# CHANNEL STRATEGY AND MARKETING PERFORMANCE OF SELECTED CONSUMER GOODS FIRMS IN LAGOS STATE, NIGERIA

**Adefulu Adesoga D., Babcock University**
**Adeniran James A., Babcock University**

## ABSTRACT

*Channel strategy is usually aimed at enhancing the effectiveness and efficiency of marketing activities with respect to product distribution and building loyal and profitable customer base. However, the prevalence of factors such as culture, language, insecurity, lack of good transportation system, inadequate infrastructural facilities, government policies have consistently hindered consumer goods firms in Nigeria from effectively implementing channel strategies which probably have resulted in poor performance over time like low market coverage and inadequate product availability when and where needed. Therefore, the study evaluated the way channel strategy influenced marketing performance of selected consumer goods firms in Lagos State, Nigeria.*

*The study adopted survey research design. The population of the study was 592 staff in the sales and marketing department of the selected consumer goods firms in Lagos State, Nigeria. The selected firms control more than 70% of the market share for consumer goods in Lagos State and are actively involved in implementation of channel strategies. A structured questionnaire with close-ended questions was used as research instrument. Five hundred and ninety-two copies of the questionnaire were administered to respondents. Data were analysed using descriptive and inferential (simple and multiple linear regression analyses) statistics.*

*Findings revealed that channel strategy had a significant influence on marketing performance of selected consumer goods firms in Lagos State, Nigeria ($\beta=0.335$, $t\ (503)=7.594$, $R^2=0.465$, $p<0.05$). Significant positive relationships were also found between some of the channel strategy constructs and individual marketing performance constructs.*

*The study concluded that channel strategies are predictors of marketing performance for the selected consumer goods firms in Lagos State, Nigeria. It was recommended that management of consumer goods firms should pay adequate attention to channel strategies that showed significant positive relationship with each of the marketing performance constructs in order to improve on marketing performance.*

**Keywords:** Channel Strategy, Consumer Loyalty, Dealer Loyalty, Market Share, Sales Volume.

## INTRODUCTION

The adoption of distribution channel practices to facilitate movement of product or service from manufacturers to consumers constitute a large fraction of overall economic activity, practices and businesses across the world (Bronnenberg & Ellickson, 2015). This accounts for a large portion of economic activity in modern societies, thereby contributing to development and performance of global and national economies (Nyberg, 1998). With the involvement of distributors, wholesalers and retailers, distribution channels help to deliver product or service offerings from manufacturers to end users and sales through these channels account for about one-third of global Gross Domestic Product (GDP) (Dasgupta & Mondria, 2012; Hyman, 2015; Palmatier et al., 2014).

However, this level of global economic contribution by distribution channel systems can be attributed to adaptation of channel practices to major changes in the global business (Watson et al., 2015). Some of these changes in the business environment which have been reshaping and redefining marketing channel strategies are the shift to service-based economies, application of multichannel practices, development of new channel formats, increased online shopping and globalisation (Palmatier et al., 2014). Deloitte (2017) industry report captured this as a period of transformation globally for the retail, wholesale and distribution practices, which necessitated adaptation and changes in firm’s distribution channel strategies to suite prevailing changes in the business environment.

Moreover, a report on the African consumer market by the African Development Bank Group revealed that, the heterogeneous and segmented nature of the Africa’s consumer market was having significant influence on distribution channels practices across the continent due to cultural, geographical and language differences (African Development Bank Group (AFDB), 2012). Challenges of poor distribution channels and underdeveloped transportation and other infrastructure were reported as affecting FMCGs firms servicing consumer market. These, the bank stated have been raising the need for strong sales networks such as direct distribution and wholesale within the continent by firms in order to gain market share.

Studies in extant literature have focused on the implementation of channel strategy from different perspectives: Gabrielsson et al. (2002) focused on multiple channel strategies in the European personal computer industry; Jurate et al. (2011) investigated changes in marketing channel formation; Kabadayi et al. (2007) studied the performance implication of multiple channels strategy; Karanja et al. (2014) focused on distribution strategy and performance of mobile service provider intermediary organizations in Kenya et al. (2015) studied multiple channels in industrial wholesaling; Stojkivic et al. (2016) focused on multichannel strategy as a dominant approach in modern retailing. However, none of these studies focused specifically on channel strategy and marketing performance in the consumer goods sector, which necessitated why this study focused on this gap in literature.

Liwali (2013) identified some of the factors that constrained the effective implementation of channel strategies in Nigeria to include cost, crime, culture and language, technology, infrastructure, interconnectivity, trade rules and laws, taxes and other monetary issues, lack of professional staff. In addition, Sule et al. (2013) noted that non-availability of adequate and reliable market information on the taste, demand pattern of the consumers, improvement trends in quality and company’s operational performance in relation to other competitors and inadequate infrastructural facilities that should facilitate an efficient channel system are challenges faced by firms while implementing channels strategies for consumer goods in the country. All these resulted in ineffective products availability to the final consumers and poor marketing performance within the FMCGs sector in the country.

