

Distribution Strategy as Competitive Advantage In Nigerian Bottling Company Ltd

¹Ajayi Matthew Itopa, ²Ari Mohammed Abdullahi, ³Okatahi Abdulrazak

^{1,2}Department of Business Administration and Management

³Department of Banking and Finance Federal Polytechnic Nasarawa, Nigeria

*Corresponding Author: Ajayi Matthew Itopa

ABSTRACT:-*The study assesses distribution strategies and competitive advantage in Nigerian Bottling Company. Survey research design was used and a population of 281 was used as a sample size. A Point in time data was collected from primary source and the questionnaire was designed in two parts. Data collected was analyzed using Regression Analysis with the help of a software statistical package of e-view 7.00. Findings of this study revealed that the relationship between distribution strategies and competitive advantage in Nigerian Bottling Company is significant. Other findings indicates that branch network strategy significantly contribute to competitive advantage in Nigerian Bottling Company and multiple distribution strategy statistically leads to competitive advantage in Nigerian Bottling Company while electronic distribution strategy contribute to competitive advantage in Nigerian Bottling Company. Despite having a significant relationship between distribution strategies (branch network strategy, multiple distribution strategy and electronic distribution strategy) and competitive advantage in Nigerian Bottling Company, it is therefore recommended that Nigerian Bottling Company should apply a mixed of distribution strategies in their daily business since it lead statistically to gaining competitive advantage in the industry. They should strategically maintain the distribution strategies they have and try to improve on these strategies since it significantly help them to achieve competitive advantage over competitors within the industry.*

Keywords:-distribution Strategies, branch network, multiple distribution strategy, electronic distribution strategy and competitive advantage

I. INTRODUCTION

Distribution strategies are source of competitive advantage in Nigerian Bottling Company in Nigeria. The firm use distribution strategies of multiple distributions; electronic distribution strategy and branch network to channel their products to different consumers across the 36 states including Abuja to gain competitive advantage over other firms in the soft drink industry. The Nigerian Bottling Company have enough network of distributors who assist in distributing their product to different locations in Nigeria and have trucks and pick-ups and have over 1670 trucks and pick-ups drivers who assisted the company in delivering the product to the final consumers or distributors and middlemen. The distribution strategies of Nigerian Bottling Company have assisted them to sale their product electronically and delivery the products to the consumers without physical exchange of money or transaction and this process make the firm to have competitive advantage over the other firms in the industry. The competitive advantage of the firm is like providing low cost and delivering the product to the consumers with low cost and differentiating their activities of distribution from other companies by ensuring that consumers can purchase their product using network branch and electronic purchase as well as assuring the consumers that the process is efficient and effective.

The Nigerian Bottling Company in Nigeria hardly understands the distribution strategies that ensure competitive advantage over other firms within the industry. They are confused on the right distribution strategies that will give them competitive advantage over other firms in soft drink industry. The firm incurred much expenditure by applying all the distribute strategies but fail to understand that it is only one distribute strategy that give them a competitive advantage over other firms in the industry.

Previous studies such as Cecilia (2012) determine the role of distribution strategies as a source of competitive advantage at Kenya Commercial bank and Stella (2012) determine the role of distribution strategies as a source of competitive advantage at Nestle (k) Ltd. The study is differ from the previous studies because it concentrated in Nigeria and used Nigerian Bottling Company and examined distribution strategies as a source of competitive advantage. The study use primary data as the previous studies used but differ from them by employing the use of multiple regression and e-view statistical software package.

The objective of this study is to examine the relationship between distribution strategies and competitive advantage in Nigerian Bottling Company of Nigeria and the specific objectives are: to examine the relationship between electronic distribution and competitive advantage in Nigerian Bottling Company of Nigeria, to determine the relationship between branch network distribution and competitive advantage in Nigerian Bottling Company of Nigeria and relationship between multiple distribution strategy and competitive advantage in Nigerian Bottling Company of Nigeria.

The scope of this study is restricted to the activities of distribution strategies and competitive advantage in Nigerian Bottling Company. The period of this study is 3 months from January, 2019 to March, 2019. This period is chosen because it involved the period Nigerian Bottling Company product started being unavailable. The limitation of this period is that the researcher is not considering other firms in the soft drink industry but can used them incomparism with the chosen firm. The researcher also found it difficult to collect data needed for this study but the he subdue this limitation because the researcher is former staff of Nigerian Bottling Company and was contacting them even through phone to get vital information needed in this study.

