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Analysis of Distribution Channels in the Pharmaceutical Industry in Ghana: the Case of Aryton Drugs Ltd. in the Greater and Eastern Regions.

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Abstract
The study attempted to examine the level of satisfaction among retailers who buy from distributors, to find out the reasons manufacturers in the pharmaceutical industry are not fully outsourcing their distribution function and also to identify the challenges faced by firms in distributing their products to retailers and distributors. The study adopted a purposive and accidental non-probability sampling technique. The study surveyed retailers and distributors in Greater Accra region and Koforidua in the Eastern region and management staff of Aryton Ltd. Structured questionnaires and interviews were used. Personal interviews between 1 to 5 minutes for word-of-mouth testimonies were conducted. Close-ended and open-ended questionnaires were administered to 90 retailers and distributors. The study revealed that most retailers are very satisfied with the level of service quality they receive from distributors. Few distributors wish to solely distribute for local manufacturers. Generally the study revealed that both distributors and manufacturers have challenges, some of which are limited financial resources, lack of collateral, high payment default, lack of logistics, and keen competition.
Key words: Distribution, Distribution Channels, Channel strategy Pharmaceutical Industry.

1.1 Introduction
Distribution is the only element in the marketing mix that makes the product of the manufacturer available to the customers. No matter how excellent the other elements of the marketing mix are, a firm cannot succeed in today's competitive world without good distribution channel strategy; i.e. the product of the manufacturer should be at the right place at the right time.
In Ghana, most manufacturers in the pharmaceutical sector combine both direct and indirect distribution channels in sending out their products to customers. Despite the strategic importance of distribution to producers, many firms approach distribution anyhow without specific strategies, they just follow what others in the industry are doing instead of doing what will give them a competitive advantage.

1.2 Research Problem
Local manufacturers or producers in the pharmaceutical industry in Ghana are faced with fierce competition on pricing from the importation of products, most especially from India and China. This situation is also affected by the low price quotations that the National Health Insurance Authority expects producers (suppliers) to charge. It is therefore necessary for local manufacturers to manage efficiently the various resources available to them, especially their distribution activities, since it is very costly to attract and maintain an effective sales force. The situation where manufacturers end up competing with their own distributors and channel members in distributing their products to the retailers (chemical sellers and pharmacy shops) has not received much attention. This research was thus conducted to address this problem.

1.3 Research Objectives
This research was set to achieve the following objectives:
- To find out the level of satisfaction among retailers who buy from distributors and wholesalers.
- To find out the reason(s) manufacturers are not fully outsourcing the distribution of their Over-the-Counter medicines to retailers.
- To ascertain the effectiveness and efficiency of firms distributing their products to both the wholesalers and retailers.
- To identify the challenges faced by firms in distributing their products to both the wholesalers and retailers.

1.4 Research Questions
The study sought to address the following research questions:
- What is the level of retailer satisfaction in dealing or buying from distributors?
- Why do manufacturers compete with their own wholesalers in distributing or supplying products to retailers?

- Is it time for manufacturing firms to allow distributors and wholesalers to solely distribute their Over-the-Counter medicines and focus more on their prescription medicines?
- What are some of the major challenges manufacturing firms face when they distribute their own products?

1.5 Justification and Significance of the Study

According to Levy & Weitz (1998), because of lack of time and other resources customers do one-stop shopping, i.e. making multiple purchases in one location. Retailers of pharmaceutical products also prefer a one-stop shopping experience that they can get all the varieties of products that they want, or better still, get them within one location. If retailers want one–stop shopping experience and pharmaceutical firms are distributing only their firm's product(s), compared with distributors who distribute varieties of products from different manufacturers, then it is important to look into the research topic.

1. The study contributes to the existing knowledge on distribution channels in the pharmaceutical industry in Ghana and helps provide understanding to individuals or corporate organisations who want to venture into wholesaling and distribution of pharmaceutical products in Ghana.
2. It will help managements of pharmaceutical firms in understanding the levels of satisfaction among retailers who buy from distributors and wholesalers in order to improve upon their distribution channel strategies.
3. The study will also serve as a reference to other researchers who want to do further research on the topic.

2.0 Literature Review

Marketing channels decisions are among the most important decisions that management faces. A company's channel decisions are linked with every other marketing decision. The company's pricing depends on whether it uses mass merchandisers or high-quality specialty stores. The firm's sales force and advertising decisions depend on how much persuasion, training and innovation the dealers or resellers need. Whether a company develops or acquires certain new products may depend on how well those products fit the abilities of its channel members.

Distribution channel decisions often involve long-term commitments to other firms. Companies can easily change their advertising, pricing or promotional programmes; they can scrap old products and introduce new ones as market tastes demand. But when they set up distribution channels through contacts with franchises, independent dealers or large retailers, they cannot readily replace these channels with company owned stores if conditions change. Therefore management must design its channels carefully, with an eye on tomorrow's likely selling environment as well as today's.

2.1 The Nature of Distribution

According to Kotler *et al.* (2002) distribution is a set of interdependent organisations involved in the process of making a product or service available for use or consumption by the consumer or business user. Most producers use third parties or intermediaries to bring their products to the market. The use of intermediaries results from their greater efficiency in making goods available to target markets. Pride and Ferrell (2006) are of the view that, distribution is the efficient movement of finished products from the production line to the customer; in some cases it includes movement of raw materials from the source of supply to the beginning of the production line. Kotler (1999) stated that a distribution system is a key external resource such that it represents, as well, a commitment to a set of policies and practices that constitute the basic fabric on which is woven an existence set of long-term relationships.