The Economic Review Reports of Manufacturers Association of Nigeria (MAN, 2016) showed increasing value of unsold inventory of finished products in the FMCGs sector from N10 billion in 2012 to N54.96 billion in 2015 which was an indication of poor implementation of channel strategies to drive marketing performance.

In view of the above therefore, the objective of this study was to determine the influence of channel strategy on marketing performance of selected FMCGs firms in Lagos State, Nigeria.

# LITERATURE REVIEW

## Conceptual Review

### Channel strategy

Palmatier et al. (2016) opined that, channel strategy is the set of activities focused on designing and managing a marketing channel to enhance the firm's sustainable competitive advantage and financial performance. In another perspective, channel strategy is concerned with the entire process of setting up and operating the contractual organisation that is responsible for meeting the firm's distribution objectives (Rosenbloom, 2013). Kotler & Keller (2009) and Segetliga et al. (2012) identified two major channel strategy alternatives to be the direct channel and the indirect channel. According to them, in a direct channel, the producer sells directly to final consumers through its own sales force. But, this has evolved overtime from the traditional face-to-face selling in the market place to modern selling through the internet in the market space (Berkowitz et al., 2000; Healther & Seanna, 1998).

Where it is employed, direct channel strategy leads to disintermediation or elimination of supply chain middlemen (Baron et al., 1991; Kotler & Armstrong, 2006). The practice of direct channel strategy is usually aimed at enhancing the efficiency of marketing activities in the areas of communication and distribution and building loyal and profitable customer base (Moller & Halinen, 2000). Indirect channel involves the use of independent intermediaries in the target market (Nhem, 2016). However, this is further characterised by first-tier and second-tier structures depending on the channel objectives of firms. The first tier structure involves the use of value-added resellers to sell directly to end customers, whereas the second tier structure involves the existence of an additional level, the distributors, between the sales subsidiary and the resellers or retailers (Gabrielsson et al., 2002).

In addition to opinions in literature regarding the channel practices of direct and indirect strategies of distribution in marketing, multichannel strategy in marketing channels, multichannel retail and multiple marketing channels have all been discussed in literature by various authors (Ansari et al., 2008; Berman & Evans, 2012; Berman & Thelen, 2004; Levy & Weitz, 2013; Rosenbloom, 2007:2013; Venkatesen et al., 2007). Multiple channel strategy is a channel strategy that combines traditional and electronic channels (Berman & Evans, 2012; Wilson et al., 2008). This occurs when an organisation uses two or more marketing channels to reach one or more customer segments (Kotler & Keller, 2009; Stojkovic et al., 2016).

In addition to the use of internet-based online channels, Rosenbloom (2013) provided a list of other channels that can be combined in a multichannel structure as retail store channels, mail order channels, wholesale distributor channels, sales representative channels, call center channels, company sales force channels, vending machine channels and company owned retail store channels.

The high expectations of today's customers (both at the level of business-to-customer and business-to-business), which cannot be easily satisfied by one channel strategy structure is a major justification for the increased adoption of the multichannel strategy practices among businesses worldwide (Oliver, 2000; Thornton & White, 2001). To meet these expectations, firms must develop multichannel strategy that complement rather than undermine each other (Rosenbloom, 2013). Other reasons for the increased utilisation of multichannel strategy are suggested as the need for sales growth (Coelho et al., 2003), the need to substitute high cost channels for low cost ones (Sathye, 1999; Thornton & White, 2001; Wright, 2002), the need for more market information, reduction of risks associated with doing business and diversification of business sources (Coelho et al., 2003).

### Marketing performance

Dop & Racolta-Paina (2013) defined marketing performance as the measurement and assessment of marketing results using specific indicators. From another perspective, Homburg et al. (2007) defined marketing performance as the effectiveness and efficiency of an organisation’s marketing activities with regard to market-related goals, such as revenues, growth and market share. Moreover, in the opinion of Morgan et al. (2002), marketing performance is a three-dimensional construct, consisting of effectiveness, efficiency and adaptability.

Marketing performance is one of the various aspects of organisational performance which is giving marketing professionals increasing pressure on the need to justify firm’s investments or expenditure on marketing (Gao, 2010; McManus, 2004). Unlike marketing accountability which focus on the financial contributions of marketing (Powell, 2002), marketing performance focuses on a broader dimensions (Kokkinaki & Ambler, 1999) with financial contribution only as a sub-set. The focus of this study with respect to marketing performance in the fast moving consumer goods industry was based on the broader dimension rather than only financial contributions. However, the challenge before now and in recent times is not really on whether marketing performance is one-dimensional or multidimensional. Rather, it is the ability of marketing to demonstrate its contributions to firm’s performance which has been attracting unpleasant comments toward it, both as a concept and a profession (Ambler & Robert, 2008; O’Sullivan & Abela, 2007; Stewart, 2009).

As observed in literature, some other terms have been used interchangeably and considered as being associated with marketing performance such as, marketing productivity and effectiveness (Weber, 2002) and marketing efficiency (Clark, 2000; Morgan et al., 2002). Relating marketing performance to opinions on effectiveness, it is concerned with the extent to which certain marketing actions help a company to achieve its business goal (Ambler et al., 2001). From the efficiency perspective, it concerns the relationship between marketing outputs (such as sales) and the resources put into marketing (such as marketing expenses, knowledge and technology, man-hour) with the aim of maximising the output (Emam, 2011). Also, from the perspective of productivity, marketing performance is concerned with the ratio of marketing results to marketing cost (Sheth, 2002).

