

Distribution Strategy and Consumer Satisfaction in Manufacturing Firms

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Abstract

The study examined distribution strategies and consumer satisfaction in manufacturing firms; A Study of Unilorin Bakery. The study's objective is to determine the effect of selective distribution on customer satisfaction among students towards the University of Ilorin Bakery. The study used a survey research design. The study covered the students of the University of Ilorin, Ilorin, Kwara State; the population for the study was 49,153. Taro Yamane's method of determining sample size was used to arrive at 396 sample size. Simple linear regression was used in testing the hypotheses at a 0.05 significant level. The study's results show that selective distribution has a significant impact on customer satisfaction among students towards the University of Ilorin Bakery, with a significant level of 0.001, which is less than 0.05 alpha values. The study concluded that distribution strategies have a significant effect on customer satisfaction among students towards Unilorin Bakery. Therefore, the study recommended that Unilorin Bakery concentrate its efforts on brand promotion through a selective distribution strategy since it allows customers to make more informed purchasing decisions that can result in higher satisfaction with their choices and ultimately bring about customer satisfaction.

Keywords: Distribution, Selective, Strategy, Customer, Satisfaction.

INTRODUCTION

A very essential element in any manufacturing firm is to possess a distribution network that is very efficient (Poulaki, & Katson 2020). It has been observed for years now that if any manufacturing firm's channel of distribution is not effective, it has a very negative effect on its profitability which could affect the survival of the business (Kulinska, Giera, & Smaga 2020). Distribution strategies have been one of the major marketing functions that allows for the passage of products from the industrial unit to the consumers. Manufacturing firms have an important stake in the economy by producing goods that solve the requirements and demands of consumers. In the present highly competitive sector, customer satisfaction has become a critical factor in ensuring the success and sustainability of manufacturing companies. The type

of distribution strategy that manufacturers use to supply their products to the market is one important aspect that significantly influences customer satisfaction (Kumar & Reinartz, 2016). Kotler and Armstrong (2021) stated that distribution encompasses to plan, implement, and manage how raw materials, finished goods, and relevant information move from where they originate to their consumption site while maintaining a profit. Distribution is incomplete until the goods produced get to the consumers and this can only be achieved through the use of channels of distribution. A distribution strategy refers to the channel strategy that an organization decides to avail its products to the customers.

Saleemi (2019), sees the distribution channel as consisting of the producer, customer, and middleman that acts as a link in the middle of the two, that is, the channel is the bond that connects the producer and the customer. Middlemen have a great role to play in many businesses because mostly, firms do not sell their products directly to final users; they depend on wholesalers, representatives, sales agents, brokers, merchants, or even all the intermediaries to market and deliver their mass-produced goods (Hughes & Ahearne, 2020). The majority of industries depend on distribution to guarantee that their products get to the final consumer.

Marketing cannot be successful if it ends when it develops a product that has the right target audience and with the notion of selling at the appropriate price (Global Research Society, 2021). The products must be distributed to the right place where the target audience can locate them with ease through the right channel and at the appropriate time. Distribution is critical since it impacts the organization's sales turnover and profit margins. An organization can lose its competitive advantage and customers due to delayed delivery. The effectiveness of an organization depends greatly on the management of its distribution strategy effectiveness to move its final products to the final users because a product, no matter how good it may be if it did not leave the factory, is of no benefit to both the producer and the consumers. For this reason, the adoption of supply chain management to cut costs, increase market share and sales, and establish solid customer relations is increasing rapidly (Ferguson, 2020).

However, the importance of distribution structure has been ignored compared to other marketing functions (Henderson, Dooley & Akridge, 2020). Producers, therefore, frequently overlook the fact that the distribution network is the only marketing function that links the consumer to the product of an organization. The inattention of producers in this area has hindered the effectiveness of the distribution process. It is in light of the foregoing that the researcher examines the effect of distribution strategy on customer satisfaction in manufacturing firms.

Also, a review of existent literature shows that there is little empirical work done on how selective distribution affects customer satisfaction, especially in the bakery business. This study will however boost the availability of literature and knowledge in that area for further research on other distribution strategies.

