

Performance Measurement of Distribution Management System: A Case Study on Unilever (BD) Ltd.

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Abstract: *The purpose of business is to create and retain customer. But, the question is how? While business thinks in terms of products and derived values, customer is looking to meet their needs. Among the customers' need factors, getting the right product at the right time in the right place is one of the basic needs. In a sellers market like Bangladesh, it is difficult for the companies to develop competitiveness in distribution to provide products as per customers needs considering the customers different buying tendency. The success of a distribution system depends on the meeting of customers' time and place utility effectively. In an underdeveloped infrastructural conditions meeting all these are very difficult task. Unilever (BD) Ltd is the best known for its wide array of product portfolio and strong distribution system of consumer goods. Considering this, the study has been conducted to understand the performance of Unilever in distribution. For this purpose, Craven's model has been followed. The study identified that Unilever was meeting seventy percent of the place and time related utility. This study will help the business theoreticians to understand the distribution need in a developing country and will help to develop a comprehensive structure of distribution. The study will also help the companies operating in a developing country to develop their distribution system.*

Key Words: *Distribution Management, Performance, MNC, Components of Distribution System*

1. Introduction:

A good distribution network creates a strong competitive advantage for an organization (Webb, 1982). The channel of distribution is a network

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of supply chain that connects goods and services with end-users. The distribution channel consists of interdependent and interrelated institutions and agencies, functioning as a system or network. The channel members cooperate in their efforts to produce and distribute a product for end-users. Supply chain management is a great concern for the leading companies. Because integrated supply chain is providing the competitive edge to the companies. As part of the supply chain, the distribution management system of Unilever is studied to know how a distribution system is managed in a transnational company (TNC).

In the study, practical aspects of distribution management system have discussed in a standard format to measure the performance of distribution management system by analyzing and using the distribution channel objectives and measurement criterion. The findings part deals with to identify the present conditions of distribution management of Unilever Bangladesh Ltd. Finally, some suggestions are forwarded to overcome the lacking of the current distribution management system of the company.

The study has done in Unilever Bangladesh Ltd. The reason behind selecting this transnational company is that it is highly mechanized and leading multinational company. However, they have high technology biased distribution management system, sufficient resources, available work force, personal digital assistance and other facilities but they are not able to capture standard level of market coverage of retailers. To overcome those problems in this paper, some suggestions have given.

Finally, as it is known, distribution management system is the backbone of the marketing operation. Therefore, understanding of distribution management system is essential for the people of this field. This paper will help a lot to give the touch of efficient distribution service of all retailers so that they can create customers that are more valuable.

1.1 Objectives of the study:

The primary objective of the study is to identify and evaluate the distribution management system of a leading multinational company in the area of consumer goods. As part of this, the study has been conducted to identify the practices of distribution management system of Unilever Bangladesh Ltd, a leading multinational company in its maximum product lines.

The main objectives of the study are –

- To identify the distribution management system of a leading multinational company in Bangladesh

- To measure the performance of distribution management system of the company.
- To know the physical distribution and its components used by the company
- To put forward some recommendation for the improvement of distribution management system in the context of Bangladesh

2. Methodology:

Distribution management is one of the most important components of marketing mix which ensures the availability of a product in the right place at the right time. Modern distribution management is not only responsible to ensure the availability of the products for the target markets but also responsible for wide array of activities for the development of the market. **Cravens** (1999) proposed a general model for the measurement of performance of the distribution management. The variables given in the Cravens model are without any consideration of the industry or product types. As we know that there are some differences in practices of channel of distribution of consumer goods and industrial goods; we have selected ten variables from the model of Cravens which are related with distribution of consumer goods. The variables are listed down below:

Table-1: Variables to Measure the Performance of Distribution Management

Sl.	Variables	Factors to evaluate the variables
1.	Market coverage	Product availability Coverage of Relevant retailers
2.	In store positioning	Display space gained by the product
3.	Coverage of geographic market	Frequency of sales call
4.	Visibility effectiveness	Percentage of store using special display
5.	Effective personal selling	Percentage of sales people time devoted to product
6.	Customer care	Percentage of monitoring customer complaints
7.	Market presence of different brands	Percentage of performance of different brands
8.	Market information & Monitoring sales trends	Quality and timeliness of sales information.
9.	Cost effectiveness and Cost of channel function relative to sales volume	Middlemen margins and marketing cost as percentage of sales.
10.	Market presence of different product categories.	Percentage presents of different product categories.

Based on the above model the study of performance measurement of distribution management has been conducted in Unilever Bangladesh Ltd and the findings are summarized under the ten areas of distribution management in the tables given in the findings section.