Perspectives on marketing performance measurement have over time evolved from the use of financial measures to non-financial measures (Gao, 2010). Some early studies on marketing performance measurement focused more on financial measures such as sales units and sales values, cash flow and profits (Bonoma & Clark, 1988; Feder, 1965; Sevin, 1965). But contrary views have earlier criticised the use of these measures for marketing performance because they lack consideration for long-term factors (Eccles, 1991). These new views embraced non-financial measures of marketing performance from the perspectives of marketing input leading to marketing outputs. The argument was that marketing inputs (or activities) should produce intermediate outcomes such as customer satisfaction, customer loyalty and brand equity (Clark, 1999; Davidson, 1999). These intermediate outcomes have been considered as marketing assets to firms (Srivastava et al., 1998) which can in turn lead to financial performance in the long-run as against measuring marketing performance solely using financial measures. In other words, the non-financial measures of marketing performance provide strong basis for enhancing financial performance.

Further categorisation of marketing performance that cut across financial and non-financial measures were suggested in an exploratory research by Kokkinaki & Ambler (1999) which include: financial measures (such as sales volume and turnover, profit, return on capital); competitive market measures (such as market share, share of voice, relative price and share of promotions); consumer behaviour measures (such as penetration and number of users, user and consumer loyalty and user gains and losses); consumer intermediate measures (such as awareness, attitudes, satisfaction, commitment, buying intentions and perceived quality); direct customer (trade) measures (such as distribution or availability, customer profitability, satisfaction and service quality).

A further review of literature showed that, marketing performance can be measured using the normative and the contextual approaches (Blenkinsop & Burns, 1992; Morgan et al., 2002). The normative approach describes the chain-like process through which marketing actions translate into financial performance (Morgan et al., 2002; Rust et al., 2004). Simply put, normative approach describes marketing performance as consisting of sequential impacts such as customer impact, market impact, financial impact and impact on firm value (Rust et al., 2004). On the other hand, viewing contextual approach from the perspective of contingency theory, the most effective marketing performance measurement system is one that best suits an organisation's goals, strategy, structure and environment (Stathakopoulos, 1998).

## Theoretical Framework and Hypothesis Development

### Contingency theory

The study was anchored on contingency theory of leadership and organisation structure was propounded by Fiedler (1964). It was the earliest and most extensive research. The theory postulated that, the performance of a group is dependent on the psychological orientation of the leader and some contextual variables such as size of the organisation, technology that is in use, leadership style and adaptation to changes in strategy (Flinsch-Rodriguez, 2017). The underlying assumption upon which the theory was built is that, there is no one type of organisational structure that is equally suitable to all organisations (Islam & Hu, 2012). Instead, the best course of action for organisational performance is dependent upon the prevailing internal and external situations.

In other words, the theory assumes that, organisational performance is the contingency of fit or match between two or more variables (Donaldson, 2001). The theory dwells more on the functionalist perspective of organisation structure (Chendall, 2003; Reid & Smith, 2000; Woods, 2009). In summary the theory focused basically on contingency variables (i.e. situational characteristics), response variables (i.e. organisational or managerial actions required to adapt to situational changes) and performance variables (i.e. specific aspects of performance that are appropriate to measure the fit between contingency variables and response variables for the situation on ground).

Considering that distribution channel practices in the fast moving consumer goods sector will almost require the various perspectives of contingency theory (i.e. contingency variables, response variables and performance), this study cannot but be another good opportunity to explain the framework and assumptions of the theory. Channel strategy in the FMCGs sector in any economy is a subject of the market environment, where firms have to sell their products within the market situation and prevailing context. Also, as reviewed under the concept of channel strategy, the strategy employed in the developed economies cannot be the same in the less developed economies. The reason is that, the choice of channel strategy is contingent upon so many factors, some of which are the level of economic development, political stability and cultural practices of different country and society. For FMCGs firms to enhance their marketing performance, appropriate channel strategy that fits the context of the operational environment must be employed. Judging from the perspective of contingency theory, the most effective marketing performance measurement system is one that best suits an organisation's goals, strategy, structure and the environment (Stathakopoulos, 1998).

### Hypothesis development

Results from previous empirical studies have shown that a positive relationship exists between channel strategy and firm's performance. The study by Gabrielsson et al. (2002) showed a positive relationship between multiple channel strategy and marketing performance constructs. Likewise, Kalubanga et al. (2012) found a positive link between multiple channel strategy and sales volume and customer base. Forbes and Kennedy also found a positive link between direct channel strategy and sales revenue. Some of other studies which found positive impact of channel strategy construct on performance include (Karanja et al., 2014; Khan et al., 2009; Soare et al., 2012).

However, these findings cannot be said to be conclusive judging from findings of other authors on the same concepts which showed negative relationship. Yeboah et al. (2013) in a study on effective distribution management established a negative relationship between distribution strategy and increase in sales and rate of return whenever organisations try to change their distribution strategy. In addition, Odigbo et al. (2015) ascertained that distribution strategies have no significant effect on yam production performance of farmers in Boki Local Governement Area of Cross River State, Nigeria.

