# IMPROVING MARKET SHARE THROUGH DISTRIBUTION EFFECTIVENESS

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**Abstract**

*Many firms view market share gains as the key to long-run profitability. They think and plan not only in terms of profit and sales volume but also in terms of market share. In marketing, distribution management is considered paramount as it epitomises the marketing responsibility of satisfying customers in the consumption of goods and services through place, time and possession utilities. The aim of the paper was to interrogate the effect of distribution effectiveness on market share using Dangote Cement Plc, Gboko Plant, as a case study. The population of the study was 847 staff and customers. SPSS version 20 was used for analysing data from a sample of 265 respondents. Questionnaire was used for data collection. Findings revealed a significant positive relationship between supply chain management and sales turnover, a significant positive relationship was also established between timely delivery of products and customer retention. The paper recommends the adoption, of supply chain management to reduce cost, increase sales and improve market share, and that firms should enhance timely delivery of products to ensure customer retention.*

**Keywords:** Market share, distribution effectiveness, supply chain management.

## Introduction

Increasing market share is one of the most important objectives of a business. A good number of experts believe that one way for a company to improve its return on investments is by increasing its market share, and several studies have confirmed this relationship. However, Edeling and Himme (2018) point out that a large market share can spell more troubles as well as more profit for a company, a given project promising higher returns than others will surely entail greater risks as well. Given this direct relationship between profit and risk, it is incumbent on companies to manage their market share with the same diligence as they would manage any other facet of their business.

Having a dominant share of a market is likely to mean enjoying the highest profits than any of the firms serving that market. It could also mean winning the leadership, power and glory that go with such dominance. But high market share can also mean headaches Edeling and Himme (2018). Companies that possess high market share are sure targets for actual and potential competitors, consumer organizations, and government agencies. Several multinational-corporations including Coca Cola, General Motors have bitter experiences in this regard. Their huge market shares have been their blessing and their curse- their curse because they must make their decisions and manage their operation with much more care than do their competitors.

For any organization to be effective, there' should be effective distribution management process to convey finished products from the manufacturer to the final consumers (Yeboah, Owusu, Boakye & Mensah, 2013). Distribution plays a key role within the marketing mix and the key to success is its successful integration within the mix, ensuring that consumers get their products at the right time and place. If the product cannot reach its chosen destination at the appropriate time, then it can erode competitive advantage as well as customer retention.

According to Srinivas (2008), it is evidently clear that without distribution the best products will not be delivered and the marketing mix will break down and fail. Ferguson (2000) opines that firms are increasingly adopting supply chain management to reduce cost, increase market shares and sales, and build solid customer relations.

Distribution plays a vital role, primarily because it ultimately affects the sales turnover and profit margins of the organization (Yeboah, Owusu, Boakye and Mensah, 2013). This study investigates the effect of distribution effectiveness on market share of Dangote Cement Plc, Gboko Plant.

## Objectives of the Study

1. To determine the effect of supply chain management on sales turnover of Dangote Cement Plc, Gboko Plant.
2. To evaluate the effect of timely delivery of products on customer retention of Dangote Cement Plc, Gboko Plant.

## Hypotheses

To achieve the objectives of the study, the following null hypotheses were formulated and tested in the course of the study:

**$Ho_1$** Supply chain management has no significant effect on sales turnover of Dangote Cement Plc, Gboko Plant.

**$Ho_2$** Timely delivery of products has no significant effect on customer retention of Dangote Cement Plc, Gboko Plant.

## Conceptual Clarification

### Market Share

Market share is the percentage of a market, defined in terms of either unit or revenue, accounted for by a specific company. Marketers need to be able to translate sales targets into market share because this will demonstrate whether forecasts are to be attained by growing with the market or by capturing share from competitors. The later will almost always be more difficult to achieve. According to Farris; Bendle and David (2010), market share is closely monitored for signs of change the competitive landscape and it frequently drives strategic or tactical action. Increasing market share is one of the most important objectives of business. The main advantage of using market share as a measure of business performance is that it is less dependent upon macro environmental variables such as the state of the economy or changes in tax policy.

