded that there is delay in delivery of petroleum products at times but not very often of often. The delay in delivery can be attributed to the general scarcity of petroleum products nationwide occasioned by short downs of refinery by Nigerian Petroleum Cooperation for routine maintenance.

4.14 Is the delay in supply artificial?

TABLE 9

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Yes	-	-
No	2	100%
TOTAL	**2**	**100%**

INTERPRETATION

The above table shows that the 2 dealers unanimously agreed that the delay in supply is not artificial. This corroborates Table 8 and its interpretation that the delay is caused the short downs of refineries for maintenance. Therefore, it has nothing to do with the efficiency of ELF's distribution network because no matter how efficient the ELF distribution system, is there will be delay in supply was refineries are close routine maintenance.

4.15 What measures/steps do you take when you experience delay in supply? (Specify).

RESPONSE

The 2 dealers stated that they will continue to wait till they are supplied by ELF.

INTERPRETATION

From the above responses of the 2 dealers, it means that they continue to wait until they are supplied by ELF, this might be due to the fact that they are not allowed to sell any other company's product and also because the delay is not often. Their patience to wait means that there's reason for the delay that is beyond ELF's control which has been explained in the interpretation to table 9. Therefore, it has nothing to do with the efficiency of ELF's distribution system. However, the dealers patience to wait means that they have confidence in ELF's distribution system.

4.16 Have you ever experienced a situation where truck drivers diverts your supply to other places?

TABLE 10

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Yes	-	-
No	2	100%
TOTAL	**2**	**100%**

INTERPRETATION

From the above table, both (100%) dealers agreed that they have never experienced diversion of their supplies to other places by truck drivers. This corroborates the management responses as in table 4 where they also agreed

unanimously that their truck drivers have never diverted supplies to other means other than to dealers that such supplies are meant for. This shows that the truck divers are very cooperating in making products available and thus making the distribution method employed by ELF work efficiently.

4.17 Do you keep some reserves in your tanks that you do not sell no matter the situation?

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Yes	-	-
No	2	100%
TOTAL	2	100%

INTERPRETATION

From the table above, both dealers do not keep any reserve in their tanks that they do not sell no matter how scarce petroleum products are. It shows that the dealers do not engage in hoarding petroleum products so as to sell at exorbitant prices. It further shows that the dealers are cooperating with ELF in making petroleum products available to users without extra cost, because when goods are hoarded, they will later be sold at exorbitant prices and such is not the case with ELF dealers. They are therefore contributing in making distribution methods efficient.

4.18 Is the distribution method employed by ELF efficient?

TABLE 12

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Yes	2	100%
No	-	-
TOTAL	**2**	**100%**

INTERPRETATION

From the table above, the two dealers, judging from their experiences and dealings with ELF, agreed that the company's distribution method is efficient. If they have been having problems with ELF distribution system, they would not have adjusted the system as efficient. This shows that from the dealers' point of view, the company's distribution system is efficient.

4.19 If you use your own truck to collect supply, do you have any changes in the price you charge?

TABLE 13

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Yes	-	-
No	2	100%
TOTAL	**2**	**100%**

INTERPRETATION

From the above table, the two (2) dealers agreed that they do not have any change on the price they charge if they use their own truck to collect supplies. This is because the price of petroleum products are fixed and also ELF does not charge them for the cost of transportation.

4.20 Comment on the general attitude of the staff of ELF towards you.

RESPONSE

One of the dealers states that the ELF staff are "very understanding, cooperating and respond speedily to problems at the "station" while the other dealer commented that, "the attitude of ELF staff has been most commendable.

INTERPRETATION

This means that the dealers enjoy tremendous support and cooperation of ELF staff, and it shows that they both work like a team. This state of affairs between the ELF staff and the dealers is very encouraging and it will go along way in making distribution system very efficient thereby making the products available to the final consumers at affordable prices.

TABLE 14

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Location	13	43.3
Quality of service	15	50
Range of products	2	6.7
Others (specify)	-	-
TOTAL	**30**	**100%**

INTERPRETATION

From the table above, 43.3% customers responded that it is the location of ELF Products/Filling Station that motivate them to patronize ELF, 50% responded that it is the quality of ELF's services, while 6.7% said that it is because of the range of ELF products. This means that the company in its effort in making its products available to customers, it locates its products and services at strategic point where the customers will easily get them and back it up with good quality service. This shows that the ELF's distribution system is efficient because it is providing all the ingredients that makes a distribution system successful in good location, good quality of services, range of products thus ensure customers patronage.