Further to the above inconclusive findings from previous studies, the researcher hypothesized that channel strategy has no significant influence on marketing performance in selected FMCGs firms in Lagos State, Nigeria.

*H1: Channel strategy has no significant influence on marketing performance of selected FMCGs firms in Lagos State, Nigeria.*

## Empirical Review

Channel strategy has been investigated in some previous empirical studies with focus on different industries. Kalubanga et al. (2012) studied multi-channel strategy in the food and beverage industry in Ugandan; Forbes & Kennedy (2016) focused direct channel strategy in the wine industry in New Zealand; Gabrielsson et al. (2002) investigated multiple channel strategies in the European computer industry; Yeboah et al. (2013) studied distribution strategies in the fast moving consumer goods sector in Ghana. These studies covered the three major types of channel strategies in literature (direct, indirect and hybrid channel strategies).

The approach adopted by the authors for these studies showed consistence on the use of case study research design; and collection of primary data from top management of the case study companies. Result of data analysis by Kalubanga et al. (2012) and Gabrielsson et al. (2002) showed that despite a number of challenges identified in literature that are associated with the implementation of multiple channel strategy, it provides optimal solution for expanding sales volume and showed more linkage to different market segment, increased market intelligence and customer base.

However, findings by Forbes & Kennedy (2016) showed that wine business of the case study firm in New Zealand has been able to earn ninety-five percent of their total revenue through direct channel strategy by focusing on events and functions, online sales and store sales. The result further showed that, the company gained several competitive advantages from the direct sales channels such as price control, higher profit margins, efficiency in distribution and communication, enhanced customer relationship leading to potential loyalty and more future sales. But by viewing channel strategy from the perspective of business environment, Yeboah et al. (2013) found that, the best channel strategy depends on target market and the operational environment.

All the above results are consistent in showing that channels strategy, be it direct, indirect or hybrid has positive impact on sales performance when adapted to suit a specific distribution channel context.

Some other studies have empirically focused on marketing performance. Beukes & Wyk (2016) focused on marketing performance measurement practices in Hatfield Volkswagen in South Africa; O’Sullivan & Abela (2007) studied marketing performance measurement ability and firm performance in the high-technology sector; Terblanche et al. (2013) investigated the impact of financial and non-financial measures of marketing performance on the shareholder value in the FMCGs sector in South Africa. While the study by Beukes & Wyk (2016) focused on financial and non-financial measures of marketing performance (financial, competitive market, consumer behaviour, consumer intermediate, direct customer and innovativeness), O’Sullivan & Abela (2007) focused on testing whether marketing performance contributes to marketing status and to explore ability of marketing performance to measure performance across a range of marketing activities (advertising, trade promotion, direct mail, etc). However, the study by Terblanche et al. (2013) focused on marketing performance approach that combines financial and non-financial measures.

Both Beukes & Wyk (2016) and O’Sullivan & Abela (2007) showed convergence in their adoption of survey research design for their studies, but Terblanche et al. (2013) adopted ex post facto research design in their study. Descriptive statistics, hierarchical moderated regression model and time series regression analysis were used respectively by each of the authors. Results of data analysis by Beukes & Wyk (2016) showed that, top management pays more attention to financial measures of marketing performance, followed by competitive market measures. On the other hand, O’Sullivan & Abela (2007) found that, firms with strong marketing performance measurement ability tend to outperform their competitors and that marketing performance measurement ability has a positive influence on return on asset and on stock returns, which also result in positive impact on CEO’s satisfaction with marketing. However, results of data analysis by Terblanche et al. (2013) showed that sales is a good ground to develop a more robust measurement tool for combining financial and non-financial marketing performance measures. Findings from the above studies pointed in the same direction with respect to the use of financial and non-financial measures for marketing performance.

The study by Karanja et al. (2014) which was aimed at determining the effect of marketing capabilities and distribution strategy on the performance of mobile service providers in Kenya employed a descripto-explanatory cross-sectional survey design and semi-structured questionnaire for primary data collection. Descriptive statistics, one sample t-tests, simple linear regression and multiple linear regression analysis were employed as methods of data analysis. The results revealed that marketing capabilities and choice of distribution strategy contribute significantly to performance of mobile service provider’s intermediary organisations.

A few other empirical studies on the influence of channel strategy on marketing performance also exist. Odigbo et al. (2015) carried out a situational analysis of yam distribution strategies of farmers in Boki local government area of Cross River State, Nigeria; Yeboah et al. (2013) investigated distribution management as a pre-requisite for effective retail operations in Ghana; Schoviah (2012) focused on the effect of distribution channel strategies on a firm's performance in Kenya; Kafaeipour (2015) evaluated distribution strategy and sale promotion of Samsung company in Iran; Adimo & Osodo (2017) studied the impact of channel differentiation strategy on organisational performance in Kenya; Oladun (2012) focused on innovative distribution strategies and performance of selected multinational corporations and domestic manufacturing firms in Nigeria.

