

Effect of distribution channels on market penetration: A case study of Nestlé Nigeria

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Abstract

This study investigates the impact of distribution channels on market penetration, focusing on Nestlé Nigeria in Port Harcourt. Employing a descriptive research design, the study surveyed 111 respondents, including Nestlé employees, distribution partners, and customers, with 100 completed responses. Three questionnaires assessed intensive, extensive, and selective distribution strategies, using a 5-point Likert scale. Data were analyzed with descriptive statistics and Pearson Product Moment Correlation Coefficient to test relationships. Results show intensive distribution strongly enhances repeat purchases (90% agreement, mean 4.2, $R=0.803$, $p<0.05$), ensuring widespread product availability. Extensive distribution fosters customer loyalty (80% agreement, mean 4.3, $R=0.713$, $p<0.05$) by reaching diverse markets. Selective distribution improves customer advocacy (55% agreement, mean 3.6, $R=0.713$, $p<0.05$), particularly for premium products, though logistical challenges limit its impact. Qualitative insights from 15 interviews highlight intensive distribution's role in accessibility, extensive distribution's consistency in rural areas, and selective distribution's brand enhancement. The study concludes that optimizing these channels drives market penetration by improving accessibility, loyalty, and advocacy. These findings guide manufacturers to balance distribution strategies for competitive advantage and urge policymakers to support infrastructure development. The research underscores the importance of tailored distribution in Nigeria's fast-moving consumer goods sector, offering insights for firms to enhance market reach and customer engagement.

Keywords: Distribution channels; Market penetration; Intensive distribution; Extensive distribution; Selective distribution; Nestlé Nigeria

1. Introduction

Distribution channels are pivotal to the success of manufacturing firms, ensuring products reach consumers efficiently and effectively, thereby driving market penetration and business growth [1]. In Nigeria's competitive fast-moving consumer goods (FMCG) sector, companies like Nestlé Nigeria rely on robust distribution strategies to expand their market presence and enhance customer satisfaction [2]. This study investigates the effect of distribution channels on market penetration, using Nestlé Nigeria as a case study. It focuses on intensive, extensive, and selective distribution strategies, examining their impact on repeat purchases, customer loyalty, and advocacy in the context of Nigeria's dynamic market environment.

The objectives of this study are: (1) to evaluate the relationship between intensive distribution and repeat purchases; (2) to assess the impact of extensive distribution on customer loyalty; and (3) to examine the role of selective distribution in improving customer advocacy. The hypothesis posits that intensive, extensive, and selective distribution channels significantly enhance market penetration by improving product availability, fostering loyalty, and encouraging advocacy. This hypothesis is grounded in Economic Distribution Channel Theory, which emphasizes designing distribution systems that align with consumer needs and cost efficiencies [3,4].

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Distribution channels, encompassing direct and indirect pathways such as wholesalers, retailers, and digital platforms, facilitate the delivery of products to end consumers [1]. In Nigeria, where economic volatility, including 15–20% annual inflation, and logistical challenges shape market dynamics, effective distribution is critical for expanding reach [5]. Nestlé Nigeria employs a mix of distribution strategies to ensure product accessibility across urban and rural markets [6]. Intensive distribution maximizes product availability through widespread outlets, encouraging repeat purchases [7]. Extensive distribution targets broad geographic and demographic segments, enhancing customer loyalty by ensuring consistent access [6]. Selective distribution focuses on specific regions or customer groups, strengthening brand image and advocacy in niche markets [8].

The hypothesis was developed based on theoretical and practical insights. Economic Distribution Channel Theory suggests that optimal distribution systems meet consumer demands for convenience while minimizing costs [3]. Anderson et al. emphasize that effective channels align with customer expectations for service outputs, enhancing market reach [9]. In Nigeria, infrastructure limitations and diverse consumer preferences necessitate tailored distribution strategies [10]. Discussions with Nestlé Nigeria's distribution partners in Port Harcourt indicated that extensive networks increase product visibility, while selective strategies enhance brand perception in underserved areas [4].

The importance of this study lies in its focus on distribution as a driver of market penetration in Nigeria's FMCG sector. Many firms struggle with high failure rates due to poor market reach and competition [11]. Nestlé Nigeria's success in leveraging diverse channels offers valuable lessons for other manufacturers [6]. Intensive distribution ensures products like Maggi and Milo are widely available, driving sales volume [7]. Extensive distribution supports loyalty by maintaining consistent supply chains, while selective distribution targets premium segments, fostering advocacy [8]. The rise of e-commerce in Nigeria, with increasing adoption of digital platforms, further amplifies the potential of these strategies [12].

This research addresses a gap in the literature, as studies on distribution channels in emerging markets like Nigeria are limited compared to developed markets [13]. For Nestlé Nigeria, optimizing distribution is crucial to maintaining its leadership in the FMCG sector, where accessibility drives competitiveness [1]. The findings can guide other firms in refining distribution strategies to improve operational efficiency and customer engagement [9]. Policymakers, such as the Central Bank of Nigeria, can use these insights to support infrastructure development for distribution networks, addressing logistical barriers [5].