4.22 How often do you experience a "no fuel" situation at ELF Filling Station?

TABLE 15

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Very often	-	-
Often	1	3.3
Not often	5	16.7
Sometimes	24	80%
TOTAL	**30**	**100%**

INTERPRETATION

From the table above, majority (80%) of the customers responded that there is scarcity of petroleum products at ELF filling station at times, 16.7% responded that it is often while 3.3% responded that the scarcity is often, none responded that it is very often. This means that petroleum products are always available at ELF filling stations and this goes to shows that distribution methods employed by Elf is efficient. The scarcity at times can be attributed to the nationwide scarcity of petroleum products.

4.23 What do you attribute such a situation to?

TABLE 16

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
ELF distribution system	7	23.3
The truck drivers	2	6.7
Dealers	2	6.7
Others (specify)	19	63.3
TOTAL	**30**	**100%**

INTERPRETATION

From the above table, 23.3% of customers attributed the "no fuel" situation they experienced at ELF filling station to ELF distribution system, 6.7% attributed it to the truck drivers, another 6.7% attributed it to the dealers while 63.3% (others) attributed it to the general scarcity of petroleum products. The number of those who attributed it to ELF distribution system is low and this shows that the system is efficient. However, the scarcity is largely attributed to nationwide scarcity caused by the activities of the smugglers and short-downs of refineries by Nigerian National Petroleum Corporation for routine maintenance.

4.24 What other measures/steps do you take in such a situation? (specify)

RESPONSE

100% of the customers states that they "try any other station where there is fuel or road side peddlers"

INTERPRETATION

From the unanimous response of the customers, it shows that they do not have any other pre-planned measures or steps to take where there is no fuel at ELF filling station, they just try and any other petrol; station, and road side peddlers too. This shows that once there is no fuel at ELF filling station, it is equally, possible that there is not fuel at other filling stations. It further shows that the ELF distribution system is efficient, as the customers don't haven immediate steps of getting fuel at a particular filling station. Moreover, it means that if there is no fuel, they just go to anywhere they can get fuel, even the road side peddlers as they feel that no fuel at ELF means no fuel in other stations.

4.25 How do you consider ELF distribution system?

TABLE 17

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
Very efficient	11	36.7%
Efficient	19	63.3%
Not efficient	-	-
TOTAL	**30**	**100%**

INTERPRETATION

From the above table, 36.7% customers responded that ELF distribution system is very efficient and 63.3% responded that the distribution system is efficient. None responded that the distribution system is not efficient. The responses are as a result of their experience in the patronage of ELF filling stations and products. Going by these, it shows that the ELF on distribution system is efficient.

4.26 Advice ELF on how to improve its services via the distribution of its products.

RESPONSE

23.3% customer could not give any response. 76.7% responded by saying that ELF should open-up more retail outlets (filling stations) open more mini super markets in their stations with car-care shop and automated car wash. They also advised that ELF should employ more attractive attendants in their filling stations and they should maintain and improve more on their services and relationship with their customers and continue keeping the station neat at all times. They further suggested that the company should embark on study of customers behaviour and also embark on advertising.

INTERPRETATION

They are yearning for opening up of more retail outlets and maintaining and improving their services which tops the advises given. This means that the customers are art present enjoying the services and distribution system of ELF. They are no experiencing any problems in the course of their patronising ELF filling stations/products. This shows that the ELF distributions system is efficient because the customers responses from the above shows that they are getting ELF products at affordable prices.

4.26 DISCUSSION OF RESULTS

The importance of this chapter is to discuss the data presented, analysed and interpreted in the preceding chapter as it relates to the facts presented by various authors in the review of the literature with the ultimate aim of knowing the importance of distribution on marketing of petroleum products as applied in ELF Marketing Nigeria Limited.

From the responses in 4.1 and 4.3, it is evidently clear that respondents agreed that petroleum products passes through a distribution channel before reaching the final users. 100% respondents agreed in table 1,2, and 17 that this channel is efficient and effective in making petroleum products available at affordable cost to them. This view is shared by Cundiff et al (P.

