AN EVALUATION OF THE DISTRIBUTION STRATEGIES OF AUTOMOBILE, ITS IMPLICATION FOR MARKETING EFFECTIVENESS IN NIGERIA: A CASE STUDY OF PEUGEOT AUTOMOBILE NIGERIA LIMITED.

BY

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DEPARTMENT OF BUSINESS ADMINISTRATION
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DECLARATION

I hereby declare that, this project was written by me. The study is original and any reference made to texts, journals and other persons's work have been duly acknowledged.

Furthermore, to the best of my knowledge, this work has not been presented before in any application for the award of a higher degree.

NAME OF STUDENT	SIGNATURE	DATE
Alao Ajao		Sept 1999

CERTIFICATION

This project report entitled; **An Evaluation of the Distribution Strategies of Automobile, Its Implication for Marketing Effectiveness in Nigeria (A Case Study of Peugeot Automobile of Nigeria Limited)** by ALAO AJAO, meets the regulations governing the award of the degree of Masters of Business Administration (MBA) of Ahmadu Bello University, Zaria. And is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This project is dedicated to my senior brother, **MR. MOSES ADEWALE AJAO** who made every imaginable sacrifices that I may obtain a decent education. It is also dedicated to my LATE FATHER DEACON D. A. AJAO and my loving and caring mother DEACONESS C. M. AJAO.

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ABSTRACT

My desire to carry out a research work on the Automobile industry was prompted as a result of the unique position which the Automobile industry occupies in the economic development of Nigeria and the entire world in general. Peugeot automobile of Nigeria is the First Automobile industry established in Nigeria in 1975. This study aimed at finding out why this important automobile company has not been able to achieve the objective for which it was established. In an attempt to find out some of the reasons for the non-achievement of its objectives to the Nigerian economy, its distribution system was selected as the focal point for the examination and evaluation.

As a result of a thorough examination of the data collected from its distribution system the study discovered that there is distribution problems, such as delay in order processing, delivery schedule to mention a few of them. It should be noted also that the prices of Peugeot cars and minibuses are not within the reach of the average Nigerian, besides, the distributors are not adequately encouraged, as a result of inefficiency in the total distribution system of the company.

The high prices of the company's product could partly be due to the high cost of imported component parts which the company is importing, as well as the desire to maximise profits. The company has only achieved 36

. . .

percent of local content and has to import 64 percent of its component parts.

For the automobile industry to start yielding the required returns of development a maximum of 80 percent local content sourcing must be achieved. Hope is however not lost in this area as the Federal Government is intensifying effort to complete the Ajaokuta Steel Rolling Mill and to revive the Delta Steel Alaja, this will provide the industry with the required local contents needed.

Nigeria prefer importing built-up cars from other countries which are cheaper than the product of PAN Limited, because the manufacturing countries source most of their raw materials locally and enjoy the advantage of technology over it Nigerian counterparts.

The study suggested that, the company should invest heavily on local content sourcing so as to be able to reduce prices of its products and thereby increasing its market share in the Nigerian automobile market, solve problems of distributors and to advertise its products using the various mass media stating the advantages of buying a made in Nigeria product i.e. Peugeot products over that of imported products.

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CHAPTER ONE

1.1 BACKGROUND OF THE STUDY

Peugeot Automobile is one of the leading companies in the Automobile industry in Nigeria. It helped in the economic development of Nigeria, hence there is a great importance attached to this industry. By using 36 percent local component parts for its products, it saves the foreign exchange that could have been used if these contents were all to be imported. Many Nigerians are employed to work for the company and that number has reduced the level of unemployment in the country. The company products assist Nigerians to move from one place to the other and to transport goods from one part of the country to the other.

Peugeot Automobile Nigeria Limited is sited in Kaduna. The company produces various saloon cars which include, 504, 505, 306 and 406. It also produces 504 station wagon and Peugeot mini buses which are used for commercial transport. The 504 station wagon delivery van is used for transporting goods. The 306, 504, 505, 406, 504 station wagon and the mini buses are all in different models.

The company market its products through the use of distributor retailers, and sometime sells directly to the ultimate users. especially government agencies The company often depend on distributors who are scattered all over the country for the sale of it products. The distributors are

also spread to some neighbouring countries, this includes,Togo, Niger Republic, Ghana, Benin, Congo, Chad and Cameroon.

The study is aimed at finding out the company distribution strategies and to evaluate their effectiveness in providing satisfaction or not to the consumers of their product.

1.2 STATEMENT OF THE PROBLEM

Consumers in Nigeria have been faced with problems concetning the distribution system of the automobile industry. We are aware that when government was giving car loan to civil servants, it was difficult for them to get new Peugeot cars to buy, because PAN does not sell her products directly to the ultimate users. The company sell its product to government agencies but mostly to the distributors who in turn increase the prices of the products and sell to those they wish to sell to.

A lot of people living in Kaduna who wanted to buy Peugeot products could not get the product easily to buy as a result some have to travel out of Kaduna to be able to buy Peugeot products.

Besides, many customers had to deposit their money with the distributors for a long period of time before getting the products from the distributor. As such the customer does not get the product at the right time such situation implies a deviation from the normal situation. These and many other effective and efficient distribution requirement which are not

available in the distribution system would attract the dissatisfaction of the ultimate consumers which invariably can hamper the survival of the company.

1.3 PURPOSE OF THE STUDY

The purpose of this research study, is to evaluate the distribution strategies used by PAN in marketing their vehicles, to establish the extent of their effectiveness and efficiency to the company and in satisfying the consumers. The study will also attempt to provide information that will help marketers of automobile industry to map out strategies, exploit the potentially large market and help the marketer to easily identify market opportunities with a view of exploiting them.

1.4 SCOPE OF THE STUDY

The study covers the marketing activities of PAN and emphasis is placed on the distribution system of the company. To be thorough in soliciting for data, some management staff of PAN and their distributors were part of the study and also some selected customers were interviewed. The efficiency of the available distribution channels will be highlighted. The scope of the study is so designed as to give the researcher a reasonable and realistic size of task which will allow thorough study of the subject.

1.5 THE METHODOLOGY OF THE STUDY

Methodology can be referred to as the process of scientific inquiry used in research work. It is a method used to search for solution to a problem. All research depending on the nature determine the methodology to be used or employed.

The choice of instrument and measures to be adopted in the data collection for this study, are a combination of primary and secondary data sources.

The historical and descriptive aspect of the study were obtained through the secondary source, written text were consulted in order to have an overview of prominent authors. Information media such as PANEWS House-Journal, Magazines, Newspapers etc were used.

Primary data was obtained through interview with key officers of the company, especially those in training and commercial divisions of PAN. Selected staff, distributors and customers of the company were interviewed for the purpose of soliciting for data.

The major technique employed for data gathering in the study are the questionnaire and personal interviews.

1.6 THE SIGNIFICANCE OF THE STUDY

An effective distribution strategy will lead to marketing growth. If there is marketing growth, that means the company will sell more product

than before. The company will benefit as more sales implies more profit. Any company that produces a product does so with the intention of selling, so as to cover the cost of production and make profit. Effective distribution systems will benefit both the customers and distributors.

The government is also to benefit from the study, because, if the company makes more profit dividend would be paid to it as a shareholder. Other shareholders will also benefit from the study,because of the dividend payment they will receive.

The employees of PAN Limited will benefit,because,if the company makes profit, they will be sure of getting their monthly salaries, but if the company does not make profit they will not get their salaries and would be retrenched or the company may even close down.

1.7 LIMITATION OF THE STUDY

In a research of this nature, one is bound to encounter some constraints, in this research the constraint encountered are as follows:

PAN's distributors are scattered throughout Nigeria and outside the country. Time and financial constraints made it impossible for the researcher to visit all the distributors. The time allow for the completion of the research is grossly inadequate. This time constraints does not give the researcher the opportunity for a more indepth investigation into the subject matter.

Finally, another limitation is from the management of Peugeot Automobile Nigeria at the initial point in time, they do not give the researcher much cooperation in terms of information needed as at the time when requested, reason been that the company is faced with serious competition and as such releasing its vital strategic marketing information could be a threat to its existence from a competitive point of view. However, the researcher succeeded by assuring the management that the project is purely for academic use, hence they finally gave out the necessary data by answering the vital questions.

1.8 DEFINITION OF TERMS

BROCHURE:

It is a booklet containing information about the company. Its Profit and Loss Accounts, Annual turnover, Annual production, Annual Evaluation of Fixed Assets and Annual Car sales.

DISTRIBUTORS:

These are individuals or organizations who buy in bulk from the manufacturer and sell to retailers or final users or consumers. The company has two types of distributors. Those who buy the product of the company and sell to final users and those who supply the company with local contents.

FOUNDRY:

It is a factory like the press shop but there are no presses.

FOREIGN EXCHANGE MARKET:

It is a market where foreign currencies are bought and sold.

FBU: Fully- built up cars.

LCD: Local Content Department.

LC: Local Content/Component.

LNG: Liquified Natural Gas.

MAN: Manufacturers Association of Nigeria.

MACHINE SHOP:

This is where rough metals are smoothened. It is done either by turning with life machine or by milling on a milling machine or by grinding on a grinding machine.

NAC: Nigerian Automotive Council.

NIDB: Nigerian Industrial Development Bank.

NND: Network Distribution and Development.

NIGERIANISATION POLICY:

This is a programme design to train Nigerians in technical and engineering so that they can take over from the french technical partners.

PAN: Peugeot Automobile of Nigeria.

PRESS SHOP:

It is a factory with administrative area where stamp components are produced e.g. the flat sheet metals.

PANELS:

It is a bimonthly house journal of Peugeot Automobile Nigeria Limited. All important events of the company are recorded in this journal.