Jeffkins (1993) puts it this way: distribution is every activity involved in the transfer of goods and services from the producer or supplier to the final user or consumer, and involved in this transfer are warehousing, delivery, depots, distribution, selling. In the opinion of Rushton, Oxley and Croucher (2004), distribution is a term used to describe the methods and means by which a product or group of products is physically transferred or distributed from their point of production to the point at which they are made available to the final consumer.

Jobber (2001) describes physical distribution as the focus of efficient movement of goods from the producer to intermediaries and the consumer. It is a set of activities concerned with the physical flow of material components and finished goods from a producer to channel intermediaries and consumer. Boachie-Mensah (2009) added that distribution as the process of making goods and services available in the right quantities and locations to those who want to buy them. Distribution can involve a single step or several steps.

From the above definitions, one can deduce that distribution has to do with a producer or a company making sure that its offerings are available to and can be acquired and/or consumed by the consumers in an effective and efficient manner. It is a diverse and dynamic function that has to be flexible and has to change according to the various constraints and demands imposed upon it and with respect to the environment in which it works.

2.2 Distribution Channel Functions

While Kotler and Armstrong (1999), established that the main function of a distribution channel is to provide a link between production and consumption. Kurtz and Boone (2006), break this down into four key functions of distribution as:

(a) They facilitate the exchange process by reducing the number of marketplace contacts necessary to make a sale.
(b) Distributors adjust for discrepancies in the market's assortment of goods and services via a process known as sorting.
(c) They standardise exchange transaction by setting expectations for products, and it involves the transfer process itself. Channel members tend to standardize payment terms, delivery schedules, prices, and purchase lots among other conditions.
(d) They help to facilitate searches by both buyers and sellers. Channels bring buyers and sellers together to complete the exchange process.

Kotler *et al.* (2002) argues that members of the marketing channels perform many key functions including.

- Information: Gathering and distributing marketing research intelligence information about actors and forces in the marketing environment needed for planning and facilitating exchange.
- Promotion: developing and spreading persuasive communications about an offer.
- Contact: finding and communicating with prospective buyers.
- Marketing: shipping and fitting the offer to the buyer's needs, including such activities as manufacturing, grading, assembling and packaging.
- Negotiation: reaching an agreement on pricing and other terms of the offer, so that ownership or possession can be transferred.

Jobber (2004), asserts that the most basic question to ask when deciding on channels is whether to sell directly to the ultimate customer or to use channel intermediaries such as retailers and/or wholesalers. The functions of channel intermediaries are:

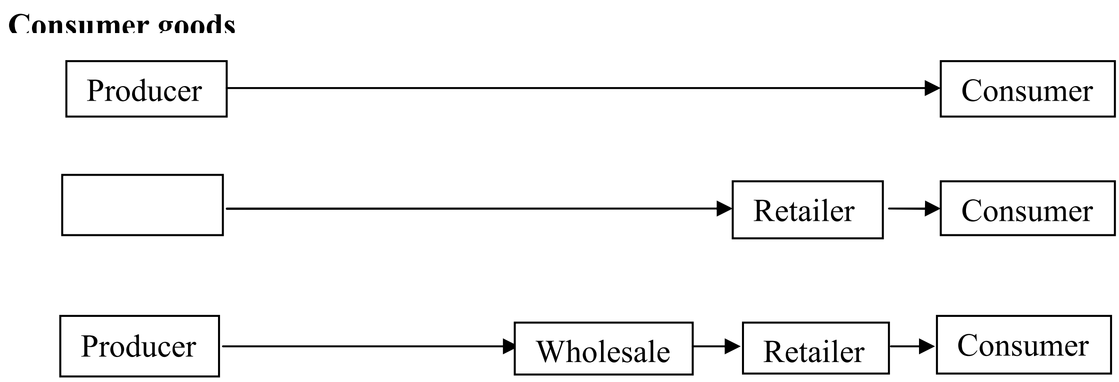
Reconciling the needs of producers or consumers, improving efficiency, improving accessibility, providing specialist services. From the above discussions it is clear that the channel intermediaries perform certain key functions that help the manufacturer to lower its cost and also be more effective in focusing on its core competencies.

2.3 Types of Distribution Channels

Kotler *et al.* (1996), state that the number of intermediary levels indicates the length of a channel. They indicate two types of distribution. The first is the direct marketing channel. It has no intermediary level. It is made up of a manufacturer selling directly to consumers. This channel gives the greatest degree of control but can be uneconomical where there are a large number of customers for the producer.

The second is indirect marketing channel with intermediaries. Baker (1991), pointed out that distribution is concentrated on major variations in structure and that brings about certain basic alternatives open to manufacturers of both industrial and consumer goods. Boone and Kurtz (2004) argue that the first step in selecting a marketing channel is determining which type of channel will best meet both the seller's objectives and the distribution needs of customers. Figure 1.0 depicts the major channels available to marketers of consumer goods and services.