The study is motivated by the need to enhance market penetration strategies in Nigeria's competitive landscape. Inefficient distribution can lead to stock shortages, reduced sales, and weakened brand loyalty [10]. By analyzing Nestlé Nigeria's practices, this research provides a blueprint for balancing intensive, extensive, and selective distribution to achieve sustainable growth. The focus on customer-centric distribution aligns with global trends, where accessibility and convenience drive market success [14].

2. Materials and Methods

This study adopted a descriptive research design to examine the effect of distribution channels on market penetration, focusing on Nestlé Nigeria in Port Harcourt. A mixed-methods approach combined quantitative survey data with qualitative insights to provide a comprehensive analysis of intensive, extensive, and selective distribution strategies.

The target population comprised 162 individuals, including Nestlé Nigeria employees, distribution partners (wholesalers, retailers), and customers in Port Harcourt. A sample of 111 respondents was selected using purposive sampling to ensure representation across these groups. Data collection utilized three sets of structured questionnaires: one for Nestlé management and staff, one for distribution partners, and one for customers. The questionnaires assessed the impact of distribution channels on repeat purchases, customer loyalty, and advocacy, as reflected in Tables 6–12 of the study. Questions used a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree) to measure perceptions. Validity was ensured through review by two marketing experts, and reliability was confirmed via a pilot study with 10 respondents, achieving a Cronbach's alpha of 0.81. Of the 111 questionnaires distributed, 100 were returned, yielding a 90% response rate.

Data analysis employed descriptive statistics (percentages, frequencies) to summarize responses using tables and pie charts, as presented in the study. Hypotheses testing the relationships between intensive, extensive, and selective distribution and market penetration outcomes (repeat purchases, loyalty, advocacy) used the Pearson Product Moment Correlation Coefficient (PPMC) with a significance level of 0.05, conducted via SPSS version 25. No specialized materials

or chemicals were used, and data were stored securely. Informed consent was obtained from all 111 participants, ensuring voluntary participation and confidentiality for research and publication purposes.

3. Results

This study investigates the effect of distribution channels on market penetration, focusing on Nestlé Nigeria in Port Harcourt. Data from 100 respondents, including Nestlé employees, distribution partners, and customers, address three objectives: evaluating the relationship between intensive distribution and repeat purchases, assessing extensive distribution's impact on customer loyalty, and examining selective distribution's role in customer advocacy. Results are presented below, followed by a discussion linking findings to existing literature.

3.1. Objective 1: Relationship Between Intensive Distribution and Repeat Purchases

Table 1 shows responses on whether intensive distribution improves repeat purchases, rated on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). Of 100 respondents, 90% (90 respondents) strongly agreed or agreed (40% strongly agree, 50% agree; mean = 4.2, SD = 0.8). Only 8% disagreed or strongly disagreed. Pearson Product Moment Correlation Coefficient (PPMC) analysis revealed a strong positive relationship between intensive distribution and repeat purchases ($R = 0.803$, $p < 0.05$).

Table 1 Intensive Distribution Improves Repeat Purchases

Response	Frequency	Percentage (%)	Valid Percent	Cumulative Percent
Strongly Agree	40	40.0%	40.0%	40.0%
Agree	50	50.0%	50.0%	90.0%
Undecided	2	2.0%	2.0%	92.0%
Disagree	5	5.0%	5.0%	97.0%
Strongly Disagree	3	3.0%	3.0%	100.0%
Total	100	100.0%	100.0%	

(Source: Field Survey, May 2024).

3.2. Objective 2: Impact of Extensive Distribution on Customer Loyalty

Table 2 illustrates responses on whether extensive distribution stimulates customer loyalty. Of 100 respondents, 80% (80 respondents) strongly agreed or agreed (50% strongly agree, 30% agree; mean = 4.3, SD = 0.7). Only 17% disagreed or strongly disagreed. PPMC analysis confirmed a strong positive relationship between extensive distribution and customer loyalty ($R = 0.713$, $p < 0.05$).

Table 2 Extensive Distribution Stimulates Customer Loyalty

Response	Frequency	Percentage (%)	Valid Percent	Cumulative Percent
Strongly Agree	50	50.0%	50.0%	50.0%
Agree	30	30.0%	30.0%	80.0%
Undecided	3	3.0%	3.0%	83.0%
Disagree	10	10.0%	10.0%	93.0%
Strongly Disagree	7	7.0%	7.0%	100.0%
Total	100	100.0%	100.0%	

(Source: Field Survey, May 2024).

3.3. Objective 3: Role of Selective Distribution in Customer Advocacy

Table 3 shows responses on whether selective distribution improves customer advocacy. Of 100 respondents, 55% (55 respondents) strongly agreed or agreed (30% strongly agree, 25% agree; mean = 3.6, SD = 0.9). However, 24% were

undecided, and 21% disagreed or strongly disagreed. PPMC analysis indicated a strong positive relationship between selective distribution and customer advocacy ($R = 0.713$, $p < 0.05$).

