

TITLE PAGE

**APPLICATION OF DISTRIBUTION STRATEGY IN MARKETING OF  
PETROLEUM PRODUCT IN PIPELINE AND PRODUCTS  
MARKETING COMPANY (PPMC) KADUNA**

**BY**

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**BEING A RESEARCH PROPOSAL SUBMITTED TO THE  
DEPARTMENT OF BUSINESS ADMINISTRATION, COLLEGE OF  
BUSINESS AND MANAGEMENT STUDIES (CBMS), IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF  
HIGHER NATIONAL DIPLOMA (HND) IN BUSINESS  
ADMINISTRATION AND MANAGEMENT  
KADUNA POLYTECHNIC, KADUNA**

**AUGUST, 2022**

## **DECLARATION**

I hereby declare that this project report is the product of my own research conducted under the guidance and supervision of Mal. Abu-Ubaidah A. Abubakar of the Department of Business Administration. I have neither copied someone else's work nor has any one done it for me. References made to published literatures have been duly acknowledged.

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Date

## APPROVAL PAGE

This is to certify that this research work titled “**Application Of Distribution Strategy in the Marketing of Petroleum Product in Pipeline Product Marketing Company Kaduna**” written by **Rilwan Ahmed KPT/CBMS/18/53127** has been read and approved as having met the requirements governing the preparation and presentation of project in Kaduna Polytechnic, it is hereby approved for its contribution to knowledge and literary presentation.

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## **DEDICATION**

This project is dedicated to Almighty Allah (SWT) for making it possible for me to undergone this programme successfully and to my Beloved Parents, May Allah SWT make Aljannah their final abode and to my entire families and friends. (Amin)

## **ACKNOWLEDGEMENT**

First and foremost, my profound gratitude goes to Almighty Allah (SWT) whose love, grace and guidance make it possible for me to overcome some challenges during the programme.

My tribute and gratitude also to my project supervisor Mal. Abu-Ubaidah A. Abubakar for his advice, courage, time granted to me, and for perfectly going through the script for necessary correction and direction towards the accomplishment of my project.

My sincere appreciation to my family.

I must recognize the effort of the following individuals, person like my HOD Mr. Tunde Lawal, Project Coordinator Dr. Ismaeel M. Anchau, My lecturers Musbau Yusuf (PhD), Sir Kayode Adejumo, Nasiru B. Wailare (PhD), Mrs Bukola Adeniyi, Mal Ibrahim Awwal, and others thank you all. May Almighty Allah bless them all, they mean positively in my life.

Finally, my acknowledgement goes to my entire course mates, thank you all.

## ABSTRACT

*This research project was carried out on the Application Of Distribution Strategy In The Marketing Of Petroleum Product in Pipeline Product Marketing Company Kaduna (PPMC). A Subsidiary of Nigerian National Petroleum Corporation (NNPC) Kaduna. The study is intended to examine to find out the impacts of applying distribution strategies on sales performance of Pipeline Products and Marketing Company Limited. And to assess the distribution pattern of petroleum products in Nigeria by the organization. The research study is carried out with the view to appraise and highlight the associated problems that militate against the smooth flow of the products to the final consumers. The researchers critically examined some existing bodies of knowledge and their views in relation to the research study being investigated. The research adopted the use of 5-point Likert rating scale as the decision rule; the range for acceptance is 3.0 and above while below 3.0 is rejected. Stratified sampling techniques are used as the procedures for data analysis and the result is presented on table and text explanation. The research used questionnaire to investigate the minds of respondents. The researcher summarized the whole work and conclusions were drawn as well as recommendations, among which are: PPMC should encourage effective bridging of petroleum products to areas of shortage to ensure the availability of the products in the country at all times and everywhere, necessary effort should be made to acquire adequate spare part for the proper maintenance of the pipeline, depots, and refinery , PPMC management should organize training, seminar, workshop, and indoctrination for marketers To educate, inform, and enlighten them to the NNPC/PPMC operations to improve efficiency in the distribution of petroleum product.*

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

The realization process of a marketing strategy of a company lies not only in achieving specific production goals and a proper communication with recipients during realization of the promotion phase. Its constant and very important factor is to provide finished products to customers. A basic condition for achieving goals set out in the trade is that the finished product meets the needs of the consumer, in particular it has a suitable form and it is delivered at the right time and place. To be compliant with this requirement means to take action and implement the elements included in the marketing-mix, which is the distribution of goods one of the processes of market support, containing within itself all the decisions and actions related to the manufacturer's communication with end customers. Intermediaries create marketing distribution channel. Distribution strategy can be also defined as marketing channels or market channels. A distribution channel is a group of depend on each other organisation units, which are taking part in process of flow of products or services form producers to buyers.

The functional aspect of the distribution strategy is seen as a way to connecting and ordering of agencies and intermediaries through which one or more streams are flowing. Most important streams in distribution strategy are: physical movement of completed products or services; actual transfer

of ownership laws among participants of the distribution; information about potential buyers, competition and demand; promotion; payments of invoices; negotiations; realization of orders; risk taking, shipping, transportation and storage of goods.

Some of these streams (the ownership rights, promotion, negotiation, risk, and product) flow to buyers, other (market information, payments, negotiations and contracts) to the producers. All of these flows are inevitable and the responsibility for each of them lies upon at least one organizational unit.

Distribution strategy is concerned with the manner in which products are moved to customers at a reduced price and satisfying customers demand or needs. In distribution strategy the customers are viewed as the final step in the chain of functions of the distribution effort for each channel members. In the large marketing organization where large units of products are distributed, a large vehicle, material handling and enough labourers will have to be provided for easy loading and un-loading to ease the job of distribution. Distribution in real sense is a link between the organization and the needing consumers.

The marketing of oil and petroleum has been going on since the discovery of crude oil in Nigeria in 1956 at Olobiri in River state. Petroleum production and export play a dominant role in Nigeria's economy, in 1975 marketing and distribution of petroleum product was entirely in private

hands, major marketing companies like Mobil Oil Corporation, Total, National, EIF e.t.c.

Distribution involves planning, implementing and controlling the flow of goods and materials from the point of origin to the point of use to meet customer's needs and want satisfaction. Distribution as element of marketing mix that creates place utility has today become a major marketing strategy used in manufacturing industries to enhance marketing effort. Distribution provides time and place utility and sets the stage for possession utility. Marketers can choose among many alternative ways of moving products to consumers. Thus the whole distribution is perhaps the least visible element of the marketing mix, it is among the most important strategic managerial system since it is one component of the firm's marketing mix. Thus, all the distribution decision choice of channels, distribution, logistics decisions, and so on is made to be consistent with the other aspects of the marketing programme for the product.