CHAPTER TWO

2.1 THE AUTOMOBILE INDUSTRY IN NIGERIA

The automobile industry is the industry that produces all types of motor vehicles. In Nigeria, we have about seven companies in the automobile industry they include:

a. Peugeot Automobile of Nigeria

b. Volkswagen of Nigeria

c. Anambra Motor Company (ANAMCO)

d. Nigeria Truck Manufacturers

e. General Motors

f. Layland Nigeria Limited and

g. Steyr Nigeria Limited

The Automobile Industry occupies a vital position in the economic development of Nigeria just like in any other country in the world.

It is the wish of every Nigerian to have a car for mobility and business transactions as having a car is not a luxuty but a necessity. The social class of a car owner is often determined by the type of car or cars he or she drives. Some cars are very expensive and they run into millions of Naira. Only the very rich people can buy such cars, while those who are in-between the rich and the poor class can buy the less costly cars. The poor people cannot buy any car in Nigeria.

Despite the very important position which the Automobile industry occupies in the life of Nigerians its operations started in 1975 when the industry was established to achieve the following objectives:

a. Job creation,

b. Conservation of Foreign Exchange,

c. Local Content Development Programmes and,

d. Technological Acquisition (Dec./Jan. 1988/1989 PANEWS page 1).

One may then ask whether the Automobile industry have achieved the stated objective of which it was established or not, and if it has not achieved the objectives for which it was established what are the reasons.

No doubt the Automobile industry in Nigeria has been castigated for failure to fulfill the objectives for which it was established. The passenger cars industry in Nigeria are Peugeot Automobile of Nigeria and Volkswagen of Nigeria.

According to the Former Managing Director of PAN Limited Mr. Daniel Lange, Peugeot Automobile of Nigeria and Volkswagen of Nigeria are coincidentally the market leaders in South America, Argentina and Brazil. He stated that "the Nigerian company has come to share the service of the same Chief Executive with the Argentine counterpart because the two countries have in common the same make of cars, the same range of cars and the same chief executive, yet the local content integration level in

Argentina is 80 percent and 36 percent in Nigeria. The variance in the local content achieved call for an in-dept assessment as to the benefits Nigerian derived compare with the industrialization experience of other countries especially the third world countries. Such assessment will enable the country understand the policy options and predicaments for future actions.

The Automobile industry in Nigeria is behind its counterparts in the Third world countries in local content integration level. Nigeria still imports the bulky part of its Raw material, for instance to produce a Peugeot Car in Nigeria 64 percent component part are imported while 36 percent are source made locally.

Apart from the above mentioned obstacles,the Automobile industry in Nigeria suffers from remarkable deficiency in the supply of vital but basic public utility services such as electricity, telecommunication, water supply and railway transportation. Alternative infrastructure by the manufacturing companies in the country in order to contain these deficiencies is time and resource consuming, as it is diversionary and highly expensive. This cause a serious problem in the local content programmes.

Besides, the automobile industry in Nigeria is faced with financial problem. The banks are not encouraging investment in the industry. The bank prefer to give short-term loans, so that the principal and interest can be repaid to them within a short period. The rate of interest charged by

banks on loans and advances are not attractive and nobody seems to bother to accommodate the long-term nature of industrial investment and returns. The financial institutions are only interested in short-term financing options. This highlight the difficulties encountered by potential entrepreneurs who wish to join hands with the Automobile industry in developing local content programme in the Nigeria economy. Since the automobile industry is facing these problems in local contents development. It has been difficult for it two achieve its objective of local content programme and technology acquisition. This is because for the Automobile industry to start yielding the required returns in terms of development, a maximum of 80 percent local content sourcing must be achieved.

In Nigeria only 36 percent local content sourcing has been attained. Besides, it has reached over 20 years since the First Automobile Company was established. This explains why Nigerian Automobile Industry has not started yielding the required returns of development.

Apart from the above, information which companies would base their planning for raw material acquisition hardly exist and where they exist they are quite unreliable. For example, it is difficult to have information on when iron sheet and certain essential petro-chemical products which are needed can be made available by state sponsored industrial outfits. For instance L.N.G. in Nigeria. In addition industrial facilities for like foundaries suitable for use of the automobile industry are not available.

Likewise, the present custom tariff structure are not favourable for the development of raw material for the automobile industry in Nigeria. The high rate of custom duty should be seen against the backdrop of lower import duty for certain classes of fully built-up vehicles similar to those produced in Nigeria.

2.2 MARKETING PRODUCT OF STEYR LIMITED IN NIGERIA

In an effort to diversify the economy the Federal Military Government of Nigeria in 1975 requested some big automobile companies world-wide to invest in Nigeria by establishing and assembly plant in the country. Steyr Daicmler Puch AG., the biggest manufacturer of vehicle in Australia was one of the few companies that responded positively to the call, hence they establish an assembly plant in Bauchi in 1975. Steyr(Nig.) Limited is involve in a wide range of activities both within and outside the company plant.

In marketing, the company never relent in presenting its products to the world as a very qualitative product. In order to have the confidence of the users of its product the company ensures that all its vehicles, motor cycles and other machineries are produced at the same quality as those made in Australia continuous improvement and innovation is done on the product to have a sustainable competitive advantages. The Automobile company has the service and spare part department whose sole responsibility is to provide expert services to their consumers, the company

does trained their engineering staff which comprises of Nigerians and expertriates that are specialise in servicing the company's product. By providing spare parts for all thier assembled products, it enable their customers replaces damage part of the product easily.

Through the team of service engineers, the company pays regular visit to their dealers in order to check whether there are complaints on vehicle sold.

Product strategy involves decisions on product nature and attributes such as quality, designs and aesthetics in addition to development of new products in order to satisfy both actual and potential customers.

In pricing it product the following factors are put into consideration, they include the company's objective, market factor, product factors, competitors prices, costs of the product, profit margin, and government legislation. The objective of the company in pricing it product include profit maximization, achieving target return on investment, improve its market shares and most importantly cover costs.

In promotion, advertising and publicity is used as a promotional tool. Massmedia such as Radio, Television, Newspaper, etc is used to remind the public of its existence as well as the products it produced. Items such as stickers, calendars, customise pen, table clock, gift items etc are produced to publicised the company.

2.3 THE DISTRIBUTION PROCESS OF STEYR(NIG.) LIMITED.

Distribution is often referred to as "the place". By this it meant all aspects including not only channels through which product is sold, but also its availability in the right place at the right time as well as the reliability of delivery promises. The process of distributing products from the producer to the buyer is an essential part of marketing. Therefore the manufacturer must consider the interest of the buyer and middlemen before making decisions on distribution.

In this regard, Steyr(Nig.) Limited make their goods available to consumers through middlemen (Dealers and Distributors) who in turn sell to the final consumer, if there were no middlemen their marketing department will have to perform the sales/distribution function which is very expensive and costly to the company.

The marketing department of the company takes care of the distribution processes. They respond to orders placed by the middlemen, (Dealer and Distributors) and also ensure wide coverage of the target segments.

2.4 MARKETING EFFECTIVENESS OF AUTOMOBILE INDUSTRY IN NIGERIA.

Goods produced for sale are of no value to the consumer unless they are moved to a point where they can be seen and at the same time when

they are needed. Philip Kotler (1977, P. 67-75), assert that marketing is a complex subject. This is because, the concept of marketing effectiveness tends to be confused with sales effectiveness. While sales effectiveness involves meeting a sales target for a profit, marketing effectiveness involve marketing orientedness of companies. Therefore the effectiveness of marketing in an organization depends to a large extent the kind of orientation upon which the business is built. Infact customer orientation is not a matter of choice for businesses, it is a matter of necessity, because business exists to cater for the need of the customers. Therefore organisations must know the customer's impressions about quality, prices and other customer devices.

It is the organization's positive response to those needs that will retain existing customers and attract new ones.

As a rule a small percentage of a company's customer account for it large sales (the so called 20-80 rule). A company must recognize this by directing different amount of sales effort to various size of it customers. In times of shortages, the question retaining all customers become critical. Some companies try to cut off weak customers and concentrate on strong customers so as to increase their loyalty, a business that is not customer oriented on the other hand does so to the detriment of its survival, it will simply die of lack of patronage.

For marketing to be effective, marketing managers have to puruse a marketing effectiveness auditing which must involve the following:

(a) The system had to be based on a sound philosophical concept of the role of marketing in the modern co-operation.

(b) It had to have credibility.

(c) It had to yield to clear directions or steps that the corporation would take to improve marketing effectiveness where it was lacking.

(d) It had to make periodic application to measure progress towards greater marketing effectiveness.

Marketing effectiveness depends also on whether management can design a profitable strategy out of its philosophy, organization and information resources.

- First, this requires a formal system of annual planning.
- Second, the system should lead to acore strategy that is clear, innovative and data based;
- Thirdly, management should look ahead towards contingent actions that might be required by new development in the market place; and
- lastly, marketing plans do not bear fruit unless they are efficiently carried out at various levels of the organization.

The interest of the customer must be paramount concern of the employees throughout the organization; marketing management must have the right amount of resources to do the job. It must develop strategies to react quickly and intelligently to on-the-spot marketing problems.

The concept of marketing and its importance is yet to be given adequate recognition in Nigeria economy. Marketing is still viewed as selling a company's output to the final consumers. The satisfaction of customer's needs at a profit and the creativity involved in marketing act are yet to be recognized.

In the word of W. J. Stanton (1981, P.4) "Marketing needs to be given greater attention. He states thus: Marketing is a total system of business activities design to plan, price, promote and distribute want-satisfying goods/services to present and potential customer". An elaborate analysis of the above statement shows that the act of marketing starts from consumer needs and ends at satisfying them for a profit.

P.O. Okeniyi (1985 pp.18-23), asserts that marketing which is the mainstay of any organization is yet to be given an appropriate place within organization in Nigeria. Professional marketers are still fighting how to be recognized and be given the opportunity to exhibit their knowledge.

