BEST PRACTICES IN PRODUCT DISTRIBUTION PROCESSES FOR DELIVERING VALUE TO CUSTOMERS IN AKWA IBOM STATE AS A PANACEA FOR NATIONAL DEVELOPMENT

BY

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Abstract

The paper was on best practices in product distribution processes for delivering value to customers as panacea for national development. The paper discussed the concept of distribution, concept of best practices and concept of national development. Various distribution practices were discussed such as warehousing, transportation, logistics and inventory management. The distribution strategies discussed in this paper include intensive distribution, selective distribution and exclusive distribution. Implications of distribution practices on national development were also discussed. It was suggested among others that the Government should fix infrastructures that aid transportation, and enhance distribution of goods and services in Nigeria.

Introduction

Distribution is an important activity in the integrated supply-chain management of consumer products. Various people and entities are generally responsible for the handling, storage and distribution of such products. In some cases, however, a person or entity is only involved in and responsible for certain elements of the distribution process. The objective of these guidelines is to assist in ensuring the quality and identity of products during all aspects of the distribution process. These aspects include, but are not limited to, procurement, purchasing, storage, distribution, transportation, repackaging, re-labelling, documentation and record-keeping practices (Dent, 2011).

The distribution's goal is mainly to transfer finite goods from production to purchase and consumption. This transfer implies a series of specific activities, the most important of which are how to locate the outlets, to establish the ways to supply them, to create the system for the goods' transfer, handling, transportation and insurance as well as to use certain methods to exhibit, present and sell the goods. In other words, the term 'distribution of goods' can be understood as a complex of means and operations the purpose of which is to provide users and/or customers with goods made by a producer.

Distribution, as one of the four elements of the marketing mix, is the process of making a product or service available for the consumer or business user that needs it. This can be done directly by the producer or service provider, or using indirect channels with distributors or intermediaries. The other three elements of the marketing mix are product, pricing, and promotion.

Delivery is the process of transporting goods from a source location to a predefined destination. There are different delivery types. Cargo (physical goods) are primarily delivered via roads and railroads on land, shipping lanes on the sea and airline networks in the air. Certain specialized goods may be delivered via other networks, such as pipelines for liquid goods, power grids for electrical power and computer networks such as the Internet or broadcast networks for electronic information (Nishio, and Kishino, 2003). The general process of delivering goods is known as distribution. The study of effective processes for delivery and disposition of goods and personnel is called logistics. Firms that specialize in delivering commercial goods from point of production or storage to point of sale are generally known as distributors, while those that specialize in the delivery of goods to the consumer are known as delivery services. Postal, courier, and relocation services also deliver goods for commercial and private interests.

Most consumer goods are delivered from a point of production (factory or farm) through one or more points of storage (warehouses) to a point of sale (retail store), where the consumer buys the good and is responsible for its transportation to point of consumption. There are many variations on this model for specific types of goods and modes of sale. Products sold via catalogue or the Internet may be delivered directly from the manufacturer or warehouse to the consumer's home, or to an automated delivery booth. Small manufacturers may deliver their products directly to retail stores without warehousing.

Concept of Distribution

Distribution refers to the various stage or channels through which finished goods are moved from the manufacturers or producers to the final consumers (Ande, 2012). The process of distribution of goods involves all human and physical means which aid the smooth transfer of such goods from the manufacturer to the final consumers (Ande, 2012). Distribution is fundamentally concerned with ensuing that products reach target customers in the most direct and cost-efficient manner. In the case of services, distribution is principally concerned with access (Dent, 2011). Although distribution, as a concept, is relatively simple, in practice distribution management may involve a diverse range of activities and disciplines including: detailed logistics, transportation, warehousing, storage, inventory management as well as channel management including selection of channel members and rewarding distributors (Armstrong, Adam, Denize, and Kotler, 2014).

Concept of Best Practices

Best practices are the things that successful companies do very well in supply chain management. Best practices are the most efficient (takes the least amount of effort) and effective (delivers the best results) way of accomplishing something. Best practices are techniques or methodologies that, through experience and research and quantification, produce better results than whatever was previously done. Better can mean a lot of different things; in general, it means distribution activities that are faster, cheaper and easier (Dicentral SmartTurn, 2014). A commitment to using best practices (in any field) is a commitment to using all the available knowledge and technology to ensure success. For example, Warehouse Management Software (WMS) technology applications help to reduce labour costs and improve customer service metrics. It also helps the distributor to make more money, pay less overtime, use fewer resources, reduce operating costs, lower head count and increase efficiency. Best practices enhance growth and retain the existing customers (Dicentral SmartTurn, 2014). It improves one’s business processes, develop insights into one’s business so as to help the individual understand where his roadblocks are.