When the economy recovered from the earth quake couple with overall expansion of economic activities and unprecedented rise in the demand for petroleum products, private companies could not cope with the domestic demands of the products. This cause series of shortage in the country, government notice how important these products are to its citizens, they ventured into marketing and distribution of the products. Since 1965 up till

date petroleum products consumed locally were imported. This leads to worsen the situation.

In view of these the government of Nigeria, find solution to the problem through the construction of pipeline network, building of refineries and depot all over the country. Eromosele (2015) observed that after almost half a century of oil exploration in Nigeria, the oil industry is earning a mature status in comparison to other industries in the country such that significant progress has been made in terms of oils exploration and sale of crude oil abroad. Unfortunately, the domestic management of petroleum resources is fraught with a number of problems.

## **1.2 Statement of the Problem**

To identify the effectiveness of distribution which indicate the prompt delivery of manufactured products to the location where the demand for such products exists. However, distributions can bring about serious shortcomings to the organization. Pipeline Products Marketing Company (PPMC) is a petroleum company located in NNPC Kaduna and has been experiencing some difficult challenges in its distribution network as at 2009 due to the following factors outlined below:

Most of the company's distribution failed due to lack of effective supervision. Arbitrary fixing and variation in the domestic prices of these products, scarcity of petroleum products as a result of vandalization of oil

pipe lines. These problems outlined above have contributed to hinder the success of distribution of petroleum products.

This research work therefore attempts to look into the major distribution strategies of petroleum products in Nigeria with particular reference to PPMC in a bid to proffer lasting solution through recommendation to the problems of distribution in the area not adequate with the petroleum.

### **1.3 Objectives of the Study**

The main objective of the study is to find out the application of distribution strategy in the marketing of petroleum product in pipeline product marketing company Kaduna (PPMC). Other specific objectives are;-

- i. To find out the impacts of applying distribution strategies on sales performance of Pipeline Products and Marketing Company Limited.
- ii. To assess the distribution pattern of petroleum products in Nigeria.
- iii. To find out why physical distribution is important to the organizations and consumers.
- iv. To find out the problems encountered by the company in applying its distribution strategies.

## **1.4 Research Questions**

To access the distribution strategy in the Marketing of Oil and Petroleum Products and Pipeline Products Marketing Company (PPMC), the researcher has drawn up the following research questions.

- i. Does distribution strategies have any impact on sales performance of Pipeline products and marketing company limited?
- ii. What is the distribution pattern of petroleum products in Kaduna?
- iii. Why is physical distribution important to the organizations and customers?
- iv. What are the problems encountered by the company in applying its distribution strategy?

## **1.5 Significance of the Study**

The research work will help Kaduna refinery in enhancing their distribution strategies and marketing of oil and petroleum products in Pipeline products marketing company (PPMC). It will benefit student to carry on with further research work, it will also benefit the researcher in partial fulfillment of award of Higher National Diploma in Business Administration.

It is equally intended to serve as a reference material for students' research, and consultants who likely carryout a study on this subject matter.

## **1.6 Scope of the Study**

The research focuses on the Application of Distribution Strategy in the Marketing of Petroleum Product in Pipeline and Products Marketing Company (PPMC) Kaduna. The study finds out the impacts of applying distribution strategies on sales performance of Pipeline Products and Marketing Company Limited. Assess the distribution pattern of petroleum products in Nigeria. It also finds out why physical distribution is important to the organizations and consumers. This study covers the period of 2016- 2021.

## **1.7 Limitation of the Study**

In carrying out research of this nature, certain constraining factors are obvious; the research encountered some problems, which limited the capacity of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This section is concerned with the review of related literature, it will focus on the view and opinions of scholars and business executives in relations to distribution of a product movement of the product from the manufacturer to the end users has been receiving a lot attention in marketing oriented companies and business organizations, because of the importance in getting the product at the right place and at the right time. The major task of distribution is to make goods physically available to consumers.

#### **2.1 Distribution**

This is the marketing function that ensures that goods and services are made available at the points of need, for the consumer (Nwaizugbo 2018). According to Achison (2019), distribution is the actual movement of goods and services from the source of supply to the ultimate consumer. Distribution makes the time, place and possession of utilities possible, and this goes to support the statement that production is not complete until the goods produced gets to the final consumer. Apart from the cost of raw materials, the cost of distribution is a very significant item in the final price of any product.



Nwokoye (2018) viewed distribution as a process of making goods physically available to buyers which bridges the gaps of space and time between production and use or consumption.

Distribution which is referred to as place means all aspects related to how goods and services are moved from the producers to the end user. This means the coordination of retailer and or wholesalers and in the case of products the logistics involved in moving from factory/warehoused head office, to the end user.

Edwards (2019), define distribution strategy as a plan created by the manufacturing department of a company that outlines how the company aims to make its products available to retailers, intermediaries and consumers. The strategy focuses on the location of the target market, transportation and the storage of the stock.

According to Achison (2019) distribution is the actual movement of goods and services from the source of supply to the ultimate consumer. Distribution makes the time, place and possession of utilities possible, and this goes to support the statement that production is not complete until the goods produced gets to the final consumer. Apart from the cost of raw materials, the cost of distribution is a very significant item in the final price of any product.

### **2.1.1 Distribution Strategies**

Distribution strategy is related with determining long-term goals and concepts of activities in response to expected changes in environment and organization of cooperation with partners, which decide to distribute the company's product on the market and offer it for sale. Strategy of intense distribution the producer aims at providing the broadest availability of products on the market. Usually, it requires the help of many intermediaries, i.e. different distribution channels. These channels should be long and broad. Such strategies are most often used on the European Union market.

Selective distribution strategy is used by companies which offer selectable rather than goods which are bought. The number of sale links and distribution channels is lower. Distribution links are most often selected with regard to quality of services, because they must fulfill higher than usually criteria associated with sale of particular goods.

Exclusive distribution strategy: concerns goods of episodic purchase. The producer usually gives the right to sell its products only to one intermediary on the particular area. Thanks to that, it has control over the quality of distribution of product.

