

Examination of the Distribution Channel of Indomie Instant Noodles in Oyo State

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ABSTRACT

The distribution of indomie instant noodles is very germane as it is a consumable product that serves as a major food for most children, adults and students. Thus, this study examined the existing distribution channel employed in the distribution of indomie instant noodles from its point of production to the nooks and crannies of Oyo state with a view to appraise it. Specifically it; identified the existing distribution channel of Indomie instant noodles and determine the rate at which Indomie instant noodles is distributed in Oyo state. Indomie instant noodles is produced in Sango-ota Ogun state. However, this study is interested in how it is being distributed from Ota in Ogun state to the nooks and crannies of Oyo state. Thus the study areas were strictly Oyo state and Dufil group in Sango ota, Simple random technique was used for the study.

Findings showed that the most prominent channel adopted in the distributing indomie instant noodles is; producer- distributor – wholesaler – retailer – consumer (65%) and it takes two days to receive order that are placed (57.3%). Further analysis established that, the distribution channel adopted in distributing indomie instant noodles accounted for its appreciable level of accessibility and availability amongst other brands of noodles which has made it to become the most popular brand of noodles in Nigeria. From the findings of the study, it is recommended that the packaged food manufacturing companies such as Dufil group (the manufacturer of indomie instant noodles) though adopted third party logistics in the distribution of their product, they should have their own haulage vehicles for distributing their products in case the terms of agreement between the company and the contract carrier(third party logistics) fails, this is necessary to avert any problem such as delay in the delivery of products to the consumers or halt in the distribution activities that may arise if there is any breach of agreement between the company and the contract carriers.

Keywords:- Distribution, channel

INTRODUCTION

Distribution has been an important feature of industrial and economic life for many years, but it has not been recognized as a major function in its own right until recently. Adeleye [1] as cited in [7] opined that distribution is an important tool for marketing, for without good distribution, no single product would reach the ultimate consumers. He further stressed that distribution is not only concerned with the

products getting to the hands of consumers but that the raw materials must be moved physically with a view of providing potential satisfaction to ultimate consumers. Distribution is an important marketing tool with a major aim of getting the right product to the right market segment at the right quantity and at the right time. Its activities include, transportation, inventory management, warehousing etc. The recognition of the

scope and importance of distribution has broadened the approach being adopted towards the subject. This approach has been aimed at the individual sub-systems and especially at the overall concept of the distribution function as a whole.

The distribution of indomie instant noodles is very germane as it is a consumable product that serves as a major food for most children, adults and students. Thus, this study sought to analyze the existing distribution channel employed in the distribution of indomie instant noodles from its point of production to the nooks and crannies of Oyo state with a view to appraise it and seek for ways of improving it which will make the distribution of indomie instant noodles easier from the producer to the final consumer.

Production is an incomplete process until the goods reach the final consumer. Consumption is the sole end and purpose of all production processes. Goodwin, Nelson, Ackerman and Weisskopf [3] thus the importance of distribution in the production process cannot be overemphasized as it brings the goods in contact with the consumers.

The world's ever increasing population also adds additional relevance to the distribution of goods as more consumers are meant to be served even as technology has broken the distance barrier between producers and consumers thereby creating an avenue for goods travel far and wide to meet its final consumers thus mandating managers to make planning for the distribution of their products a continuous process because as new products are introduced, existing channels have to be reassessed as they may not be the right channel for the new products. Against this background, this paper examines the distribution channel of indomie instant noodles in Oyo state. It specifically;

identify the existing distribution channel of Indomie instant noodles and determine the rate at which Indomie instant noodles is distributed into Oyo state.

LITERATURE REVIEW

Distribution remains a cornerstone for the socio-economic development of any manufacturing company and for which the channel adopted play a vital role. Distribution is one of the major elements of the marketing mix. For a company to effectively sell products it must pay good attention to the activities of the market mix. Distribution is the marketing function which bridges the gap between the manufacturer and the buyer or final consumer.

