

# Investigating the Effective Factors Influencing on the Choice of Distribution Channels and Their Significance Improving the Competitive Advantage of Fast-Moving Consumer Goods Producers

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**Abstract**— Due to the industry globalizing and getting more competitive, today, more than any time else, we feel the necessity of an integrated and coordinated distribution system for all industries especially fast-moving consumer goods manufactures. In other words, distribution is the main element in presenting products by marketers that indicates buyers the significance of availability and trustworthiness of presenter as shopping objectives. The current study is carried out with the aim of investigating the role of effective factors in selecting distribution channels and their significance improving the competitive advantage of fast-moving consumer goods producers. This research from the point view of its practical goals, the descriptive research method and data collecting is a scrolling type.

The research statistical society includes exporters, senior managers and certified marketers in Ranchers Dairy Industry Company; therefore we disregard sampling due to the limitation of the statistical society in line with the increase in research validity. The findings suggest positive and meaningful effect of substructure features, marketing ability and communication and transition ability in choosing distribution channel. Due to the results, the choice of distribution channel impacts the competitive advantage of company as well.

**Keywords**— Distribution channel, competitive advantage, fast-moving consumer good.

## I. INTRODUCTION

Fast-moving consumer goods are the subset of consuming goods relatively inexpensive and sold in a short time. Items like dairy, fruit and vegetables, drinks, some drugs and etc are examples of this type of goods.

These products usually have shorter lifetime consumption than others; they are consumed faster. Therefore, distribution channels play a very important role in fast-moving consumer goods industry or (FMCG). Optimal use of distribution channels in this industry causes an easier access to this type of products for consumers and provides a constant competitive advantage for companies. Therefore, the most important tasks of distribution channels in FMCG industry include:

- Communication with wholesalers and retailers and providing information about each product;
- Packing, portage and taking customer orders;
- Goods portage and delivery from producers to suppliers, retailers and finally to consumers;

- Providing goods basket required by consumers according to future market forecast;
- Providing support services.

Furthermore, since today producers intend to increase the harmony between produced products and the trend of market, the goods delivery time to final consumers is of special importance. Therefore, deciding on the choice of good distribution channel is one of the most important issues for managers of fast-moving consumer goods company. The decisions made regarding this area has a direct effect on other marketing decisions (pricing, advertisement and packing...). In the present paper due to the significance of distribution channels, especially regarding fast-moving consumer goods, we investigate the role of effective factors in choosing distribution channels and their significance in competitive advantage the producer companies can obtain in dairy industry.

## II. THE THEORETICAL BASICS OF RESEARCH

One of the most important challenges of marketing managers and producers is transferring their products to target markets.

Therefore, deciding on good transfer method to shopping or consumption place is one of the important decisions the marketing manager has to make. The importance of the decisions made regarding the distribution channels is due to the fact that the company needs to remain committed to decisions for a long time; because it takes several years for a distribution system to be well established and it will not be changeable easily. The producer or the wholesaler needs to decide on how to distribute products.

The distribution should be done so that the sales and supply be simplified when needed. Also this variable should compatible other marketing strategies i.e. product, promotion and price. As an example, one high quality product alone is not enough to raise the product price, and the distribution system needs the same quality as well. To decide on how to distribute, the entrepreneur needs to know factors like distribution channels and the number of mediators. The distribution network is a part of economical system of a

country; economical changes are effective determining the function and structure of distribution network.

This network is the connector ring between producers and consumers; it includes agents having mutual connections and doing distributions. According to the table, we have done several researches in the field of distribution channels role regarding marketing.

TABLE I. Research background.