2.1 Data Collection and Analysis:

This study is mainly based on primary data. To conduct this study effectively and to draw a conclusion, secondary data were used. To collect primary data a questionnaire has been developed. By using that questionnaire data have collected from a sample of 50 stores in the area of Tejgaon Depot of Dhaka City. The selection of sample members was based on self-judgment. After selecting the stores, the samples have been provided a questionnaire. Different books, booklets, journals and other documents related to distribution management were studied.

To analyze the collected data and to draw a conclusion various statistical tools such as average, mean etc. were used. For comparative analysis some tables and graphs were also used. After analyzing and interpreting the primary and secondary data, some recommendations were forwarded.

2.2 Limitations of the Study

In this study, there are some drawbacks. These are-

1. The sample size of the survey was only 50, which limit the findings, and this cannot represent the view of a large population.
2. The area was also specified. The survey was conducted only based on Tejgaon Depot. So this doesn't represent the situation of the whole country.
3. The unwillingness of the company to provide data for their confidentiality. This also hampered the quality of the study. Because some important data were missing which were necessary for proper interpretations?
4. Time constraint is another factor. Time was very limited for this survey, which may badly affect the quality of the study.

3. Findings of the study:

Distribution Management is the lifeblood of marketing activities in an organization. It is working as a wheel for the marketing activities. This empirical study has been conducted for measuring the performance of distribution management system of Unilever Bangladesh Ltd. based on

Tejgaon Depot. To study the performance of the distribution of Unilever, at the very outset, the distribution management of the company has been studied. There are two major aspects of distribution management of the company. These are: i) distribution pattern ii) Channel Management.

3.1 Distribution Patterns:

Unilever Bangladesh Limited has two types of distribution patterns. In Form – 1 local distributors are providing the products to retailers. On the other hand in Form – 2 local distributors are providing the products to wholesaler and retailer are collecting the product from wholesaler. Form – 1 is the vertical distribution system while Form – 2 is the mix of traditional and vertical distribution system.

Form 1:

Factory → Depot → Local Distributor → Retailers → Final Consumer.

Form 2:

Factory → Depot → Local Distributor → Wholesaler → Retailer → Final Consumer.

Maintaining both the vertical and traditional system simultaneously is quite acceptable as the market is sellers market having a growing strong middle class consumer segment.

3.2 Marketing Channel Management

Unilever has two types of channels. These are a) priority channel and b) Emerging channel. Here, channel types have been defined based on ultimate retailer characteristics. Priority channels are those, which performance will determine the sells performance of the company. On the other hand, emerging channels are those which are not important channel at present but may be given priority in future. The description of six channels is given below:

Channel – 1 – UGS → Urban General Store.

Channel – 2 – UNG → Urban Neighborhood Grocer.

Channel – 3 – UWMG → Urban Wet Market Grocer.

Channel – 4 – PGS → Premium General Store.

Channel – 5 – UHT → Urban HPC Tong.

Channel – 6 – WS → Whole Sale.

3.2.1 Channel Wise Product and Focus Category -

Channel – 1- Urban General Store (UGS): UGS has been defined as general store where products are kept in the glass cabinet and some bakery items are available with essential goods inside the open place of the store. The customer group in this type of store is middle class and lower middle class people. The product lines which are channelized in the market through this channel are:

- Hair Care
- Oral Care
- Rexona deo
- Skin Care
- Personal care
- Fabric Wash
- Household Care
- Tea

Channel – 2 – Urban Neighborhood Grocer (UNG): The permanent shops in the urban residential area have been defined as UNG channel. The customers in this type of channel expects discount on their purchase. The shops under UNG channel are some kind of corner shops. The structure of shop of this kind of channel is permanent. Generally middle class and lower middle class male people shop in this type of channel. The products which are channelized through UNG are given below:

- Fabric Wash
- House hold care
- Oral care
- Personal care
- Hair Care
- Rexona deo
- Skin Care
- Tea

Channel – 3 → Urban Wet Market Grocer (UWMG): The channel consists the shops in the wet market of the city or urban area. Though the structure of the shops in this type of channel is permanent, the essential product is sold in an open condition in this type of channel. The products which are channelized through this channel are:

Product Category –

- Fabric Wash
- House hold care
- Oral care
- Personal care
- Hair Care
- Skin Care
- Tea

Channel – 4 – PGS → Premium General Store- These are general stores in the roadside or shopping area with a product variety and strong outlook. The products sold in this type of store are:

Product Category –

- Hair care
- Skin care
- Oral care
- Personal wash
- Rexona deo
- Tea.