It is often a case that distributors themselves cooperate in order to supplement missing links in distribution channel. Competing companies cooperate in order to improve the quality of services.

Producer who wants to sell its product may use one of two strategies which are connected with a flow of promotion streams in distributions channels.

- i. **Pushing strategy:** Marketing effort is directed on establishing incentives for wholesalers and retailers, which encourage them to work with the company, offer its product brands in own assortment, maintain low inventory, and appropriately expose products in shops. The aim is to achieve voluntary cooperation by offering attractive trade conditions, i.e. higher margins, quantity discounts, promotion funds, samples and product models to use in shops. The key element of promotion-mix used in this strategy is personal sale and personal communication. The role of sale representatives and sale specialists in this case is especially important.
- ii. **Attracting strategy:** The producer concentrates its communications activities on final consumers and omits intermediaries. It aims at creating demand for products of the company among potential clients which belong to target market segment. The aim of this strategy is to create among final purchasers large demand and loyalty towards the brand in order to create a situation, in which the interest of client forces intermediaries to sell these brands. The producer concentrates its activities and funds on advertisement in media, promotion addressed to consumers and direct marketing. The strategic goal of producers is to

neutralize bargaining power of intermediaries, which can block the access to market. Companies can adopt different rules of dealing with suppliers. Adopted rules can be formed in a marketing strategy. This approach includes the choice of:

- Suppliers, that is the number and features which will be typical for these suppliers,
- Methods of influencing suppliers, with which the company wants to establish and maintain relationship.

## **2.2 Function of Distribution Strategies**

The main functions of distribution strategies are to provide a link between production and consumption. According to Wilson (2018) organizations that form any part of a distribution channel perform many key functions. These functions include the following:

- **Information:** This entails the gathering and disbursing of information in the market through market research and intelligence that is relevant for marketing planning.
- **Promotion:** Developing and spreading communications about offers and sales promotional activities to the market.
- **Contact:** Finding and communicating with prospective customers about the features and benefits of a product to consumers.

- **Matching:** This involves an adjustment in the offer of product features in order to fit the needs of a buyer. It entails matching a product to a customer in terms of grading, assembling and packaging.
- **Negotiation:** Reaching agreements on price and other terms of the offer to customers.
- **Physical distribution:** This involves the transportation and storage of goods.
- **Financing:** Acquiring and using to cover the costs of the distribution channel or system
- **Risk taking:** Assuming some commercial risks by operating the distribution system. Such risks include holding stock, tie-down capital, insurance risks etc.

Furthermore, the aforementioned functions can to be undertaken in any given market. However, the question is which channel member or intermediary performs these functions. The level of intermediaries in the distribution channel determines the cost effectiveness and role played by middlemen in the distribution system.

### **2.3 Objectives of Distribution Channel**

The producer normally has clear marketing objectives that he will want the chosen channel of distribution to achieve. Some of these objectives as listed by Obaji (2011) are as follows:

- i. Appropriate and adequate distribution

- ii. Capability
  - iii. Relative cost effectiveness in access and transaction
  - iv. Cost effectiveness of customer service
  - v. Reseller motivation
- i. **Appropriate and adequate distribution:** The producer will use his channel of distribution to achieve the level of product distribution that meets his objective for market penetration, market share and competitive position.
  - ii. **Capability:** The distribution channel used must be capable of giving access to the target segments of the channels demographic areas.
  - iii. **Relative cost effectiveness in access and transaction value:** The producer will attempt to use a channel of distribution which yields some net benefit or disadvantage relative to the cost or disadvantage incurred in employing it. The objective will be to maximize the benefits to be obtained given any particular level of cost or disadvantage incurred.
  - iv. **Cost effectiveness of customer service:** The producer will have to balance the cost of providing necessary level of service to the customer within his channel of distribution against the marketing and competitive benefit to be gained by offering an accessible and efficient standard of customer service.
  - v. **Reseller motivation:** This involves determining how the distribution is to be motivated into achieving consistent and effective sales (Obaji, 2019).

### **2.3.1 Channel Decisions in Relation to Marketing Strategy**

Decisions relating to the channels of distribution for a product or service are part of the strategic marketing plan. In that plan, the target market will have been specified along with target levels of market share, market coverage, customer service and so on. The channels of distribution used by an organisation must be capable of assisting in reaching these targets. Moreover, the establishment of a distribution system can take a long time, perhaps several years, and so decisions about the channels of distribution cannot be taken lightly, and have to be taken with a view to the longer term since it is not usually that easy to switch between channels.

Distribution channel may be seen as a set of firms and individuals that take title, or assist in transferring title, to a good or service as it moves from the producer to the final consumer or industrial user.” The importance of channel decisions has not always been recognised. For a long time, marketers only gave thought to appropriate channels of distribution after the product had been developed. However, Bennett (2014) claims that in today's competitive and increasingly global marketplace, managers’ plan for product distribution as they plan their products.” The same author goes on to state that modern distribution systems are based on strategic planning, adhere to the marketing concept, focus on target markets, and are consistent and flexible.”

- i. **Strategic planning:** Distribution channels must be compatible with the strategic marketing plan. If, for instance, a skimming strategy has been adopted or the product requires technical sales support, then mass marketing is probably inappropriate. Alternatively, if large volume sales are required in order to achieve particular profit targets, then selective distribution would be inappropriate.

As new products are introduced, existing channels have to be reassessed since they may not be the right channels for the new product. In some cases, a company will decide not to launch a new product because it does not fit in with existing distribution channels and existing strategy. It can happen that as the product proceeds through its life cycle the appropriateness of the distribution channel can change. When developing the strategy, thought should be given to how the needs of the product might differ over its life span.

An organization's distribution strategy is often interconnected with its promotional strategy. The distribution system can be depicted as a channel through which products and services move from producer to end user. If the agribusiness concerned believes that its product(s) can be meaningfully differentiated from others on the market, then it may elect to direct the greater part of its promotional effort towards end users. This is termed a pull strategy, whereby the objective is to create such a strong preference for the product among end users that the resulting demand



pulls the product through the channel of distribution. Where the product is perceived by end users to be a commodity (or one where there is little difference between brands) then the channel strategy of the agribusiness may be to target much of its promotional effort on intermediaries. If intermediaries can be persuaded to stock the product, in preference to those of competitors, then when customers visit a sales outlet and ask for a product by its generic name it is the product of the company which is supplied. This is termed a push strategy. In practice, the promotional strategies of most agribusinesses will be a combination of pulling and pushing the product through the channel of distribution, but there is likely to be more emphasis on one or the other.