To the manufacturer what is of paramount importance is the ability of the distribution system to perform the specific functions of making the products available at the right time, place and price. Thus an ineffective system will not achieve the desired result of attaining the company goals which include higher sales and profit. Consideration of the nature of the product is a vital aspect in choosing the distribution network of a product, if the nature of a product is not properly considered, wrong network and channel management may be adopted which will make the channel ineffective and the objectives will not be achieved. Efficient flow of goods and services in Nigeria is a major problem especially as it relates to household goods. (Sule *et al.* 2013). Distribution has been an important feature of industrial and economic life for many years, but it became recognized as being significant in the late 1990s Ajiboye[2].

DISTRIBUTION CHANNELS

Physical distribution channel is the term used to describe the methods and means by which a product or a group of products are physically transferred or distributed from

their point of production to the point at which they are made available to the final consumer. According to Kotler and Armstrong [4], distribution channel is a set of interdependent organizations that are involved in the process of making a product or service available for use or consumption by the consumer or business user.

Distribution channel management thus involves the coordinating the movement of goods and services from the production point to consumers. It bridges the gap in time and place that separate goods and services from the consumer; it is therefore pertinent to note that according to Kotler and Armstrong [4], marketing team play key roles in bringing distribution transaction to completion, such roles include but not limited to: negotiation, risk taking, promotion of sales, contacts, matching etc.

Also, Etzel *et al* (2006) as cited by Sule *et al* (2013), humanistic view explains physical distribution management as consisting of all the activities concerned with moving the right amount of the right products to the right place at the right time. In addition, Kotler [5] defined distribution management as involving planning, implementing, and controlling the flow of materials and final goods from points of origin to points of use to meet consumers need at a profit. He went further to highlight the main element of total distribution management cost as transportation (46%), warehousing (26%), inventory carrying (10%), receiving and shipping (6%) packing (5%) Administration (4%) and other process (3%). A Channel of distribution is therefore the route taken by a product to reach its target consumers. Nigeria is a country operating mixed economy with both public and private ownership of business undertaking hence the household industry

which is often times neglected is an important aspect of channel/distribution network as it one of the criteria used in determining the participants in the organization's channel of distribution system due to the fact that the products are everywhere and the demand is on the increase daily and a market has been established for them.

The channel chosen, whether directly from the producer's factory to the consumer or through functional and merchant middlemen has a great deal to do with the destination reached by the goods, the cost at which they reach their destination, the utility, value and satisfaction derived by the consumer from the goods. The choice of selection will also determine the level of coverage obtained by a seller and the services provided.

The channel manager takes the responsibility for the product once it is delivered to him i.e. the producer is accountable for whatever happens to the product in his custody and once it is distributed to the wholesaler, he is held liable for any loss that may occur and again the retailer too takes responsibility for the product distributed to him because no consumer will be willing to pay the same price for product that are not in the right condition.

Indomie instant noodle for example is a packaged food product that will most likely be crushed before cooking but no consumer wants to buy the crushed one from the retailer or any other channel manager. The choice of channel will influence not only the extent of market attained by the producer and the service rendered to the consumer but will influence employment, total earnings, volume of goods manufactured and sold and the volume of goods consumed. It will also influence the standard of living and

the well-being of the nation as a whole hence marketers believe that the proper choice of channel is one of the most

important management decisions in physical distribution.

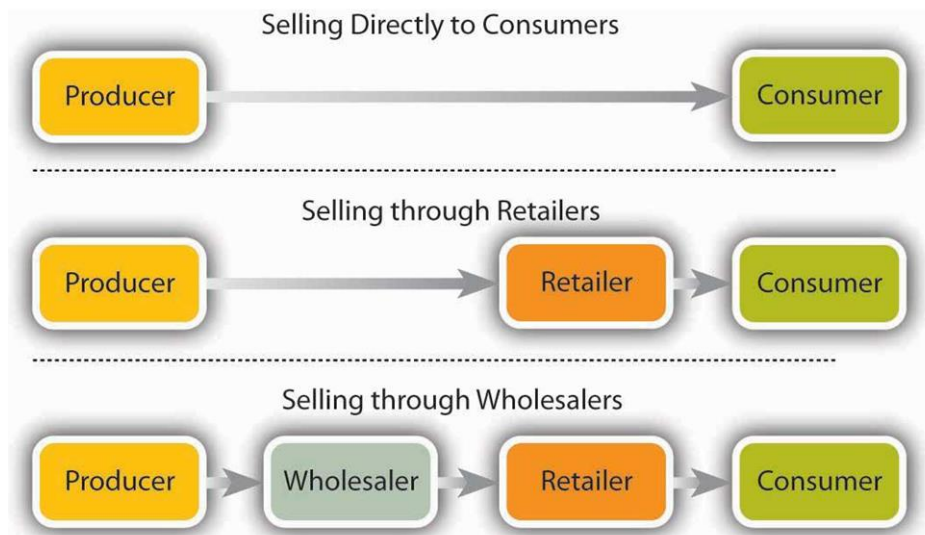


Fig.1:-Distribution channel

Source: Kotler, Armstrong, Wong and Saunders [6]