The dilemma of marketing effectiveness in Nigeria can be attributed to the following:

(a) Most Nigerian Companies cannot distinguish between sales and marketing executives, instead of the marketing executives to take time in analyzing environmental changes, new customer needs, competitive challenges and new strategies for company growth, they spend time worrying about disappointing sales level. Okeniyi states that it is common place to find the post of marketing personnel being dominated by politician and non-professionals. A sensitive position as marketing need not be given to those that cannot defend it.

(b) Other organizations that have started to recognizing marketing, simply converts the sales executives to marketing executives. The sales executives often lack the balanced view of the effectiveness of different marketing tools. They continue to favour the sales force in the marketing mix.

(c) Nigerian Managers are always reluctant to use sales revenue to help increase new product development, advertising, sales promotion or marketing research.

(d) Most managers prefer quick return on investment they place more emphasis on short run sales-promotion without taking into consideration the fact that short-run sales-promotion constantly disrupt production planning and cash flow requirements.

However, this assertions are now changing with aggressive competition among the industries vis-a-vis a complete skewing of marketing practice in Nigeria business sector.

The Nigeria market has been described as sellers market by many authors, because the supply of goods and services is greater than demand and thus the seller exploit the customers, hence proliferation of imitated or adulterated products. This is given customers great concern.

It is noted also that marketing is not quite effective in the industrial sectors in Nigeria, because industries are busy designing products without conducting the necessary marketing research into customers preferences. The trouble is that, firms wants to continue with standard products when it is clear to everyone that the customer want something different. Many products were produced to specification which delight the engineers and the production men, but which customer may not want.

A major economic factor that has implication on marketing activities in Nigeria is inflation. Inflation has been defined as "sustain rise in prices". Inflationary rate has been increasing at an alarming and unprecedented rate. The main sources of revenue to the government is still crude oil, with the fall in world prices the economic growth of the country has been slowed. And this has serious implication on marketing activities in the country, because manufacturers now find it extremely difficult to import the

needed raw materials due to shortage of foreign exchange. Without this raw materials it will be difficult to judge the effectiveness of marketing in Nigeria,unless organization locally source its raw materials. Shortage of such factors of production in Nigeria have hindered the effort of marketers to exploit the abundant opportunities present in the country.

Despite the short-comings of marketing in Nigeria, it has achieved quite a lot. Analysis of marketing by many authors have indicated appreciable improvement. However, there is need to improve marketing practices in Nigeria.

It is pertinent to note that a rational business organization will not produce a product without ascertaining it marketability.

CHAPTER THREE

HISTORICAL BACKGROUND OF PEUGEOT AUTOMOBILE OF NIGERIA

3.1 HISTORICAL BACKGROUND OF PAN

The idea about Peugeot started in 1957, when 100 units of Peugeot 403 cars were imported into Nigeria from France. By 1959, because of the general acceptability of the cars due to the legendary reliability to the Nigerian road condition SCOA was appointed the sole agent of Peugeot cars in Nigeria.

Demand for the car rose sharply and by 1960's, the 404 model was introduced to Nigeria. During this periods the Federal Military Government initiated the establishment of Peugeot assembly plant in the country. This conceptual idea became a reality when on October 6th 1969, the government of the day invited about 16 reputable vehicle manufacturers in the world to submit their proposals for the establishment of vehicle assembly plants in Nigeria. Due to the fact that Peugeot cars were already accepted by Nigerians the Government selected Peugeot of France's proposal as part of those tendered by the various vehicle manufacturers.

By 15th December, 1972 PAN was incorporated as a Limited Liability Company with an authorised share capital of three million Naira and paid-up capital of two million Naira.

The assembly plant was commissioned by General Yakubu Gown on March 14th 1975, though it commenced operations before the commissioning. The Head Office was sited in Lagos until 1980's when it was moved to Kaduna, the movement was completed in 1983 when the acquisition of land for development and expansion was achieved.

The company produced 2529 vehicles during the first one year of its operations. The outputs rapidly increased during its First-eight years of operations. With reference to PAN Managing Director, the year 1975 to 1982 was a period of Fast marketing growth, because the company's production capacity was constantly on the increase until 1982 when there was a slight reduction on its production quantity.

Output achieved in the First eight years of operation.

Year	Output of Vehicles
1975	2,529
1976	15,321
1977	23,550
1978	24,793
1979	35,000
1980	48,324
1981	59,490
1982	56,001

Source: PANEWS March/May, 1991, page 2.

There was however, a serious drop between 1983 to 1986 because of the general economic recession experience in the country, which necessitated the Federal Government to introduce the Structural Adjustment Programme (SAP) since 1986 the economic hardship has not changed significantly even to date, likewise the output of the company has not increase in any appreciable manner, when we compare the output of 1980s to 1990s.

There was however, an appreciable growth in local content development, from 1970s to 1990s. As presented below:

1977 3 percent

1978 7 percent

1979 9 percent

1980 14 percent

1981 20 percent

1982 30 percent

1990s36 percent

Source: PANEWS March/May, 1991, page 12.

3.2 THE OBJECTIVES OF PEUGEOT AUTOMOBILE OF NIGERIA (PAN)

An effective transportation system is indispensable to the Economic progress of any nation. It is against this backdrop, that Peugeot Automobile of Nigeria was established in 1975 with the following objectives.

(a) To chart the course for Nigeria's industrialization, in the area of assembling and manufacturing of Automobile vehicles.

(b) To engage in the local assembly or production of cars suitable to Nigeria's physical environment and climatic conditions.

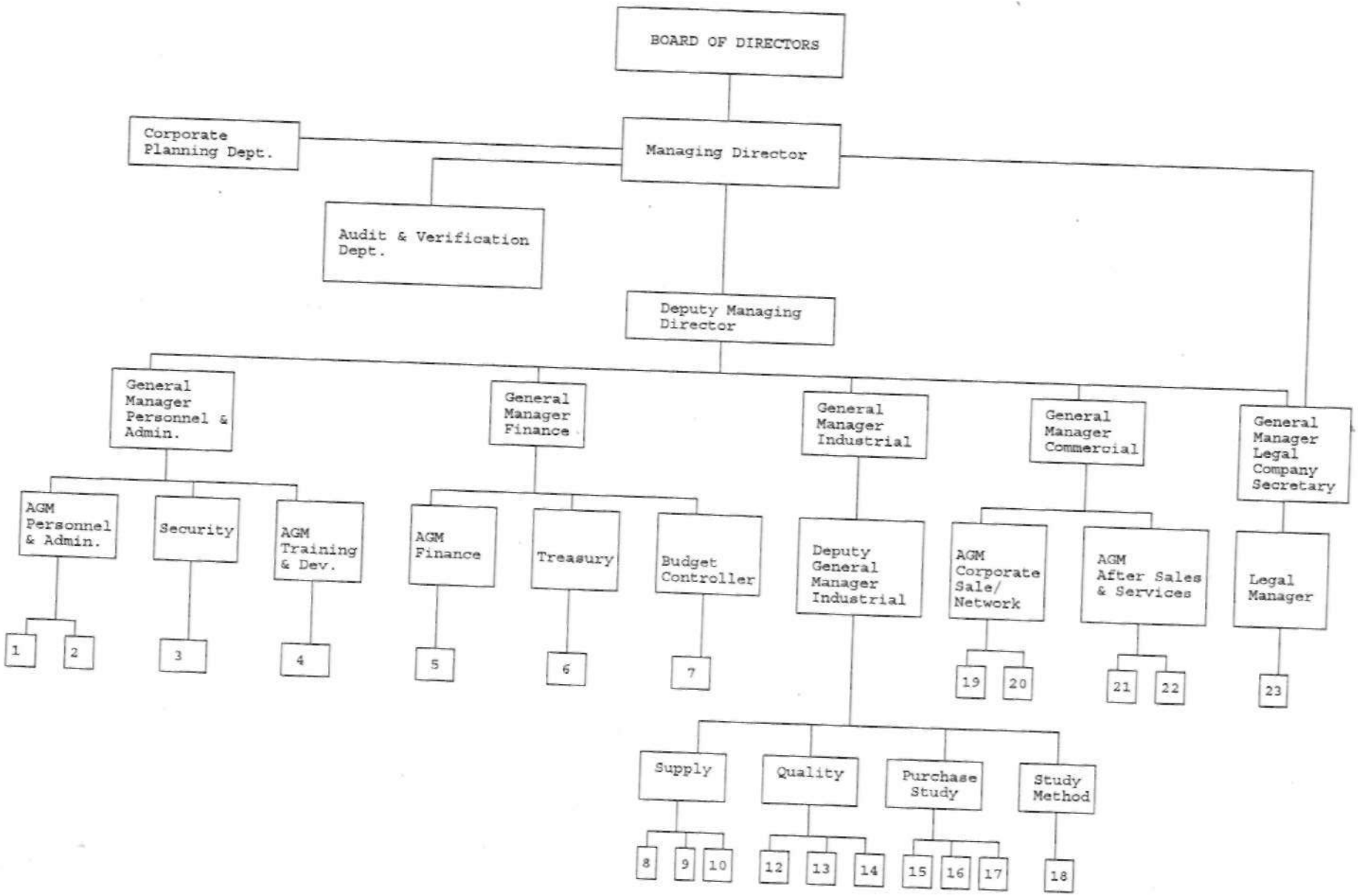
(c) To produce vehicle spare parts and accessories to supplements the product of the plant.

(d) To articulate a definite and viable policy on local content development and to reduce over dependence on imports, in the automobile industry and therefore help conserve foreign exchange for the country.

(e) To serve as an avenue for the transfer of technology by providing on the job training to Nigerian workers, technicians and managers who would eventually develop technology usable in many aspects of the economic life of the country.

(f) To create employment opportunity(ies) for both skilled and unskilled Nigerians, by developing an industrial network of suppliers who would contribute to the establishment of basic technologies in the field of machining, stamping, manufacturing of plastic parts, etc.

Based on these objectives, it could rightly be said that, apart from serving as a catalyst for the springing up of other economic activities, PAN, was set-up to serve as a concrete justification of Nigeria's steel industries.