Figure 1.0: Alternative marketing channels



Source: Adapted from Boone & Kurtz (2004), Contemporary Marketing, 11th Ed.

2.4 Channel Strategy

Blythe (2006), explains that channel strategy is about choosing the right distributors. This will involve selecting the most effective distributors, the appropriate level of intensity and the degree of channel integration. Karen (2000) identifies three strategies which he calls *the three types of marketing coverage*. These are:

a) Intensive distribution**:** this is when a manufacturer uses all available outlets for distributing a product. The reason for this type of distribution is that these goods must be available where and when consumers want them.
b) Exclusive distribution**:** that is when a limited number of distribution channels are accorded the exclusive right to distribute a manufacturer's product in a defined territory. It is characterised by relating to few customers, close retailer/customer relationship, specialty products, low frequency rate of purchase, high involvement purchase and high price.
c) Selective distribution**:** this is when a manufacturer uses only some available outlets in an area to distribute a product. Selective distribution is appropriate for shopping products (products or items for which buyers are willing to expend considerable effort in planning and making purchases). Examples are durable goods such as television and stereos.

2.5 Channel Integration

Perreault Jr. and McCarthy (2003), revealed that middle specialists can help make a channel more efficient. But there may be problems getting the different firms in a channel to work together well. They argue that how well they work together depends on the type of relationship they have. Ideally, all of the members of a channel system should have a shared product-market commitment, with all members focusing on the same target market at the end of the channel and sharing various marketing functions in appropriate ways. Kotler *et al*. (2002), observe that historically distribution channels have been loose collection of independent companies, each showing little concern for overall channel performance. A conventional distribution channel consists of one or more independent producers, wholesalers, retailers. Each is a separate business seeking to maximise its own profits, even at the expense of profits for the system as a whole. No channel has much control over the other members and no formal means exist for assigning roles and resolving channel conflicts. One of the biggest recent channel developments has been the vertical marketing channel. A vertical marketing system (VMS) consists of producers, wholesalers and retailers acting as a uniform system. According to Stokes (2002), the vertical marketing system (VMS) is achieved by combinations of coercion and co-operation. One channel member owns the others, has contracts with them, or wields so much power that they all cooperate. The VMS can be dominated by the producer, wholesaler or retailer. Kotler *et al.* (2002), continue to argue that there are three main types of the vertical marketing systems, which are the Corporate VMS, Contractual VMS and Administered VMS.

2.6 Channel Management

Bearden *et al.* (2004), pointed out that the management of marketing channels requires decision making and action in six areas. The first is to formulate marketing objectives and strategy. Only then can managers develop marketing-channel strategies and objectives. Various channel alternatives are then evaluated to determine capabilities, costs, compatibility with other marketing variables, and their availability to the firm. The next is for the firm to establish its channel structure and implement the channel strategy and finally the firm must constantly evaluate channel performance. David Jobber (2004) argues that once the key channel strategy decisions have been made, effective implementation is required. Specifically, a number of channel management issues must be addressed. These are the selection, motivation, training and evaluation of channel members and managing conflict between producers and channel members.

Lamb *et al.* (2006), define channel conflict as a clash of goals and methods among the members of a distribution channel. In a broad context, conflict may not be bad. When producers and channel members are independent, conflicts inevitably occur from time to time. The intensity of conflict can range from occasional, minor disagreements that are quickly forgotten, to major disputes that fuel continuous bitter relationship. The major sources of channel conflict are differences in goals, differences in views on the desired product lines carried by channel members, multiple distribution channels, and inadequacies in performance (Jobber, 2004).

3.0 Scope and Methodology

The study was restricted to analysing the distribution channel strategies of firms in the pharmaceutical industry, using Aryton Drugs Ltd as a case study. It covered distributors, pharmacy shops and chemical sellers' shops in the Greater Accra Region and New-Juabeng Municipality in the Eastern Region of Ghana. Greater Accra was divided into Accra East, Accra West, Ashaiman and Tema, and Accra Central (Okaishie Market).

Sample Size and Sampling Procedure

The study used a sample size of ninety (90) respondents. The questionnaires were administered in the following manner: a total of forty (50) went to Retailers (i.e. Chemical shops & pharmacy shops) in the greater Accra region. The fifty questionnaires were apportioned in this manner: fifteen (15) questionnaires for Accra East, fifteen (15) questionnaires for Accra West, ten (10) questionnaires for Ashaiman, and ten (10) questionnaires for Tema. A total of twenty (20) questionnaires were administered to distributors/wholesalers in the Greater Accra region in the following manner: ten (10) questionnaires for Accra Central, four questionnaires (4) for Accra East, four (4) questionnaires for Accra West and two (2) questionnaires for Ashaiman and Tema, a total of four (4) distributors and ten (10) retailers for the New Juabeng Municipality. And a total of six (6) management staff of Aryton Drugs Ltd. Purposive and accidental non-probability sampling techniques were used to administer the questionnaires. Confidentiality was assured to encourage expression of candid opinions.

Data Gathering and Research Instruments

Six research assistants together with the researcher administered and retrieved the questionnaires. Structured interviews and questionnaires were used. Some personal interviews between 1 to 5 minutes for word-of-mouth testimonies were conducted. Close-ended and open-ended questions were used to enable respondents give specific responses to certain questions and where necessary, express personal opinions. The data gathered were edited and coded. SPSS was used to analyse and present information in simple tabulations, cross-tabulation, percentages, bar charts and pie charts.

