ANALYSIS OF THE CONTRIBUTION OF PHYSICAL DISTRIBUTION COST TO PRICE IN MARKETING IN NIGERIA (A STUDY OF NIGERIA BOTTLING COMPANY PLC AND EMENITE LIMITED)

BY

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ABSTRACT

The efficient planning and co-ordination of physical distribution activities will make goods available at the right places and time or when and where needed. A well managed physical distribution can help to stabilize price, by making use of an efficient means of transportation and warehousing facilities, a manufacturer can make his goods available to consumers at far and near locations and all year round. Physical distribution also provides a very positive contribution to the value of a product, this is because physical distribution operations provide the means by which the product can reach the customer or end user in the appropriate condition and required location. It is therefore possible for companies to compete on the basis of providing a product either at the lowest possible cost, so that the customer will buy it because it is the least expensive or at the highest possible value to the customer, if it is exactly where and how the customer want it. However, physical distribution encompasses transportation, inventory management, order processing and warehousing. Hence, it was therefore pertinent to Analyze the contribution of physical distribution cost to price in marketing in Nigeria, using two selected manufacturing firms in Enugu state Nigeria. The study was done through the use of questionnaires with questions tailored towards: Determining the contribution of physical distribution function to marketing organizations overall cost in Nigeria, to ascertain the effect of environmental factors on physical distribution cost of marketing by manufacturing firms in Nigeria; to evaluate the impact of physical distribution function on the prices consumers pay for their product; to determine the impact of inventory management on physical distribution of manufacturing firms. Four hypotheses were tested using t-test, chi-square and linear regression statistical tools. The result of the analysis revealed that physical distribution function performed by marketing organizations contribute significantly to firms overall cost in Nigeria, it was also found that environmental factors do contribute significantly to physical distribution cost of marketing by manufacturing firms in Nigeria. The study also showed that physical distribution function do have an impact on prices consumers pay for their product, further results showed that inventory management has an impact on physical distribution of manufacturing firms. To this end, the study recommended that emphasis should focus on the total cost; reducing cost on one factor has the effect of increasing the costs of another factor by an amount saved, this should informative to manufacturers. Again, firms should look forth for those environmental factors that might cause an additional cost to the distribution system and ensure that they were put in order, to minimize cost. Also certain irrelevant charges like indiscriminate haulage expenses should be eliminated by the government; the reason is that much charges in the process of physical distribution often ends up increasing prices of products leaving the consumers to suffer. Furthermore, firms should maintain standard inventory management system, so that the need to achieve economic order quantity will be achieved. Also efficiency and effectiveness require that management be equipped properly with the newest technology; thus manufacturing firms should always equip their cost monitoring and control mechanism to be able to perform creditably. Moreover, cost of warehousing facilities can be controlled if government comes in to either build and lease out to manufacturers or provide the good incentives to do so. This study therefore calls on government to formulate and implement useful policy, such that will allow for easy flow of products from the manufacturing plant to the consumers.