Research Question

How does selective distribution impact customer satisfaction among students towards the University of Ilorin Bakery?

Objective of the Study

The objective of this research is to critically examine the effect of selective distribution on customer satisfaction among students towards the University of Ilorin Bakery.

Hypothesis of the Study

H₀₁: Selective distribution does not have a significant impact on customer satisfaction among students towards the University of Ilorin Bakery

LITERATURE REVIEW

Concept of Distribution

Distribution is a crucial element of the marketing mix; no matter how good a product may be, if it is not been distributed to its final destination i.e., to the final user after production, it remains useless there at the factory and turns to a great loss to the manufacturing firm. However, the route these goods and services pass through is known as the distribution channel.

Distribution channels are considered as the where the product is been placed for customers convenience. In other words, it is the company's method of providing its products to the customer in the market which can be physically in the traditional ways or online, which is a new way provided by the change in consumer buying behavior and has become a very important way in selling products (Zhu, 2020).

Achison (2020) posited that distribution involves moving your products from the producer to the consumer when due. It provides time, place, possession utility, and the exchange of ownership. Distribution is an important element in the marketing mix, and when it is successfully integrated into the mix to guarantee the products get to the customers at the appropriate time, it brings great success to the marketing exercise.

Distribution Strategies

Efficient distribution is the path that establishes the unrivaled placement of final products, and records and chooses the best means of passage for allotting the external supply chain (Krajewski & Ritzman, 2020). Looking at the performance of the middlemen, from a different standpoint, performance may result from two variables: those that pertain to the firm which are the internal capabilities of the firm, together with the marketing capabilities and non-firm-specific: these are variables that are better termed as environmental variables since they occur outside the instant borders of the firm (Mugambi, K'Obonyo & Kibera, 2021). Distribution strategies can be referred to as one of these environmental variables.

Selective Distribution Strategy

Selective distribution means using more than one, outlet, even though, fewer than that of the intermediaries and distributors which carry the company's product based on laid down rules by the company (Skool, 2020). It is a strategy of distributing products to not just a location (Jenkins, 2021). According to Chand (2021), selective distribution is a strategy by which the producer employs a restricted number of outlets in a geographical location to sell products. Similarly, Palo (2021) defines selective distribution as a strategy used by producers in selling

their goods or services in a limited solely preferred retail outlet in a particular geographical location. Tatum (2021) sees selective distribution as a marketing strategy that embroils availing a product in a particular market. Selective distribution lies amid intensive and exclusive distribution (Jenkins, 2021), here few intermediaries are used compared to the intensive and exclusive method. Most television, furniture, and home appliance brands, consumer products that are new in the market, are distributed in this manner. Selective distribution helps the producers to have good exposure to the market, control over the market, and a reduced cost compared to intensive distribution. This helps in understanding the brand message in the process of amassing the chance for buyers to purchase the company's products (Jenkins, 2021). Chand (2021), opined that selective distribution is advantageous because it enables producers to focus their marketing activities on the high performing.

Selective distribution strategy in the manufacturing industry refers to a distribution approach where manufacturers carefully choose a restricted number of retailers or distributors to market their products. The selection is based on specific criteria and aims to maintain control over product placement and ensure a consistent brand image. Selective distribution allows manufacturers to strike a balance between wide market coverage and maintaining brand equity.

A selective distribution strategy is a process of authorizing a few or selected outlets to market their products by a company. This can be because the company wants to have some level of control over the intermediary involved to protect the company's image. They can develop a favorable working relationship with selected channel members and expect more than average and increased control with reduced cost compared to the intensive distribution convenience (Ilodigwe et al, 2021).

Customer Satisfaction

Customer satisfaction is principally positioned on marketing since it is a key consequence of marketing activity which connects the buying and consuming or using the product or service to a change of attitude, repeat purchase, and eventually brand loyalty. In the view of Hansemark & Albinsson (2017), satisfaction is a complete attitude of customers regarding a service provider, or a responsive rejoinder to the variation between what customers forestall and what they get, regarding how some needs are met, goals, or desires are. Kotler (2015) sees satisfaction as an individual's feelings of liking or disliking as a result of comparing a product's perceived performance or result in comparison to his or her expectations.