271) who states that distribution involves transferring goods from producers to final buyers and users, and that distribution is a major marketing decision area embracing physical distribution activities as performed by producers to consumers.

From the table 5 and responses in 4.8, 100% respondents agreed that the company monitor the movement of its products so that they are not diverted to other places in an effort of making the products available to the final users. This view is shared by Cundiff et al (272-274) who states that the producers desire to the control over the products sales to end buyers.

Tables 2,3, and 13 all greed that intermediaries are relevant in the distribution of petroleum products. From table 6 and 13, 62.5% and 100% respondents believed that intermediaries reduces the cost that could have ordinarily been incurred by customers in getting the products, while table 3 stresses the importance of channel members and their cooperation in taking these products from the depot to the filling station by truck drivers, show the concern of channel members in making these product available. This view is shared by Livelock and Weinberg (P.182) who have stated that distribution is concerned with making desired goods and services available to customers at locations and times that are convenient to them.

From table 4, 10 and 11, respondents are of the opinion that channel members especially truck drivers do not indulge in the diversion of petroleum products to other places, 100% of the respondents all agreed in the three tables that both the truck drivers and dealers intensify their efforts in making their products available at all costs without reservation of the products from customers usage. This indicates how channel members are dedicated to serving the final users and working towards consumer orientation rather than being profit oriented. This is also the view of modern (P. 333 - 338) who stated that the channel of distribution provides the link between production/supply and consumption. They are used to making products accessible and available to consumers. Thus as a product passes through its channel of distribution, it intensity of market coverage (intensive distribution) and product related factors are one of the major influences in a company channel selection.

Information from table 15 and 16 indicates that customers believed that the no fuel situation at ELF and the no fuel situation which happens at times has nothing to do with ELF distribution system. This has now built brand loyalty in the heart of ELF customers because ELF distribution systems as fulfilling several definite functions in society.

4.27 FINDINGS

In the course of this study, the research came in contact with new findings which the researcher sees fit to include in this study.

The researcher discovered that there are only two ELF filling stations in Kaduna. However, the filling station are located at strategic points, one in the heart of Tudun Wada along Ibrahim Taiwo Road and the other one along Kachia Road after railway station.

The researcher found out that the channel of distribution employed by ELF is short because it involves only one intermediary.

The researcher also discovered that the company has a machinery for monitoring the movement of its products to block loopholes for products diversion.

It was also discovered that ELF dealers are allowed to take delivery before payment are made so as to enable them to sell before payment ands also to afford the customers access to their products. The research also found out that ELF has no truck of its own for transporting its products from the deports to the filling stations.

RESEARCH BUREAU

The researcher also discovered that there is a cooperation amongst the channel members. That is, the company (ELF) its dealers and the truck drivers enjoy tremendous cooperation amongst themselves.

The research also reveal that there are no mini market in any of the filling stations to enable customers and their families have the opportunity of one-stop-shopping for household and car accessories after buying fuel.

The researcher also unveil the fact that the service bays in the ELF filling stations are well equipped with quality personnel and this attracts customer to patronise ELF filling stations and products. Also, the filling stations are well staffed attendants who are provided with uniforms of high standard.

The research discovered that ELF enjoy a favourable words-of-month from its customers, because some of them came to know about ELF through friends.

The research also revealed that the customers prefer ELF products/filling stations to their competitors. This is because it is performing to standard as discovered by the research. However, the company's slogan is "our standard are higher".

In the course of this research, it was also discovered that the equipment's at the refineries are allowed to get to the state of total collapse before attention is paid to them. This means that there is not proper maintenance culture in the refineries.

The researcher also discovered that the strategic oil reserved for Nigeria is very low and thus affects petroleum products availability when refineries are shut-down for routine maintenance.

4.28 PROOF OF HYPOTHESIS

From the purpose of this research, hypothesis is defined as a generalised statement, which has not been proved by imperial studies. This chapter is aimed at proving the drawn up hypothesis with the ultimate aim of accepting or rejecting. The null hypothesis supports a statement, while the alternative hypothesis is a tentative statement opposing that of the null hypothesis.