BOARD OF DIRECTORS
Corporate Planning Dept.
Managing Director
Audit & Verification Dept.
Deputy Managing Director
General Manager Personnel & Admin.
General Manager Finance
General Manager Industrial
General Manager Commercial
General Manager Legal Company Secretary
AGM Personnel & Admin.
Security
AGM Training & Dev.
AGM Finance
Treasury
Budget Controller
Deputy General Manager Industrial
AGM Corporate Sale/ Network
AGM After Sales & Services
Legal Manager
Supply
Quality
Purchase Study
Study Method
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3.3 THE ORGANOGRAM OF PEUGEOT AUTOMOBILE OF NIGERIA (PAN)

To function effectively every business organization needs a structure which has the characteristics of unity, continuity, flexibility and predictability required for efficient interactions within the organization and its environment. The problem of planning and monitoring which management must overcome to be successful is to ensure that the objective of each part of the organization are securely welded together (unity); using both short and long-term forecasting (continuity); being able to adopt the plan in the light of changing circumstances (flexibility); and attempting to accurately predict courses of action (prediction).

The company has maintained a high standard of staff development, motivation and result oriented management team. The company's operations and procedures are under a continuous review to meet the increasing challenges to its responsibility and its performance.

It is in view of the above, that PAN's Organizational chart is well structured functionally to guarantee efficiency and effective operations.

At the apex of pyramid is Board of Director headed by a Chairman appointed by the Federal Government. The Board of Director is the highest decision making organ on vital issues of the company. The Board is saddled with the responsibility of formulating policy guidelines for implementation by the general management teams.

The general management team which oversees the day to day activities of the company is headed by a Managing Director assisted by a deputy Managing director. Directly attached to the office of the Managing director is the Company's Secretary Office and three functional departments, namely: Internal Audit Corporate Planning and Data Processing. The office of the Assistant General Manager logistics is also attached to the Managing Director's Office.

There are five General Mangers, who run the affairs of the company's five(5) major divisions,these divisions are Personnel and Administration, Commercial, Finance, Industrial and finally legal division. The General Managers are assisted by Assistant General Managers (AGM) except for the General Manager Industrial who is assisted by a Deputy General Manager Industrial. The Assistant General Managers and Deputy General Manager are assisted by other Managers, sectional heads and supporting staff.

3.4 THE FUNCTIONAL OPERATIONS OF PEUGEOT AUTOMOBILE OF NIGERIA (PAN)

There are five(5) major divisions, the divisions include Personnel and Administration, Commercial, Finance Industrial and Legal.

1. THE PERSONNEL/ADMINISTRATION DIVISION

The primary responsibility of this division involves, Personnel and General Administration (e.g. welfare). The basic objective of this division

is to bring together and develop into an active organization men and women that make up the company and having regards to the well beings of the individual and of the working groups,to enable them contribute to the overall success of the company.

The functions performed by this division in the discharge of its duties include the followings:

- Manpower planning, recruitment, selection, placement discipline, training and appraisals.
- Working conditions and services
- Meeting and procedures
- Wage and Salary Administrations, etc.

The division is divided into three main departments, namely; Personnel/Administration, Training/Development and Security.

The training department was established in 1978 under the leadership of a General Manager assisted by an Assistant General Manager and other supporting staff with the following objectives.

1. To provide the knowledge, skills and attitudes required in the industry.
2. To establish an avenue for preparation of Nigeria to take over both shop-floor operations, as well as supervisory and management responsibility.

3. And finally, to prepare adequate grounds for the overall transfer of technology (technical skills knowledge and attitude) required in this industry.

The security department is responsible for all the security matters in the company. Apart from the properties (Equipment and other Installations) of the company. The security department is also responsible to take care of the life of workers on duty from attacks; both from within and outside the organization.

2. COMMERCIAL DIVISION

This division is mainly concerned with, the planning and implementations of the Company's marketing policies. The division is divided into various departments. The departments are, the Network/Corporate Sales, After sales, purchasing, supplies and quality control. Each department is headed by an Assistant General Manager charged with specific functions.

The Network department activities form an important bridge between the distributors and PAN Management; and between the general public and the company. Specifically the department performs the following functions.

- To effect an even and proper distribution of the company's products. A company whose market covers a wide geographical area cannot distribute its products effectively from its factory. Through the

network garages, customers in all part of the country could be reached.

- The after-sales backup is an important ingredients in the sale of costly equipments. Customers have to be assured of long service life for the equipment. The extent that customers satisfactions is achieved in this area will determine his willingness to buy the product again. It will also affect the general image and demand for the product. The Network garages offer this essential service through their well equipped and staffed workshops.
- Breaking of bulk is an important part of distribution of goods. To (PAN) the distributors serve as retailers or wholesalers, who buy in large quantities and resell on retail to individual customers. This saves the company the problem of dealing with so many customers at the same time, if they had to sell all their products to the final users.
- Through strict supervision of the garages by the network field staff, these outlets are used as a monitoring post for different types of information. These information are collected and analysed for use in the formulation of future policies. Areas of interest include; product performance, customer reactions to new models and modifications, market survey, competitor's activities, measurement and evaluation

of economic and social changes that may affect the market.

The after sales department performs the following functions:

i. To develop the network nation-wide i.e. company distributor garages by assisting them with the following:

* Recruitment of the key staff and advise on labour force needed in relation to the level of their industrial activities.
* Supervision and monitoring of the construction of their garage in conformity with PAN standard.
* Assistance for the requisition of the tools and equipments.
* Supervision for the installation of their garages equipments and demonstration or training on their correct usage.
* Promotion of the network to achieve their potentials.

ii. To assist management in commercial division in appraising the adequacy of a potential distributor facilities at his disposal. Conducting feasibility studies in conjunction with other departments namely, marketing (supplies & purchasing) spare parts for any newly appointed distributor.

iii. To educate and dessiminate information to the network in terms of product innovation, solution to technical problems, etc. Through service information leaflets, information flash, technical documentation seminars to mention but a few.

KASH

iv. To collect information and data on product performance, especially newly launched products to the market and passive information to the assembly plant to conduct research and investigation to determine the product quality, to liaise with PAN quality department through regular meetings on ways and means of solving short-comings and improving quality of its products.

v. To supervise and coordinate the network operation (economic activities of the garage) according to (PAN) policies norms and standards.

vi. To assess yearly the distributors in the after-sales potential in various fields.

vii. And finally, to handle customer's complaints and grievances and create customer's (public) awareness and enlightenment on their right and obligations.

3. FINANCE DIVISION

This division is headed by a General Manager, who is responsible for the financial transactions required to raise the needed capital. The General Manager is assisted by an AGM. The division is also responsible for the overall investment matters of the company, both home and abroad. It maintains and manages the company's investments in various undertakings. It also explore avenue for profitable investments to be undertaken and map out strategies and guidelines for such investments.

This division is further divided into two(2) major departments, namely the Finance and Budget. The Finance department is headed by an AGM assisted by a Manager. The department is responsible for the procurement and disbursements of funds of the company.

The Budget department on the other hand is headed by a budget controller. This department deals exclusively with management information such as the preparation and submission of quarterly management accounts, budgetary control,appraisals and recommendations of viable projects upto their implementation stage.

4. INDUSTRIAL DIVISION

This division is also referred to as the assembly plant. The division is primarily responsible for the assembling of Peugeot cars of various brands and manufacturing of some of the locally made parts of the company's products. The division is also responsible for the co-ordination and planning of all the maintenance functions and repairs activities of the plant. The division is headed by a General Manager assisted by a Deputy General Manager. The departments under the industrial division include:- supply, quality, local contents development work and study methods.

The supply department is responsible for the acquisition of the company's raw materials mainly CKD (Completely Knocked down parts) used in the production of Peugeot products.

The quality control department is responsible for ensuring that local and off shore (imported) components of PAN meet international standards as specified by its parent company in France. The department is also responsible for setting standard for all the company's products in order to ensure the quality of the company's various product. This department is further sub-divided into three(3) main production shop - namely; the body shop; the paint shop and the assembly shop.

The body shop is the core of the manufacturing plant. Here, part which are partly made are completed, some are wholly manufactured and the rest assembled in their pieces, following a special order of assembly and quality control.

The paint shop is where protection coats are applied to the body of the Peugeot Cars. The coats serves as anti-corrosion base paints, anti-gravel to sealers and for other special purposes; all designed to enhance durability, reliability and beauty in whatever weather.

The assembly shop consists of two(2) lines - The Trim and the Chassis line. These lines are designed on the multi-component assembly system to make possible the production of all models at the same time. While the trim line is responsible for the fitting of the small interior parts and air-conditioning systems, the chassis line take charge of the mechanical parts of the cars.

The local content department is a distinct department designed to carry out (PAN)'s solid clearly marked out objectives for the development and growth of automobile industry in Nigeria. The department is mainly concerned with the development of locally made parts to be used in the production of the company's products. The department is organized into the following units for effective performance - local purchase; overhead purchase; local content development with Research and Development (R. & D.) Section.

The work and study method department is responsible for identifying, appraising and recommending viable project in the area of local content developments up to their implementation stage.

5. THE LEGAL DIVISION

This division is headed by a General Manager often referred to as the Company Secretary, it is vested with responsibilities of advising the company on legal matters.

3.5 MARKETING ACTIVITIES OF PEUGEOT AUTOMOBILE NIGERIA (PAN)

The marketing strategies adopted for marketing each of its products depends on the type of the product. For example, when the J-5 buses were invented they were first introduced to the mass transit task forces. The J-5 buses were allocated to each state by the Sole Administrators of the

transport authorities through the representative of the Federal Mass Transit Agency (PANEWS January/February 1989, page 2).

The company sells its products through its distributors who are spread nation-wide, but often sell directly to Government Agencies.

Intensive advertisement and personal solicitation is used in marketing PAN product. The products are advertised through the Mass media (Television, Radio, National dailies, displays, Trade fair exhibitions, Journals, etc). The distributors undertaken most of the marketing activities involved in getting the product to the final users.