The focus of each of these studies with respect to the measures of the independent and dependent variables provided room for wider study of channel strategy and marketing performance measures. Odigbo et al. (2015) focused on availability of storage and transportation facilities as strategies to make yam farmers to produce more and meet the demands of the market. Yeboah et al. (2013) focused on the best distribution strategy among intensive, selective, exclusive and other factors that help firms to meet customer expectations with respect to delivery and service promises of the organisation. Schoviah (2012) considered aggressive marketing, mass marketing, value marketing as distribution channel strategies and increased sales, market share, profits and response to market changes as firm's performance measures. Stock availability and distribution channels and sales figure were used to measure distribution performance respectively by Kafaeipour (2015). For distribution strategy and performance, Adimo & Osodo (2017) focused on market trend, different channels, intermediary, complementary firms, market share, sales revenue and customer satisfaction. Oladun (2012) based innovative distribution strategies on distribution process, product distribution, physical distribution management and performance on sales turnover, profitability, market share and return on investment. The basis of convergence in all the areas of focus is the influence of distribution strategy on performance of firms.

All the studies adopted survey research design and questionnaire as the instrument for the collection of primary data. Convergence was also observed in the use of descriptive and inferential statistics as the methods of data analysis. Findings by all the authors reflected that all the various measures of channel strategy have significant influence on the various measures of organisational performance with the exception of Odigbo et al. (2015) who found that their own measures of channel strategies do not have significant influence on performance of yam farmers in Boki local government areas of Cross River State, Nigeria.

## METHODOLOGY

Survey research design was adopted for the study. This was helpful in obtaining the perception of respondents on the subject of channel strategy and marketing performance. Primary population of the study comprised of eleven selected consumer goods firms in Lagos State while the target population consists of 592 employees in the sales and marketing department of the selected firms. These employees are known in literature as key informants (Chinomona, 2013) and were suitable as potential respondents for this study because they were considered competent to provide information about the subject of channel strategy and marketing performance of FMCGs firms. The selected firms were considered because they control more than 70% of the market share for their product category Vengasai & Matsika (2012).

Purposive sampling technique was adopted for the study. This was considered suitable for selecting sample of sales and marketing staff in the selected consumer goods firms for the purpose of harnessing their experiences and understanding of channel strategy and marketing performance of their firms. In addition, stratified sampling technique was also adopted to ensure that all the categories of the sales and marketing staff in the selected consumer goods firms in Lagos State, Nigeria with respect to their designations were represented in the sample for this study. Total enumeration method was adopted to determine sample size for the study which necessitated the used of the entire 592 target population as the sample size. Structures questionnaire with close-ended questions was used as the research instrument. This aided easy collection of data and proper coordination of responses for analysis. A six Likert scales ranging 6 for Very High Extent (VHE) to 1 for Very Low Extent (VLE) was adopted for the questionnaire response options. Five hundred and ninety-two copies of the questionnaire were administered with the aid if research assistants have to collect primary data for the study and the rate of return was 85%.

Descriptive statistics, simple linear regression and correlation were used as methods of data analysis with the aid of SPSS 23.0 version. Content and construct validity were conducted on the instrument and reliability test with the following results.

**Table 1**
**RESULTS OF VALIDITY AND RELIABILITY TESTS**

| Variables | Number of items | Reliability Results | | Validity Results | |
|---|---|---|---|---|---|
| | | Cronbach Alpha | KMO | Bartlett's Test | Sig |
| Channel strategy | 5 | 0.812 | 0.758 | 34.318 | 0.000 |
| Marketing performance | 5 | 0.908 | 0.743 | 37.496 | 0.000 |

Source: Researcher's Computation (2018).

The results of factor analysis showed (Table 1) that KMO value for all the variables were more than 0.5 recommended thresholds (Kaiser, 1974). The Bartlett's Test of Sphericity for all the variables were statistically significant at 0.000, hence the instrument on the study variables were valid. This indicated an adequacy of the instrument to measure the survey constructs. Cronbach's alpha was employed to verify the internal consistency of the instrument and the results of reliability ranged from 0.8 to 0.9.

## DATA PRESENTATION, ANALYSIS, INTERPRETATION AND DISCUSSION

The researcher distributed 592 copies of questionnaire, out of which 503 copies were received from the field. This represented an overall successful response rate of 84.97%. The rest 89 (15.03%) of the copies consisted of those questionnaire that were never returned. According to Wimmer & Dominick (2006), a response rate of 21%-70% is acceptable for self-administered questionnaire. It guarantees accuracy and minimizes bias. Based on this high value of response rate, the 84.97% achieved was adequate for drawing conclusions on the study objectives.

Results of analysis of the demographic data of respondents show the following: 61% represents male while 39% were female; 32.4% were between 21-30 years, 53.7% were between 31-40 years, 13.7% represents 41-50 years while 0.2% represents age bracket 61-65 years; 2.2% of the respondents were holders of SSCE certificate, 21.5% ND/NCE, 65.2% were holders of first degree while 11.1% were holders of post-graduate certificates; 37.8% of the respondents were single, 62% were married while 0.2% were divorced; 46.5% had 1-5 years working experience, 43.1% 6-10 years' experience, 7.6% 11-15 years' experience and 2.1% 16-20 years of working experience; 1.6% were in the sales/marketing director designation, 11.7% in the sales/marketing managers while 86.7% were in the sales/marketing officers and other categories. The implications of these results showed that all the respondents can be classified as matured and possessed requisite level of understanding to participate in the survey research.