METHODOLOGY

Indomie instant noodles is produced in Sango-ota Ogun state. However, this study is interested in how it is being distributed from ota in ogun state to the nooks and crannies of Oyo state. Thus the study area were strictly Oyo state and Dufil group in Sango ota, Ogun State. Oyo State consists of 33 Local Government Areas. The population of this study includes all the staff in the distribution department of Dufil group situated in Sango-ota, Ogun state, and the middlemen. Simple random technique was used to select one hundred and five (105) from the three hundred and twenty (320) identified wholesalers in the six local government areas, six (6) distributors and six (6) sales representatives handling the selected local government areas to make one hundred and seventeen (117) middlemen alongside the thirty six (36) personnel in the distribution unit of Dufil group constituted the sample frame. Primary and secondary data were used for the paper.

Secondary data was collected from Dufil group publications, while primary data was collected using a well prepared questionnaire for the distributors, sales representatives, wholesalers and the producer (Dufil group). Frequency distribution (percentage) was used to analyse the existing distribution channel of indomie instant noodles and it was also used to assess the rate at which indomie instant noodles is distributed to Oyo State

RESULTS AND DISCUSSION

Middlemen's Distribution channel and Preference factors for the usage of distribution channel.

Table 1 showed that 11.1% of the response indicated that the distribution channel used for the distribution of indomie instant noodles is producer-retailer-consumer while 23.9% of the respondents were of the view that the adopted channel is producer-wholesaler-retailer-consumer, however, the highest percentage of the respondents which is 65% agreed that the

most suitable and most adopted channel is producer-distributor-wholesaler-retailer-consumer.

It also revealed that 53.8% of the respondents accepted that the nature of the product is what determines the preference of usage of a particular channel of distribution, 13.7% were of the view that the preference factor for the usage of a channel is the nearness of the market to the production site, nevertheless, 12.8% believed that it is the availability of the middlemen that determines the channel but 12.0% opined that nature and location

of market is what dictates the preference factor while 7.7% agreed that transport and storage facilities are the preference factors for the usage of distribution channel.

Indomie instant noodles is such a fragile product that can easily get crumpled if care is not taken hence its nature contributed to the usage of producer-distributor-wholesaler-retailer-consumer channel to make sure it is not just stocked in a place but consumed as soon as possible after production.

Table 1:-Percentage frequency of middlemen's distribution channel and Preference factors for the usage of distribution channel

	Frequency	Percent
Middlemen's distribution channel		
p-r-c	13	11.1
p-w-r-c	27	23.9
p-d-w-r-c	77	65.0
Total	117	100
Preference factors for the usage of distribution channel		
Nature of product	62	53.8
Nature and location of market	14	12.0
Availability of middle men	15	12.8
Transport and storage Facility	9	7.7
Nearness to production site	16	13.7
Total	117	100

Source:-Field survey, (2015)

Average lead time of indomie instant noodles and average distance coverage of middlemen

The highest lead time of products as indicated by table 2 and figure 2 is two (2) days as accounted for by 57.3% which implies that when an order is placed to the manufacturer, the supply is gotten within two days, 22.2% agreed to three (3) days while 20.5% of the middlemen reported that they do get their order within a day of

placing it. It was also observed that 0.9% of the middlemen distributing Indomie instant noodles travelled between 31-60km to get the product, 2.6% covered a distance of 181km and above, 7.7% covered between 61-90km, however, 17.1% of the middlemen covered a distance of 151-180 to get the product but 19.7% travelled between 61-90km. The highest distance coverage of the middlemen is between 121-150km as accounted for by 52.1%

Table 2:-Average lead time of indomie instant noodles and average distance coverage of middlemen (km)