Findings	Title of research	Research fellow	Row
Among the four factors of demographic characteristics, knowledge, distance and production, demographic factors are more important.	Factors affecting the selection of distribution channels for agricultural products in Switzerland	Zaba and Masoko (2013)	1
The channel structure is one of the most important factors affecting channel selection by the company.	Customer Productivity, Channel Usage and Corporate Performance in Banking	Heath and Harker (2012)	2
Factors such as consumer habits, product features, market and company factors are among the most important factors in choosing a distribution network.	Evaluation of factors associated with the distribution severity and optimal selection of a distribution network	Rezvani et al (2011)	3
Considering factors such as labor availability, sales volume, sales revenue, age as the demographic factor of the landscape, farmers age is the most important cognitive factor in choosing the distribution channel.	Factors affecting the selection of coffee marketing channels and suppliers' response	Angiola (2010)	4
Efficiency is one of the most important factors affecting the distribution network.	Comparison of the efficiency of direct and indirect channels in the marketing of insurance in Taiwan	Kefan and Chang (2009)	5
The most important factors for choosing a channel are: consumer habits, product characteristics, market and company factors.	Distribution channel structure: Overview	Daishlo (2008)	6
Analysis, planning, control of service levels and costs, and the balance between them, including the responsibilities of physical distribution management.	Distribution channels and its types in consumer products	Peshang and Pourmohammadi Rudsari (1395)	7
Factors such as the customer service needs and the purpose of the distribution channel and ... affect the selection of the distribution channel. In addition, the selection of each channel confronts the distribution of the company with a certain level of sales and costs	Distribution channels and its types in industrial and consumer products	Maleki et al (1390)	8

### 2.1 Distribution Channels

The distribution channel is a collection of organizations and affiliates that delivers the product or service to the final customers. The distribution channel, the manufacturer, and the customers connect the goods to each other (Jones, 10: 2005). The channels of the distribution channel are made up of intermediaries. The channels are divided into two categories: direct and indirect. A "direct" channel Which allows the customer to directly buy the goods manufacturer and an indirect channel that allows the customer to buy from a wholesaler or retailer. The primary purpose of each distribution channel is to eliminate the gap between the manufacturer and the user, whether they are in a community or in different countries with thousands of kilometers of distance. The distribution channel is defined as the most effective and efficient way to place a product in the customer's hands (Agent, 81: 1391).

A channel is made up of various institutions that facilitate physical transactions and exchanges. A channel performs three important functions. It should be noted that all members of the channel do not perform the same function. Hercolon distribution has three general functions:

- Performance of transactions (purchase, sale);
- Logistics function (Assembly, storage, sorting and transportation);
- Facilitator function (post-purchase and maintenance services, financing, information dissemination, and channel coordination or leadership). It can be acknowledged that distribution channels are a critical factor in the company's comprehensive marketing strategy because it helps to expand and achieve product and increase revenue. Therefore, channel strategy in international marketing planning should be in line with the competitive position of the company and cover the marketing objectives in various markets.

In general, institutions in a channel are divided into three categories:

1. Producer: An industrialist, manufacturer, farmer or other producer of extractive industries;
2. Product user: Individual, household, business buyer, institution or government;
3. Special intermediates at wholesale or retail level.

In addition, increasing technology has led to many innovations in the field of distribution channels. An Innovative Time Channel, created by the market need for cheaper, better, and faster.

Innovation as introducing a new product or significant improvement in a product (product or service), or process, or new marketing methods, or a new organizational method in the business style, workplace organization, or external relations.

In each market, industrial and consumer products should be supplied to consumers through distribution channels. Selecting the best channel for a particular product of a company in a particular market is called the distribution policy of the company. One of the important issues facing managers is to decide on the choice of distribution channel. Because this decision has direct effect on other marketing decisions such as

pricing, advertising and packaging. (Pareinsky, 17: 2007). The starting point in choosing the effective distribution channel depends on the target market and its potential customers. Where have potential customers been deployed? What are their requirements? What are their service priorities? How much sensitivity is the price? Therefore, all dimensions of customers' priorities must be carefully examined and each one must be analyzed and the cost of sending the product is determined. In general, institutions in a channel are divided into three categories: the producer of the product (artisan, manufacturer, farmer or other producer of extractive industries); 2. User product (individual, household, commercial buyer, institution or government); specific intermediates (at wholesale or retail level).

In distribution operations, distributors are often more productive than manufacturers. The selection of distributors requires evaluation and selection. The evaluation involves identifying the features, criteria, and factors relevant to each decision, and then choosing based on those features. These features include:

1) Substructural Features: Distribution Company Infrastructure is one of the assets representing the company's strong backing for operations. Indicators for measuring these features are:

- Knowledge and expertise of distributors in the relevant industry: Distributors who have the expertise and knowledge to provide services about the products of an industry. They are more successful in delivering products and communicating with customers.
- Distributor Management Ability: This indicator is relevant to the quality of distribution management and its operational qualifications.
- Financial capability: The financial position, strength, and overall performance of the distributor are also the ability to sell the products of the manufacturers.
- Market Experiences: The market experience of the distribution companies of the product affects their competitive position, because with the help of market information and has an experience of working in markets and problems associated with environmental uncertainty, better management of existing resources.
- Physical Features: These facilities represent the equipment, technology, capacity and ability of the distribution channel to perform the responsibilities (freestard, 35: 2003).