Personal solicitation involves face-to-face contact with the ultimate users of the product, for instance, PAN produced 504 SW/AC Ambulance which is used by both Government and Private hospitals. The company sells the product through personal solicitation; they go to the hospitals to meet the necessary people involved in buying, and encourage them to buy the product.

The after-sales department of PAN monitor and supervise the activities of the various distributors. The service provided induce the public to buy the vehicles. After sales and service personnel for the distributors are often trained by the company, they attend courses depending on their discipline. For instance, courses provided includes Automobile engineering, Spraying, etc. Special training are also organised for workshop receptionist and supervisors.

The after sales/service help in dissemination of technical information to all users of PAN's products. It also assists in the direct promotion of PAN product at the consumer level.

3.6 THE DISTRIBUTION PROCESS OF MARKETING PAN PRODUCTS

The company uses distributors mostly to sell its products. The distributors build garages where they park the products before they are sold to the final users. The garages must be build in accordance to the company's specification.

In order for the Distributive network to be effective, the company adopted some criteria for selecting its distributor. The criteria include; Geographical Spread (i.e. specifying the number of distributors in a particular area) or region to ensure a wide market coverage. Financial capability(i.e. the potential Distributor need to be financially strong before becoming a distributor.

Orders are placed through the sales department specifying the type(s) of product, the number of the product required with fully paid certified bank draft. If the products are readily available, it is supplied instantly but if it is not available the distributor is informed of when the delivery will be made.

PAN rarely sells its product on credit basis, the product is often paid for in full before delivery is effected, except when a product is newly introduced, in this case the distributor is given 90 days credit period to make payment. The facility is provided to encourage distributors to buy the product and help the company push the product to the market.

3.7 GENERAL MARKETING PROBLEMS OF PEUGEOT AUTOMOBILE OF NIGERIA (PAN)

The main marketing problem of Peugeot Automobile Nigeria Limited is the distribution system. Production of any product is not complete until the product has reached the final consumer or user of the product, if the product reaches the user at the right time, right place and right price then we say that the distribution system is effective and efficient but this is not the case with PAN products. There is often delay in order processing, delivery schedule, communication problem to mention a few.

Apart from the above, there is also the pricing problem. The high prices of the company's products are not within the reach of the average Nigeria hence the sharp reduction in demand of Peugeot product. The high prices is due to the high cost of imported component parts which constitute 64 percent of the content needed for production, because the company has only achieved 36 percent of local contents.

There is also marketing problem arising from competition especially the fully-built imported cars and mini-buses produced by Honda, Nissan, Datsun, Skoda, Toyota, Volvo, Mercedez, BMW, Volkswagen, Audi, etc. Having such number of competing companies entails large number of competing products of similar nature, thus with all the products scrambling for attention. Besides, most of this companies source over 80 percent of their component parts locally, they also enjoy technological advantage over Peugeot automobile of Nigeria, the competing companies are able to charge lower prices on product of similar nature produce by the company under study.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

The methodology of the research here, refers to technique applied in collecting data and the sources of such data. The method used includes both primary and secondary sources of data collection.

4.2 TYPES OF DATA

There are two major types of data, this include; the primary data and the secondary data. Data for this study were obtained from the two major sources. The primary data are, information obtained directly from questionnaire response and interview conducted on the research topic. This sources of data are very vital because they are solicited directly from the respondents and therefore are more genuine and reliable for any research study.

The secondary data are, information already generated and used by other researchers and are usually available in files, periodicals, seminar papers, etc some of the sources used include libraries and materials obtained from PAN distributors. Also of tremendous importance and assistance to the research study were, Newspapers, Informative Television and Radio programmes.

4.3 RESEARCH METHODS USED FOR DATA COLLECTION

The data collection process is splited into two phases. One phase concentrated on gathering data on the theoretical aspect of distribution system of PAN Limited and Steyr Nigeria Limited (both company used for the study) during which textbooks, journals, periodicals, on their marketing strategies (especially disribution system).

The collection of data on the process and technique of the distribution system and its effectiveness in the Peugeot Automobile of Nigeria involved a combination of the used of Questionnaire and oral interviews and the study of historical records of particular importance is the oral interview conducted during the course of the research as the researcher was opportune to meet and talk to the officers responsible for decision making on the distribution system, the problems encountered and the future prospect of the marketing effectiveness of the organization.

However, all was not smooth sailing, the researcher encountered a number of difficulties during the data collection stage which are highlighted under the limitation of the study.

4.4 DESCRIPTION OF INSTRUMENT USED

The main instrument used for collection of primary data was the questionnaire and oral interview, which covers the role of the company and the distributors in marketing the product of the company.

Secondary data was collected with the aid of literatures already written about the affairs of the companies. The literatures was gotten from PANEWS a bi-monthly house journal, brochure of Steyr Nigeria Limited, seminar papers and the write-ups on the companies.

4.5 PROCEDURE FOR DATA COLLECTION

The primary data were collected with the use of Questionnaire and oral interview. The questionnaire were given to those officers to be interviewed in advance, so that they could get the answers to the questions. During the interview both the interviewer and the interviewee had a copy of the questionnaire. As the respondent gives answer to the questionnaire the researcher was able to ask additional questions and answers given were duly recorded by the researcher and the respondent was given enough time to answer each question in-depth.

The training officer gave the researcher the bi-monthly house journals, company brochure etc which contain some useful information about the company. Other materials used were got from the library.

4.6 PROCEDURE FOR DATA ANALYSIS

Various tools are employed for analysing data gathered in the course of this research, such tool include among others, diagrams, tables, statistical representation etc.

CHAPTER FIVE

ANALYSIS AND INTERPRETATION OF DATA

5.1 INTRODUCTION

This study being an Evaluation of the Distribution Strategies of Automobile and its implication for Marketing Effectiveness in Nigeria, has also chosen Peugeot Automobile Nigeria Limited in order to consider and appreciate Nigerians experience in Distribution Strategy.

This chapter presents, the data and the analysis and the interpretation of such data to establish the findings of the research. The analysis involves categorizing, ordering and summarising of data in order to answer the research questions as well as interpreting and making inference on pertinent issues that relates to the study and to draw conclusions.

To create easy understanding and comparism, the responses of the management and staff of Peugeot Automobile Nigeria Limited (PAN) and the responses of various distributors are classified in section A and B respectively in the questionnaire and are tabulated below. These responses were tabulated and converted into percentages as shown on the various tables.

5 .2 THE ADMINISTRATION OF THE QUESTIONNAIRE

In section A, two divisions of the company were involved in the study, the divisions are Commercial division and the Training division.

Both management and staff of each division were chosen to provide the information needed in their respective sections of the divisions. The total sample was twelve (12).

The section B comprises of Questionnaire directed to the distributors. Ninety Distributors were involved in the study. All the questionnaire sent out were duly filled and returned as a result of personal calls and extra effort at collection from the respondents, they were found usable as shown in table 5.1

RATE RETURNED QUESTIONNAIRE

TABLE 5.1

DIVISIONS	RETURNED NO.	%	NOT RETURNED NO.	%	TOTAL NUMBER NO.	%
Commercial	6	100			6	100
Training	6	100			6	100
Distributors	90	100			90	100
TOTAL	102	100			102	100

5.3 DATA PRESENTATION AND ANALYSIS OF MANAGEMENT AND STAFF RESPONSES TO THE QUESTIONNAIRE

In order to effectively deal with the study some research questions were posed to management and staff of the company and their responses were consequently analysed for proper understanding.

RESEARCH QUESTION 1

What are the types of product you sell?

Peugeot Automobile of Nigeria is an indigenous automobile company that produces and market cars and Mini-buses. The cars include; 306, 406, 504, 505 models etc while the Mini-buses include J-5 and Boxers.

The questionnaire administered to identify the type of products produced and marketed shows that, the company produce various cars and mini-buses. The respondents were required to tick appropriate answer or answers on the various products produced and marketed, the table below indicate their responses.

Table 5.2

Variable	Numbers of Responses	Percentage
Trucks	-	-
Cars	12	100
Mini-Buses	12	100
Lorries	-	-
Luxurious Buses	-	-
Write any other	-	-

Source: The Questionnaire

From the above table and analysis it could be seen that all the respondents 12(100%) indicated that the company produce cars and mini-buses. Further investigation revealed that the products are preferred by the company, because the market for the products is wider than those of

Trucks, Lorries, Luxurious buses etc. Besides, the capital required to establish Automobile Company for Truck, Lorries, Luxurious Buses etc is higher while the gestation period to recoup the cost of investment and to start making profit is longer, because the market for such product in Nigeria is small when compared to those of cars and mini-buses. The researcher also noted from the interview conducted that,the company produce more number and variety (model) of cars than the mini-buses because the demand for cars is higher than the mini-buses.

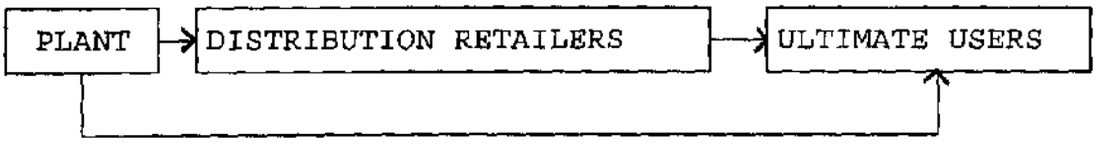
Research Question 2

How do the products get to the Ultimate Users?

The products are being distributed in the following forms. One, the company sell it products to the ultimate users through its distributor-retailers. Two the company sells it products directly to the ultimate users in particular Government Agencies.

The explanation is better represented by the diagram below.

Diagram 1 Distribution system



The respondents were required to choose as many as appropriate the pattern/method they employ in reaching the ultimate users. The responses gotten from the administered Questionnaire shows that, the company uses distributor-retailers and it also sells directly to the ultimate users, but mostly use its distributors to reach the ultimate user as illustrated in the table below.