- ii. **Adherence to the marketing concept:** Agribusinesses which themselves have adopted the marketing concept often experience a problem when their products and services have to be delivered to the end user through intermediaries who are more sales than market-oriented. This should be one of the primary criteria when selecting distributors, i.e. the degree of market orientation. In many cases, the producer or supplier will find it difficult to find market oriented intermediaries and in these instances will have to embark on training and education programmes.
- iii. **Target marketing:** Another important criterion on the selection of distribution channels is the extent to which these focus on the specific market segments that the producer or supplier wishes to penetrate. For

example, Sri Lanka's Farm Service Centers distribute a wide range of agricultural inputs to smallholders but do very little business with plantations and estates. Therefore, Farm Service Centers would be the wrong type of outlet to handle, say, coconut or tea harvesting equipment since these crops are mainly grown on large estates or plantations (Bennett, 2019).

Thus, it can be seen that channel decisions are central to the organization's overall marketing strategy. Bennett puts it succinctly when he makes the point that Channels are interlocking, highly interdependent, and often complex. Effective distribution is not a patchwork quilt of randomly selected channel members; rather it requires a carefully planned network whose members have clearly assigned functions. The flow of products from manufacturer to wholesaler to retailer to the final buyer depends on systematic, strategic planning and management.

## **2.4 Selecting the Types of Channel**

Most distribution channels include middlemen while some do not. A channel consisting only of producer and final consumer with no middlemen providing assistance is called direct distribution. In contrast, a channel that is made up of producer and final consumer is direct channel while the channel that has at least one level of middlemen represents indirect distribution. Most times direct distribution calls for selection. A producer must determine the type(s) of middlemen that will best serve its

needs, affect the participation of one channel. Peter (2019) identifies four bases for channel alternatives:

- i. Number of levels;
- ii. Intensity at the various levels;
- iii. Types of intermediaries at each level; and
- iv. Application of selection criterion to channel alternatives.

**i. Number of Levels**

Channels can range in levels from two to several (five being typical). The two-level channel (producer to consumer) is a direct channel and is possible only if the producer or customers are willing to perform several of the tasks performed by intermediaries. The number of levels in a particular industry might be the same for all the companies in that industry by virtue of tradition. In some industries, this dimension is more flexible and subject to rapid changes (Peter, 2019). The type of product dictates the number of marketing channels to use. For example, a perishable item must get to the consumer on a timely basis therefore the marketing channels would have to be as short and direct as possible.

**ii. Intensity at various levels**

Once the number of levels is decided, the channel manager must determine the actual number of channel components involved at each level. How many retailers and wholesalers in a particular market should

be included in the distribution network? Although there are limitless possibilities, the categories below describe the general alternatives:

- Exclusive distribution (Ethan Allen and Drexel Heritage Furniture);
- Intensive distribution (candy);
- Selective distribution (Baskin-Robbins).

### **iii. Types of Intermediaries at each Levels**

There are several types of intermediaries that operate in a particular channel system. The objective is to gather enough information to have a general understanding of the distribution tasks these intermediaries perform. Based on this background information, several alternatives will be eliminated. Having identified several possible alternative channel structures, the channel manager is now at a place where he or she can evaluate these alternatives with respect to a set of criteria. Company factors, environmental trends, reputation of the reseller, experience of reseller are few examples. etc. (Peter, 2019).

In a nutshell Emedosibe (2018), in regardless of the channel framework selected, channels usually perform better if someone is in charge, providing some level of leadership. Essentially, the purpose of this leadership is to coordinate the goals and efforts of channel institutions. The level of leadership can range from very passive to quite active-verging on dictatorial. The style may range from very negative, based on fear and punishment, to very positive, based on encouragement and

reward. In a given situation, any of these leadership styles may prove effective.

Given the restrictions inherent in channel leadership, the final question is always "who should lead the channel" Two important trends are worth noting, since they influence the answer. First, if we look at the early years of marketing, i.e. the role of the wholesaler (to bring the producer and consumer together) was most vital. Consequently, during this period, the wholesaler led most channels. This is no longer true. A second trend is the apparent strategy of both manufacturers and retailers to exert power through size. In a type of business cold war, manufacturers and retailers are constantly trying to match each other's size. The result has been some serious warfare to gain channel superiority. Under which conditions should the manufacturers lead? The wholesaler? The retailer? While the answer is contingent upon many factors, in general, the manufacturer should lead if control of the product (merchandising, repair) is critical and if the design and redesign of the channel is best done by the manufacturer.

The wholesaler should lead where the manufacturers and retailers have remained small in size, large in number, relatively scattered geographically, are financially weak, and lack marketing expertise. The retailer should lead when product development and demand stimulation

are relatively unimportant and when personal attention to the customer is important, Emedosibe (2018).

#### **2.4.1 Evaluating Channel Member Performance**

The need to evaluate the performance level of the channel members is just as important as the evaluation of the other marketing functions. Clearly, the marketing mix is quite interdependent and the failure of one component can cause the failure of the whole. There is one important difference; the channel member is dealing with independent business firms, rather than employees and activities under the control of the channel member, and their willingness to change is lacking. Sales are the most popular performance criteria used in channel evaluation. Sales might further be subdivided into current sales compared with historical sales, comparisons of sales with other channel members, and comparisons of the channel member's sales with predetermined quotas. Other possible performance criteria include maintenance of adequate inventory, selling capabilities, attitudes of channel intermediaries toward the product, competition from other intermediaries and from other product lines carried by the manufacturer's own channel members.

### **2.5 Petroleum Products Distribution in Nigeria and the Role of Oil Marketers**

Product is an important element of the marketing mix, according to Eze and Onodugo (2019) a product is anything that can be offered to a market

for attention, acquisition, use or consumption which might satisfy a want or need. It includes physical object and intangible objects. From the above conception petroleum and its bye products may include the following:

- i. Premium Motor Spirit (PMS or petrol)
- ii. Automotive Gas Oil (AGO or diesel)
- iii. Household Kerosene (HHK) e.t.c.

The world runs on petroleum, and the range of products produced from oil is almost endless. Motor fuels and heating fuels account for more than two-thirds of the product yield from a barrel of oil, and Nigerian's independent petroleum marketers play an important role in the distribution of those products. They are a vital link in the nation's petroleum marketing chain. Collectively, Nigerian's more than 5,000 independent petroleum marketers sell approximately 50 percent of the gasoline, 60 percent of the diesel fuel and 75 percent of the home heating oil in this country each year (Brent, 2019).