3.1 Limitations

Time and financial constraints did not allow for larger sample size and limited the scope of the research to only the Greater Accra and New-Juabeng Municipalities with a sample size of 90 distributors and retailers. Also, the non-probability sampling techniques used denied some elements in the population the chance of being selected for the study.

4.0 Data Presentation and Analysis

4.1 Questionnaire Administration

Forty-five (45) questionnaires representing 75% out of the 60 questionnaires given to retailers were retrieved. Twenty (20) questionnaires representing 83.33% out of the twenty-four (24) given to distributors were retrieved and five (5) questionnaires representing 83.33% out of six (6) questionnaires given to management staff were retrieved. See Table 1

4.2 Responses from Retailers

Respondents by Shop

68.9% of the respondents were chemical shops and 31.1% were pharmacy shops. This indicates chemical shops dominance in the retailing of drugs or medicines. See Table 2

Reasons Retailers Buy From Distributors

17 (37.8%) of the respondents buy from distributors as a result of low prices, 16 (35.6%) respondents buy as a result of availability of different products from different manufacturers, 7 (15.6%) buy as a result of short delivery time and 5% buy as a result of knowledgeable salesmen.

This suggests that most respondents (73.3%) buy from distributors and not manufacturers because of availability of variety of products from different manufacturers and perceived low prices. The reason assigned to the low price is that they find it cheaper and convenient to buy their entire products from a distributor than from different manufacturers. See Table 3

Adequacy of Distributors Product Lines

15 (33.3%) respondents strongly agree that distributors carry enough variety of products, 16 (35.6%) agree that distributors carry enough variety of products, 10 (22.2%) were not sure, 3 (6.7%) disagree and 1 (2.2%) strongly disagrees. This implies that 68.9% of them agree that the variety of drugs sold by distributors is enough, while 22.2% of respondents are not sure and 8.9% disagree. See Table 4

Distributors' Response Time

16 (35.6%) respondents strongly agree that distributors respond to retailers' orders on time, 16 (35.6%) agree that distributors respond to retailers' orders on time, 3 (6.7%) disagree and one 1 (2.2%) strongly disagrees and 9 (20%) of them were not sure. This implies that 71.1% of them agree that the distributors respond to retailers' orders on time, while 20% are not sure and 8.9% disagree. See Table 5

The State of Distributors' Vehicles

15 (33.3%) respondents strongly agree that the vehicles used by distributors are hygienic, 14 (31.1%) agree that the vehicles used by distributors are hygienic, 4 (8.9%) disagree, 2 (4.4%) strongly disagree and 10 (22.2%) were not sure. This implies that 64.4% of them agree that the vehicles used by distributors are hygienic enough, while 22.2% are not sure and 8.9% disagree. See Table 6

Appropriateness of Distributors Credit Terms

69.8% of respondents agree that the credit terms of distributors is appropriate, 18.6% are not sure and 11.6% disagree. 4.4% did not answer. See Table 7

Distributors Salesmen Ratings on Customer Service Quality

Out of the responses, 0.55% answered very poor, 4.44% answered poor, 32.22% answered satisfactory, 30.56%

answered good, 20.56% answered very good, and 11.67% did not answer. This implies that performance on customer service delivery is good. See Table 8

Price Levels of Distributors

37 (86%) respondents agree that distributors' prices are reasonably moderate whiles 6 (14%) disagree that distributors' prices are reasonably moderate, 2 (4.4%) did not answer . The reason for this answer was that distributors' prices are almost the same as that of manufacturers. See Table 9

Overall Service Quality

33 (80.5%) of the respondents perceived the overall service quality by distributors as more than satisfactory and 8 (19.5%) perceived the overall service quality by distributors as satisfactory, 4 (8.9%) did not answer. None of them perceived the overall service quality by distributors as poor or very poor. This shows that from the perception of retailers, distributors provide good quality services to them. See Table 10

4.3 Responses from Distributors

The Number of Local Manufacturers Distributors Deal With

8 (40%) of them sell products of 6 to 10 local manufacturers, while 5 (25%) sell products of less than 5 local manufacturers, and 7 (35%) sell product of 11 to 15 local manufacturers. None of them sell products of more than 16 local producers. See Table 11

The Numbers of Lines Distributors Carry For Local Manufacturers

Respondents were asked if they carry all the products produced by the local producers that they buy from and 16 (80%) responded "no" whiles 4 (20%) responded "yes". When they were asked why, all the respondents who answered "no" said they sell only the fast moving products and the respondents who answered "yes" explained that though they sell all products from some local manufacturers, but their focus is on fast moving products (medicines). This shows that wholesalers and manufacturers have different objectives and purposes. See Table 12

Existence of Competition between Local Producers and Distributors

When distributors were asked whether they do compete with producers whose products they sell to the retailers, 19 respondents representing 95% out of 20 respondents said "yes" whiles a respondent answered "no". They further explained that local producers sell to the same shops at the same price and sometimes cheaper. See Table 13

Distributors Interest in Sole Distribution

14 respondents representing 70% do not wish to be sole distributors for any local producer but 6 representing 30% wish to be sole distributors. See Table 14