Concept of National Development

Development has the core values of sustenance, self esteem and freedom from servitude. It is a multidimensional process involving major changes in social structures, population attitudes and national institutions, as well as the acceleration of economic growth, the reduction of inequality and the eradication of poverty (Todaro and Smith, 2004). Its essence is to increase the availability and widen the distribution of basic life resources; raise the level of living through increase in income, provision of more jobs, better education and greater attention to cultural and human values; and expand the range of economic and social choice available to individuals and nations (Todaro and Smith, 2004). National development is, therefore, the overall development of a country which entails the socio-economic, political as well as religious advancement of a nation which can be achieved through development planning (Lawal and Oluwatoyin, 2011).

In the context of this study, national development is seen as a process by which man increases or maximizes his control and use of the material resources with which nature has endowed him and his environment. Afigbo (2001) affirmed that development consists of five main ingredients, increasing material wealth for the individuals and the nation, eliminating unemployment, eliminating poverty and want, eliminating inequality, and increasing the general availability of labour saving devices. Development, from its inception, is a kind of holistic movement from under-development to a robust economy and rural development is not an exception. Therefore, development is a multi-dimensional process by which the productivity, income and welfare, in terms of health, nutrition, education and other features of satisfactory life of the people can be improved upon or transformed. Anyichi (2005) asserted that development is the process of not only increasing the level of per capita income in the areas but also the standard of living of the rural population measured by food and nutritional level, health, education, housing, recreation and security. Development is, therefore, the process of rural modernization and the monetization of the rural society leading to its transition from traditional isolation to integration with the national economy.

Elements of Distribution Practices required for product delivery Warehousing as an Aspect of Distribution for delivering Consumers' Product

A warehouse is a commercial building for storage of goods. Warehouses are used by manufacturers, importers, exporters, wholesalers, transport businesses, customs, etc. They are usually large plain buildings in industrial parks on the outskirts of cities, towns or villages, with loading docks to load and unload goods from trucks. Sometimes warehouses are designed for the loading and unloading of goods directly from railways, airports, or seaports. They often have cranes and forklifts for moving goods, which are usually placed on standard pallets loaded into pallet racks. Stored goods can include any raw materials, packing materials, spare parts, components, or finished goods associated with agriculture, manufacturing and production. In India, a warehouse may be referred to as a godown (Kidd, 2006).

A warehouse is a planned space for the storage and handling of goods and material.

In general, warehouses are focal points for product and information flow between sources of supply and beneficiaries. However, in humanitarian supply chains, warehouses vary greatly in terms of their role and their characteristics. In a supply chain, warehousing function is very critical as it acts as a node in linking the material flows between the supplier and customer. In today's competitive market environment companies are continuously forced to improve their warehousing operations. Many companies have also customized their value proposition to increase their customer service levels, which has led to changes in the role of warehouses.

A warehouse is a facility in the supply chain to consolidate products to reduce transportation cost, achieve economies of scale in manufacturing or in purchasing or provide value-added processes and shorten response time (Bartholdi III, and Hackman, 2006; Gong and De Koster, 2008). Warehousing has also been recognized as one of the main operations where companies can provide tailored services for their customers and gain competitive advantage.

Transportation as Element of Product Distribution Practices

Okeafor (2008) conceived transportation is the port of physical distribution activity which is concerned with the actual movement of goods to their various consumers. Consumers are generally geographically separated from production areas. Transportation is the basic activity which can make it possible for those residing outside the production areas to have access to the goods. It uses power driven machines to move goods through land, seas and mountains etc, using roads, railways, ships and airplanes within and between nations.

The advances in transportation technology have had a very substantial impact on long distance and less regular travel. With the advents of the railways, intercity buses, air services and private cars, travel at long distance is now common, not only for extended vacations but even for a single day of weekend trips. As mobility increases, the ability to travel long distances has enabled people to travel to other sections of the country and even to other countries which have different cultures, dominant industries and patterns of living.

Transportation has been a major component enabling trade for centuries. The physical movement of goods has historically been the basis for economic wealth and political power for states as well as for private enterprises. Consumer goods have always had a great share of total transportation demand. Fruit, coffee, tea, cocoa, tobacco or rice are distributed from their growing areas all across the globe and have gained high acceptance in areas where they are not native, due to efficient transportation (Garnett 2003). Still, never before have consumer goods moved across such long distances and in such vast quantities from their origins to their destinations as they do today. Trade and transportation have been closely linked all throughout the history of both sectors. Some of the biggest European consumer goods manufacturers have evolved from a trading background.

Today, efficient transportation is accepted as a prerequisite for specialization. Furthermore, it allows production and consumption of goods to occur in different locations. Managing the material flows from raw materials and across different and geographically distributed production stages to the customer is the key task of supply chain management, of which transportation is one key processes (Ballou, 2004). Efficient transportation is important at an economic, social and environmental level as well as for company profitability. As Bloomberg, Lemay, and Hanna (2002) put it, "benefits accruing from world class operations at the points of supply, production, and customer locations are pointless without the accompaniment of excellent transportation planning and execution."