Most research ratifies that the endorsement or lack of endorsement of pre-consumption anticipation is the crucial basis of satisfaction. It infers that customers have a definite expected product performance before consuming the product. While consuming the product, customers can compare their experience with what they expected and conclude on satisfaction based on their assessment. If the performance exceeds expectations, then it is a positive disconfirmation, and a negative one if it does not meet the expectation, also, it can be a simple disconfirmation if it is exactly what is expected. In a nutshell, customers assess product performance by making a comparison between expectation and actual performance of a product.

Theoretical Review

System Theory

Alderson (1957) propounded the system theory. System Theory is seen according to the author as a system of components connected for the efficient passage of products. In describing physical distribution with a system approach, the components comprise; customer service, transportation, warehousing, order processing, inventory control, protective packaging, and materials handling. These components are interconnected, therefore: conclusions on one area impact the average efficiency of others. For instance, a firm like Ariel detergent might move their finished goods by air instead of using a truck, since quicker time of delivery may reduce inventory costs, which would compensate the greater cost of air transport. Looking at physical distribution from a system's viewpoint can be the basis for offering a clear level of customer service at the least possible cost. The system theory of distribution strategy applies the principles of systems thinking to the design and management of distribution systems. It views distribution as a complex and interconnected system that involves multiple components, interactions, and feedback loops.

The system theory takes a holistic perspective, considering the distribution system as a whole rather than focusing solely on individual components or functions (Forrester, 1961). It recognizes that the performance of the system is influenced by the relationships and interactions between its various parts, including suppliers, manufacturers, distributors, retailers, and customers. It knows that the components of a distribution system are interrelated and codependent. Any change in one component can lead to undulation effects throughout the system. For example, altering inventory management practices can impact logistics, order fulfillment, and customer satisfaction. It also accentuates the existence of feedback circles within the distribution system. Feedback loops refer to the flow of information, data, and signals that enable continuous monitoring, evaluation, and adjustment of the system. Feedback loops can help identify inefficiencies, bottlenecks, or emerging trends, allowing for timely interventions and improvements (Senge, 2006). The relevance of this theory is that the system theory of distribution strategy offers a framework for understanding the complex nature of distribution systems and their management. It highlights the interconnectedness of components, the presence of feedback loops, and the need for optimization and continuous improvement. By applying systems thinking principles, organizations can design and manage distribution systems that are more resilient, efficient, and responsive to the demands of the market and customers.

However, the study adopted Nicosia's Theory of Consumer Behaviour and System Theory. Because Nicosia Theory of Consumer Behaviour establishes the attempts of firms to communicate with the consumer and consumer as well to act in a certain way while system theory borders more on the distribution network that will deliver the products to the location accessible and convenient for consumer in order to satisfy them while the manufacturers also profit.

Empirical Review

Nwikinaka, Lebari, and Ofori (2024) researched on how Selective Distribution Strategies affect Customer Satisfaction of Soft Drink Distributors in Rivers State. The census study was adopted by the researcher due to the population size that is small making sampling irrelevant. The researcher selected three (3) managers each from each of the twenty (20) distributors of soft drinks that make up the population. A semi-structured questionnaire was used in collecting the data and data were analyzed using descriptive statistics and inferential statistics specifically, Pearson Product Moment Correlation (PPMC) to test the hypotheses. Also, multiple regressions were employed in testing the combined effect of all dimensions on each measure of the criterion variable. The result of the analysis shows that a selective distribution strategy has a positive and significant relationship with customer satisfaction of soft drink distributors in Rivers State.

Abdelrahan, Ranya, Israa, and Farid (2023) carried out a study on the effect of distribution channels' strategies and types on consumers' buying behavior of convenience products. A conclusive research design was employed by unfolding attitudes towards several distribution strategies and types and also to test the effect of different distribution channels' strategies on consumers' buying behavior. The researchers adopted a research design and 120 questionnaires as the sample size. The data were analyzed using both descriptive and inferential statistical techniques. The results of the study show that consumers' buying behaviour is affected by diverse distribution channel strategies and types, particularly intensive and selective distribution strategies.