**Table 2**
**RESULTS OF LINEAR REGRESSION ANALYSIS ON INFLUENCE OF CHANNEL STRATEGY ON MARKETING PERFORMANCE OF SELECTED FMCGS FIRMS IN LAGOS STATE, NIGERIA**

| Coefficients[a] | | | | | |
|---|---|---|---|---|---|
| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| | B | Std. Error | Beta | | |
| Constant | 17.809 | 1.016 | - | 17.533 | 0.000 |
| Channel Strategy | 0.335 | 0.044 | 0.321 | 7.594 | 0.000 |
| R=0.321, $R^{2=}$0.103, T=7.594, p<0.05 | | | | | |

a: Dependent Variable: Marketing Performance.
Source: Researcher's Field Result (2018).

**Table 3**
**DESCRIPTIVE STATISTICS OF RESPONDENT'S PERCEPTION ON CHANNEL RELATIONSHIP AND CHANNEL SATISFACTION**

| S/N | Descriptions | N | Mean | Standard Deviation |
|---|---|---|---|---|
| **Channel Strategy (CS)** | | | | |
| CS1 | Selling directly to final consumers | 503 | 3.34 | 1.921 |
| CS2 | Selling through retailers to final consumers | 503 | 4.82 | 1.418 |
| CS3 | Selling through distributors, wholesalers etc | 503 | 5.33 | 0.993 |
| CS4 | Using trade promotions to push dealers to sell | 503 | 4.73 | 1.159 |
| CS5 | Using persuasive advertisement to draw buyers | 503 | 4.51 | 1.464 |
| **Marketing Performance (MP)** | | | | |
| MP1 | Increase in sales volume | 503 | 5.37 | 0.983 |
| MP2 | Higher market share | 503 | 5.03 | 0.981 |
| MP3 | Higher degree of consumer loyalty | 503 | 4.86 | 1.154 |
| MP4 | Dealer retention and loyalty | 503 | 5.07 | 0.958 |
| MP5 | Consumer awareness | 503 | 5.10 | 1.088 |

Source: Researcher's Field Result (2018).

Table 2 showed a linear regression analysis performed in order to evaluate the influence of channel strategy on marketing performance of selected consumer goods firms in Lagos state, Nigeria. The regression results showed that channel strategy has significant influence on marketing performance of selected consumer goods firms in Lagos state, Nigeria (β=0.335, t=7.594, p<0.05). From Table 3, the coefficient of determination ($R^2$) was 0.103 implying that channel strategy only explains 10.3% of the variations in the marketing performance of selected consumer goods firms in Lagos state, Nigeria. The rest of 89.7% of the variability is accounted by other factors which this study did not investigate. Furthermore, the strength of the relationship between channel strategy and marketing performance was 0.321 (R=0.321, p<0.05) suggesting that there was a positive and significant relationship between channel strategy and marketing performance of selected consumer goods firms in Lagos state, Nigeria. The P-value of 0.000 implies that the regression of channel strategy on marketing performance was statistically significant at $p<0.05$. This shows that the relationship between channel strategy and marketing performance was positive and statically significant. As indicated in the equation, the influence of channel strategy as independent variable on marketing performance as the dependent variable was expressed as:

MP=17.809+0.335CS…………………………….Equation (iii)

Where,

MP=Marketing Performance.
CS=Channel Strategy.

The regression equation shows that the constant term is 17.809 which implied that when channel strategy is constant at zero, marketing performance of selected consumer goods firms in Lagos state, Nigeria was 17.809. This means that without channel strategy, marketing performance of selected consumer goods firms in Lagos state, Nigeria will be 17.809. The coefficient of channel strategy was 0.335 which implied that a change of a unit in channel strategy influences change of 0.335 units in the marketing performance of selected consumer goods firms in Lagos state, Nigeria. The results therefore suggested that channel strategy had significant influence on marketing performance of selected consumer goods firms in Lagos state, Nigeria. Based on the results, the null hypothesis which stated that channel strategy has no significant influence on marketing performance of selected consumer goods firms in Lagos state, Nigeria was rejected.