The study is of significance to the Nigerian Bottling Company because it will help them to choose the right distribution strategy that will enable them to gain competitive advantage over other firms in the industry. The study will also help them to formulate distribution policies that assist to ensure competitive advantage in the industry and return generate profit in terms of return on asset, return on equity, net profit margin and gross profit margin. The study shall also help in further research in this area and shall fill the research gap and students wishing to carry out studies in this area shall use it as a reference material.

The hypotheses are stated in a null form and they are:

H₀₁: There is no significant relationship between branch network strategy and competitive advantage in Nigerian Bottling Company

H₀₂: There is no significant relationship between electronic distribution strategy and competitive advantage in Nigerian Bottling Company

H₀₃: There is no significant relationship between multiple distribution strategy and competitive advantage in Nigerian Bottling Company

Concept of Distribution

According Jones (2007) distribution is a way a customer obtained a product or received a service. To him, also, distribution is the way or manner the product gets to the consumer which is done through appropriate channels. Bowersox and Closs (1996) assert that distribution is the third element of the marketing mix, and it encompasses all decisions and tools which relate to making products and services available to customers. Kotler and Armstrong (2006), also define place or distribution as a set of interdependent firms involved in the process of making a product accessible for use or consumption by consumers.

Branch Network

This process allows the customers to go the firm warehouse and obtain the goods and service. This process help the consumers to have access to a wide variety of products and services and one of the major problems of branch network is that customers wait for long in line before getting serve or some time getting to the time the they are to be served, the product finish. This type of distribution serves best consumers who value more personal or interpersonal relationship and their existing communication breakdown ((Heskett *et al.*, 1997).

The consumers or customers of the product tend to value face to face contact with the seller and developed a believed that emphasizes a trustful relation in their dealing with the customers. This type of customers does not own a personal computer and does not know even how to assess the internet and browse the network to do transaction online. However, the problem with branch network strategy is that it is very expensive and likely to lead to a decreasing number of customers and the organization may be risky being unable to match the prices of comparable firms that are wholly Internet based (Birch & Young, 2007).

Multiple distribution strategy

Thus type of distribution strategy provides good market coverage and it is popular among clients and ensured consumers and customers a good transition from warehouse base. It emphasis on electronic distribution channels (Moriarty & Moran, 2000). However, multiple channels are mostly to lead to conflicts of interest between the branches and the departments responsible for the electronic distribution channels and this home ordering services can it leads to cannibalization and unemployment and can also result in customer difficulties in accepting a wide price differential between the services offered through the branches and the services offered through for example the Internet (Moriarty & Moran, 2000).

Electronic distribution

This strategy makes use of telephone and it is also called telephone distribution strategy which relies on impersonal form of contact. According to Birch and Young (2007) the merits in lined with this strategy is that customers with telephone are potential customers and is less cost. This strategy gave room to a large segment and geographical coverage without large-scale investments and emphasis on tested and secure technology. This strategy attracted only price-sensitive customers (Mols, 2008).

Concept of Competitive Advantage

According to Porter (1985) competitive advantage is the ability to earn returns on investment, return on asset, return on equity, return on capital employed and perform consistently above the average for the industry. Competitive advantage based on the resource base view of the firm is dependent on the valuable, rare, and hard-to-imitate resources like men, material, machine, etc that reside within a firm (Stiles & Kulvisachana, 2004).

Michael Porters Generic Strategies

According to Porter (1985), competitive advantage consisted of two basic types which are low cost or differentiation and firm tend to possess these strategy to outperform and gain in the market. These two strategies of cost advantage and the differentiation are derived from industry structure and combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above-average performance in an industry, that is cost leadership, differentiation, and focus. It is believed by Porter in 1998 that focus strategy has two variants which are cost focus and differentiation focus.

Cost Leadership

The firm adopting cost leadership strategy wish to become the low cost producer in its industry. This implies that the firm has a broad scope and serve many segments in the industry and can venture or operated in related industries. However, the source of cost leadership advantage varies and it depends also in industry structure which the firm operated. The firm tend to ensure economies of scale, propriety technology, preferential access to raw material and this tend to make them achieve the aim to which the company was established and competitive favorable and also gain advantage over competitors in the industry.