Capabilities of Distributors with regards to their Employees, Distribution Vans and Finance

Respondents were asked whether they have the right number of workers, distribution vans and also financial resources to be sole distributors. Out of the responses only 8.33% of the respondents strongly agree, 20% agree, 30% were not sure, and 41.67% disagree. This indicates that 28.33% have these three basic resources and 41.67% are certain they don't have it. 30% of them are not sure of their status. See Table 15

Local Manufacturers Response Time

16 (84.21%) respondents responded in the affirmative that local manufacturers respond to their request (orders) on time, while 3 (15.79%) responded "no" to the question while 1 (5%) did not respond. When they were further asked to explain their answers, 14 (87.5%) out of the 16 who answered "yes" explained that most producers respond promptly whiles 2 representing 12.5 % explained that few of them respond promptly. See Table 16

Price Levels of Local Producers

75% of the respondents agree that the prices of manufacturers are moderate and 25% see the prices as expensive. When they were asked to further explain their answers, 60% out of those who said the prices are moderate did not answer, the remaining 40% explained that customers are able to buy. The 25% who said prices are not moderate explained that the discount they are given is too low and the producers sell at same price and in some cases lower than the price the retailers sell. See Table 17

Credit Payment Period

17 of the respondents representing eighty-five percent (85%) said that manufacturers give them credit period between 30-40 days. 1 (5%) also said that they are given credit period between 41-50 days. 2 (10%) are given credit period between 51-60 days. None of them indicated that they are given below 30 days or above 60 days. See Table 18

Local Manufacturers' Response to Distributors' Demands

16 (88.89%) respondents said producers respond to their demands on time and 2 (11.11%) said producers are not actively working to satisfy them. Out of the 16 who answered "yes" to the question, 4 of them explained that producers are able to supply their orders on time. Another 4 also explained that they see distributors actively working to satisfy their demands because their products are available. 8 said that local producers run adverts for the products retailers sell. See Table 19

Challenges Facing Distributors in the Industry
When distributors were asked to comment on the challenges facing them in the industry, they sited lack of financial support, low discount offered by manufacturers, keen competition, non-payment of debt by retailers, and regulatory issues by the Pharmacy Council.

4.4 Responses from Management of Aryton Drugs Ltd.

Existence of Competition between Producers and Distributors
All the respondents confirmed that Aryton Drugs Limited compete with distributors in selling their products to retailers within the same market. See Table 20

Cost of the Various Methods of Distribution
All the respondents answered that it is expensive for them to distribute their own products to retailers. They further explained that distributing their own products is expensive due to sales van acquisition costs, vehicle running costs and cost of engaging and motivating more sales staff. See Table 21

Response Time
40% of the respondents answered "yes" and 60% answered "no" when they were asked whether their companies supply wholesalers' orders on time. The respondents who answered "no" explained that sometimes they do not because the wholesalers come under their sales reps and sometimes the sales reps delay deliveries when that delivery is off the route which they are visiting for the particular week. See Table 22

Credit Policy and Credit Payment Period
All the respondents' confirmed the existence of a credit policy. They further explained that they give 30 days' credit period from the date of invoice. See Table 23

Distributors' Commitment
All the respondents answered that distributors are not committed. They explained further that distributors only sell the fast moving products. See Table 24

Capabilities of distributors as Sole Distributors
40% agreed that wholesalers have resources in respect of number of employees, distribution vans and finance, whiles 60% disagree that wholesalers have those resources. See Table 25

Why No Sole Distribution But Competition
The five managers interviewed gave these reasons as to why their company has not entrusted the distribution of their products (drugs) in the hands of distributors: high risk of default in payment, limited financial resources, capacity to reach remote markets, brand imitation which could kill the original brand, and lack of required collateral as a guarantee for sole distribution arrangements.

5. Conclusions and Recommendations

The survey revealed some critical issues for achieving the ultimate objectives of the study.

The Level of Satisfaction of Retailers.
Almost all the retailers who responded to the questions were satisfied with the overall level of quality service they receive from the distributors they buy from. The study revealed that out of the forty-one (41) respondents, thirty-three (33) of them, representing 80.5% perceived the overall service quality by distributors as more than satisfactory and eight (8) representing 19.5% perceived the overall service quality by distributors as satisfactory. None of them perceived the overall service quality by distributors as poor or very poor. This shows that from the perception of retailers, distributors provide quality services to them.

In addition, the survey revealed that most of the retailers agree that distributors supply on time. 71.1% agree that the distributors respond to retailers' orders on time, while 22.2% are not sure and 8.9% disagree.

It was interesting to find out that most retailers buy from distributors because they perceive that their prices are low. Seventeen (17) respondents, representing 37.8% buy as a result of low prices, 16 representing 35.6% buy as a result of availability of different products of different manufacturers, and this implies that most respondents (73.3%) buy from distributors and not manufacturers because of perceived low price and availability of variety of products from different manufacturers. The reason assigned to the low price is that they find it cheaper and convenient to buy their entire products from a distributor than from different manufacturers. Similarly the study also revealed most of the sampled retailers are very satisfied with the credit period offered them by distributors. 69.8% agree that the credit terms of distributors is appropriate, whiles 18.6% are not sure and 11.6% of the respondents disagree.