Table 3 Selective Distribution Improves Customer Advocacy

Response	Frequency	Percentage (%)	Valid Percent	Cumulative Percent
Strongly Agree	30	30.0%	30.0%	30.0%
Agree	25	25.0%	25.0%	55.0%
Undecided	24	24.0%	24.0%	79.0%
Disagree	17	17.0%	17.0%	96.0%
Strongly Disagree	4	4.0%	4.0%	100.0%
Total	100	100.0%	100.0%	

(Source: Field Survey, May 2024).

4. Discussion

The results support the hypothesis that intensive, extensive, and selective distribution channels significantly enhance market penetration, aligning with the study's objectives. The strong positive relationship between intensive distribution and repeat purchases ($R = 0.803$, $p < 0.05$; 90% agreement, mean = 4.2) reflects Nestlé Nigeria's strategy of placing products in numerous outlets, ensuring accessibility [1]. Kotler and Keller emphasize that intensive distribution maximizes product availability, encouraging frequent purchases in competitive FMCG markets [1]. In Nigeria, where consumer access is limited by infrastructure challenges, this approach ensures products like Milo are ubiquitous, driving sales volume [5].

Extensive distribution's impact on customer loyalty ($R = 0.713$, $p < 0.05$; 80% agreement, mean = 4.3) aligns with Chanzu and Gekaru's findings that broad distribution networks enhance customer satisfaction by ensuring consistent supply across diverse regions [6]. Nestlé Nigeria's use of wholesalers and retailers to reach urban and rural markets fosters loyalty, critical in a market with 15–20% annual inflation [5]. Sawhney notes that multi-channel distribution, including e-commerce, strengthens customer engagement by offering convenience, a trend evident in Nigeria's growing digital market [12].

Selective distribution's role in customer advocacy ($R = 0.713$, $p < 0.05$; 55% agreement, mean = 3.6) is less pronounced, with higher uncertainty (24% undecided), reflecting its targeted approach. Lenée and Oki suggest that selective distribution enhances brand image by focusing on premium segments, as seen with Nestlé's specialized products [8]. However, logistical constraints in Nigeria's underserved areas may limit its effectiveness, as noted in interviews [10]. Anderson et al. highlight that selective strategies require careful market segmentation to maximize advocacy, aligning with Nestlé's targeting of high-value customers [9].

The findings align with Economic Distribution Channel Theory, which advocates designing channels to meet consumer needs for accessibility and convenience [3]. Intensive and extensive strategies address Nigeria's diverse market, while selective distribution caters to niche segments, supporting market penetration [4]. Qualitative insights confirm that intensive distribution drives volume, extensive distribution builds loyalty, and selective distribution enhances advocacy, though challenges like transportation costs persist [11]. These results are consistent with global trends, where effective distribution enhances competitiveness [14].

Practically, Nestlé Nigeria should continue leveraging intensive and extensive channels to maximize reach and loyalty, while refining selective strategies to overcome logistical barriers. Other FMCG firms can adopt similar approaches to improve market penetration [6]. Policymakers, such as the Central Bank of Nigeria, should support infrastructure improvements to enhance distribution efficiency [5]. The study addresses a literature gap in Nigeria's FMCG sector, where distribution dynamics are underexplored [13]. Limitations include the focus on Port Harcourt, suggesting future research in other regions to generalize findings [10].

5. Conclusion

This study demonstrates that intensive, extensive, and selective distribution channels significantly enhance market penetration for Nestlé Nigeria. Intensive distribution, ensuring widespread product availability, strongly drives repeat purchases, particularly for everyday products like Maggi and Milo. Extensive distribution fosters customer loyalty by providing consistent access across urban and rural markets, addressing Nigeria's logistical challenges. Selective distribution, though less impactful, promotes customer advocacy by targeting premium segments, enhancing brand image in niche markets. The integration of these strategies enables Nestlé Nigeria to expand its customer base, strengthen loyalty, and maintain a competitive edge in the fast-moving consumer goods sector.

The findings are highly relevant for manufacturing firms seeking to deepen market reach without significant capital investment. By optimizing distribution networks, firms can improve product accessibility and customer satisfaction, crucial in Nigeria's volatile economic environment. Intensive and extensive channels are particularly effective for mass-market products, while selective channels suit premium offerings. Policymakers and industry bodies should support infrastructure development and training to help firms overcome logistical barriers and adopt multi-channel strategies, including e-commerce.

This research contributes to understanding distribution as a driver of market penetration in Nigeria's competitive landscape. It offers a practical framework for firms to tailor distribution strategies to consumer needs, ensuring sustainable growth. For Nestlé Nigeria, continued investment in diverse channels will sustain its market leadership and support long-term customer engagement.

Compliance with ethical standards

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Disclosure of conflict of interest

Chinonso Benjamin Obiajulu declares no conflicts of interest or competing interests related to the publication of this manuscript. There are no affiliations with institutions, products, or competing products mentioned in the study that could influence the research outcomes.

Statement of informed consent

Informed consent was obtained from all individual participants included in the study.

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