Fengyi. Wu, and Yuehhua, Lee (2019) in their study, investigated channel power and satisfaction in a marketing channel, adopted a case study design in Guangzhou province-china. It was discovered that the competition among business organizations is no longer just an inter-firm competition, but also inter-channel competition caused by adapting to industry globalization. Considering this trend, this study discovered a correlation between distribution channel power customer commitment and satisfaction. The results offering no coercive power had a positive and significant impact on the channel firms' communication and commitment, as well as the supplier communication and commitment had a positive and significant impact on the economic satisfaction and non-economic satisfaction of channel firms.

Otieno (2018) researched selective distribution strategy and competitive advantage of fast-moving consumer goods companies in Kisumu County. The study used 40 fast-moving consumer goods manufacturing firms in Kisumu County, Kenya. Structured questionnaires were used in collecting the data from selected important informants in the organizations. Qualitative and quantitative methods were used in analyzing the data collected. The study concluded that the perishability of the product, size, and weight of the product, the technical nature of the product, after-sales service, the number of consumers, the expansion of consumers, and the size of the order and objective of the purchase determine the choice of the selective distribution strategy. The study also concluded that the level of production; financial resources, managerial competence, and experience of the attitude of society towards middlemen

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or agents and the freedom of altering (middlemen and agents) determine the choice of the selective distribution strategy.

Again, Adimo and Osodo (2017) investigated the association between selective strategy and performance of Sameer Africa Ltd located in Nairobi, Kenya. The research employed a correlational research design. The study targeted 112 employees of Sameer Africa (K) Limited comprising senior management, HODs, and junior staff, and 90 dealers based in Nairobi. 134 respondents were selected as the sample using stratified and simple random sampling methodologies. It was discovered that if selective strategy is increased, it will lead to increase in performances through revenue, market share, customer satisfaction, and increased sales.

METHODOLOGY

Research Design

To achieve the aim of this research, a survey research design was employed to study the distribution strategies and consumer satisfaction in manufacturing firms. The study considers the survey research design because it presents the consumers' views and attitudes toward distribution.

Population of the Study

The population of the study comprises the total number of University of Ilorin students, Ilorin, Kwara State. Thus, the total number of students is 49,153 (Unilorin Academic Support Unit (2023)).

Sample Size and Sampling Technique

A simple random sampling technique was used. Because it will be cumbersome to study the entire population, a subset of the population i.e., the sample size was arrived at to represent the whole population using Taro Yamane's (1967) statistical formula for a large population. This formula was used because the population is very large and can be said to be infinite. The formula is as follows:

$$n = \frac{N}{1 + (e)^2}$$

Where:

n = sample to be determined

N = population size

1 = constant

e = margin of error (which is normally chosen) or level of significance which is assumed to be 5% or 0.05. Therefore, $e^2 = 0.0025$, an error margin of 0.05 or 5% implies a 95% level of confidence. In calculating the sample size, the following result was obtained.

$$n = \frac{49153}{1 + 49153 (0.0025)}$$

$$n = \frac{49153}{1 + 122.8825}$$

$$n = \frac{49153}{123.8825}$$

$$n = 396$$

Therefore, the sample size of the study is 396

Instrument of the Study

For this study, all information contained therein was collected with the use of a structured questionnaire to obtain first-hand information from the respondents. The questionnaire was measured on a 5-point Likert scale ranging from; Strongly Agree (5), Agree (4), Undecided (3), Disagree (2), and Strongly Disagree (1)

Validity and Reliability of the Study

Validity is the extent to which any measuring instrument measures what it is intended to measure. In order to validate the instrument, the researcher ensures that appropriate expert(s) in the field use their judgments and experiences to validate the questionnaire. The validity method adopted for the study is content validity.

Reliability means the consistency of the instrument. The reliability of an instrument is the degree to which it yields constant results when it is used over a number of items which has to do with the accuracy of the data collected from a given test. The reliability of the constructs that were used for the study was Cronbach alpha.