The Ability of Distributors to Solely Distribute
The study revealed that majority of the respondents does not wish to be sole distributors for any producer. Fourteen (14) respondents representing 70 % do not wish to be sole distributors for any local producer but six (6) representing 30% wish to be sole distributors. Some of the reasons were that they do not have the human, financial and other resources to enable them solely distribute. Out of the 60 respondents, only 28.33% believe they have adequate number of employees, vehicles and financial resources to be able to be sole distributors and

41.67% are certain they do not have adequate number of employees, vehicles and financial resources to be able to be sole distributors, whiles 30% are not sure of their status.

From the point of view of manufacturers they have not outsourced the distribution part of their work because of high risk of default by distributors, limited financial resources, capacity to reach remote markets, brand imitation which are able to kill the original brand and lack of required collateral as a guarantee for sole distribution arrangements.

The Challenges Faced By Manufacturers

The study revealed that it is more expensive for producers to distribute their own products than to use distributors. All the respondents (100%) answered that it is more expensive for the producer company to distribute its own products to the retailer. They further explained that distributing their own products is expensive due to sales van acquisition costs, vehicle running costs and cost of engaging more sales staff. In light of the above facts the study further revealed that producers find it expedient distributing themselves because of perceived low capacity among most of the distributors.

From the conclusions drawn the following interventions are recommended:

Sole distribution in smaller geographic area

Producers should, as a start, enter into an agreement with selected distributors and allow them to solely distribute their products in smaller territories to observe their performances. Performances will go up as distributors absorb the sales that should have gone to producers and this will be a major boost to distributors in acquiring more logistics for their business. As performances increase, producers could pursue vertical marketing integration by selecting the distributor with much capacity to be the sole distributor in a particular region.

Effective Communications

There should be effective communications with selected distributors to know much about their operations and the type and level of training and other support that may be necessary in achieving the goal of effective and efficient distribution. Manufacturers should also increase advertisement to encourage product awareness and interest among their customers.

Collateral

Producers should encourage prospective sole distributors to insure their businesses to reduce the risk of doing business with them. The business contract should frown on brand imitations and distributor defaults by awarding strict and harsh sanctions to defaulter. This will rather discourage the behaviour of brand imitation because brand imitation can equally take place even when they are not sole distributors.

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APPENDIX
Profile of Respondents
Table 1: Questionnaire Administration

Questionnaire Administration	Total		Retailers		Distributors		Management	
	Freq	%	Freq	%	Freq	%	Freq	%
Retrieved	70	77.78	45	75	20	83.33	5	83.33
Not retrieved	20	22.22	15	25	4	16.67	1	16.67
Total	90	100	60	100	24	100	6	100

Source: Field Survey, 2011

Table 2: Respondents by Shop

	Frequency	Percent	Valid Percent	Cumulative Percent
Chemical shop	31	68.9	68.9	68.9
Pharmacy shop	14	31.1	31.1	100.0
Total	45	100.0	100.0	

Source: Field Survey, 2011

Table 3: Reasons Retailers Buy from Distributors

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Availability of different product of different manufacturers	16	35.6	35.6	35.6
Low prices	17	37.8	37.8	73.3
Short delivery time	7	15.6	15.6	88.9
Knowledgeable salesman	5	11.1	11.1	100.0
Total	45	100.0	100.0	

Source: Field Survey, 2011

Table 4: Adequacy of Distributors Product Lines

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	15	33.3	33.3	33.3
Agree	16	35.6	35.6	68.9
Not sure	10	22.2	22.2	91.1
Strongly disagree	1	2.2	2.2	93.3
Disagree	3	6.7	6.7	100.0
Total	45	100.0	100.0	

Source: Field Survey, 2011

Table 5: Distributors' Response Time

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	16	35.6	35.6	35.6
Agree	16	35.6	35.6	71.1
Not sure	9	20.0	20.0	91.1
Strongly disagree	1	2.2	2.2	93.3
Disagree	3	6.7	6.7	100.0
Total	45	100.0	100.0	

Source: Field Survey, 2011

Table 6: The State of Distributors' Vehicles

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	15	33.3	33.3	33.3
Agree	14	31.1	31.1	64.4
Not sure	10	22.2	22.2	86.7
Strongly disagree	2	4.4	4.4	91.1
Disagree	4	8.9	8.9	100.0
Total	45	100.0	100.0	

Source: Field Survey, 2011

Table 7: Appropriateness of Distributors Credit Terms

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	18	40.0	41.9	41.9
Agree	12	26.7	27.9	69.8
Not sure	8	17.8	18.6	88.4
Strongly disagree	1	2.2	2.3	90.7
Disagree	4	8.9	9.3	100.0
Total	43	95.6	100.0	
Non respondents	2	4.4		
Total	45	100.0		

Source: Field Survey, 2011

Table 8: Distributors Salesmen Ratings on Customer Service Quality Determinants

Responses	**Total no. of responses**		**Valid**	**Cum**	**Friendliness**	**Care**	**Courtesy**	**Sense of urgency**
	Freq	%	%	%				
Very poor	1	0.55	0.63	0.63	1	0	0	0
Poor	8	4.44	5.03	5.66	3	2	2	1
Satisfactory	58	32.22	36.48	42.14	13	17	11	17
Good	55	30.56	34.59	76.73	14	12	15	14
Very good	37	20.56	23.27	100	12	9	12	4
Total	159	88.33	100		43	40	40	36
Non response	21	11.67			2	5	5	9
Total	180	100			45	45	45	45