Market share is a key indicator of market competitiveness, that is, how well a firm is doing against its competitors. This metric supplemented by changes in sales revenue, help managers evaluate both primary and selective demand in their market. That is, it enables them to judge in customer's selections among competitors. Generally, sales growth resulting from primary demand (total market growth) is less costly and more profitable than that achieved by capturing share from competitors. Firms with market share below a certain level may not be viable.

Similarly, within the firm’s product line, market share trends for individual products are considered early indicators of future opportunities or threats (Armstrong & Greene, 2007).

There are observable evidences that market share is a desired asset among competing firms. Experts, however discourage making market share an objective and criterion upon which to base economic policies (Bhan, 2014). The aforementioned usage of market shares as a basis for gauging the Performance of competing firms has fostered a system in which firms make decisions with regard to their operations with careful consideration of the impact of each decision on the market share of their competitors. Scott and Callopy, (1996) lament that although market share is likely the single most important marketing metric, there is no generally acceptable best method for calculating it. This is unfortunate as different methods may yield not only different computations of market share at a given moment, but also widely divergent trends over time.

In the considered opinion of Edeling and Himme (2018), the company that acquires a very high market share exposes itself to a number of risks that its smaller competitors do not encounter. Competitors, consumers and governmental authorities are most likely to take actions against high share firms than against small share ones. Small competitors can direct certain types of attack against large firms. One type of attack has been to file private antitrust suits to prove that the larger competitor has violated antitrust laws while analysing its dominant share. Potential competitors also present problems because they see the company with largest share as the only one stopping them from getting a portion of the profits being earned in a particular industry.

Another risk is posed by consumer or public interest organizations. A larger market share usually means greater public visibility, consumer groups may choose the more visible firms as the target of their complaints, demonstrations and lawsuits. The large market share firm also has to cope with antitrust initiatives taken by the government. The Boston Consulting Group has proposed that in product area characterised by a strong learning curve, companies pursue market share maximization instead of current profit maximization (Bloom & Kotler, 1975). A firm should attempt to optimise its market share. To determine optimal market share, a firm must go through the following three-step procedure (Bloom & Kotler, 1975).

1. Ascertain the relationship between market share and profitability.
2. Evaluate the amount of risk associated with each share level.

3. Determine the point at which a rise in market share can no longer be expected to bring sufficient profit to compensate for the added risk to which the company would expose itself.

According to Bloom and Kotler, (1975), market share management strategies fall into four broad categories:

1. Share building, 2. Share maintenance, 3. Share reduction, and 4. Risk reduction

This write up discusses only the first, share building. The majority of firms conclude that they are operating below their optimal market share. They are not exploiting their plant fully or have not been able to build a plant at the most economical size, they are not quite large enough to achieve promotional and / or distributional economies, and they cannot attract the strongest talents.

It has been suggested by several experts that the most effective strategy for market share gain is product innovation. Market segmentation may also be used to build share. A third strategy for building market share is distribution innovation. This research is more interested in the distribution innovation for improving market share of Dangote Cement Plc, Gboko Plant.

## Distribution Effectiveness

Distribution professionals verify their operations on a daily basis. The modern logistic manager uses the tips like competitive pressure, mergers, acquisitions, new product lines, and greater expectations. This change is a cost of doing business in the new economy. According to Chopra and Meindl, (2001) in Screenivas and Srimvas, (2008), supply chain consists of all stages involved in meeting customer requests. The same authority listed five typical supply chain stages to include components/raw materials, manufacturers, wholesalers and distributors, retailers and customers.

Keskinocak and Tayur, (2001), as quoted by Screenivas and Srimvas (2008) opine that the main goal of supply chain management is to deliver the correct product to the correct place at the correct time while maintaining cost efficiencies. They identified three components of a supply chain as sourcing/procurement, manufacturing and distribution, and inventory disposal. For the fact that business set up primarily to provide service have little connection with a manufacturing process, their supply chain encompasses only some of the traditional supply chain stages. The seller provides the item for sale, filling the initial supply chain stage. The items listed for sale may be classified as the inventory in the process.