## **2.6 Challenges of Petroleum Product Distribution in Nigeria**

The distribution of petroleum products is facing a lot of challenges in the Nigerian environment. In fact the environment surrounding petroleum products distribution in Nigeria is challenging and begs for immediate solutions. The low capacity utilization of government owned refineries and petrochemical plants in Kaduna, Warri and Port Harcourt poses a lot

of challenge to NNPC. It is the low capacity utilization that often result into petroleum product shortage and eventual importation of the products a situation that puts a drain on the scarce foreign exchange of the nation.

As observed by Oladele (2018) there has been inadequate crude oil allocation to the refineries for domestic consumption. This situation also leads to under utilization of the four refineries with the attendant shortage of refined products for domestic consumption. One need to recount the despair, neglect and repeated vandalization of the state-run petroleum products pipelines and oil movement infrastructure nationwide, coupled with frequent accidents of haulage trucks on the nations heavily used high ways. All these pose complex problems to managers, and operators in the oil industry.

The collateral damage of institutionalized corruption with the frightening emergence of a local nouveau riche oil mafia that controls and coordinate crude-oil, and buying over the established petroleum companies and changing established names and logo of these companies should be a major concern to the future of the Nigerian oil industry. From the NNPC statistical bulletin, 65% of the total sales of petroleum products are usually under taken by the major oil companies, while the independent marketing companies usually sell the remaining 35%. There has been contention over the determination of pump price of petroleum products. Curiously, during a period of almost fifty (50) years when the petroleum



marketing companies sourced for the products themselves transported and distributed them using their own distribution channels. (Christopher and Adepoju, 2018).

## **2.7 Strategies used for the Distribution of Petroleum Product in Nigeria**

Stanton and Blaker (2018) opined that distribution strategies consist of having a well thought out distribution strategy means that you can get your products and services to your customers as efficiently as possible. A solid distribution strategy covers many different factors, but here are some specific tips that can help you develop a good distribution strategy for petroleum product.

- i. Business model
- ii. Potential distribution partners
- iii. Price point affects distribution strategy
- iv. Logistics must be considered when outlining distribution strategy
- v. Control and efficiency metrics

### **i. Business Model**

The first thing you have to consider when you're setting up your distribution strategy is your business model. Your business model greatly affects your marketing strategy. Who's your target audience? What kind of products do you sell? What is the distribution plan of your competitors? Are your products fragile? Do you manufacture your own products? Where's your company located? Where are your customers

located? All these questions have to be carefully considered before you can set up a strong distribution strategy. Your business model should be carefully considered first, so that you can have the right frame of mind regarding your distribution strategies.

## **ii. Potential Distribution Partners**

Whenever you're setting up your distribution strategy, you'll want to think about possible distribution partners. Through careful research, you'll be able to locate the individuals and companies who can help you distribute your goods and services to your customers. A great place to start is by carefully looking at the distribution partners of your top competitors. Who are they using to distribute their products? What companies and individuals are they using to help move their products and services across the country efficiently? By carefully selecting your distribution partners you can be sure that your distribution channels are free from that common problem that occurs when you have poor distribution partners.

## **iii. Price Point Affects Distribution Strategy**

Probably the largest factor that affects your distribution strategy is your product price point. How you price your product and how your customers pay for your product has a big impact on your distribution costs. If your product is expensive to ship it will greatly affect how you deal with your distribution partners. Is your product fragile? You may have to plan for a

certain amount of breakage which could drive your price point up. Your price point will greatly affect your distribution strategy because your price point is often directly tied to your distribution costs.

**iv. Logistics Must Be Considered When Outlining Distribution Strategy**

There are many different critical logistics that you have to consider when you're distributing your products and services. Certain things, like the distance from your customers to your warehouse, or the types of products and services you sell, are critical logistics that must be outlined. Make a list of critical logistics that affect the delivery and quality of your products and make sure that you factor these things in to your overall distribution strategy.

**v. Control and Efficiency Metrics**

In order to maintain a good distribution strategy, you need to know who is in control. Who is responsible for accurately measuring the efficiency of your distribution channels? Who is responsible for making sure that your products and services are being delivered to your customers as carefully as possible so that quality is not compromised? By making sure you know who is in control, and what metrics they are using to measure efficiency, you can be sure that your product distribution strategy is consistently improving.

A Strong Distribution Strategy Comes From Careful Planning by carefully considering these five tips, you can be sure that your

distribution strategy is strong, and that your products and services are reaching your customers as quickly as possible, while maintaining the highest quality and efficiency.

## **2.8 Summary of the Chapter**

The primary focus of this chapter has been on the theory of marketing communications, which was contextualized by commencing with a brief overview of the marketing strategy of the organization. This was followed by establishing the role and place of promotion in the marketing mix. Distribution strategy is related with determining long-term goals and concepts of activities in response to expected changes in environment and organization of cooperation with partners, which decide to distribute the company's product on the market and offer it for sale.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter revealing the method used in conducting this research work which includes area of the area of study, research design, population sampling, instrument for data collection, administration of the instrument and techniques for data analysis.

#### **3.2 Research Design**

The research design adopted for this study is the descriptive research design. The descriptive research design is often used in describing the extent of association between two or more variables. The information obtained from descriptive research design is useful for drawing inference and predicating full relationships. The researcher made use of this research design because it is more appropriate and convenient for the study under consideration. And also allow the researcher to administer a set of a questionnaire to a sample from a population of interest.

#### **3.3 Area of the Study**

The research is conducted in the Petroleum and Product Marketing Company Kaduna (PPMC), a subsidiary of Nigerian National Petroleum Corporation (NNPC) Kachia Road, Chikun Local Government Area of Kaduna state.

### **3.4 Population of the Study**

The research study population comprises of all the members of staff of PPMC. Kaduna branch which has a total population of One Hundred staffs (100).

### **3.5 Sample Size and Sample Techniques**

The sample size of the research work is eighty (80) people comprising both males and female staffs of PPMC Kaduna. The researcher used random sampling technique to select the respondent in the population. In the study, the survey method is used to select the respondent because it give chance of being selected, pieces of paper is numbered and drop in a can. Those who picked odd number will be selected as respondent for the study.