Differentiation

According to Porter, this is the second generic strategy and it is called differentiation. However, differentiation strategy is a process whereby a firm strives to be unique and important in its industry along and have dimensions that are widely valued by buyers. Firm with different strategy look for those features that consumers demand or interested and provide those attributes to them uniquely position the firm and give a premium price to the consumers. Every firm needs differentiation strategy to define its product and make it look different from those of its competitors in the market (Porter, 1998). They differentiate their product by designing the product, packaging the product, colouring the product and even uniquely configuring the product quality to look different and sales to the consumers and this make them have competitive advantage over other firms within the industry. This process gave the firm foresight and makes the firm to be futurist and enjoy economies of scale.

Focus

Porter called this strategy focus strategy and it is the third generic strategy he develop and this strategy help the firm to chooses a narrow competitive segment in the industry and fits its strategy to serving them to the exclusion of others. By optimizing its strategy for the target market segment, the focuser intends to achieve a competitive advantage to its target market segments even though it does not possess an overall competitive advantage. This strategy have variants, that is cost focus and differentiation focus and cost focus help the firm to endeavors to achieve cost advantage in its target market segment while differentiation focus help firm to differentiate its target market segment by providing them different product (Porter, 1998).

Empirical Findings

Cecilia (2012) determines the role of distribution strategies as a source of competitive advantage at Kenya Commercial bank. They adopted a case study research design in which an interview guide was used to collect data and content analysis was used in analyzing the data. The research found out that some of the distribution strategies employed includes warehousing, direct distribution, intense distribution as well as indirect distribution using middlemen. Through speed of offering the service, the added value, unique resources, superior quality of services, the banks' product and service diversity, service flexibility, differentiation strategy, cost leadership strategy and unique corporate culture were adopted. The distribution strategies adopted in the organization has led to a number of competitive advantage which includes the increase in area of coverage especially in the international market, edge competitors in making the products available to customers, increase

in customer satisfaction through making the products available as well as addressing their concerns more promptly.

Stella (2012) determined the role of distribution strategies as a source of competitive advantage at Nestle (k) Ltd. The study adopted a case study research design in which an interview guide was used to collect data and content analysis was used in analyzing the data. The study found out that the firm under the study derive competitive advantage through speed of offering the service, the added value, unique resources, superior quality of services, product and service diversity, service flexibility, differentiation strategy and unique corporate culture were adopted. Some of the distribution strategies employed includes warehousing, direct distribution, intense distribution as well as indirect distribution using middlemen. She found a significant relationship between distribution strategies and competitive advantage.

Theories of Distribution

Economic distribution channel theory

This theory postulate that the ideal distribution system or the normative distribution channel can be dogged by exploring what the customers want in terms of service outputs from the distribution channel, how much they are willing and able to pay for a given service level, how the services can be provided to them, and what the costs of the alternative distribution channels are (Stern *et al.*, 2006). They argue that it can be determined which distribution system most efficiently meets the consumers' needs and wants. It can be noted out that the distribution channel strategy applied by a firm should take a customer view and analyse the output from the commercial part of the different distribution channels and relates it to the consumers' costs and settlement from the different levels of service output offered by the available distribution channels (Cohen *et al.*, 2003).

Marketing Impact Model

The need for measuring marketing impact is intensified as firms feel increasing pressure to justify their distribution strategies (Gruca & Rego 2005; Rust, Ambler, Carpenter, Kumar & Srivastava, 2004; Srivastava, Fahey & Christensen, 2001). Accordingly, marketing practitioners and scholars are under increased pressure to be more accountable for showing how distribution activities link to consumer's value. It is important to know that distribution strategies can help increase competitive advantage (Srivastava, Shervani, & Fahey 1998).

Marketing Efficiency Model

This model explained how distribution strategies lead to competitive advantage and return ensures efficiency. Charnes, Cooper and Rhodes (1978) noted that efficiency is the comparison among firms of the ratio of outcomes over the inputs required to achieve them. Sheth, Sisodia and Sharma (2002) view it as the ratio of marketing output over input. Sheth and Sisodia (1995) see it as marketing productivity, include two of the dimensions, efficiency and effectiveness, i.e. getting loyal customers at low marketing costs. Rust, Ambler, Carpenter, Kumar and Srivastava (2004) use the term marketing productivity to refer to how distribution activities are linked to short-term and long-term profits.