In addition to the above, there are also two other type of retail stores. These are whole sale store in a wholesale shopping area and Tong store in the urban or rural area. In the following paragraphs the findings of performance measurement have been given:

3.3.1 Market Coverage:

The performance of distribution management of an organization is widely relying on the market coverage. Since the study has been conducted in the area of Tejgaon Depot, most of the outlets have been covered to know the market coverage. The success of distribution management has been evaluated by using two factors of market

coverage. These are: i) product availability and ii) coverage of relevant retailers. Market coverage variable is used to know the success of distribution management at retail level.

- Performance Objectives** → Product Availability
 → Coverage of relevant retailers
- Possible Measurers** → Percentage of effective distribution
- Applicable Product** → Consumer products
- Channel Level** → At retail level

For testing the market coverage, five section of Tejgaon Depot have selected. The findings have following table summarizes the:

Table - 2:

Section Name	Outlet Surveyed	Available at	Percentage
1) Middle Budda	50	41	82%
2) Nakhal Para	50	46	92%
3) Starkul	50	43	86%
4) Meharul Budda	50	39	78%
5) Kuni Para	50	37	74%

Ross & Droge (2004) identified that the scale of operation and the potential for a given market area is one of the three factors responsible for the distribution effectiveness. As per the study under Tejgaon Depot it has been observed that the operation was spread in all areas of the depot with an average of more than eighty two percent of market coverage. This study proves that the distribution management is highly organized in Unilever to make the product available in the active market area which the company defined as priority market.

From the above figure, it is clear that, distribution activities of Unilever are good but there is a scope to enhance market coverage. As a multinational company, they should have extensive effective distribution system so that they can cover maximum outlet, otherwise competitor will grab the advantage.

3.3.2 In Store Positioning:

In store positioning is essential for the performance of distribution management. In the present market setting, most of the companies are competing to display space in the store. The success of distribution of a company is to get shelf space or important areas of displays in the store. As Cravens (1999) said that in store positioning can be used to know the success of distribution of consumers' product at retail level, this factor is evaluated to know the success of distribution management of Unilever Bangladesh Ltd.

- Performance objective → In store positioning
- Possible measurers → Display space gained by the product
- Applicable product → Consumer products
- Channel level → At retail level

For measuring the display space gained by the product, fifty outlets have been selected from different channel levels like urban premium General Store (UPGS), Urban General Store (UGS), Urban Neighborhood grocers (UNG), Urban Wet Market Grocers (UWMG). The findings are presented below.

Table - 3:

Channel	No of outlets	Percentage of in store positioning
UPGS	14	40%
UGS	12	55%
UNG	12	65%
UWMG	12	45%
Total	50	

From the above table it is clear that Unilever has clear dominancy in in-store positioning. The rate of in store positioning is more than the rate of market share Unilever holds. In a study in New Zealand, it was found that the rate of in store positioning is less than the rate of successful implementation of integrated distribution management system, where the success rate of implementation of integrated distribution management system was less than fifty percent (Marr N. E, 1989). Based on the above finding, it can be concluded that Unilever Bangladesh has excellent performance in in-store positioning as part of distribution management.

3.3.3 Coverage of Geographic Market:

- Performance objective → Coverage of geographic market
- Possible measures → Frequency of sales call
- Applicable product → Consumer products
- Channel level → At retail and wholesale level

To know about the frequency of sales call, I asked the opinion of retailers and wholesalers. The findings are presented below -

Frequency	Total Outlet	Percentage
Two times a week	41	82%
One time a week	9	18%
Total	50	100%

From the above figure it is seen that two times frequency of sales call should be balanced for the well of standard level of selling. For this purpose call productivity of DSR should be improved for the outlet leadership and extensive acceptance.

3.3.4. Visibility effectiveness:

- Performance objective → Visibility effectiveness
- Possible measures → Percentage of store using special display
- Channel level → At retail level

Attributes	Total Outlet	Percentage
Special display	17	34%
Normal display	33	66%
Total	50	100%

Analysis: To know the visibility effectiveness, I have gone to 50 outlets and here I have seen that only 17 stores have special display and remaining 33 stores have moderate display. To confirm the consumers' eye contact visibility effectiveness is a great panacea and effective tools.

3.3.5 Effective Personal Selling:

Performance objectives → Effective personal selling

Possible measures → Percentage of sales people time devoted to product

Channel level → At retail level

Attributes	Response in Number	Percentage
Sales people time devoted to product	29	58%
Sales people don't devoted to product	21	42%
Total	50	100%

Analysis: From the above figure it is seen that effective personal selling by unilever is little bit moderate level. To inform the outlet owners about the product attributes is very significant for dominate the competitors and salespeople is the key person to do this. So in every launch and re-launch program sales people should give time devoted to product.