Lummus and Vokurka, (1999) developed a summary definition of the supply chain based on the works of numerous authors. They stated that supply chain consists of all the activities involved in delivering a product from raw materials through to the customer including distribution across channels, delivery to the customer and the information systems necessary to monitor all of these activities.

Screenivas and Srimvas, (2008) identified some important factors impacting the effectiveness of the distribution network to include centralization vs regionalization, energy, abatement programmes, high efficiency units, cube out contains, mode assessment, transportation management systems, private fleet concerns, flexibility, global market place, government involvement, information systems and real time.

In distribution network planning, there is a well-established relationship between the number of distribution points, transportation costs and customer service agents.

In a graphic sense, the point at which these three entities merge is the optimum balance of facility and transportation costs to develop a low cost, high service distribution network. Normally, as distribution networks become more centralized, so do the internal support structures such as facility management, order entry, customer service and data processing. Depending on the degree of centralization achieved in support staff, it is not uncommon to see cost savings of 50% or higher over decentralized networks (Screenivas & Scrimvas, 2008). The service levels, limitations on total facility size, risk mitigation and through put peaks must be factored into the decision matrix.

Dangote Cement Plc, Gboko Plant has appointed distributors and dealers' partners across the entire country. This is clearly aimed at boosting their distribution effectiveness and establishing presence everywhere in Nigeria. These distributors and dealers' partners are found not just in state capitals but even in local government headquarters and other towns across the country. Weiss and Gerson, (2002) 'noted that distribution refers to all the logistics involved in delivering a company's products or services to the right place, at the right time and at the least cost. Most manufacturers, including Dangote Cement Plc, Gboko Plant use intermediaries to deliver their products to the market.

## Research Method

The stduy adopted the survey research design. This design was deemed suitable because the study' sought to unravel the relationship between two variables, distribution effectiveness and market share. Questionnaire was the main instrument of primary data collection while journal papers, internet sources as well as textbooks were the secondary sources of data utilized.

Data were presented in frequency tables and analyzed using percentage. Multiple regression analysis was conducted to assess the relative predictive power of the independent variable, distribution effectiveness, on the dependent variable, market share. The statistical package for the social sciences (SPSS) software version 20 was utilized.

The population of the study was made up of 293 staff of Dangote Cement Plc Gboko Plant and 554 customers of the company bringing the total population of the study to 847. Sample size was statistically determined with the use of Taro Yamane (1964)

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

Which gave us 272 as sample size.

The following five point's likert scale was used Strongly Agree (SA), Agree (A) Undecided (UD), Disagree (D) and strongly Disagree (SD).

## Data presentation, Analyses and Discussion of Findings

This section of the paper presents the data collected from the field, analyses and interprets the results.

**Table 4.1 Distribution and Retrieval of Questionnaires**

| Number of Questionaires distributed | Number of Questionaires retrieved | Number of Questionaires not retrieved | Number of Questionaires properly filled, returned and used in the analyses |
|---|---|---|---|
| 272 (100%) | 265 (97.4%) | 7(2.6%) | 265 (97.4%) |

The above table shows that 272 questionnaires were distributed to respondents, 265 or 97.4% were retrieved. Despite all efforts by the researchers, 7 questionnaires representing 2.6% could not be retrieved; therefore, only.265 questionnaires representing 97.4% were filled, retrieved and used in the data analyses.

**Table 4.2 Percentile Frequency Distribution of Respondents according to Gender**

| | Frequency | Percent | Valid Percent |
|---|---|---|---|
| Valid Male | 147 | 55.5 | 55.5 |
| Valid Female | 118 | 44.5 | 44.5 |
| Total | 265 | 100 | 100 |

The table presents information of respondents' gender distribution in frequency and percentage. The analyses indicate that the male respondents outnumbered their female counterparts. 147 respondents or 55.5% were male, while 118 or 44.45% were female. The essence of this table was to ensure that the number of respondents selected for the study was gender friendly.