Hypothesis I

H_1: The distribution method by ELF is efficient

H_0: The distribution method by ELF is not efficient

Proof of hypothesis table

QUESTION	FAVOURABLE	UNFAVOURABLE	TOTAL
2	8	-	8
3	8	-	8
6	8	-	8
7	8	-	8
11	2	-	2
16	2	-	2
18	2	-	2
20	2	-	2
25	30	-	30
TOTAL	**78**	-	78

Proof

Positive: $^{78}/_{78} \times 100 = 100\%$

Negative: $^{0}/_{78} \times 100 = 0\%$

From the above table, the weight of positive responses is 100% while the weight of negative responses is 0%, thus implying that the distribution method by ELF is very efficient. On this basis therefore, the researcher accept the null hypothesis.

H_1: That the distribution method by ELF is efficient

Hypothesis 2

H_1: The ELF distribution method makes petroleum products available at affordable price

H_0: The ELF distribution method does not make petroleum product available at affordable price.

PROOF TABLE

PROOF OF HYPOTHESIS TABLE

QUESTION	FAVOURABLE	UNFAVOURABLE	TOTAL
4	5	3	8
10	2	-	2
12	-	2	2
13	2	-	2
14	2	-	2
17	2	-	2
19	2	-	2
22	29	1	30
23	19	11	30
TOTAL	**78**	-	**78**

Proof

Positive: $63/80 \times 100 = 78.75\%$

Negative: $17/80 \times 100 = 21.25\%$

From the above table, the weight of positive responses is 78.75% while the weight of negative responses is 21.25% thus implying that customers of ELF

get their products at an affordable price. On this basis, therefore, the researcher accepts the null hypothesis.

H_1: That ELF distribution method makes petroleum available at affordable price.

Table 6 and information from 4.11 shows that ELF is committed to making its products available to final users. 100% responded that they make payment after delivery and also that unanimous response in 4.11 that the highest number of days to take delivery is just one day. It is stated that a product cannot be said to be a product until it is made available and this is what ELF is doing by giving its dealers products before payments are made and by not delaying delivery. This is in line with Livelock and Weinbergs (1986:132) assertion that distribution system, is concerned with making desire goods and services available to customers at locations and times that are convenient.

From table 7,8 and 9, 100% of respondents are of the opinion that there are delays at times in the supply of products. Table 9 further shows that the delay is not handy work of the channel members, that they discharge their obligations as is expected of every channel members and that the delay is

beyond their control. Kotler (1991:418 - 419) sees the work of middlemen as designed to create form, time, place and possession utilities. However, in a situation where some situations are beyond their control they cannot perform their functions efficiently.

Table 14 shows that 43.3% respondents patronise ELF products/filling stations because of its location, 50% says it's because of quality of service and 6.7% says it's because of range of ELF Products

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 The firm under survey, ELF Marketing Nigeria Limited uses a short distribution channel and employs the services of independent truck drivers. The firm in its bid to supply its products to the dealers avoids any unnecessary cost that might arise and even when such occurs, the cost is not passed to the final users of their products. The researcher also discovered that high level of co-operation and understanding exists between the firm and its channel members to make petroleum product available and affordable to its customers. This cooperation is made possible because the firm monitors the movement of its products from the depot to the filling stations to ensure that its products are not diverted.

To ensure the availability of petroleum products in its retail outlets at all times, the firm supplies its dealers with petroleum products on credit. Thus when the dealers place a requisition, the products are made available within a period not longer than 24 hours.

Although the filling stations are well equipped both with personnel and petroleum products, they still lack the patronage of a one-step shopping by families and travellers. This is due to the unavailability of mini-mart

supermarket that will necessitate scramble merchandizing for one-time shopping by families and travellers alike. The firm also enjoys a favourable words-of mouth promotion because of the efficient and effective services enjoyed by the customers.

Customers cannot afford the opportunity of washing their cars and buy other cars (decorative) accessories because there are no car washing facilities and car care shop in the filling stations.

However, in the cause of this study, the researcher discovered that the Nigerian Refineries are not operating at full capacity and they are not adequately maintained which leads to their constant breakdown thus leading to petroleum products shortage nationwide and also the country's strategic oil reserve which is to make for these shortages are also very low.