II. RESEARCH METHODOLOGY

This study used or employed survey research design and the reason for employing survey research design is that data needed for this study is a point in time and the researcher used primary data to collect information from the respondents. The population of this study included all the marketing staff of Nigerian Bottling Company. According to Nigerian Bottling company registrar, there is 281 marketing staff and this is used as the sample size. The study used primary data and structured questionnaire to collect information or data from the respondents. It is divided into two parts. Part 1 provided questions on distribution strategies and part 2 provided questions on competitive advantage. The study use 5 point Likert's type scale questionnaire and it is designed to collect data from the respondents regarding distribution strategies and competitive advantage and copies of the questionnaire are administered randomly to the respondents to obtain the opinion of staff in the organization. E-view statistical software package is used and this is used to analysis data in this study and regression in multiple formed also used to determine whether there is a relationship between distribution strategies and competitive advantage in Nigerian Bottling Company. A multiple model is employed to estimate the relationship between distribution strategies and competitive advantage and it is stated in this study as thus:

$$Y=a+bx$$

Where Y is the dependent variable (competitive Advantage)

a = intercept

b= coefficient

x = independent variable (distribution strategies)

However, the linear equation can be expressed as follows:

$$CAI = \alpha + \beta_1 BNS + \beta_2 MDS + \beta_3 EDS + \mu \quad \dots \text{equation 3}$$

Where:

CAI = Competitive advantage

β = Independent variable

α = Intercept

μ = Error terms

BNS = Branch network Strategy

MDS = multiple distribution strategy

EDS = Electronic distribution strategy

Data analysis

Table 1: Distribution and Competitive Advantage in Nigerian Bottling Company

Items	1	2	3	4	5
Nigerian Bottling Company's customers always go the firm warehouse and obtain the goods and service needed – Branch network strategy	91(32.38)	72(25.62)	5(1.77)	61(21.70)	52(18.50)
Nigerian Bottling Company uses electronic distribution channels to distributes its product to the consumers frequently – Multiple distribution strategy	101(35.94)	68(24.19)	4(0.71)	58(20.64)	50(17.79)
Nigerian Bottling Company make use of telephone as a distribution strategy which relies on impersonal form of contact – Electronic distribute network	113(40.21)	59(20.99)	5(1.77)	49(17.43)	55(19.57)
Nigerian Bottling Company have competitive advantage over other firms in the industry in terms of differentiation	72(25.62)	91(32.38)	5(1.77)	68(24.19)	45(16.01)

Source: Questionnaire Administered, 2019

Regression Result using

E-view Statistical software Package

$$CAI = \alpha + \beta_1 BNS + \beta_2 MDS + \beta_3 EDS$$

Dependent Variable: CAI

Method: Least Squares

Date: 03/26/19 Time: 15:51

Sample: 1 281

Included observations: 281

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.073827	0.114748	17.55003	0.0000
BNS	0.508736	0.125225	4.062592	0.0001
MDS	0.581949	0.112307	5.181760	0.0000
EDS	0.335058	0.116508	2.875849	0.0043
R-squared	0.754867	Mean dependent var		3.954023
Adjusted R-squared	0.650986	S.D. dependent var		1.325068
S.E. of regression	0.887909	Akaike info criterion		2.611532
Sum squared resid	271.2034	Schwarz criterion		2.655810
Log likelihood	-450.4066	Hannan-Quinn criter.		2.629160
F-statistic	142.9345	Durbin-Watson stat		1.025217
Prob(F-statistic)	0.000000			

Source: Data output using e-view statistical package of 7.00 (2019)

Decision Rule: 10% significance level

The analysis indicates that the coefficient for distribution strategies in terms of branch network strategy is significant in achieving competitive advantage in Nigerian Bottling Company. The $CAI = 0.07 + 0.50BNS$ which indicates that branch network strategy will increase by 50% for every 1% increase in competitive advantage in Nigerian Bottling Company. This implies that Nigerian Bottling Company have 50% competitive advantage to other firms within the industry as a result of branch network strategy. The p-value of 0.00 is less than the t-statistic value of 4.06 and the standard error value of 0.12 is less than the t-statistic value. This implies that there is a significant relationship between branch network strategy and competitive advantage in Nigerian Bottling Company.