Out of a total population of 100 members of PPMC Kaduna, the sample size for the study is 80 according to Crecy & Morgan (1970) sample size table in Marteins (2020) will be used (Appendix III). To determine the sample size on the total population of 100 respondents, the researcher used Crecy and Morgan table. Using this table the sample of 80 respondents of PPMC Kaduna will be surveyed. Therefore, 80 questionnaires will be distributed to ascertain the fact about the application of distribution strategy in marketing of petroleum product in pipeline and products marketing company (PPMC) Kaduna.

### 3.6 Instrument for Data Collection

The instruments used for data collection is questionnaire, observation and interview. The questionnaire therefore was structured using 5point Likert Scale of strongly agree, Agree, Undecided, Disagree, and Strongly disagree with the rating scale of 5-1 respectively.

Decision rule table of 5 scale point

	<b>SA</b>	<b>A</b>	<b>UD</b>	<b>D</b>	<b>SD</b>
Grade point	5	4	3	2	1
Range	4.50-5.49	3.50-4.49	2.50-3.49	1.50-2.49	0.50-1.49

**Key:**

SA = Strongly Agree

A = Agree

U = Undecided

D = Disagree

SD = Strongly Disagree

#### **Decision Rule**

Therefore the mean score of 3.0 and above will be regarded as agreed, while points below a mean average of 3.0 will be regarded as disagreed.

### 3.7 Validation of the Instrument

According to Kerlinger (2018), validation by other is an effective method for content validation of research instrument consequently, the questionnaire were validated by three experts (Mal. Abu-Ubaidah A.

Abubakar, Mal. Usman Kandi and Mr. Kayode Adejumo) in the Department of Business Administration, Kaduna Polytechnic. They were requested to judge the appropriateness, comprehensiveness and clarity of items in the questionnaire. Their contributions in form of suggestions and constructive criticisms were used in the final draft.

### **3.8 Reliability of the Instrument**

To obtain reliability for factual questions, Oppenheim (2018) suggests that internal checks in the form of logical test in the questionnaire should be included. In line with this, a number of questions were built into the questionnaire to give a clue to the respondent's consistency of responses.

In order to assess the reliability of the instrument (questionnaire), the researcher employ test retest techniques of validity test; in this case, the researcher first distributed fifty (50) copies of the questionnaire to the respondents and retrieved them back in order to assess whether the respondents actually understand the contents of the questionnaire or not, and make any necessary correction there-from, before the administration of the main questionnaire the responses to which were presented and analyzed for the purpose of this study.

### **3.9 Method of Data Collection**

The researcher personally collected all the data for the study from the staff of PPMC Kaduna branch. After distributing the questionnaire,



respondents were given five days to fill the questionnaire. This time frame was given in order to good be opportunity to the respondents to reflect on the items generated on the questionnaire to facilitate valid response.

### **3.10 Method of Data Analysis and Presentation**

The data collected was analyzed using frequency distribution table and simple mean and the respondents' opinion will be incorporated to answer the research questions whether they will agree or disagree with the results, hence the responses will be analyzed and discussed, using the five point likert scale.

The formula for mean (x)  $= \frac{\sum fx}{\sum f}$

Where f = Frequency

x = Variables

x = Mean

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Introduction

This chapter is based on the data and information collected by the researcher through the questionnaires being administered to the respondents. As earlier mentioned in the previous chapter, the Likert five point rating scale approach with a mean score of 3.0 as cutoff mark was used for analyzing and presentation of result. It also from the decision rule as the mean score 3.0 and above is regarded as adequate and 3.0 below as inadequate. The following acronyms are used for responses option.

SA	=	Strongly agree	5
A	=	Agree	4
U	=	Undecided	3
D	=	Disagree	2
SD	=	Strongly disagree	1
X	=	Mean	
N	=	Population of the study	$\frac{5+4+3+2+1}{5} = 15/5 = 3.0$
Mean X		$\frac{\sum x}{n}$	

Mean is the total respondent under which each acronym have added together and divided by the number of questionnaire that was analysed.

## 4.2 Characteristics of Respondents

Table 4.1: Sex of the respondents

Sex	Frequency	Percentage
Male	29	60
Female	21	40
Total	50	100

Source: Field work, 2022

The table above shows the sex of the respondents of the management staff of KRPC. 12 respondents representing 60% are male and 40% of the respondents are female representing 8.

Table 4.2: Marital status of the respondents

Marital Status	Frequency	Percentage
Single	10	25
Married	31	65
Divorced	8	5
Widowed	1	5
Total	50	100

Source: Field work, 2022

The table above show the marital status of the respondents, 5 respondents representing 25% are single, 13 respondents representing 65% are married and 5% of the respondents representing 1 are divorced and widow in the organization.

Table 4.3: Educational qualification of the respondents

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
SSCE/NECO	5	10
ND/NCE	7	15
B.Sc./HND	23	50
PGD and others	15	25
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Field work, 2022

From the table above 2 respondents representing 10% are SSCE/NECO holder, 3 respondents representing 15% are ND/NCE holder, B.Sc./HND 10 respondents representing 50% and PGD and others are 5 respondents representing 25%.

#### 4.3 Data presentation and analysis of data

In the process of data collection which lead to the analysis and presentation, fifty (50) questionnaires were distributed and administered in which all were returned by the respondents.

**Research Question 1: How does distribution strategy have impact on sales performance in your organization?**

**Table 1**

S/N	Variable	SA	A	U	D	SD	X	Remark
1	To ensure adequate and reliable supply of petroleum products	15	25	8	2	-	4.1	Accepted
2	To maximize profit	40	10	-	-	-	4.8	Accepted
3	To provide excellent customer service	25	25	-	-	-	4.5	Accepted
4	To render social service to the people	20	30	-	-	-	4.4	Accepted
5	All of the above	20	15	5	10	-	3.9	Accepted

**Source:** *Questionnaire administered, 2022*

The table above shows the responses of the respondents on how distribution strategy has impact on sales performance in their organization. The responses to the question are to ensure adequate and reliable supply of petroleum product which as the means score of 4.1 which is accepted by the respondents, in the variable two to maximize profit the respondents agreed with the means score of 4.8 is also accepted by the respondents, in variable three the items to provide excellent

customer service has the means score of 4.5 which is also agreed by the respondents. The variable 4 to render social service to the people has a means score of 4.4 is accepted by the respondents and the last variable in the table all of the above which is also agreed by the respondents with 3.9 which is above the cut point. This implies that distribution strategy has impact on sales performance in the organization.