2) The power of relationships: the skill in establishing communication, the quality of relationships and the scope and magnitude of relationships, is effective in improving the distribution of products and the coordination between producer and distributor. In other words, the development of producer relationships with channel members greatly affects the coordination and efficiency of the channel. Therefore, manufacturers will consider effective factors in establishing relationships when choosing channel members.

Rosenbolum (2004), one of the indicators of the ability of relations between producer and distributor, introduced the distributor's passion for establishing relationships with a producer company. And suggested that the manufacturing

companies choose the distributors who are more willing to enter into contracts.

Among other indicators of power relationships, the level of accountability and distributors to deal with, share information with the company and their synchronization with distribution policies.

3) Transportation capability: Manufacturers need distributors who need to carry out shipping operations by maintaining and improving efficiency, reducing costs and maintaining competitive advantage.

A decent channel has the ability to transport. This capability provides the opportunity to save money while also increasing operational flexibility and creating value for the customer (Faller et al., 1993) This ability includes delivery of goods to the customer, inventory management, flexibility, innovation and transportation costs.

4) Ability to retrieve: The marketing capability enables the distribution company to effectively reach its target market effectively. This ability is related to the power of participation in customer segmentation and related knowledge, as well as the recognition of consumer behavior (Papu, 14: 2006) Cutler (2003) suggests that competitive advantage in distributor companies means that it is unique in specific resources (financial resources, physical facilities, communication scope, marketing practices, etc.).

### 2.2 Distribution Channels and Competitive Advantage

The concept of competitive advantage is directly related to the value of the customer (Evans, 2016). The competitive advantage includes a set of factors with capabilities that always enable the company to perform better than its competitors.

In fact, competitive advantage is a situation that enables a firm to be more productive and employing superior methods, Delivering the product with higher quality and providing more profit to the firm in competition with competitors. A time economy unit has a competitive advantage that can be achieved for specific reasons due to its unique features (Such as location, technology) continuously deliver their products to their competitors at lower cost and higher quality. In the path to creating a competitive advantage, two important points to consider. First, this is a follow-up process that leads to excellent performance and competitive ability of the organization. If the organization can, by virtue of its merits, create a sustainable competitive advantage that is valuable to its customers and always superior to its competitors. Indeed, it offers decent performance and brings competitiveness. Second, due to the increasing complexity of the environment and the intensity of competition, Competitive advantage is easily imparted by rivals or it will soon become colorful for customers, and should be mindful of sustaining their competitive advantage. Creating and sustaining competitive advantage requires competencies that rely on the organization's capabilities for value to customers. It can include wholesalers, retailers, distributors, and even the Internet itself.

Distribution channels play an important role in the successful distribution and marketing of all products and

create a competitive edge for manufacturers. They have a different connection, expertise and extensive knowledge of products. In brief, distribution channels are important for producers for the following reasons: (rezaei Dolatabadi, 2011, 58: 1).

- 1) Sellers are: distribution channels through marketing mounts and product upgrades; ensure pre and post sales services to consumers; and direct and regular contact with consumers; At the same time, offering real and valuable feedback to manufacturers is a vendor role.
- 2) Increase distribution efficiency: These channels facilitate the sales process because they are in direct contact with customers. They reduce the gap between producers and consumers economically and efficiently.
- 3) Provider of products in the customer's assemblies: Due to the presence of distribution channels (wholesalers and retailers), A consumer may instead of ordering his products from a distant factory, at the right time, from a nearby shop (Geographically nearer) to buy easily. Thus, these intermediaries break down the volume and satisfy the lower demand of customers.

- 4) Will help determine the appropriate price between the manufacturer and the final customers: the intermediaries will help in achieving a price level that is acceptable both to manufacturers and to consumers.
- 5) Assist in maintaining stocks: brokers carry out other functions such as financing products, storing products, tolerating risks, and providing storage space. Development of dairy industry is one of the main drivers of economic growth in most developing countries due to increased awareness of the public and attention to the importance of community health. This has made competition in the country's dairy industry more prevalent today, and in this market, only those industries can be more successful.

