

# An Appraisal of Vertical Marketing System of Medical Drugs Distribution in Abia State, Nigeria.

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## Abstract

The study attempts to assess the channel performance of the vertical marketing system of drugs distribution in Abia State of Nigeria and the extent channel members' satisfaction with the channel linkage can facilitate co-operation among members. Two research questions were raised to guide the study. Two hypotheses were formulated for testing. A sample of 300 respondents, comprising 30 licensed drug manufacturers/ importers, 49 wholesalers, 74 Retailers, and 147 Customers was selected from a population of 1200 respondents. Questionnaires were administered and completely retrieved. Interviews were held with some licensed distribution channel members. Data were analyzed using Z-test at 0.05 level of significance and 4 degrees of freedom. Findings revealed low performance of the vertical marketing system of drugs distribution and the statistical insignificance of the channel members' satisfaction with the channel linkage in relation to facilitating co-operation among members. The manufacturers should provide assistance to other channel members in training / retraining of personnel to enable them understand the total channel concept. They should extend credits provisions to other channel members while the wealthy distributors should make substantial financial deposits available to manufacturers to enable them attain economies of scale in production. These recommendations, among others, would enhance channel performance, improve channel members' satisfaction with the channel linkage and induce the cooperation of members.

**Keywords:** Vertical Marketing System, Channel Performance, Channel Members' Satisfaction, Dysfunctional Conflict, Metrics and Brand Equity.

## 1. Background of the Study

Medical drugs are chemical substances used in restoring abnormal physical state, correcting or modifying organic malfunctions in human beings or in animals or preventing any disease disorder (Okoye, 2005:44). The process of manufacturing and distributing medical drugs is similar to that of other consumer products. The crucial stage in this development process is distribution. It is the process of transfer from manufacturer to the consumers. The transfer is routed through the marketing or distribution channel. The distribution channel is the institution through which a company goes to market. It is a set of firms and individuals that take title or assist in transferring title to the consumer (Roller, 1980:50, cited in Chukwu, 2004:5). The drugs move from the manufacturers' warehouses, wholesale distribution, retail pharmacies / chemists and finally to the consumers (patients). Bridging the gap between the production and consumption of goods and services constitute the main task of the channel of distribution. There are two types of distribution channel system available to the manufacturer, viz; direct and indirect. When the manufacturer sells direct to the consumers or industrial users, it is direct channel of distribution. There are no intervening middlemen between the manufacturer and the ultimate consumer. Indirect channel of distribution involves the use of intermediaries (channel members) to sell the products to the consumers through their own marketing contacts.

The principal functions of the intermediaries include customer contact and selling, stockholding, delivery, credit provisions, product and customer servicing, promotion and information gathering, among others. Unlike the vertical marketing system, conventional or traditional system is made up of cluster of middlemen that perform conflicting functions. At times, the exact functions of these middlemen are difficult to understand. The manufacturer may not even present himself as a channel member but simply sells his drugs to the middlemen

and is uninterested in the total channel concept. The manufacturer may even bypass the registered wholesalers and sell direct to institutional buyers, creating channel conflicts. Today the situation is changing as each channel member realizes that his success is affected by the performance of the entire marketing channel (Chukwu, 2004:334). This vertical marketing system is a formally or informally coordinated distribution channel where its independent members work together to achieve greater efficiency and economies of scale and to eliminate channel conflicts arising out of desperate individual objectives ([http://www.businessdictionary.com/definition/vertical market system-VMS](http://www.businessdictionary.com/definition/vertical%20market%20system-VMS)). It provides improved coordination of channel functions, cooperation of channel members and ensures membership loyalty through the use of specific programmes like credit provisions, drug return policy, prompt order processing/payment, sales force training and reduction of number of middlemen in a territory. The various forms of vertical marketing system include; Corporate, Administered and Contractual system. When the channels are jointly owned and each firm in the chain continues to perform a separate task, the vertical marketing system is corporate. When one powerful channel member co-ordinates the activities of the other channel members without an ownership stake, the marketing system is administered. The contractual vertical marketing system consists of independent production and distribution firms that formally agree to integrate their resources for mutual benefits.