Transport is part of the economic activity, which is associated with an increase in the degree of satisfaction of people and businesses by changing the geographical location of goods and people (Sarkisov, 2001). Transport is a means of satisfying needs of consumers through transportation of goods and passengers. Transportation is one of the key logistics functions associated with moving goods vehicle on a particular technology in the supply chain, consisting of logistics operations and functions, including forwarding, cargo handling, packaging, and transfer of ownership of the goods, risk insurance, customs procedures, and so on. From an economic point of view, transport is one of the defining elements of the production process. The production and use of goods, there are two limiting factors - the time factor and the spatial factor. (Sarkisov, 2001).

Transportation requires financial resources in the form of internal costs for transportation of goods own rolling stock, and external costs. Thus, (Sarkisov, 2001) explained that the main goal of transportation is the delivery of goods to their destination as quickly as possible, cheaper, and with the least damage to the environment. It is also necessary to minimize the loss and damage of goods transported while fulfilling customer requirements for timely delivery and to provide information about the goods in transit.

Logistics as Element of Product Distribution Practices

Logistics is a modern concept that both replaces and includes the classical concept of physical distribution of goods. From the point of view of its content, logistics is the dynamical management of supply-delivery chains which goes beyond the mere circulation of goods to which it adds or associates a constantly increasing range of specific activities and services (Burda, 2010). It acts through an active influence over production starting from the detailed understanding of consumer needs and requirements, while overall it adds the functions of time, space and utility to the structure and operation of the supply chain.

Logistics is not the movement or circulation of goods, because while these concepts refer to the physical movement of goods from producer to consumer, the concept of logistics refers to a much wider process of planning, implementation and control. This process starts with determining the needs of the consumers the products are destined to in order to plan supply and production and ends once logistics has achieved its goal, namely, when the finite good is provided to the intermediary/end user/consumer under the time, place and presentation parameters desired by the respective user/consumer. The actions within this process are aimed at appropriately satisfying consumer need as well as at increasing the turnover of each economic player involved in the circulation of goods. It is mainly about the producer and supplier, but also about the consumer and various service providers (transporters, insurance agents, financiers, IT software providers, etc.).

The traditional functions of physical distribution are the following adjustment of offer and demand according to space; time correlation between demand and offer; adjustment of the quantity and customization of goods; assorting the goods, and exhibiting goods in the store (Ballou, 2004). Physical distribution, as part of the logistical process, is the main tool through which logistics can achieve its goal. According to this approach, the activities typical of distribution become complex tools correlated with the facilities provided by the new technologies, such as the Internet, which imply increasing requirements as to space and time spans, real-time and very swift information, tighter delivery deadlines, larger area of operation, and so on.

Inventory Management as Element of Product Distribution Practices

The aim of inventory management is to hold inventories at the lowest possible cost, given the objectives to ensure uninterrupted supplies for ongoing operations. When making decisions on inventory, management has to find a compromise between the different cost components, such as the costs of supplying inventory, inventory-holding costs and costs resulting from insufficient inventories (Hugo, Badenhorst-Weiss and Van Rooyen, 2002).

According to Wild (2002), inventory control is the activity which organizes the availability of items to the customers. It coordinates the purchasing, manufacturing and distribution functions to meet the marketing needs. This role includes the supply of current sales items, new products, consumables; spare parts, obsolescent items and all other supplies. Inventory enables a company to support the customer service, logistic or manufacturing activities in situations where purchasing or manufacturing of the items is not able to satisfy the demand. Lack of satisfaction could arise either because of the speed of purchasing or manufacturing is too protracted, or because quantities cannot be provided without stocks. Clodfelter (2003) added that a good inventory control system offers the following benefits:

The proper relationship between sales and inventory can better be well maintained. Without inventory control procedures in place, the store or department can become overstocked or understocked.

Inventory control systems provide a business with information needed to take markdowns by identifying slow-selling merchandise. Discovering such items early in the season will allow a business to reduce prices or make a change in marketing strategy before consumer demand completely disappears.

Merchandise control systems allow buyers to identify best-sellers early enough in the season so that re-orders can be placed to increase total sales for the store or department.

Merchandise shortages and shrinkage, can be identified using inventory control systems. Excessive shrinkage will indicate that more effective merchandising controls need to be implemented to reduce employee theft or shoplifting.

Tokman and Beitelspacher (2014) viewed Inventory control s the activity which organizes the availability of items to the customers. It coordinates the purchasing, manufacturing and distribution functions to meet the marketing needs. This role includes the supply of current sales items, new products, consumables, spare parts, obsolescent items and all other supplies (Tokman, and Beitelspacher, 2014). Tokman, and Beitelspacher (2014) added that the purpose of the inventory control function in supporting the business activities is to optimize the following three targets customer service, inventory costs, and operating costs.