Source: Field Survey, 2011

Table 9: Price Levels of Distributors

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	37	82.2	86.0	86.0
No	6	13.3	14.0	100.0
Total	43	95.6	100.0	
Non respondents	2	4.4		
Total	45	100.0		

Source: Field Survey, 2011

Table 10: Overall Service Quality

	Frequency	Percent	Valid Percent	Cumulative Percent
Satisfactory	8	17.8	19.5	19.5
Good	16	35.6	39.0	58.5
Very good	17	37.8	41.5	100.0
Total	41	91.1	100.0	
Non respondents	4	8.9		
Total	45	100.0		

Source: Field Survey, 2011

Table 11: The Number of Local Manufacturers' Distributors Deals With

	Frequency	Percentage (%)	Cumulative (%)
Less than 5	5	25	25
6-10	8	40	65
11-15	7	35	100
16-20	0	0	
More than 20	0	0	
Total	20	100	

Source: Field Survey, 2011

Table 12: The Numbers of Lines Distributors Carry For Manufacturers

Responses	Frequency	Percentage (%)
Yes	4	20
No	16	80
Total	20	100

Source: Field Survey, 2011

Table 13: Existence of Competition between Producers and Distributors

Responses	Frequency	Percentage (%)
Yes	19	95
No	1	5
Total	20	100

Source: Field Survey, 2011

Table 14: Distributors Interest in Sole Distribution

Responses	Frequency	Percentage (%)
Yes	6	30
No	14	70
Total	20	100

Source: Field Survey, 2011

Table 15: The Capabilities of Distributors With Regards to their Employees, Distribution Vans and Finance

Responses	Frequency	Percentage (%)	Resources		
			No. of Employees	No. of Distribution Vans	Finance
Strongly Agree	5	8.33	2	1	2
Agree	12	20	5	4	3
Not sure	18	30	4	5	9
Disagree	25	41.67	9	10	6
Strongly disagree	0	0	0	0	0
Total	60	100	20	20	20

Source: Field Survey, 2011

Table 16: Do Manufacturers Supply On Time?

Responses	Frequency	Percentage (%)	Valid (%)
Yes	16	80	84.21
No	3	15	15.79
No response	1	5	-
Total	20	100	100

Source: Field Survey, 2011

Table 17: Price Levels of Producers

Responses	Frequency	Percentage (%)
Yes	15	75
No	5	25
Total	20	100

Source: Field Survey, 2011

Table 18: Credit Payment Period

Responses (Days)	Frequency	Percentage (%)
Below 30	0	0
30-40	17	85
41-50	1	5
51-60	2	10
Above 60	0	0
Total	20	100

Source: Field Survey, 2011

Table 19: Producers Response to Distributors Demand

Responses	Frequency	Percentage (%)	Valid percentage (%)
Yes	16	80	88.89
No	2	10	11.11
No response	2	10	-
Total	20	100	100

Source: Field Survey, 2011

Table 20: Do producers compete with distributors?

Responses	Frequency	Percentages (%)
Yes	5	100
No	0	0
Total	5	100

Source: Field Survey, 2011

Table 21: Cost of the Various Methods of Distribution

Responses	Frequency	Percentages (%)
By distributors	0	0
By producer	5	100
Total	5	100

Source: Field Survey, 2011

Table 22: Do Producers Supply on Time?