TABLE 5.3

Variable	Numbers of Responses	Percentage
Distributors Wholesaler	-	-
Distributor-Retailer	12	100
Agents	-	-
Dealers	-	-
Direct sales	8	66.7%

Source: The Questionnaire

The table shows that 12 (100%) respondents indicated that the company uses Distributor-retailers to reach the ultimate users, while 8(66.7%) of the Number of responses also indicated that the company sells directly to the ultimate users. This percentage shows that the company sell both through distributors and directly to the ultimate users.

Inquiries conducted in the course of the study shows that, the company sells its products through distributors in order to have a wide market coverage for its products and to save the company the Selling

expenses incurred when dealing with numerous customers, as selling to ultimate users directly entails building garages to cover every part of the country apart from providing and maintaining the facilities and equipment required in the garages and the personnel to man the garages.

Government Agencies are favoured because, government is the major shareholder of the, company in Nigeria. Apart from being a major shareholder, Government often buy in bulk as they place orders ranging from 50 to 1000 even some times above and transactions of such nature is better handle by the company directly, since the capital involve is very much and a distributor may not be in position to provide the necessary capital required. As PAN hardly sell its products on credit.

Research Question 3

Who decides the company's marketing objectives and what are these objectives?

The responses to the administered questionnaire show that 12(100%) respondents indicated that the commercial Division has the sole responsibility of deciding the company's marketing objectives, because all marketing activities of the company is handle by the division.

The responses are illustrated below.

Table 5.4

Variable	Numbers of Responses	Percentage
Top management	-	-
Board of Directors	-	-
Marketing consultants	-	-
commercial Division	12	100

Source: The Questionnaire

On the company's objectives the respondents indicated the following objectives in order of importance. The ranking is shown in the table below.

Table 5.5

Variable	Numbers of Responses	Percentage
Maximization of Profit	6	50
Customer Satisfaction	3	25
Production and Marketing	2	16.7
Render Social Service to the nation	1	8.7
Total	12	100

Source: The Questionnaire

Profit maximization takes preference over all other objectives of the company 6(50%) responses indicated that,the company is out to maximise profit, 3(25%) indicated the objective of customer satisfaction, 2(16.7%) shows that production and marketing of high quality automobile is their objective, while 1(8.7%) indicated that the objective of the company is to

render social service to the nation. It was noted that, profit maximization takes preference in the company's objectives because for the company to achieve its other objective of customer satisfaction there is need for the company to generate the capital needed, to research into what induce customer's satisfaction apart from meeting such satisfiers at a cost, by producing and marketing high quality products, workers have to be adequately remunerated, besides, partaking in other social responsibilities.

Research Question 4

How is a distributor Appointed?

In respect of the responses to the administered questionnaire 12(100%) respondents indicated that, the prospective distributor apply to be a Distributor to the company, and the company considers the following requirements; financial strength, geographical location, facilities and Equipment needed for automobile company. The table below shows their responses.

TABLE 5.6

variable	Numbers of Responses	Percentage
Financial strength	-	-
Geographical location	-	-
Facilities and Equipment	-	-
All of the above	12	100

Source: The Questionnaire

All the respondents indicated that, financial strength, geographical location, facilities and equipment are considered before a prospective organisation or individual become the company's distributor. Financial strength is considered because the needed deposit for distributorship is high, in addition, most transactions with the company are on cash and carry basis. Geographical location is considered in order to ensure a wide market coverage for the products, so that all distributors will not be concentrated in a particular place, while they may be lacking in other places. Facilities and equipment required is to ensure that, the garages are well equipped to provide after-sales services for PAN products.

Research Question 5

Do you have a sales-force?

The whole respondents 12(100%) indicated that the company has a sale-force which distributes or channels its product to the distributors and sometimes sells the product directly to the ultimate users (government agencies in particular).

The opinion of the respondents are illustrated below.

TABLE 5.7

Opinion	Numbers of Responses	Percentage
Yes	12	100
No	-	-

Source: The Questionnaire

The respondents indicated that,the company has a sales-force whose sole responsibility is to make maximum sales, for the company. The sales-force are made up of sales executives of the company.

Research Question 6

How do people know about your product?

The respondents were asked the medium used to carry out awareness activities. Their responses are shown in the table below.

TABLE 5.8

Variable	Numbers of Responses	Percentage
Television	90	100
Radio	5	5.6
Billboards	30	33.3
Trade fair	90	100
Display	90	100
Magazine	10	11.1
Newspapers	15	16.7

Source: The Questionnaire

The table shows that,the company promote and Advertise its products by using the above mentioned variables. Observations and interview with few of the company's employees revealed that the company use Television, Trade fair exhibition and Displays than any of the other medium of Advertisement mentioned. All the respondents (100%) indicated that Television, Trade fair exhibition and Displays are used to advertise and

promote their products, 5(5.6%) of the respondents indicated the use of Radio, 30(33.5%) of the sample also shows that Billboards are used, 10(11.1%) choose the use of television, trade fair exhibitions and displays medium are mostly used because they are visualised form of advertisement. The actual and potential customer sees what is being advertised in order to appreciate the product better.

Research Question 7

Who fix the prices of your products?

Price setting has been the exclusive responsibility of the commercial division. Although competitor's prices are considered. Prices are largely set based on production cost (cost-based). In addition, the cost incurred in getting the product to the delivery centre is also taken into account when pricing.

From the administered questionnaire, the responses received indicated that, to fix the price for a product, the cost of the product, competitor's prices and profit margin are taken into consideration,so that adequate price is fixed for a product.

This is illustrated in the table below

Table 5.9

Variable	Numbers of Responses	Percentage
Cost-based	-	-
Competition	-	-
Profit Margin	-	-
All of the above	12	100

Source: The Questionnaire

Research Question 8

How does the company monitor the activities of its Distributors?

The table below shows the extent of which the company's distribution channels are supervised.

TABLE 6.0

Variable	Numbers of Responses	Percentage
Monthly	2	16.7
Bi-monthly	-	-
Quarterly	9	75
Annually	1	83
Total	12	100

Source: The Questionnaire

Among the 12 management and staff of PAN that responded to the administered questionnaire 16.7% are of the view that, the company monitor the activities of it distributors monthly, while 75% indicated that the activities of distributors are monitored quarterly and 8.3% shows that the distributors activities are monitored annually.

One startling revelation is that, the activities of the distributors are monitored. Further investigation revealed that, distributors activities are monitored in order to check the excesses of some distributors that sell above the fixed prices and to supervise the facilities and equipment in the distributors garages to see whether they are functioning or not.

Through strict supervision of the garages by the network field staff, these outlets are used as a monitoring post for different type of information. These information are collected and analysed for use in the formulation of future policies.

Research Question 9

How are your Distributors encouraged to put in their best?

Considering the fact that, distribution require encouragement and special incentives to put in their best,the company has made it, as a matter of policy, certain rewarding provisions intended to motivate its distributors. It is done with the believe that,if distributor are motivated it will in turn lead to greater performance. Hence, greater sales and greater profit for the company.

The table below show the ways distributors are handle by the company.

Table 6.1

Variable	Numbers of Responses	Percentage
Refund of contingent expenses	-	-
Replacement of defective products	-	-
Respond to complaints	-	-
Rewards on Performance	-	-
All of the above	12	100

Source: The Questionnaire

All the respondents 12(100%) indicated that distributors are motivated. Such encouragement includes refund of contingent expenses incurred, which is not the distributor's fault on a product, replacement of defective products supplied by the company, Taking actions when there are complaints from distributors and finally, reward distributors for good performance during the company's Annual General Meetings.

Research Question 10

How do you answer the complaints of your Distributors?

The respondents were asked in the questionnaire administered the pattern they used in handling Distributors complaints. The responses revealed that 6(50%) of the respondents indicated that distributor complaints are answered in a joint meeting with distributors, while 3(25%) indicated that customers complaints are answered during seminars and

workshop. While 3 indicated that complaints are answered individually. None of the respondents however, said customers complaints are not addressed. Investigation revealed that feedback is always given to distributors. When complaints are general, the company hold a joint meeting with its distributors, so as to properly address such complaints.

The table below illustrate their responses.

Variable	Numbers of Responses	Percentage
Joint meeting	6	50
Seminar/Workshop	3	25
Individually	3	25
Total	12	100

RESPONSES OF THE DISTRIBUTORS TO THE QUESTIONNAIRE

Research Question 1

How do you become the company's Distributor?

The table below shows distributors responses to the administered Questionnaire indicating the requirements that qualifies them as distributors.

Table 6.2

Variable	Numbers of Responses	Percentage
Financial Strength	40	44.4
Geographical location	25	27.8
Facilities and Equipment	15	16.7
All of the above	10	11.1

Source: The Questionnaire

The table above revealed that 40(44.4%) of the respondent indicated that, financial strength is the requirement for distributorship. 25(27.8%) of the respondents shows that Geographical location constitute the only requirement for Distributorship, 15(16.7%) choose facilities and equipment as a pre-requisite for distributorship, while 10(11.1%) stated that all of the conditions listed above are required to qualify as a distributor.

Research Question 2

Do you sell only Peugeot Product?

The respondents were asked whether they handle only Peugeot products, their responses indicated that, apart from Peugeot other products are also handled, this includes Honda, Toyota, Datsun, Volkswagen, Volvo, Mercedes etc. The table below shows the break down of their choices.

Table 6.3

Variable	Number of Responses	Percentage
Peugeot	25	27.8
Honda	20	22.2
Toyota	10	11.1
Volsewagen	5	5.6
Datsun	10	11.1
Mecedes	5	5.6
Volvo	5	5.6
Others	10	11.1

Sources:The Questionnaire

The table above indicated that, 25(27.8%) of the respondents market only Peugeot products, while 65(72.2%) of the respondents handled other products along side Peugeot products. The Administered questionnaire however, revealed that the respondents handled Peugeot products than any other single product. Investigation revealed that, other products are handled by the distributor so as to have stock of variety products for customers to choose from. Beside, profit margin on other products is also higher than that of Peugeot.