They can maximize their profits by getting more market share by coordinating their performance and activities with the demands of their customers. However, the growth and development of societies and the advancement of science and industry have led to many changes in the production and distribution of dairy products. And the movement of these industries to become competitive, have research and development units, marketing and importance of the distribution network of products in this industry.

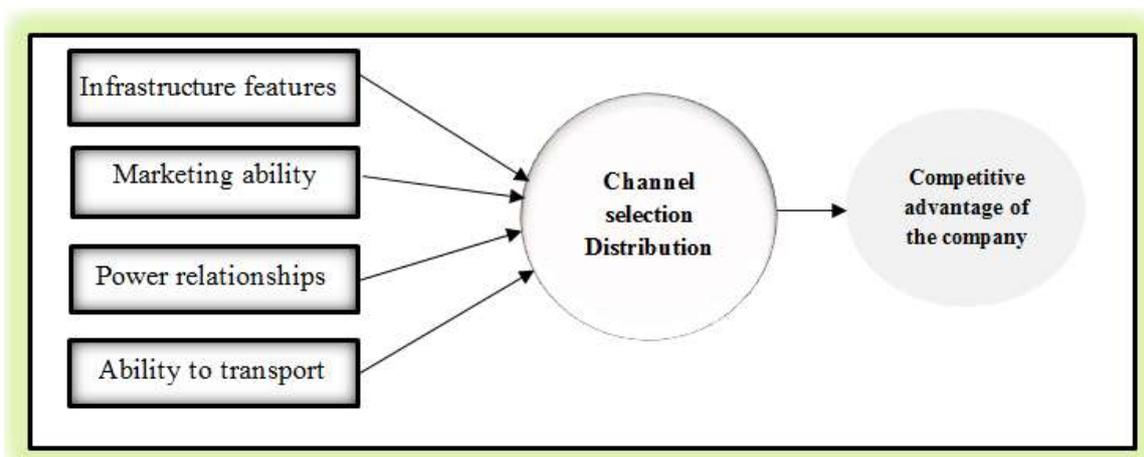


Fig. 1. Conceptual model of research.

### III. RESEARCH HYPOTHESES

The hypotheses of this research are as follows:

- 1) The infrastructure features affect the selection of the distribution channel.
- 2) The marketing ability is effective in choosing the distribution channel.
- 3) The power of relationships is effective in choosing the distribution channel.
- 4) The transportation ability is effective in choosing the distribution channel.
- 5) The choice of channel distribution is effective on the competitive advantage of the company.

### IV. RESEARCH METHOD

In terms of purpose, this research is descriptive in terms of research method and in terms of collecting survey data. The statistical population of this study is Experts, senior managers

and well-trained marketers of Dairy Industry Dairy Industry, which, given the limited statistical community and in order to increase the validity of research from sampling, ignores. In this research, after collecting information and making corrections, out of 107 distributed questionnaires, 96 completed questionnaires were obtained. The measure of the Likert spectrum questionnaire (from totally opposite to completely agree). To assess the reliability of the questionnaire, Cronbach's alpha test was used. Accordingly, 14 questionnaires were submitted to sample members. After returning the questionnaires, the Cronbach's alpha coefficient was calculated. And the results are shown in table II. In order to assess the validity of the validity (convergence) of the variables, the Smart PLS software was used. The index used in this software is the AVE index, which varies from 0 to 1 and has a value of 5 /. It is accepted. The results are shown in table II.

TABLE II. Calculation of Cronbach's alpha coefficient.

AVE	Cronbach's alpha coefficients	Number of questions	Variable
0/81	0/7461	5	Infrastructure features
0/71	0/8221	4	Marketing ability
0/54	0/7731	5	Power relationships
0/78	0/8343	4	Ability to transport
0/71	0/8732	4	Select the distribution channel
0/73	0/8056	4	Competitive Advantage
0/78	0/79	30	Total number of questions

TABLE III. Frequency percentage of demographic variables in the research.