The analysis indicates that the coefficient for distribution strategies in terms of multiple distribution strategy is significant in achieving competitive advantage in Nigerian Bottling Company. The $CAI = 0.07 + 0.58MDS$ which indicates that multiple distribution strategy will increase by 58% for every 1% increase in competitive advantage in Nigerian Bottling Company. This implies that Nigerian Bottling Company have 58% competitive advantage to other firms within the industry as a result of multiple distribution. The p-value of 0.00 is less than the t-statistic value of 5.18 and the standard error value of 0.11 is less than the t-statistic value. This implies that there is a significant relationship between multiple distribution strategy and competitive advantage in Nigerian Bottling Company.

The analysis indicates that the coefficient for distribution strategies in terms of electronic distribution strategy is significant in achieving competitive advantage in Nigerian Bottling Company. The $CAI = 0.07 + 0.33EDS$ which indicates that electronic distribution strategy will increase by 33% for every 1% increase in competitive advantage in Nigerian Bottling Company. This implies that Nigerian Bottling Company have 33% competitive advantage to other firms within the industry as a result of electronic distribution. The p-value of 0.00 is less than the t-statistic value of 2.87 and the standard error value of 0.11 is less than the t-statistic value. This implies that there is a significant relationship between electronic distribution strategy and competitive advantage in Nigerian Bottling Company.

However, the f-statistic value of 142.9345 is significant at probability statistic value of 0.00 and a Durbin Watson statistic value of 1.02 which provides evidence of existence of linear relationship between distribution strategies (branch network strategy, multiple distribution strategy and electronic distribution strategy) and competitive advantage in Nigerian Bottling Company. The $R^2 = 0.75$ indicates that only 75% variation in distribution strategies (branch network strategy, multiple distribution strategy and electronic distribution strategy) can be explain competitive advantage but 3% can explained by other factors not noted in the regression model which is refer to as error term. Therefore we accept the alternative hypothesis that there is a significant relationship between distribution strategies (branch network strategy, multiple distribution strategy and electronic distribution strategy) and competitive advantage in Nigerian Bottling Company.

III. DISCUSSION OF FINDINGS

From the analysis, the relationship between distribution strategies and competitive advantage in Nigerian Bottling Company is significant. This shows that branch network strategy significantly contribute to competitive advantage in Nigerian Bottling Company and multiple distribution strategy statistically leads to competitive advantage in Nigerian Bottling Company while electronic distribution strategy contribute to competitive advantage in Nigerian Bottling Company. However, there is a significant relationship between distribution strategies (branch network strategy, multiple distribution strategy and electronic distribution strategy) and competitive advantage in Nigerian Bottling Company. The finding is in tandem to the findings of Stella (2012) who found a positive significant relationship between distribution strategies and competitive advantage. The study is also in line with economic distribution channel theory which states that ideal distribution system is dogged by exploring what the customers want in terms of service outputs from the distribution channel, how much they are willing and able to pay for a given service level, how the services can be provided to them, and what the costs of the alternative distribution channels so that the firm can achieve competitive advantage in the market.

IV. CONCLUSIONS AND RECOMMENDATIONS

This study concludes that the relationship between distribution strategies and competitive advantage in Nigerian Bottling Company is significant. This shows that branch network strategy significantly contribute to competitive advantage in Nigerian Bottling Company and multiple distribution strategy statistically leads to competitive advantage in Nigerian Bottling Company while electronic distribution strategy contribute to competitive advantage in Nigerian Bottling Company. Despite having a significant relationship between distribution strategies (branch network strategy, multiple distribution strategy and electronic distribution strategy) and competitive advantage in Nigerian Bottling Company, it is therefore recommended that Nigerian

Bottling Company should apply a mix of distribution strategies in their daily business since it leads statistically to gaining competitive advantage in the industry. They should strategically maintain the distribution strategies they have and try to improve on these strategies since it significantly help them to achieve competitive advantage over competitors within the industry.

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****Corresponding Author: Ajayi Matthew Itopa***
^{1,2}Department of Business Administration And Management