Research Question 3

Who are you producing your products for?

Although the company produced cars and mini-buses, so that anybody can buy, but the responses received from the questionnaire administered shows that 45(50%) respondents indicated that corporate bodies and companies are their market segment. 30(33.3%) respondents agreed that government agencies are their market segments, 5(5.5%) respondents shows that individuals are their target customers, while 10(11.1%) shows that small-resaller are their target buyers.

Table 6.4 shows the responses to the questionnaire administered.

Table 6.4

Variable	Number of Responses	Percentage
Corporate bodies/companies	45	50
Government Agencies	30	33.3
Individuals	5	5.5
Small-Resallers	10	11.1

Sources: The questionnaire

Interview conducted revealed that corporate bodies/companies and Government Agencies are mostly targeted, because they buy more vehicles than other segments.

Research question 4.

How do you make the public know your products?

The responses received from the administered questionnaire and interview with few of the distributors revealed that there is lack of commitment to promotional efforts on the side of the distributors. The respondents depends heavily on the promotional efforts of the company (PAN).

Owing to this low-level of promotional effort, the question that one may raise is how do potential customers and actual customers know about the products? 100% of the customers interview said, they know about the products through advertisement and promotional activities of Peugeot automobile of Nigeria (PAN). The respondents however, indicated that they display the products in their garages and depend heavily on personal

selling. The respondents interviewed reveal that, Television, Radio, Newspapers, etc advert is very expensive for them and the discounts given on the product is too negligible, to sacrifice for advert on such media. Hence they depend heavily on personal selling and displays.

The table below illustrate responses of the respondents.

Table 6.5

Variable	Number of Responses	Percentage
Television	--	--
Radio	--	--
Personal Selling	90	100
Displays	90	100

Source: The questionnaire

Research Question 5

How are you encouraged by the Company?

In view of the fact that, distributors require encouragement and special incentive to put in their best in marketing PAN products. The company provides assistance and rewards to its distributors. The table below shows the responses, of the respondents on the extend of assistance received from the company.

Table 6.6

Variable	Number of Responses	Percentage
Personnel Training	90	100
Credit Facility	45	50
Selling Aid	90	100
No Assistance	-	-

Sources: The questionnaire

The responses to the questionnaire shows that, all the respondents indicated that, the company assist them to train their personnel and also provide them with selling Aid. 45(50%) of the respondents however indicated that the company gave them credit facility. None of the respondents indicated that he/she is not assisted.

Are you Rewarded?:

The respondents were asked if they are rewarded. Their opinion is illustrated in the table below:

Table 6.7

Opinion	Number of Responses	Percentage
Yes	80	88.9
No	10	11.1
Total	90	100

Source: The Questionnaire

The table shows that 80(88.9%) of the 90 respondents indicated that they are rewarded, while 10(11.1%) of the 90 respondent shows that, they are not rewarded. However, the enquiries made revealed that the 10(11.1%) have never performed to the extent of getting a reward.

Research Question 6

What are the problems, you face when selling PAN products?

The Questionnaire administered shows that, the distributors encountered a lot of problems in selling the products. These problems are ranked in order of gravity. The table below illustrate this.

Table 6.8

Variable	Number of Responses	Percentage
High Prices of the Product	50	55.6
Distribution System	30	33.3
Quality (Aesthetics)	10	11.1

Sources: The Questionnaire

High prices of the products constitute the major problem faced in selling the products with 50(55.6%) of responses indicating that high prices is the major problem. The distribution system constitute 30(33.3%) of the responses, while quality in term of the Aesthetics form 10(11.1%) responses as the problem faced in selling the products.

Further investigation shows that, the high prices of the product is due

to the high foreign exchange rate as 64% of the component parts, has to be imported, because the company presently source locally 36% of the raw materials required.

The problems associated with distribution system has to do with delays in order processing, delays delivery schedule and the communication problems.

Quality complaints results based on the aesthetic design of the product. The company sticks to old designs for a long period of time before innovation or improvements are effected.

FINDINGS OF THE STUDY

Based on the research study, the following conclusion were drawn.

* The distribution system of the company suffers draw- backs, such as delay in order processing, delays in delivery schedules and communication problems.
* The prices of the company products are higher than those of other companies producing similar products especially the fully-built imported vehicles.
* In addition to the above, the company is subjected to strong competition, as a result of high prices of the products. Besides, the aesthetic designs of similar products are preferred by Nigerians.
* It is observed that, the distributors provide wider market coverage for

the company's products.

* Furthermore, the motivation system of the company is not adequate enough to enhance the performance of the distributors.

* The advertising and promotional activities is solely the responsibility of the company (PAN). distributors rely heavily on promotional and advertisement done by the company.

DISCUSSION OF THE RESULTS

The data collected from the management and staff of the company, and its distributors were discussed in this chapter.

The company sells its products directly to the ultimate users, especially Government Agencies and through its numerous distributors across the country. Table 5.3 illustrate the responses of the respondents. 12(100%) respondents indicated that the company sells its products through distributors and 66.7% of the same sample, also indicated that the company sells directly to the ultimate users.

The study observed that the company is gradually taking control of its products by selling directly to the ultimate users. This, the distributor-retailers are not pleased with, they complained that, customers especially Government Agencies prefer buying from the company directly than patronizing them, this, they said affect their level of sales, hence, profitability. As a result they now handle other products instead of relying

on the company's product alone. Besides, profit margin on other product is higher. Because of this reason, the company's market share is fast shrinking. Immediate measure will have to be taken by the company to avert a worst situation as the use of Distributor-retailer is cost-saving to the company, widened the market coverage of the company's products, provides marketing information system and after-sales service provided on the products.

Consequently, competing companies have started taking advantage of the situation to draw the company's distributors to their side.

Regarding the company's promotional efforts, it was observed that the company promote and advertise its product by using Television, Newspapers, Trade Fair exhibition displays and Billboards. The use of Radio and personal selling will help capture the target market too.

The study, is able to identify factors that influence the pricing of the company's product, which include competitor's prices, profit margin based on the cost of the products, further investigation revealed that, Government influence the prices of the company's product.

It is also important to mention here that, high prices of the product constitute an obstacle in selling the product. From the administered questionnaire over-half of the respondents indicated that, high prices of the products posed a problem in selling it. Research finding however, shows

that 64% of the component parts of the product are imported. As only 36% local content has been attained the high rate of foreign exchange invariably lead to high production cost hence, high prices of the products.

The research study is able to identify some distribution drawbacks, such as delays in order processing, delays in delivery schedule and communication problem. This can however, be corrected by using modern automation systems to enhance the company distribution system.

CHAPTER SIX

SUMMARY, RECOMMENDATIONS AND CONCLUSION

6.1 SUMMARY

It is quite obvious that the Automobile industry occupies a vital position in the economic development of Nigeria and the world in general as a result, this study is aimed at an Evaluation of Distribution Strategies of Automobile, its implications for marketing effectiveness in Nigeria with special emphasis to Peugeot Automobile Nigeria Limited.

The following gives a brief summary of the research study.

Chapter one, provides a general background of the study. It states the problem of the study with emphasis on the distribution system, the chapter also considered the purpose of the study, its scope and (methodology) various methods used in gathering data for the research such as interview and questionnaire, review of related literature, journals, magazines etc. These sources of information have greatly contributed in the making up of each chapter.

This chapter also contain the significance of the study, limitations of the study and definitions of terms.

Chapter two is made up of the literature review; the Automobile industry in Nigeria, obstacles encountered and the prospective opportunities, marketing products of Steyr Nigeria Limited and its distribution process and

finally discussion on marketing effectiveness in Automobile industry in Nigeria.

Chapter three examines the historical background of the company under study, the objectives of the company, it management and organizational structure, the functional operation, marketing activities of the company, the distribution process of marketing and the general marketing problems of the company under study.

The fourth chapter has methodology as its major heading with introduction, types of data, research methods used for data collection, description of instrument used, procedure for data collection and procedure for data analysis are found in this chapter.

Chapter five, deals with the data analysis and interpretation by trying to relate the data with supportive write ups. The chapter examines the marketing activities of the company with emphasis on distribution strategies based on the questionnaire administered and responses received.

Chapter six, provides or rather examines in sequence manner the summary of the research work, conclusion and recommendation given in the light of subsequent findings right from chapter one up to the final chapter.

6.2 RECOMMENDATIONS

In consideration to the findings of this research study the following recommendations are made to the management. It is expected that if these recommendations are implemented it would go along way to alleviate the problems faced and increase customers' satisfaction as required by the marketing concept, and the company is also expected to experienced high sales volume and profitability in the Nigerian automobile market, because the following suggested solutions are recommended with the view that it would help the company overcome not only it current distribution and pricing problems, but it is expected that the suggested solutions may help the company design and develop aggressive and effective marketing programmes for its products.

The recommendations include:

(a) The company should invest more on local content sourcing, when this is done and the company is able to achieve a level of 80 percent local content, plus the cheap labour cost obtained in the country. The company would be able to produce at a cheaper rate, price of the product will be reduced and an average Nigeria will be able to buy the company's product. The company should seek for loan from banks and or other financial institution if it has no financial backing to do this on its own.

(b) In addition, there is need for the company to monitor the prices fixed by various distributors so that they don't exploit the final users by charging high prices. If prices are too high, this will keep customers away from buying the product of the company. The company should give the distributors discount and fix the prices at which they expect them to sell the products and must not sell above the stipulated prices. Any distributor found selling above the approved price should have his distributorship terminated.

(c) Another recommendation is for the company to design and develop effective distribution system, modern automation should be used in order processing,communication system and delay delivery schedule should be corrected, so that product of the company can get to the customer right on time.

(d) Activities of the distributors should be constantly supervised, visitation to the distributors garages will go a long way in monitoring the activities of the distributors and also bridge communication gap.