Frequency	Number	Indicator	Variables
18/25	18	woman	Sex
81/25	78	Man	
16/66	16	Under 30 years old	Age
34/41	34	Between 30 and 40 years	
25/60	25	Between 40 and 50 years	
21/78	21	From 50 years old up	
12/50	12	Less than a year	work experience
32/95	23	Between one to three years	
31/29	31	Between three and five years	
31/25	30	Five years up	
19/75	19	CEO	Organizational position
28/12	27	sales and marketing manager	
21/78	21	Sales Expert	
30/02	29	Responsible for distribution and distribution of products	

V. FINDINGS OF THE RESEARCH

5.1 Descriptive Findings

To better understand the context of the statistical society and the research variables, before analyzing the statistical data, the demographic data of the sample members is described. In table III, descriptive results of demographic data of respondents are shown using SPSS software.

As shown in table III, 18.75% of respondents are female and 81.25% of women. Most respondents are between the ages of 30-40 and 40-50. The work experience of most respondents is between 3 and 5 years and from 5 years to above. In addition, the highest percentage of posts is allocated to the distributor and distributor of products and sales and marketing manager.

5.2 Data Analysis

Figure 2 shows the significant relationship between the variables of research that was obtained after analysis in Smart PLS software. Table III also shows the significance of the numbers obtained from the model or the confirmation and rejection of the hypotheses. This research has a confidence level of 0.95 and An error of 0.05 is considered, so for test t, there will be significant numbers greater than 96/1 + smaller than 1.96.

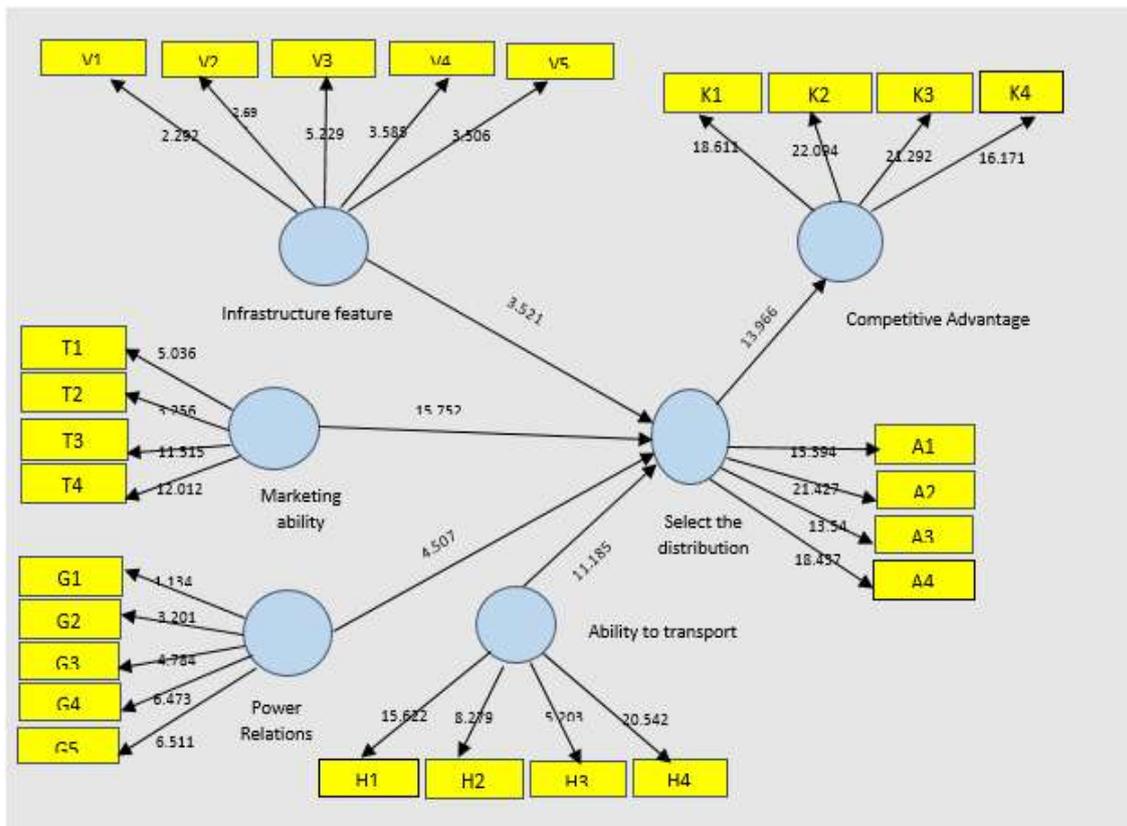


Fig. 2. The significance coefficients of relationships between research variables.