	Frequency	Percent
Average lead time of indomie instant noodles		
A day	24	20.5
Two days	67	57.3
Three days	26	22.2
Total	117	100
Average distance coverage of middlemen (km)		
31-60	1	0.9
61-90	9	7.7
91-120	23	19.7
121-150	61	52.1
151-180	20	17.1
181 and above	3	2.6
Total	117	100

Source: Field survey, (2015)

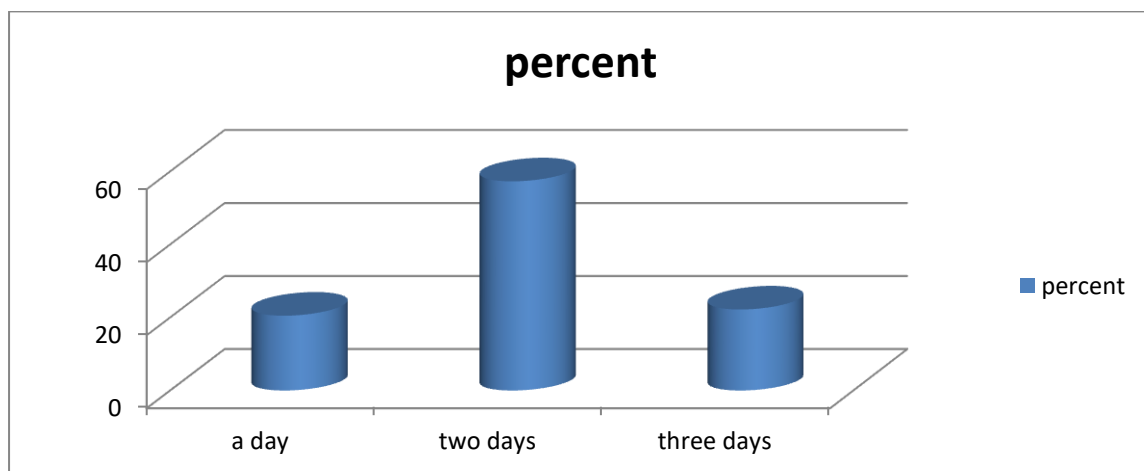


Fig.2:-Average lead time of indomie instant noodles

Source:-Adapted from table 2

FINDING, CONCLUSION AND RECOMMENDATIONS

The result shows that the most prominent channel adopted in the distributing indomie instant noodles is; producer-distributor – wholesaler – retailer – consumer as accounted for by 65% of the respondents and it makes two days to receive order that are placed as also accounted for by 57.3% of the respondents. Based on the findings of the

study, it is revealed that the distribution channel adopted in distributing indomie instant noodles accounted for its appreciable level of accessibility and availability amongst other brands of noodles which has made it to become the most popular brand of noodles in Nigeria. The findings also revealed that Dufil group in order to ensure the effectiveness and efficiency in its distribution system and that the flow of the product follow a

smooth pattern as just-in-time approach came to play not minding the effect of distribution cost of getting the product to the final consumer.

RECOMMENDATION

From the findings of the study, it is recommended that the packaged food manufacturing companies such as Dufil group(the manufacturer of indomie instant noodles) though adopted third party logistics in the distribution of their product, they should have their own haulage vehicles for distributing their products in case the terms of agreement between the company and the contract carrier(third party logistics) fails, this is necessary to avert any problem such as delay in the delivery of products to the consumers or halt in the distribution activities that may arise if there is any breach of agreement between the company and the contract carriers.

Distribution cost can thus be reduced if the packaged food product companies can engage in the direct delivery of their products as this will enhance feedback mechanism between the company and the middlemen. Finally, affirming that a relationship exist between distribution cost and distribution channel made it important to proffer more cost effective means of distributing the product by introducing information communication technology(ICT) and reverse logistics which could be a check and balance approach or a signal to the reduction of unnecessary physical movement(transport) therefore investment in ICT can improve the distribution system in such a way that distribution cost is reduced to the barest minimum as there will be proper monitoring of stock level of the

distributors and middlemen. Hence, there would not be need to restock when the re-order level had not been reached. Furthermore ICT can reduce the number of trips to be generated by the sale representative and this is achievable as adequate information would have been disseminated afore hand.

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