**Hypothesis 1** supply chain management has no significant effect on sales turnover

| Responses | Frequency | Percentage |
|---|---|---|
| Strongly Agree | 87 | 32.8 |
| Agree | 93 | 35.1 |
| Undecided | 17 | 6.4 |
| Disagree | 43 | 16.2 |
| Strongly Disagree | 25 | 9.4 |
| Total | 265 | 100 |

**Table 4.3**

**ANOVA**

| Model | Sum of Squares | Df | Mean Square | F | Sig |
|---|---|---|---|---|---|
| Regression | 560.26 | 4 | 140.065 | 3043.188 | 6.000 |
| Residual | 11.967 | 260 | 0.046 | | |
| Total | 572.226 | 264 | | | |

R= 0.989, R2 = 0.979, Adjusted R2 = 0.979

b. Predictors (constant), supply chain management influences sales turnover.

R = 0.989 is a measure of the correlation between the observe value and the prediction value of the dependent variable. R2 = 0.979 R square is coefficient of multiple determination. The adjusted R = 0.979 is computed which takes into account the number of variables in the model and the number of observations (participants) our model is based on. Also, an ANOVA test was conducted to assess the overall significance of the model.

**Hypothesis 2** Timely delivery of products has no significant effect on customer retention.

| Responses | Frequency | Percentage |
|---|---|---|
| Strongly Agree | 73 | 27.5 |
| Agree | 96 | 36.2 |
| Undecided | 19 | 7.2 |
| Disagree | 47 | 17.7 |
| Strongly Disagree | 30 | 11.3 |
| **Total** | **265** | **100** |

**Table 4.4 Test of Hypotheses**

| | B | Standard Error | T | Sig | Remarks |
|---|---|---|---|---|---|
| Supply chain management has no significant effect on sales turnover | 0.045 | 0.037 | 1.233 | 0.000 | Rejected |
| Timely delivery of products has no significant effect on customer retention | 0.225 | 0.049 | 4.555 | 0.000 | Rejected |

## Discussion of Findings

The aim of the study was to interrogate the effect of distribution effectiveness on market share of Dangote Cement Plc, Gboko Plant.

The data analysis of the paper was based on the responses of the 265 respondents who dully filled and returned the copies of the questionnaire. The test of the first hypothesis reveals a significant positive relationship between supply chain management and sales turnover. This finding supports the views of Ferguson, (2000) who opines that firms are increasingly adopting supply chain management to reduce cost, increase market share and sales turnover.

The finding also agrees with Yeboah, Owusu, Boakye and Mensah, (2013) that distribution plays a vital role, primarily because it ultimately affects the sales turnover and profit margins of the organization.

Furthermore, the finding is in line with the views expressed by Keskinocak and Tayur, (2001) in Sreenivas and Srimvas, (2008) that the main goal of supply chain management is to deliver the correct product to the correct place at the correct time while maintaining cost effectiveness.

Result from the test of hypothesis two reveal a significant positive relationship between timely delivery of products and customer retention. The finding corroborates previous studies by Yeboah, Owusu, Boakye and Mensah (2013) that distribution plays a key role within the marketing mix, and the key to success is its successful integration within the mix, ensuring that customers get their products at the right place and at the right time. They noted that if the product cannot reach it chosen destination at the appropriate time, then it can erode competitive advantage and customer retention. The finding is also empirically supported by the views of Weiss and Gershon, (2002) who insisted that distribution connotes all the logistics involved in delivering a company's product or services to the right place, at the time and at the least cost.

## Conclusion

The overall objective of the study was to evaluate the effect of distribution effectiveness on market share of Dangote Cement Plc, Gboko Plant. Empirical findings from the study led to the outright rejection of hypothesis one and acceptance of the alternative hypothesis which states that supply chain management has positive significant effect on-sales turnover. It was further concluded that timely delivery of products of Dangote Cement Plc, Gboko Plant has positive significant relationship with customer retention of the giant cement manufacturer.

## Recommendations

Based on the findings and the conclusions made from the study, the researchers deemed it pertinent to make the following recommendations:

1. Dangote Cement Plc, Gboko Plant should continue to adopt supply chain management as a philosophy based on the firm belief that supply chain affects the performance of all the other chain members positively to reduce cost, increase sales and improve market share.
2. Dangote Cement Plc, Gboko Plant should ensure timely delivery of its product to enhance customers' retention. Timely delivery of products will ensure competitive advantage for the company.

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