**Research question 2: What pattern does your company use in getting petroleum products to your respective customers?**

**Table 2**

S/N	Variable	SA	A	U	D	SD	X	Remark
6	Cash and carry pattern is used in getting petroleum product to your respective customer	15	25	8	2	-	4.1	Accepted
7	Allocation quota pattern is used in getting petroleum product to your respective customer	40	10	-	-	-	4.8	Accepted
8	On credit allocations pattern is used in getting petroleum product to your respective customer	25	25	-	-	-	4.5	Accepted
9	All of the above	20	30	-	-	-	4.4	Accepted

**Source:** Questionnaire administered, 2022

The table above shows the responses of the respondents on pattern in which company use in getting petroleum products to the respective customers. The responses to the question are cash and carry pattern is used in getting petroleum product to your respective customer which as the mean score of 4.1 which is accepted by the respondents, in the variable two allocation quota pattern is used in getting petroleum product to your respective customer the respondents agreed with the means score of 4.8 is also accepted by the respondents, in variable three the items on

credit allocations pattern is used in getting petroleum product to your respective customer has the means score of 4.5 which is also agreed by the respondents. The variable 4 all of the above a means score of 4.4 is accepted by the respondents. This pattern does your company use in getting petroleum products to their organization respective customers.

**Research question 3: Through which method do you rate the importance of physical distribution to organization and customers?**

**Table 3**

S/N	Variable	SA	A	U	D	SD	X	Remark
10	Through customer service	25	25	-	-	-	4.5	Accepted
11	Through order processing	20	30	-	-	-	4.4	Accepted
12	Through inventory control	20	15	5	10	-	3.9	Accepted
13	Through transportation and logistics	15	25	8	2	-	4.1	Accepted
14	All of the above	40	10	-	-	-	4.8	Accepted

**Source:** Questionnaire administered, 2022

The table above shows the responses of the respondents on through which method do you rate the importance of physical distribution to organization and customer. The responses to the question are through customer services which as the mean score of 4.5 which is accepted by the respondents, in the variable two through order processing the respondents agreed with the means score of 4.4 is also accepted by the respondents, in variable three the items through inventory control has the means score of 3.9 which is also agreed by the respondents. The variable 4 through transportation and logistics has a means score of 4.1 is accepted by the respondents and the last variable in the table all of the above which is also agreed by the respondents with 4.8 which is above the cut point.

**Research question 4: What are the problems encountered by the company in applying its distribution strategies?**

**Table 4**

S/N	Variable	SA	A	U	D	SD	X	Remark
15	Having lots of content, but no audience	25	25	-	-	-	4.5	Accepted
16	Hamstrung by legal and compliance issues	20	30	-	-	-	4.4	Accepted
17	Have big plans, but few resources	20	15	5	10	-	3.9	Accepted
18	Jack-of-all-trades	15	25	8	2	-	4.1	Accepted
19	Have content performance issues	40	10	-	-	-	4.8	Accepted
20	All of the above	20	15	5	10	-	3.9	Accepted

**Source:** Questionnaire administered, 2022

The research questions four which state the problems encountered by the company in applying its distribution strategies. The table shows that responses of the respondents on having lots of content, but no audience which as the means score of 4.5 which is accepted by the respondents, in the variable two hamstrung by legal and compliance issues the respondents agreed with the means score of 4.4 is also accepted by the respondents, in variable three the items have big plans, but few resources has the means score of 3.9 which is also agreed by the respondents. The variable 4 jack-of-all-trades has a means score of 4.1 is accepted by the respondents and the variable 5 in the table stated the content performance issues, with the mean score 4.8 above cut point. Finally, variable 6 is all agreed by the respondents that all the above stated problems are encountered by the organization in applying distribution strategies.

#### **4.4 Summary of Findings**

The findings from the study revealed that distribution strategies is an essential variable in any marketing oriented organization since production of goods and services is said to be in completed until the products are made available to the final customer.

It was also discovered that the function of distribution in any organization, it ensures smooth flow of goods from the point of production to the final consumers.

The study also indicated that the distribution strategy of petroleum products being carried out by KRPC Kaduna area is geared to ensure an effective and efficient flow and availability of the products across the country via the major and the independent petroleum marketers who are the distributors of petroleum products.

The findings finally revealed that distribution of petroleum products in Nigeria has been greatly enhanced by the pipelines network that span across the country.

#### **4.5 Discussion of findings**

**Research Question1: How does distribution strategy have impact on sales performance in your organization?**

The study shows the responses of the respondents on how distribution strategy has impact on sales performance in their organization. The responses to the question are to ensure adequate and reliable supply of



petroleum product which has the mean score of 4.1 which is accepted by the respondents, in the variable two to maximize profit the respondents agreed with the mean score of 4.8 is also accepted by the respondents, invariable three the items to provide excellent customer service has the mean score of 4.5 which is also agreed by the respondents. The variable 4 to render social service to the people has a mean score of 4.4 is accepted by the respondents and the last variable in the table all of the above which is also agreed by the respondents with 3.9 which is above the cut point. This implies that distribution strategy has impact on sales performance in the organization.

**Research question 2: What pattern does your company use in getting petroleum products to your respective customers?**

The study shows the responses of the respondents on pattern in which company use in getting petroleum products to the respective customers. The responses to the question are cash and carry pattern is used in getting petroleum product to your respective customer which as the mean score of 4.1 which is accepted by the respondents, in the variable two allocation quota pattern is used in getting petroleum product to your respective customer the respondents agreed with the mean score of 4.8 is also accepted by the respondents, in variable three the items on credit allocations pattern is used in getting petroleum product to your respective customer has the mean score of 4.5 which is also agreed by the respondents. The variable 4 all of the above a mean score of 4.4 is

accepted by the respondents. This pattern does your company use in getting petroleum products to their organization respective customers.

**Research question 3: Through which method do you rate the importance of physical distribution to organization and customers?**

The study shows the responses of the respondents on through which method do you rate the importance of physical distribution to organization and customer. The responses to the question are through customer services which has the mean score of 4.5 which is accepted by the respondents, in the variable two through order processing the respondents agreed with the mean score of 4.4 is also accepted by the respondents, in variable three the items through inventory control has the mean score of 3.9 which is also agreed by the respondents. The variable 4 through transportation and logistics has a mean score of 4.1 is accepted by the respondents and the last variable in the table all of the above which is also agreed by the respondents with 4.8 which is above the cut point.