### 1.1 Statement of the problem.

Ideally, a channel structure is supposed to be made up of different middlemen that perform different functions which in turn lead to efficiency in the distribution system (Chukwu, 2004:317). An understanding of the respective channel members' functions, needs, attitudes and expectations concerning the operations of the channel prompts effective channel management. It provides insights for each channel member to anticipate the behavior of the other channel members and lead to the reduction of dysfunctional channel conflicts which enables the channel operate as a system. The choice of the structure of a channel of distribution raises the issue of whether the drug manufacturer or importer should completely decentralize or vertically integrate its channel of distribution. The decentralized channel of distribution (traditional marketing system) is highly fragmented with loose alignment of manufacturers, wholesalers and retailers, joined with each other at arm's length and negotiates aggressively over terms of payment (Chukwu, 2011:333). They constitute cog in the wheels of efficient drugs distribution in Nigeria and increase cost of distribution, resulting in higher prices of drugs. The vertically integrated channel of distribution is more coordinated, and has high level dependency, commitment and cooperation among channel members. The capacity of a particular channel member to influence the other members is measured in terms of the support or assistance he provides to them. The dimensions of the channel support include creating awareness, product innovations, prompt drugs delivery, relative pricing to allow for sustainable profitability, inducements that foster channel relationship, paving way for growth in market shares of members. The evaluation of channel members' performance is also dependent on the information flow (Chukwu, 2004: 35). The channel member's role in providing this support has been found to be positively related to other channel members' satisfaction with the channel linkage (Hunt and Nevin, 1974, cited in Teas, Evans and Horrell, 1974: 29-41). Channel performance relies on the understanding the manufacturer and middlemen have, concerning the nature of their relationship, mutual dependence, strengths, weaknesses and appropriate responsibilities (Grieve-Smith, 1985, cited in Shipley, 1985: 77). Since the promotion of cooperation among channel members is the antidote to conflict management. Marketing channel performance does not imply simply a trade-off for each channel member against the other members, rather every channel member should be able to achieve his objectives from the channel relationship. The vertical marketing system enables the channel members; producers, wholesalers, retailers and consumers, work together in harmony to overcome the time, space and possession gaps between production and consumption. It is designed to foster cooperation through channel members' satisfaction and eliminates opportunism. The performance of this vertical marketing system of drugs distribution in Abia State, Nigeria and the extent of channel members' satisfaction with the distribution channel linkage, provide the stimuli for the current study.

### 1.2 Objectives of the Study.

The broad objective of this study is to appraise the performance of the vertical marketing system of drugs distribution in Abia State, Nigeria. The specific objectives include; a) to assess the efficiency of the

vertical marketing system of drugs distribution. b) To evaluate the extent of channel members' satisfaction with the drugs distribution channels linkage in relation to co-operation among members.

### 1.3 Research Questions.

The study attempts to provide answers to the following questions. 1) What is the performance of vertical marketing system of drugs distribution in Abia State? 2) To what extent has the channel members' satisfaction with the distribution channel linkage enhanced co-operation among members?

### 1.4 Research Hypotheses.

In course of this study, the following null hypotheses were formulated. 1) Ho: The channel performance of the vertical marketing system of drugs distribution in Abia State is not significantly high. 2) Ho: The extent of channel members' satisfaction with distribution channel linkage is not significant to facilitate co-operation among members.

### 1.5 Significance of the Study.

The assessment of the channel performance of the vertical marketing system of drugs distribution constitutes the vision of this study. The study aims at; a) Encouraging channel members to improve their performance for mutual economic gains. b) Fostering beneficial relationships among personnel at different channel levels. c) Creating effective internal communication network that enables channel members understand their respective roles and functions. d) Creating distribution system that operates with minimum opportunism and reduced dysfunctional conflicts.