Method of Data Collection

The data collection method for this study was a self-administered and retrieved questionnaire which was used in eliciting information from the respondents. In other words, the researcher did the distribution and retrieval of the questionnaire to the respondents alone. This method is used for the researcher to be able to attend to any question that the respondents do not seem to understand and to also reduce the rate of error in filling the questionnaire to get enough usable data.

Method of Data Analysis

Data used for this study was analyzed using inferential statistics, specifically, linear regression analysis. This statistical technique is appropriate since this study seeks to use a structured Likert scaling questionnaire for data collection and it is a causal research.

Model Specification

In assessing distribution strategy on customer satisfaction, the relevant model was developed. The model is given as:

$$Y = F(X) + e$$

Where Y is the dependent variable representing customer satisfaction, and X is the independent variable representing the type of the distribution strategy given as:

X= Selective Distribution Strategy

Hypothesis Result

H₀₁: Selective distribution does not have a significant impact on customer satisfaction among students towards the University of Ilorin Bakery

Table 1.1: Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716 ^a	.511	.505	2.11125
a. Predictors: (Constant), Selective distribution				

Source: Researcher’s Field Work, 2024

From the model summary in Table 1.1, it can be observed that the correlation coefficient r is 0.716 (i.e., r = 0.716) which connotes the existence of a very strong linear relationship between customer satisfaction (the variable being predicted) and selective distribution (the predictor variables). It also shows that r² is 0.511 (51.1%). The implication is that the model is only sufficient to explain 51.1% of the variations in customer satisfaction, the rest of the 48.9% variations can be accounted for by other factors not captured.

Table 1.2: ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10088.701	1	10088.701	389.826	.001 ^b
	Residual	9653.688	373	25.881		
	Total	19742.389	374			
a. Dependent Variable: Customer satisfaction						
b. Predictors: (Constant), Selective distribution						

Source: Researcher’s Field Work, 2024

Table 1.2 presents the analysis of variance (ANOVA) table. The F-statistic as shown in the table is significant since the probability value of .000 is less than the alpha level of 0.05, thus, the model is fit.

Table 1.3: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.377	0.420		8.134	.001
	Selective distribution	.688	.147	.716	17.933	.001

a. Dependent Variable: Customer satisfaction

Source: Researcher's Field Work, 2024.

Coefficient Table 1.3 shows a significant level of 0.000 which is less than the alpha set value of 0.05 significant level. This infers that there is a significant positive influence of selective distribution on customer satisfaction with Unilorin bakery bread, therefore the null hypothesis is rejected and the alternative hypothesis is accepted. The beta value of 0.712 connotes that a change in the selective distribution will lead to a 71.2% change in customer satisfaction with Unilorin Bakery Bread; and the positive value of 17.933 further buttresses the relationship between selective distribution and customer satisfaction.

Discussion of Findings

Hypothesis (H_{01}) shows that there is a significant linear link between selective distribution strategy and customer satisfaction (the predicted variable). Therefore, the null hypothesis was rejected and the alternative hypothesis was accepted because Table 1.3 reveals that the r^2 coefficient of determination is 0.511 which equals 51.1%, explaining that a 51.1% change in customer satisfaction could be accounted for with the aggregate effect of the selective distribution system. Also, the significant level of the selective distribution strategy is lower than the alpha significant level, which is 0.05. This indicates that the selective distribution has a significant effect on customer satisfaction. This is supported by the empirical clarifications of Nwokinaka, Lebari, and Ofori (2024); Abdelrahan, Ranya, Israa, and Farid (2023); and Farid Otieno (2018) which concluded in their studies that there is a significant effect of selective distribution on customer satisfaction.

CONCLUSION AND RECOMMENDATIONS

This study in shedding light on distribution strategies and consumer satisfaction in manufacturing firms concludes based on the established result from the study that distribution strategies have a significant influence on consumer satisfaction. This is basic from the result of the significance of selective distribution on customer satisfaction. It shows that selective distribution has a great deal in determining how satisfied the customers of a particular product may be.

Therefore, based on the facts from the study, it is recommended that Unilorin Bakery also maintain and even improve the use of selective distribution because customers tend to associate

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products available through selective channels with higher quality and authenticity. The assurance of quality can lead to greater satisfaction with the product.

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