**Research question 4: What are the problems encountered by the company in applying its distribution strategies?**

The research questions four which state the problems encountered by the company in applying its distribution strategies. The study shows that responses of the respondents on having lots of content, but no audience which has the mean score of 4.5 which is accepted by the respondents, in the variable two hamstrung by legal and compliance issues the respondents agreed with the mean score of 4.4 is also accepted by the

respondents, in variable three the items have big plans, but few resources has the mean score of 3.9 which is also agreed by the respondents. The variable 4 jack-of-all-trades has a mean score of 4.1 is accepted by the respondents and the variable 5 in the table stated the content performance issues, with the mean score 4.8 above cut point. Finally, variable 6 is all agreed by the respondents that all the above stated problems are encountered by the organization in applying distribution strategies.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter reviews some fundamental contributions towards facilitating the distribution strategy of petroleum product in pipeline product marketing company as well as the application of the distribution strategy in Kaduna and Nigeria at large.

#### **5.2 Summary**

This research work had attempted to probe into the distribution pattern of petroleum products with particular reference to the Kaduna Refining Petrochemical Company, a subsidiary of Nigerian National Petroleum Corporation (NNPC).

The study investigated how KRPC goes about carrying out distribution pattern and identified some inherent problem that militate against the efficient and effective distribution from these products and made recommendations.

Distribution strategy involves the movement of products in all stages of development, from resource procurement through manufacturing and on to final sales. It reduces the distance between buyer and seller, thereby providing time and place utility.

There are a number of alternative routes or networks of intermediaries channels of distribution through which products can travel on their way to

their users. Channel that employ no intermediaries are “direct” or “short” channels. As channels employ more intermediaries they become indirect and longer.

### **5.3 Conclusion**

To conclude this research work, emphatically, distribution plays an important role in any organization that is suffice to say, production cannot be complete until the finished goods get to the final consumers.

From the data collected, analyzed and presented in the previous chapters it will be concluded that the distribution pattern of petroleum products employed by Kaduna Refining Petrochemical Company (KRPC) Kaduna Area office is effective. However, there is need for improvement by the company in the area of its distribution network to enhance adequate and efficient supply of petroleum products to all the areas the company serves. This is because petroleum products scarcity is sometimes being witnessed in some parts of Kaduna metropolis and its environs.

### **5.4 Recommendations**

Having come to the end of this research work, the following recommendations will go a long way in improving the efficiency and effectiveness in distribution of petroleum products by Kaduna Refining Petrochemical Company.

- i. The organization (KRPC) should encourage effective bridging of petroleum products to areas of shortage to ensure the availability of the products in the country at all times and everywhere.
- ii. The company should motivate its staff adequately by granting them loans, and better salary adequately by granting them loans, and other better structure to boost their morale so that they can put in their best in achieving the aims and the objectives of the company.
- iii. The problem of perennial fuel scarcity should be seriously addressed. This should be done by employing task force, and the use of company's field staff to monitor and check the marketers' filling stations regularly to avoid diversion and hoarding of petroleum products.
- iv. Necessary effort should be made to acquire adequate spare parts for the proper maintenance of the pipelines, depots and the refineries.
- v. The KRPC management should organize training, seminars, workshops and indoctrination for marketers to educate, inform and enlighten them to the NNPC/KRPC operations to improve efficiency in the distribution of petroleum products.

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## QUESTIONNAIRE

### APPENDIX I

Department of Business  
Administration and Management  
Studies,  
College of Business and Management  
Studies.  
Kaduna Polytechnic,  
Kaduna State.

Dear Sir/Madam,

I am a final year student of the above institution, conducting a research on  
*“Application of Distribution Strategy in the Marketing of Petroleum  
Product in Pipeline Product Marketing Company Kaduna (PPMC).*

This questionnaire is meant to elicit some information, which is expected  
to form the basis of the research as part of the requirements for the award  
of Higher National Diploma (HND) in Business and Management  
Studies.

I will be grateful, if you will help me fill these questions to the best of  
your knowledge, the information given would be treated with utmost  
confidentially and will be used only for the purpose of these research  
work.

Thank you for your co-operation.

**Rilwan Ahmed**

**KPT/CBMS/18/53127**



## **APPENDIX II**

**INSTRUCTION:** Please tick [☐] the appropriate choice

### **SECTION: Personal Data**

#### **1. Sex**

(a) Male [☐] (b) Female [☐]

#### **2. Age**

(a) 21 -30 [☐] (b) 31 -40 [☐] (c) 41 - and above [☐]

#### **3. Education Qualification**

(a) Postgraduate [☐] (b) HND /BSC [☐] (c) NCE/ND [☐] (d) SSCE and below [☐]

#### **4. Marital Status**

(a) Single [☐] (b) Married [☐] (c) Divorced [☐] (d) Widowed [☐]

### **SECTION B: Research Questions**

The acronyms given in the boxes are

**SA** = **Strongly Agree**

**A** = **Agreed**

**UD** = **Undecided**

**D.** = **Disagree**

**SD.** = **Strongly Disagree**

**1. How does distribution strategy have impact on sales performance in your organization?**

S/N	Variable	SA	A	U	D	SD
1	To ensure adequate and reliable supply of petroleum products					
2	To maximize profit					
3	To provide excellent customer service					
4	To render social service to the people					
5	All of the above					

**2. What pattern does your company use in getting petroleum products to your respective customers?**

S/N	Variable	SA	A	U	D	SD
6	Cash and carry pattern is used in getting petroleum product to your respective customer					
7	Allocation quota pattern is used in getting petroleum product to your respective customer					
8	On credit allocations pattern is used in getting petroleum product to your respective customer					
9	All of the above					

**3. Through which method do you rate the importance of physical distribution to organization and customers?**

S/N	Variable	SA	A	U	D	SD
10	Through customer service					
11	Through order processing					
12	Through inventory control					
13	Through transportation and logistics					
14	All of the above					

**4. What are the problems encountered by the company in applying its distribution strategies?**

S/N	Variable	SA	A	U	D	SD
15	Having lots of content, but no audience					
16	Hamstrung by legal and compliance issues					
17	Have big plans, but few resources					
18	Jack-of-all-trades					
19	Have content performance issues					
20	All of the above					