5.2 CONCLUSION

In view of the above findings, it can be concluded that with ELF Marketing Nigeria Limited, inefficiency has no lace. This is because all obstacles that could have obstructed the availability of ELF products and services at affordable prices to the final users have been taken care of by the firm.

In their bid to cope with the competitive petroleum industry, the firm engaged in other promotional activities like advertising and publicity to create awareness and boot customer's morale. Thus they come up with the slogan that "our standard is higher".

5.3 RECOMMENDATIONS

In view of the findings in the course of this research, the following recommendations are advanced; ELF Marketing Nigeria Limited should open up more retail outlets in Kaduna Metropolis to meet the demands of its consumers that are scattered within Kaduna metropolis and its environs.

ELF should also acquire its own trucks to transport its products from depot to the filling stations to avoid any unforeseen problems or difficulties that might arise from private truck hiring.

In an attempt to motivate travellers to patronize its filling station/products, ELF should have a well-equipped mini mart (super market) at its various filling stations to provide one-stop-shopping for travelers and customers alike.

The company should install modern automated car washing garages and car care shop in its retail outlets to enable its customers wash their cars and buy

other car accessories thereby enjoying more the company's efficient services which it is noted for by its customers.

Although ELF enjoyed a favourable word-of-mouth from its customers, there is the need for the firm to embark on intensive promotional activities to combat competition.

ELF should provide a means of communication between its management and the customers by providing suggestions boxes at its retail outlets for customers to express their views and suggestion about ELF distribution system and other services. This will afford the company to know their customer's state of satisfaction with a view of continued provision of satisfactory services and continued improvement on their distribution network. It will further serve as a means of studying their customers' attitude and behaviour toward the company and its product generally.

To ensure adequate cooperation among the channel members, there is the need for ELF to have a forum to meet and discuss with the channel members from time to time to have their confidence and ensure adequate control over its channel members.

ELF should, after acquiring its own trucks, insure the lives of the drivers who will handle the trucks because of the hazardous nature of petroleum transportation. The life of the escorts who follow the trucks to monitor the products should also be ensured to ensure their dedication to duty.

The drivers who will handle ELF trucks should be educated on simple maintenance in case of any accidental break-down on the road when transporting product so that products get to destination on time.

Lastly for the firm to provide desired satisfaction for customers, there is need for ELF to have a qualified specialist (automobile technician) in every filing station that will ensure proper servicing is carried out customer's vehicle, which will in turn motivate them to patronise ELF filling station/products.

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MANAGEMENT QUESTIONNAIRE 'A'

Dear Sir/Madam,

This questionnaire is intended to collect fact on the impact of distribution channel on marketing of petroleum products; A case study of ELF Marketing Nigeria Limited, Kaduna.

In the light of the above, you are humbly requested to assist in completing the questions below, please be informed that whatever information provided will be treated in strict confidence.

INSTRUCTION: Please tick each relevant answer where necessary

MANAGEMENT QUESTIONNAIRE (A)

1. For how long have you been working for the company?

   1 to 3 years [ ] 4 to 6 years [ ] 7 to 9 years [ ]

   10 years and above [ ]

2. What is your present/rank in the company?.....

3. What distribution channel does your company employ in getting its products to dealers/final users (specify).....

4. How efficient is the channel

Very efficient [ ]

Efficient [ ]

Fairly Efficient [ ]

Inefficient [ ]

5. How many intermediaries does your product pass through before it gets to the final users? (Specify).....

.....

6. Does these intermediaries and unnecessary cost to the final cost of your products? Yes [ ] No [ ]

7. How co-operative are our truck drivers?

Very cooperating [ ] Cooperating [ ] Not Cooperating [ ]

8. Have you ever experienced diversion of supplies meant for your dealers to other places by your truck drivers? Yes [ ] No [ ]

9. If yes, how often

Very often [ ] Often [ ] Not often [ ] Sometimes [ ]

10. What measures do you take in such situations? (Specify)

.....

.....

11. Do you monitor the movement of your supplies to your dealers?

Yes [ ] No [ ]

12. If yes, how? (Specify)

.....

.....

13. Suggest measures to improve the distribution of petroleum products with a view to making them available without extra cost and time on the part of the final users;

.....

.....