The correlation results in Table 4 showed that, direct channel strategy had no significant relationship with increased sales volume (R= -0.036. P>0.05), higher market share (R=0.021, P>0.05), consumer loyalty (R= -0.024, P>0.05), dealer retention and loyalty (R= -0.131, P>0.05) and consumer awareness (R=0.009, P>0.05). The correlation analysis also showed that, selling through retailers as a form of indirect channel strategy had no significant relationship with increased sales volume (R= -0.026, P>0.05) and consumer awareness (R= -0.057, P>0.05). However, the same indirect channel strategy of selling through retailers had significant relationship with market share (R=0.155.P<0.05), consumer loyalty (R=0.190, P<0.05) and dealer retention and loyalty (R=0.145, P<0.05). Indirect channel strategy of selling through wholesalers and distributors had positive significant relationship with increased sales volume (R=0.116, P<0.05), higher market share (R=0.175, P<0.05), consumer loyalty (R=0.241, P<0.05), dealer retention and loyalty (R=0.319, P<0.05) and consumer awareness (R=0.207, P<0.05). Using trade promotions to push dealers to order and sell had significant positive relationship with increased sales volume (R=0.138, P<0.05), higher market share (R=0.130, P<0.05), dealer retention and loyalty (R=0.157, P<0.05), consumer awareness (R=0.227, P<0.05) while it reported insignificant negative relationship with consumer loyalty (R= -0.023, P>0.05). Finally, using persuasive advertisement to draw consumers to buy had significant positive relationship with increased sales volume (R=0.315, P<0.05), higher market share (R=0.280, p<0.05), consumer loyalty (R=0.256, p<0.05), dealer retention and loyalty (R=0.291, p<0.05) and consumer awareness (R=0.324, p<0.05).

**Table 4**
**CORRELATION ANALYSIS OF THE RELATIONSHIP BETWEEN CHANNEL STRATEGY AND MARKETING PERFORMANCE CONSTRUCTS**

| MP CS | Sales Volume | Market Share | Consumer Loyalty | Dealer Retention | Consumer Awareness |
|---|---|---|---|---|---|
| **Direct sales** | | | | | |
| Pearson correlation | -0.036** | 0.021** | -0.024** | -0.131** | 0.009** |
| Sig (2-tailed) | 0.423 | 0.644 | 0.586 | 0.003 | 0.844 |
| **Through retailers** | | | | | |
| Pearson correlation | -0.026** | 0.155** | 0.190** | 0.145** | -0.057 |
| Sig (2-tailed) | 0.557 | 0.001 | 0.000 | 0.001 | 0.198 |
| **Through wholesalers** | | | | | |
| Pearson correlation | 0.116** | 0.175** | 0.241** | 0.319** | 0.2017** |
| Sig (2-tailed) | 0.009 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Dealer incentives** | | | | | |
| Pearson correlation | 0.138** | 0.130** | -0.023** | 0.157** | 0.227** |
| Sig (2-tailed) | 0.002 | 0.003 | 0.602 | 0.000 | 0.000 |
| **Consumer persuasion** | | | | | |
| Pearson correlation | 0.315** | 0.280** | 0.256** | 0.291** | 0.324** |
| Sig (2-tailed) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

Note: **Correlation is significant at the 0.01 level (2-tailed).
Source: Researcher's Field Result (2018).

Results of the hypothesis testing revealed that channel strategy had significant influence on marketing performance of selected consumer goods firms in Lagos state, Nigeria. This results found support from the study conducted by Kalubanga et al. (2012) on multi-channel strategy in the food and beverage industry in Ugandan and the study by Gabrielsson et al. (2002) on multiple channel strategies in the European computer industry with findings both of which showed that despite a number of challenges identified in literature which were associated with the implementation of multiple channel strategy, it provides optimal solution for expanding sales volume and more linkage to different segment, increase market intelligence and customer base.
Additional support was found for the result obtained from the findings by Forbes & Kennedy (2016) who studied direct channel strategy in the wine industry in New Zealand with results which revealed that, wine business of the case study firm was able to earn 95% of its revenue through direct channel strategy by focusing on events and functions, online sales and store sales. Their result further showed that, the company gained several competitive advantages from direct sales channel such as price control, higher profit margins, efficiency in distribution and communication, enhanced customer relationship leading to potential loyalty and more future sales. Specific measures of marketing performance in this study such as sales volume, higher degree of consumer loyalty and consumer awareness also agreed with the findings of Forbes & Kennedy (2016).

Moreover, consistency was found between the results of hypothesis tested and the findings by Yeboah et al. (2013) who conducted a research on effective distribution strategies in the fast moving consumer goods sector in Ghana and showed that, the best channel strategy depends on target market s and the operational environment. Their findings also showed that, a significant positive relationship exists between distribution strategy and customer understanding, easy flow of goods and customer satisfaction which support some of the influence of channel strategy on marketing performance found in this study. Results also agreed with findings by Beukes & Wyk (2016) who investigated marketing performance measurement practices in Hatfield Volkswagen in South Africa which focused on financial and non-financial measures of marketing performance, with result showing that, top management pays more attention to financial measures of marketing performance. This is in line with one of the measures of marketing performance in this study (sales volume).

Results from the study by O'Sullivan & Abela (2007) on marketing performance measurement ability and firm performance in the high-technology sector which showed that firms with strong marketing performance measurement ability tend to outperform their competitors with positive impact on CEO satisfaction was found to be consistent with the findings of this study. In a study on marketing perspective on the impact of financial and non-financial measures of marketing performance in the FMCGs sector in South Africa, Terblanche et al. (2013) found that sales was a good ground for developing a more robust measurement tool for combining financial and non-financial marketing performance measures which provided support for the results in this study. However, the result of a study by Karanja et al. (2014) on the effect of marketing capabilities and distribution strategy on the performance of mobile service providers in Kenya revealed that, marketing capabilities and the choice of distribution strategy significantly contributed to performance which was consistent with the findings of this study.