(e) The company should design and develop effective motivation package for its distributors, when they are adequately motivated it is believed that they would put in their best efforts leading to greater performance, hence greater rewards, thus creating greater satisfaction. It is when distributors receives greater satisfaction they become

greatly motivated. For instance, after-sales personnel of the distributors should be given free training, in-house training should also be constantly arranged for the distributor marketing executives.

(f) There is need for rigorous and aggressive promotional activity. The subtle promotional approach being used by the company is not strong enough to sail through the highly competitive market. Television, Radio, Bill boards, Trade fair exhibition, displays, etc should be used to intensify the existence of the product and to create awareness concerning innovation and improvement on the products or additional information discovered concerning the product.

(g) Finally, the economic depression prevalent in the country calls for not only increase promotional efforts, but aggressive marketing strategies for the company to sell its products, despite all odds so as to continue to remain in business, hence cost-saving measures to reduce production cost should be ensured and followed religiously in order to make the prices of the product affordable.

6.3 CONCLUSION

Distribution is an integral part of a firm's marketing program in that the management of this activities can affect a company's marketing mix particularly its product planning, pricing and promotional policies. A manufacturer decides on the channels through which he will push his

product based on the distribution facilities and services offered by the channels.

Based on the findings of this research, the following conclusions are derived.

(a) It is observed that the distribution system is faulty, because there is delay in order processing, delivery schedule and communication problems. Presently, there is need for improvement in this area, modern automation should be made use of, and workers should be trained to enhance and improve their performance, so that the real goals and objectives of the organization could be achieved.

(b) The company is also subjected to strong competition as a result of high prices of its products compared to the imported fully-built up products of similar nature which are less costly. This competition will continue until PAN is able to bring down the prices of its products to at least the same level with those of the imported vehicles or even cheaper. this can be achieved if the company is able to achieve a level of 70 to 80 percent local contents, in addition to the cheap labour obtained in the country, the company will be able to produce at a cheaper rate, it would be able to produce at a cheaper rate.

(c) On the role of distributors, it is observed that the distributors provide wide market coverage for the company products, save the company cost by using the distributive network in selling its products, since they build garages where the products of the company (cars and buses) are parked before they are sold, in addition to providing the manpower necessary to maintain the garages, the distributors also take important information about the product from the company to the customers as customers complaints are taken to the company. Couple with the after sales services provided by the distributors.

(d) Owing to the vital role of the distributors, it is observed that they are not well-motivated. Special incentive and encouragement is required for them to put in their best. For instance, credit facility should be granted for short period and the reward packages should be improved.

Despite the fact that the company has not fully achieved most of its objectives, the company is doing its best in the economic development of the country.

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QUESTIONAIRE ADMINISTERED TO THE STAFF OF PEUGEOT AUTOMOBILE NIGERIA (PAN)

Please tick the appropriate answer or answers

1. Are you a male or Female?

   ( ) Male ( ) Female

2. What is your age bracket?
   a. 15 years to 20 years ( )
   b. 21 years to 30 years ( )
   c. 31 years and 40 years ( )
   d. above 41 years ( )

3. What is your position in the organisation?
   a. Junior Staff ( )
   b. Senior Staff ( )
   c. Management Staff ( )

4. How long have you been working in the organisation?
   a. 2 years to 4 years ( )
   b. 5 years to 7 years ( )
   c. 8 years to 15 years ( )
   d. above 15 years ( )

5. In which of the Departments do you work?

   _____

6. How old is your Company?
   a. 5 years to 10 years ( )
   b. 11 years to 20 years ( )
   d. above 20 years ( )

7. How do your products get to the ultimate users?
   a. Distributor Wholesaler ( )
   b. Distributor Retailer ( )
   c. Agents ( )
   d. Dealers ( )

8. What requirement should a prospective distributo meets before he is selected?
   a. Financial strength ( )
   b. Geographical location ( )
   c. Facilities and Equipments ( )
   d. Write any other requirement

9. What are your Company's goal/objective?
   a. Maximisation of profit ( )
   b. Customer satisfaction ( )
   c. Product and marketing of high quality automobile ( )
   d. Render Social Service to the Nation ( )
   e. Write any other ones

10. Who decide the marketing objective of your Company?
   a. Top management ( )
   b. Board of Directors ( )
   c. Marketing Consultant ( )
   d. Commercial Division ( )

11. What are the sources of your raw materials?
   a. Local ( )
   b. Foreign ( )
   c. Write any other Source(s)

12. What are the various products you produce?
   a. Trucks ( )
   b. Cars ( )
   c. Buses ( )
   d. Lorries ( )
   e. Luxurious Buses ( )
   f. Write any other

13. How do you get your distributors?
   a. Calling for application ( )
   b. Self application ( )
   c. By appointment ( )

14. Do you have a specialise unit that handle the distribution system?

   Yes ( ) No ( )

15. How do you assess, how well a distributor is doing?
   a. By number of product order and sold within a period ( )
   b. By the profit he/she made ( )
   c. By facilities available ( )
   d. Ability to meet target within a stated period ( )

16. Who decides the prices and services offered by distributors?
   a. PAN ( )
   b. Distributors ( )
   c. Both ( )

17. How are the prices fixed?
    a. Cost based ( )
    b. Competition ( )
    c. Profit margin ( )

18. Who issue cars to the distributors?
    a. Transportation Department ( )
    b. Delivery and Sales unit ( )
    c. Write any other

19. How does PAN answer complaints as on prices and service fixed
    a. Joint meeting with distributors ( )
    b. Seminars and workshop ( )
    c. Conferences ( )
    d. Write any other

20. How often is the activities of your Distribution channels supervised?
    a. Monthly ( )
    b. Bi-monthly ( )
    c. Quarterly ( )
    d. Annually ( )

21. Do you like the ways it handle its distributors? if yes why?
    a. Respond to complaints ( )
    b. Replacement of defective products ( )
    c. Refund of contingent expenses ( )
    d. Rewards ( )

    If no why?

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22. How often do you plan your marketing activities in PAN?
    a. Monthly ( )
    b. Quarterly ( )
    c. Semi Quarterly ( )
    d. Annually ( )

23. What factors influence your marketing plan?
    a. Market share ( )
    b. Competition ( )
    c. Profitability ( )
    d. Any other ( )

24. How do you train your marketing staff?

a.	On the job-training	( )
b.	In-house workshops and conferences	( )
c.	University Executive Development programmes	( )
d.	Write any other	( )

25. Do you carry out awareness activities?

Yes ( ) No ( )

26. What medium does the Company use?

a.	Tv	( )	c.	Displays	( )
b.	Radio	( )	f.	Magazine	( )
c.	Bill Board	( )	g.	Newpapers	( )
d.	Trade fairs or Exhibitions	( )	h.	Any other	( )

QUESTIONAIRE ADMINISTERED TO DISTRIBUTORS

Tick the appreprialе answer to the Questions

Please tick the appropriate answer or answers

1. Are you a male or Female?
   ( ) Male ( ) Female

2. What is your age bracket?
   a. 25 years to 35 years ( )
   b. 36 years to 45 years ( )
   c. 46 years and above ( )

3. What is your position in the organisation?
   a. Junior Staff ( )
   b. Senior Staff ( )
   c. Management Staff ( )

4. How long have you been working or operating in the organisation?
   a. 2 years to 4 years ( )
   b. 5 years to 7 years ( )
   c. 8 years to 10 years ( )
   d. above 10 years ( )

5. How old is your organisation
   a. 1 year to 5 years ( )
   b. 6 years to 10 years ( )
   c. 11 years to 15 years ( )
   d. above 15 years ( )

6. What are the requirements for one to qualify as a distributor?
   a. Finacial Strength ( )
   b. Geographical location ( )
   c. Facilities and Equipment ( )
   d. All of the above ( )

7. What products do you handle?
   a. Peugeot ( )
   b. Toyota ( )
   c. Datsun ( )
   d. Honda ( )
   e. Volkwagen ( )
   f. Others ( )

8. Which among those ticked above do you deal with most?
   a. Peugeot ( )
   b. Toyota ( )
   c. Datsun ( )
   d. Honda ( )
   e. Volkwagen ( )
   f. Others ( )

9. If you handle Peugeot cars what problems do you face when placing orders?
   a. Order processing ( )
   b. Delivery schedule ( )
   c. Communication problem ( )
   d. All of the above ( )

10. What type of assitance do you get from PAN?
   a. Personnel training
   b. Credit faculty
   c. Selling aid
   d. Finacial assistance
   e. No assistance

11. Who are the people you sell your products to?
   a. Corporate bodies or Companies ( )
   b. Government Agencies ( )
   c. Individual ( )
   d. Small re-sellers ( )

12. How does PAN Monitor your selling activities?
   a. Supervision ( )
   b. Feed back ( )
   c. Sales Trend ( )
   d. Write any other

13. Do you get bonus if you sell more cars than others?

   Yes ( ) No ( )

14. What are you given as bonus?
   a. Free product ( )
   b. Credit facility ( )
   c. Trade/Cash ( )
   d. Write any other

15. Do you face any problem in selling the products?

   Yes ( ) No ( )

16. If yes above, what sort of problems do you face?

a. High price ( )
b. Quality (Aesthetic) ( )
c. Distribution system ( )
d. Write any other ( )

17. Do you have people who help you in selling your products?

Yes ( ) No ( )

18. How many are they

a. 2 - 4 ( )
b. 5 - 7 ( )
c. 8 - 10 ( )
d. above 10 ( )

19. How do you make people know that you have products for sale?

a. Advertisement ( )
b. Personal solicitation ( )
c. Trade exhibition and display ( )
d. Write any other

20. Do you like how PAN deals with its distributors?

Yes ( ) No ( )

21. If yes, what makes you like how PAN relates with its distributors?

a. Quick response to complaints ( )
b. Replacement of diffective products ( )
c. Re-inbursement of contingent expenses ( )
d. Rewards for distributors ( )

22. If no, State what you don't like in how PAN relates and treats its distributors?

_____

_____