3.3.6. Customer Care:

Performance objective → Customer care

Possible measure → Percentage of monitoring of customer complaints

Channel level → At retail level

Attributes	Response in numbers	Percentage
Monitoring customer complaints	27	54%
Do not monitoring customer complaints	23	46%
Total	50	100%

Analysis: From the above the figure it is seen that monitoring of customer complaints of unilever is moderate level but it should be enthusiastic because it is very significant for the product sustainability.

3.3.7 Market Presence of Different Brands:

Performance objective → Market presence of different brands

Possible measures → Percentage performance of different brands

Channel level → At retail level

Brand found in various outlet-

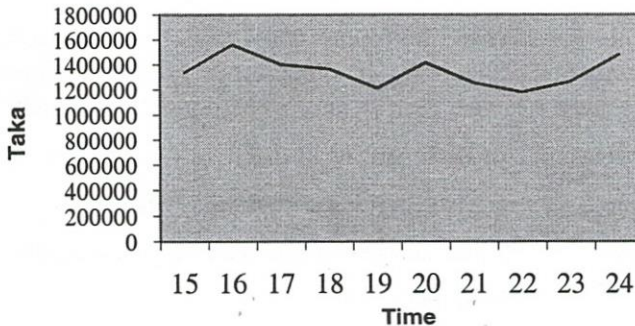
Brand Name	Total outlet	Brand found in outlet	Percentage
Wheel	50	50	100%
Surfexcel	50	47	94%
Ponds	50	29	58%
Sunsilk	50	50	100%
All clear	50	37	74%
Clinic plus	50	13	26%
Vim	50	46	92%
Lux	50	50	100%
Life Buoy	50	50	100%
Fair & Lovely	50	50	100%
Pepsodent	50	48	96%
Close up	50	50	100%
Lipton	50	43	86%
Rexona	50	21	42%

Analysis: From the above figure it is seen that all the brands performing well except clinic plus and Rexona. So Unilever should concentrate and focused on these two brands for the better brand performance and brand productivity.

3.3.8 Marketing information & Monitoring of sales trends:

- Performance objective → Marketing information
- Monitoring of sales trends
- Possible measures → Quality and timeliness of sales information
- Channel level → At retail and wholesale level

Sales Trend Based on Day (October 15-24)



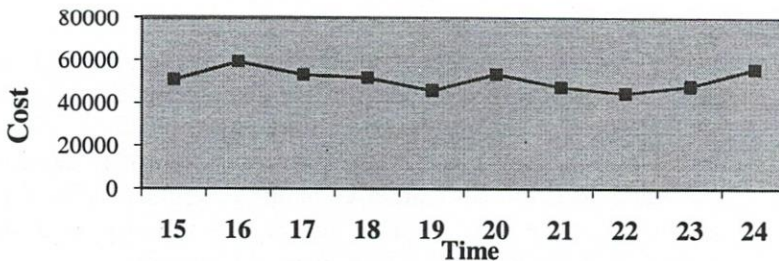
Analysis: From the above sales trend it is clearly seen that sales growth of Tejgaon depot is moderate level because it is sometimes upward position and sometimes it is downward position that is why I have said that sales growth is moderate level. But it should have consistent rate on level otherwise sales growth will not get it standard sales level. The ideal sales trend is that sales trend which have less fluctuation or which have standard level sales growth or which have consistency.

3.3.9. Cost effectiveness:

- Performance objective → Cost effectiveness
 - Cost of channel function relative to sales Volume.
- Possible Measures → Middlemen Margins and marketing cost as percentage of sales
- Channel level → All level of distribution
- Distribution cost → 3.8% of total sales

Reducing the cost of distribution is an integral and important part of supply chain management. Since the customers' would like to get the expected product with lowest or reasonable price, the design of distribution management would be effective if the design can satisfy the customers' need with minimum costs (Altiparmak et al. 2007). In the study it has been observed that the distribution cost is less than 3.8%, which is quite satisfactory.

Distribution Cost Based on Day (October 15 - 24)



According to Herron (1975), a real life optimum tradeoff is required in the area of storage, handling, transporting, information processing, and customer service for cost minimization objective or to achieve maximum profit to the firm. Kim (2000) argued that the reduction of cost is the ultimate success factor of supply chain, which can be done through coordination of distribution activities. The above diagram shows that there is stability in the cost of distribution with a minimum level of cost where industry average is five percent.