More supports were found for the results in the works of Schoviah (2012) who investigated the effect of marketing distribution strategies on a firm's performance in Kenya and found that distribution channel strategies result to increased sales, market share and profits. Kafaeipour (2015) in a study on evaluation of effect of distribution strategy on sale promotion of Samsung Company in Iran provided support for the results of this study by showing that distribution strategy can have positive influence on sales figure if a careful attention is paid to the management of stock availability and distribution channels. Consistency was also established between the results of this study and that of Adimo & Osodo (2017) who studied the impact of distribution channel differentiation strategy on organisational performance in Kenya and found that channel differentiation strategy has a positive, moderate and significant effect on the organisational performance of the case study firm. Findings by Oladun (2012) in a study on innovative distribution strategies and performance of selected multinational corporations and domestic manufacturing firms in Nigeria which revealed that there was a significant effect of innovative distribution channel strategies on profitability, annual sales turnover and market share are consistent with the results of this study.

This study also showed convergence with other studies with respect to the adoption of survey research design (Adimo & Osodo, 2017; Beukes & Wyk, 2016; Kafaeipour, 2015; Odigbo et al., 2015; Oladun, 2012; O'Sullivan & Abela, 2007; Schoviah, 2012; Yeboah et al., 2013). Moreover, consistency was established in the focus on fast moving consumer goods industry between this study and the following studies (Forbes & Kennedy, 2016; Kalubanga et al., 2012; Oladun, 2012; Terblanche et al., 2013; Yeboah et al., 2013).

The relevance of contingency theory to the study based on the findings shows that, marketing performance in this context is contingent upon the channel strategies adopted by consumer goods firms while channel strategies adopted are contingent upon the prevailing retail market environment. The results of analyses carried out for this study support the fact that marketing performance of consumer goods firms cannot be separated from the extent to which channel strategies are adopted and adapted by the firms. The prevailing retail market environment which can either be characterised by economic, political or social factors is different between the developed and less developed economies. The behavioural and opportunistic tendencies of the resellers and consumers are also contingent factors upon which consumer goods firms can based their decisions on the choice of channel strategies to be implemented which in turn have effect on marketing performance.

## CONCLUSION

In view of the findings from data analysis, the study concludes that channel strategy is a determinant of marketing performance. Channel strategy was measured by direct, indirect and multiple strategy constructs.

The results of this study, which is as a result of the data collected based on the experiences of the selected consumer goods firms in Lagos State, Nigeria is a reflection of the prevailing environment under which the selected firms have been operating and also a support for the underlying assumption upon which contingency theory was built: that, there is no one type of organisational structure that is equally suitable to all organisations. Instead, the best course of action for organisational performance is dependent upon the prevailing internal and external situations.

### Recommendations

In view of the significant effect of channel strategy on organisational performance of selected consumer goods firms in Lagos State, Nigeria, it is also recommended that, consumer goods firms in Nigeria should consider multiple channel strategies which involve selling directly to final consumers through sales staff in territories where they do not have dealer representation, selling through retailers to final consumers, selling through distributors and wholesalers, using trade promotions to push dealers to order for products and using persuasive advertisements to draw consumer patronage in order to achieve marketing performance such as increase in sales volume, higher market share, consumer loyalty, dealer retention and loyalty as well as consumer awareness. The essence of multiple channel strategies is to enable consumer goods firms meet the growing needs of today’s consumers and beat the high level of competition in the industry.

### Implications of Findings

Findings of the study are expected to have implications for management practices of FMCGs firms, the FMCGs industry, the government and the society at large. The significant influence of channel strategy on marketing performance will require management of FMCGs firms to focus on integrated and multiple channel strategies that can make products available to different market segment. Results of the study provided direction for management of FMCGs firms with respect to which channel strategy to adopt in order to improve on marketing performance as well as where and how to direct available resources. Improved marketing performance of FMCGs firms will also improve the contribution of FMCGs sector to the gross domestic product of the economy. This will also imply increased tax payment by the firms to government, which will in turn make revenue available for societal development.

Finally, in view of the findings, it is recommended that management of FMCGs firms should pay adequate attention to channel strategies that showed significant positive relationship with and influenced marketing performance in order to improve on marketing performance.

## Contributions to Knowledge

In concluding this study, there is need to mention how it has contributed to knowledge and the implications. The study contributed to knowledge by providing better understanding of what constitute the dimensions of channel strategy and marketing performance in the FMCGs sector. The study also addressed gaps identified in existing literature with respect to the effect of channel strategy on marketing performance in the FMCGs sector, which provided additional contributions to knowledge both conceptually and empirically. Empirically, the results derived after test of hypothesis indicated that, channel strategy had a significant influence on marketing performance of selected consumer goods firms in Lagos State, Nigeria. The result also showed that 10.3% of the variations in marketing performance of selected consumer goods firms in Lagos State Nigeria were explained by channel strategy. But 89.7% of the variability is accounted for by other factors which this study did not investigate. Findings of the analysis further showed that, there was a positive and significant relationship between channel relationship and channel satisfaction ($R=0.321$, $p<0.05$). Therefore, channel strategy was a positive and significant predictor of marketing performance.

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