TABLE IV. Test results of hypotheses.

The coefficient of determination $R^2$	The result of the hypothesis	Statistics $\bar{t}$	Path coefficient ( $\beta$ )	Research hypotheses
0/706	Confirmation	3/521	0/382	The infrastructure features affect the selection of the distribution channel.
	Confirmation	15/721	0/779	The marketing ability is effective in choosing the distribution channel.
	Confirmation	4/507	0/415	The power of relationships affects the selection of the distribution channel.
	Confirmation	11/186	0/741	The transportation ability is effective in choosing the distribution channel.
0/621	Confirmation	13/987	0/788	The choice of channel distribution is effective on the competitive advantage of the company.

As shown in table IV, the value of t for the first hypothesis (521/3) represents the confirmation of this hypothesis; that is, the infrastructure features affect the choice of distribution channel. The t-value for the second hypothesis is (15.1721); In this sense, marketing ability has a significant effect on channel selection. The t-statistic for the third hypothesis has a value of (507.4), which means that the power of distributor relations is affected by the choice of channel distribution by the manufacturers. The value of the t-statistic for the fourth hypothesis is equal to (11/186); accordingly, increasing the ability of distribution transport to influence the increase in the choice of the distribution channel by the producer is effective. Finally, the value of t is for the fifth hypothesis (13.978) Represents the significant and positive impact of channel allocation selection on competitive advantage. It can be acknowledged with respect to path coefficients ( $\beta$ ) The marketing ability (0.79), transportation ability (0.741), power relations (0/419) and infrastructure features (382.0) have the most effect on distribution channel selection, respectively. In addition, the coefficient of distribution channel selection path on the competitive advantage of the company ( $\beta = 0/788$ ) also indicates the great influence of distribution channel selection on the competitive advantage of the company.

VI. DISCUSSION AND CONCLUSION

As stated, today, deciding how and how to transfer products to target markets is one of the most important challenges for manufacturers. The main purpose of this research is to identify the factors affecting the distribution channel selection and to investigate the relationship between distribution channel selection and competitive advantage of the company. The results of the research show that the infrastructure features have a positive and significant effect on the distribution of channel distribution. This result is consistent with the results of the research (Shankar, 1999; Gavsigel, 2002; Bragelia and Petroni, 2004). Also, marketing ability and power of distributor relations have a positive and significant effect on the distribution of channel distribution. This finding with the results of the research (Cutler, 2003; Bo and Johnson, 2001; Klya, 2002, Rosenblum, 2004). In addition, most market studies have shown that marketing ability and power relationship have a significant effect on how distribution channels are selected by manufacturers. The variable transport capability had positive and significant effect on distribution channel selection. That is, when manufacturers

decide when choosing a distribution channel This factor is considered as one of the important indicators. This result is consistent with the findings (Chapman, 2003; Faller et al., 1993). At the end of the research findings, the choice of channel distribution on the competitive advantage of the company has a positive and significant impact. This result is also consistent with the findings of the research (Liu and Tang, 2009). Based on the path coefficients ( $\beta$ ) obtained, The variables of marketing capability, transport ability, power relations and infrastructure characteristics have the most effect on distribution channel selection, respectively. In addition, considering the path coefficient between the channel selection variables and the competitive advantage of the company, it can be acknowledged that the factors affecting the selection of the distribution channel play a prominent role in improving the competitive advantage. Accordingly, the following suggestions are made to enhance the company's competitive advantage in terms of the product distribution channel:

Managers and managers of distribution channels should be aware of the impact of infrastructure features (market experiences, physical facilities, knowledge and expertise, and financial resources) on channel selection and competitive advantage for that channel. And the manufacturer should seek to attract and retain qualified executives and experts in order to gain a better market knowledge and experience. In order to enhance the knowledge of the channel's activities and improve the skills of employees in working with hardware, they must provide knowledge and skills to staff through training in-service training.

Considering the importance of the power of relations in the selection of distribution channels and their role in the competitive advantage of the company, the close relationship between the manufacturing companies and the distributor for the exchange of information and the coordination needed to supply and distribute products in a timely manner.

In the field of transportation ability considering the importance of time, delivery of goods and the necessity of inventory management, product marketing and product flexibility, Conduct scheduling for dealing with different situations, proper inventory management, and reduction of distribution costs through the use of new order registration systems.

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