3.3.10. Market Presence of Different Product Categories:

- Performance objective → Market presence of different product categories
- Possible measures → Percentage presents of different product categories
- Channel level → At retail and wholesale level

Categories	Total No. of outlet	Found categories in outlet	Percentage
Fabric wash (FW)	50	48	96%
Personal wash (PW)	50	48	96%
Household care (HC)	50	35	70%
Hair care (HC)	50	36	72%
Oral care (OC)	50	42	84%
Skin care (SC)	50	44	88%
Tea	50	27	54%

In all product categories Unilever is the market leader except tea, where Unilever is the market competitor. The average market presence of the company is more than eighty percent which is extraordinary for any product category. Considering this, it can be argued that the channel management of the company is highly successful for market presence.

4. Comparative Analysis & Recommendation

Hence in this part I will discuss where I have found some problems in the distribution system.

- ❖ In the market, coverage of retailers of Unilever is good but there is a scope to enhance the market coverage of retails, specially in rough and critical communication place. I have found that in deep place distribution coverage of retailers is not standard level. So market coverage of retailers should be improved by the effective DSR and cycles salesman & at the same time monitoring on the DSR should be needed.
- ❖ In the distribution system, call productivity is very significant but call productivity of the DSR is not standard level most of the day. Most of the time the DSR always conscious about his value target and when they achieved their value target afterwards they didn't take order from the remaining outlets. As a result, competitor will get the chance entrance and acceptance into the outlet. Therefore, call productivity of the DSR should improve.

- ❖ Another most fundamental problem is that shortage of product in terms of delivery. Most of the retailers have claimed that we are getting shortage of product in terms of carton delivery. The deliveryman and driver happen it. Therefore, Unilever should reduce this illegal operation for the well of retailers other wise company will loose their faith value and image value.
- ❖ An important point is to be noted that most of the time the retailers do not get their free product or distribution drive. This free product goes to the infavour of the ADSR, deliveryman and driver. So this types of illegal operation should be monitoring and omitted.
- ❖ Promotional program gift should be closely monitoring and controlled. Sometimes this promotional gift goes to infavour of the DSR which is very harmful for the promotional program. So Unilever should strictly maintained and monitoring any promotional program.
- ❖ Every week competitor offering various promotional program towards the outlet and customer. But most of the time distributor do not award about the competitors promotional program. So as a market leader Unilever should monitoring competitors promotional program and they should have close eyes towards the competitor.
- ❖ Another point is to be noted that value productivity should increased. In the real field situation I have seen that whatever they are getting value target but this is not always in standard level as per their capacity. So value target should be fixed up as per standard level or their actual capacity. Actually, there is scope to increase the value target by the DSR.

5. Conclusion:

In this age of globalization, local companies are now competing with the international competitors. So in order to survive in this competitive market place technological advancement is necessary. But only technological advancement is not enough. Besides technological advancement management and marketing excellence is necessary. Here in this paper we have found that Unilever Bangladesh Limited has latest technology for distribution management system that is PDA or personal digital assistance but still they have scope to increase their market share at expected level. Here we see that still some outlets are out of market coverage of Unilever Bangladesh Ltd. We also see that some newly established outlets are out of distribution services. Finally distribution management system is the blue print of marketing activities. For a multinational company it is more important because the company need to adapt its distribution activities with the country context of various countries for extra ordinary marketing performance. So, to get success, to achieve objectives, and to keep leading position it is necessary to have well organized and effective distribution management system which will guide in the Jungle of competitive business arena.

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Appendix:

Product Category Management

Product category management is the details interpretation and focusing of different brands. To identify and select the different brands product category management is the sophisticated marketing activities tools. Unilever Bangladesh Limited has six product categories such as –

Category	Brand
1. Hair Care	Sunsilk All clear
2. Personal wash	International Lux Lifebuoy Lifebuoy gold Lifebuoy Neem Lifebuoy Liquid Gold.
3. Skin Care	Fair and Lovely Fair and lovely Ayierbadic Fair and lovely oil control gel Fair and lovely Antimarks Fair and lovely Body Fairness Milk Ponds Cold Cream Ponds Vanishing Cream Ponds Face Wash Ponds Body Lotion Ponds Facial Scrub Ponds Dream flower talk.
4. Oral care	Close up close up cristal Pepsodent
5. Rexona Deo	Rexona deo aerosol Rexona deo tube Rexona deo rollon
6. Tea	Lipton Lipton Taza Lipton Taza Zhotpot.