APPENDIX 2

DEALERS QUESTIONNAIRE

1. For how long have you been in this business?

   1 to 5 years [ ] 6 to 10 years [ ] 11 to 15 years [ ]

   15 years and above [ ]

2. Do you use your own truck to collect supply or the company supply you with its own truck? (Specify)

   .....

   .....

3. Do you make payment before or after taking delivery (Specify)

   .....

4. How many day(s) does it take for the company to supply you (Specify)

   .....

5. Have you ever experienced delay in supply?

   Yes [ ] No [ ]

6. If yes, how often?

   Very often [ ] Often [ ] Not often [ ] Sometimes [ ]

7. Is the delay in supply artificial? Yes [ ] No [ ]

8. What measures/steps do you take when you experience delay in supply? (Specify) .....

9. Have you ever experienced a situation where truck drivers direct your supply to other places? Yes [ ] No [ ]

10. Do you keep some reserves in your tanks that you do not sell no matter the situation? Yes [ ] No [ ]

11. Do you sell to other customers apart from those who buy through pumps?

Yes [ ] No [ ]

12. Is the distribution method employed by ELF efficient?

Yes [ ] No [ ]

13. If not, what other methods can you suggest: .....

.....

14. If you use your own truck to collect supply, does it have any changes on the price you charge? Yes [ ] No [ ]

15. If yes, does it increase the price you charge?

Yes [ ] No [ ]

16. Comment on the general attitude of the staff of ELF towards you: .....

.....

7. If yes, how often?

   Very often [ ] Often [ ] Not often [ ] Sometime [ ]

8. What do you attribute to such a situation to?

   ELF distribution system [ ] The truck drivers [ ] Dealers [ ]

   Others (specify) .....

9. What other measures/steps do you take in such a situation?

   Specify: .....

10. Does such measures/steps cost you extra money and time? Yes[ ] No [ ]

11. What alternative do you have besides ELF? (Specify) .....

    .....

12. How do you consider ELF distribution system?

    Very efficient [ ] Efficient [ ] Not efficient [ ]

13. Advise ELF on how to improve its services via the distribution of its products: .....

9. Have you ever experienced a situation where truck drivers direct your supply to other places? Yes [ ] No [ ]

10. Do you keep some reserves in your tanks that you do not sell no matter the situation? Yes [ ] No [ ]

11. Do you sell to other customers apart from those who buy through pumps?

Yes [ ] No [ ]

12. Is the distribution method employed by ELF efficient?

Yes [ ] No [ ]

13. If not, what other methods can you suggest: .....

.....

14. If you use your own truck to collect supply, does it have any changes on the price you charge? Yes [ ] No [ ]

15. If yes, does it increase the price you charge?

Yes [ ] No [ ]

16. Comment on the general attitude of the staff of ELF towards you: .....

.....

3A CUSTOMERS QUESTIONNAIRE

1. For how long have you been patronizing ELF products/filling stations?

   a) 1 to 3 years [ ]

   b) 4 to 6 years [ ]

   c) 7 to 9 years [ ]

   d) 10 years above [ ]

2. How do you come to know about ELF?

   (a) Promotion [ ] (b) Friends [ ] (c) Accessibility [ ]

   others (specify) .....

3. What motivate you to patronize ELF Products/filling stations?

   a) Location [ ]

   b) Quality of services [ ]

   c) Rage of products [ ]

   d) Others (specify) .....

4. Have you ever experienced petroleum products shortage?

   Yes [ ] No [ ]

5. If yes, how often

   Very often [ ] Often [ ] Not often [ ] Sometime [ ]

6. Have you ever experienced a "no fuel" situation at ELF filling stations?

   Yes [ ] No [ ]

7. If yes, how often?

   Very often [ ] Often [ ] Not often [ ] Sometime [ ]

8. What do you attribute to such a situation to?

   ELF distribution system [ ] The truck drivers [ ] Dealers [ ]

   Others (specify) .....

9. What other measures/steps do you take in such a situation?

   Specify: .....

10. Does such measures/steps cost you extra money and time? Yes[ ] No [ ]

11. What alternative do you have besides ELF? (Specify) .....

    .....

12. How do you consider ELF distribution system?

    Very efficient [ ] Efficient [ ] Not efficient [ ]

13. Advise ELF on how to improve its services via the distribution of its products: .....