Distribution strategies in Delivery of Consumer Product

Decisions about distribution need to be taken in line with a company's overall strategic vision and mission. Developing a coherent distribution plan is a central component of strategic planning. At the strategic level, there are three broad approaches to distribution, namely mass, selective or exclusive distribution. The number and type of intermediaries selected largely depends on the strategic approach. The overall distribution channel should add value to the consumer (Wright, 2009). Strategically, there are three approaches to distribution:

i. Intensive or mass distribution
ii. Selective distribution
iii. Exclusive distribution

Intensive or Mass distribution: When products are destined for a mass market, the marketer will seek out intermediaries that appeal to a broad market base. For example, snack foods and drinks are sold via a wide variety of outlets including supermarkets, convenience stores, vending machines, cafeterias and others. The choice of distribution outlet is skewed towards those than can deliver mass markets in a cost-efficient manner. The producer's products are stocked in the majority of outlets (Kotler, Keller and Burton, 2009). This strategy is common for mass produced products such as basic supplies, snack foods, magazines and soft drink beverages (Harrison, Lee, and Neale, 2003).

Selective distribution: A manufacturer may choose to restrict the number of outlets handling a product. For example, a manufacturer of premium electrical goods may choose to deal with department stores and independent outlets that can provide added value service level required to support the product. Dr Scholl orthopedic sandals, for example, only sell their product through pharmacies because this type of intermediary supports the desired therapeutic positioning of the product. Some of the prestige brands of cosmetics and skincare, such as Estee Lauder, Jurlique and Clinique, insist that sales staff are trained to use the product range. The manufacturer will only allow trained clinicians to sell their products.

Exclusive distribution: In an exclusive distribution approach, a manufacturer chooses to deal with one intermediary or one type of intermediary. The advantage of an exclusive approach is that the manufacturer retains greater control over the distribution process. In exclusive arrangements, the distributor is expected to work closely with the manufacturer and add value to the product through service level, after sales care or client support services. The most common type of exclusive arrangement an agreement between a supplier and a retailer granting the retailer exclusive rights within a specific geographic area to carry the supplier's product (Reardon and McCorkle, 2009).

Implications of Distribution Practices on National Development

The implications of distribution are beneficial to both individuals and society. The development indices associated with distribution include even distribution of goods and services, availability of goods and services in rural and urban settlements, increase in economic activities and growth, increase in employment generation, increase in wealth creation, improved standard of living, cost reduction in goods and services, poverty alleviation, infrastructure and social development. With acute and drastic poverty (insecurity) no nation will be able to control the different types of disturbances dictated by hunger and demands necessitated by deprivation and deficiency.

A nation that is able to contain and alleviate poverty is in the same instance mopping up disaster, which could have escalated into gigantic and enormous impetus. This becomes most enviable as Nigeria today faces various pressures to its stability as a result of its inability to provide basic necessities and infrastructural facilities for her citizens. Poverty alleviation is in favour of continued existence of harmony, stability, peace, happiness, comfort, safety, security and wellbeing for the people of Nigeria. A poverty free nation is a major and key security concern of all states of the world. Poverty is an octopus dragging along multiple criminal and nefarious activities among young and old, male and female folk. High rate of poverty has been blamed for civil unrest in Nigeria, in some cases leading to a group of people taking arms against the state or agitation for secessionist and self-determination e.g. Boko Haram crisis in the northern part of the country and the recent pro-Biafra militants in southeastern Nigeria.

Distribution plays the very important role of bridging the ever-larger space of time spans between the producer and the consumer. Moreover, distribution allows communication between the producer and consumer in such as way that it would avoid misunderstanding and reduce the negative impact of a poor knowledge of the details of the producers offer, an impact which affects both the producers' and directly the distributors' activity and profitability as part and parcel of the logistical process and the circulation of goods.

With youth being engaged in economic activities, vis-à-vis distribution of goods and services, the tendency to jumpstart the economic is inevitable. Distribution of goods and services cut across all sectors of the economy. When goods and services effectively and evenly distributed, it would close the gap of scarcity and price escalation.

Conclusion

In conclusion, distribution plays an active role in conveying products to consumers. Without distribution, the needs of many consumers would not have been met. Therefore, the chain of distribution should be properly planned and executed. This will sustain confidence of consumers on suppliers.

Recommendations

Based on the discussion above, the following suggestions are made:

i. Government should fix infrastructure that aid transportation in Akwa Ibom State.
ii. Warehouses should be constructed by government and private individuals in the area needed.
iii. The channels of distribution should be maintained without distortion.

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