Responses	Frequency	Percentages (%)
Yes	2	40
No	3	60
Total	5	100

Source: Field Survey, 2011

Table 23: Existence of a Credit Policy and Credit Period

Responses	Frequency	Percentages (%)
Yes	5	100
No	0	0
Total	5	100

Source: Field Survey, 2011

Table 24: Commitment Level of Distributor

Responses	Frequency	Percentages (%)
Yes	0	0
No	5	100
Total	5	100

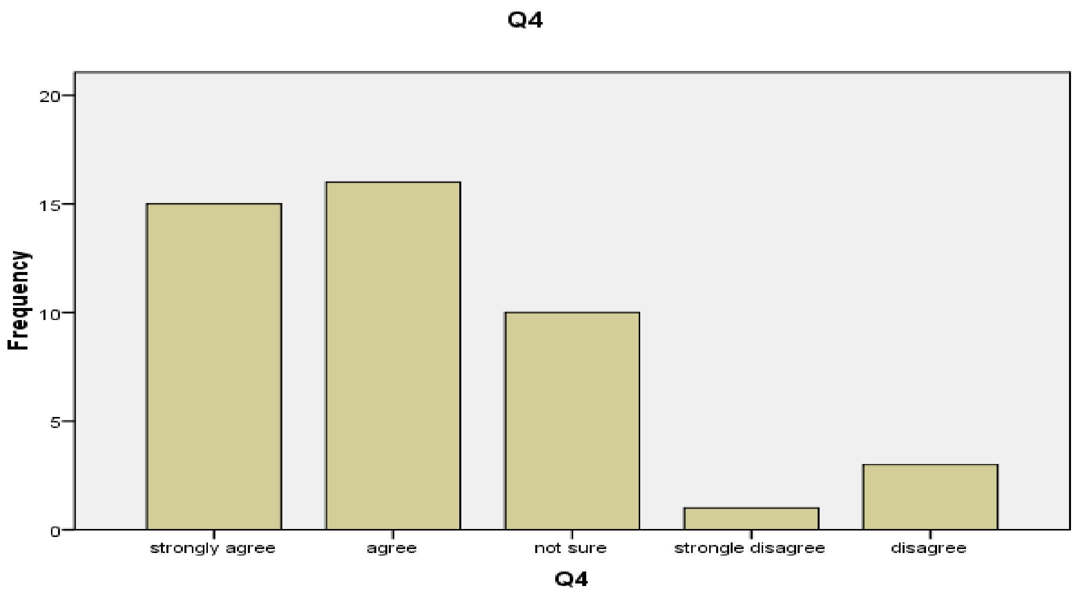
Source: Field Survey, 2011

Table 25: The Capabilities of Distributors in terms of the Number of Employees, Number of Distribution Vans and Finance

Responses	Frequency	Percentage (%)	Resources		
			No. of Employees	No. of Distribution Vans	Finance
Strongly Agree	0	0	0	0	0
Agree	6	40	2	2	2
Not sure	9	60	3	3	3
Disagree	0	0	0	0	0
Strongly disagree	0	0	0	0	0
Total	15	10	5	5	5

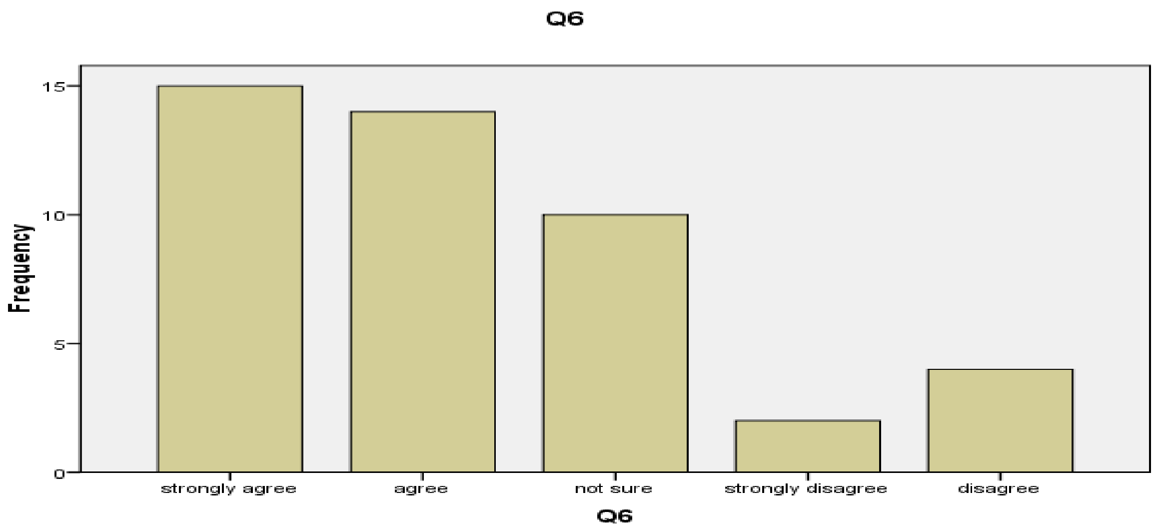
Source: Field Survey, 2011

Figure 1: A Bar Chart showing the Adequacy of Distributors Product Lines



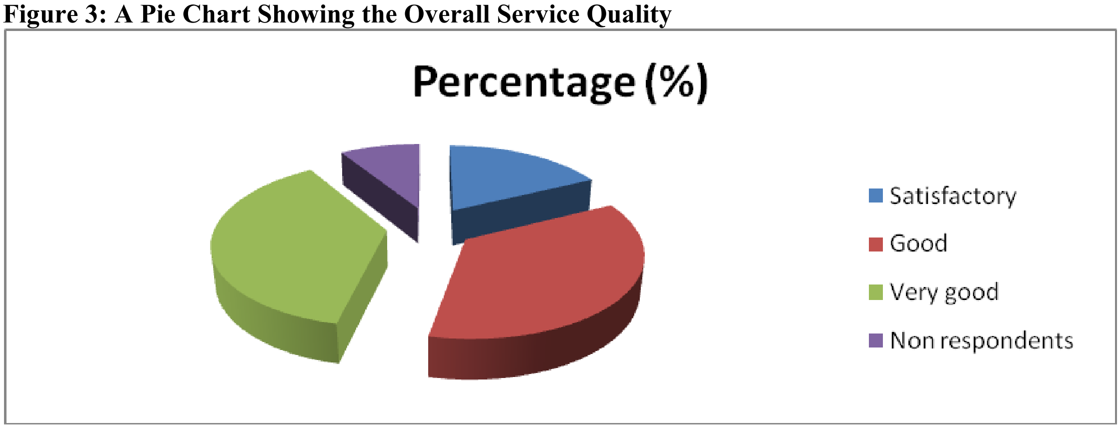
Source: Field Survey, 2011

Fig 2: A Bar Chart Showing the State of Distributors' Vehicles



Source: Field Survey, 2011

Figure 3: A Pie Chart Showing the Overall Service Quality



Source: Field Survey, 2011