## 2. Literature review.

Earlier approaches to the assessment of marketing or business performance focused on financial measures such as profitability, marginal revenue/marginal cost, cash flow potentials, budgeted variances and vertical integration measures, among others. Financial performance measures are necessary but not sufficient to define overall business performance (Ambler and Barwise, 1998, cited in Ambler and Kokkinaki, 1999:759). Marketplace measures which are essential to performance measurement cannot also be expressed in financial terms. A broader perspective in performance measurement has been advanced by many scholars. A performance model with increased customer satisfaction from improved product quality, leading in turn, to enhanced profitability was developed by Eccles and Pyburn (1992: 41-44). According to Murphy, Trailer and Hill (1996:15-23), majority of the performance measures have been found to be related to one of eight dimensions; Efficiency, Growth, Profit, Size, Liquidity, Success/ Failure, Market share and Leverage. Ambler and Kokkinaki (1999: 755) stated that innovation is also an important dimension of marketing performance. Product, service and distribution innovations were found to provide ever fresh differentiation which caused competitors to be sustainably disadvantaged. The performance indicators may be measured indirectly through enhanced perceptions of customers and other stakeholders. In performance evaluation, bench marking constitutes a primary activity, involving both business results (e.g. profitability, quality) and processes (e.g. internal communications; Ambler and Kokkinaki, 1999:754). Bench marking involves multiple comparisons against past performance, business plan and goals set, performance and procedures of other units in the organization. The performance in any one period results partly from the marketing efforts of prior periods. In practical terms, performance needs to be at least compared internally with set plans and externally against the market as a whole (e.g., market share, relative price etc). There are two types of performance indicators, viz; short term, which delivers within the accounting period and brand equity stored for future periods. Brand equity is a set of assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and or that firm's customers. In empirical terms, brand equity measures the differential effect of brand knowledge on consumer response to the marketing of the brand (Kamakura and Russell, 1993: 9-22). The components of brand equity include; name awareness, perceived quality, brand associations and a bundle of intellectual properties such as patents, trademarks and channel relationship (Aaker, 1991: 15). The top level

marketing indicators for performance measurement are metrics. The indicators are precise and consistent and comprise market share, relative price, share of voice, brand loyalty and penetration. The principle demands that theory be used to build the list of metrics for consideration in any performance measurement (Ambler and Kokkinaki, 1999: 761). In practice, firms are encouraged to use combination of metrics that can most visibly be tracked and are capable of providing a reliable picture.

The performance indicators used for this study include brand equity, prompt drug delivery, internal communication, relative prices, profitability, innovation, channel relationship and market share (growth). In assessing the channel members' satisfaction with distribution channel linkage, a combination of metrics was applied, namely, prompt payment, credit provisions, mutual dependence, drugs return policy, avoidance of multiplicity of middlemen in a territory, training of sales force, reduction of dysfunctional conflicts and order processing. These performance indicators, including the metrics were measured indirectly by enhanced perceptions of the distribution channel members.

### 3. Methodology.

The study adopted survey research design. Both questionnaire and interview methods were used for data generation. The questionnaire applied the five point Likert Scale format, viz, strongly Agree(5points), Agree(4points), Undecided(3points), Disagree(2points), and Strongly Disagree(1point). The sampling method comprised stratified random sampling and judgmental techniques. The sample size was determined, using the formula developed by Yamane (1967, cited in Eboh 2009: 94). Mathematically, the formula is expressed as:  $n = \frac{N}{1 + N(e^2)}$ ; where  $n$  =sample size,  $N$ =Actual Population,  $e$ =Level of significance (5%),  $I$ =constant. The population of study, 1200 respondents, was drawn from the Pharmacists Council of Nigeria available lists of licensed drug firms in Abia State and major drug customers. A sample size of 300 was derived. The questionnaire and interview questions were validated using the opinions of professionals in academics and industry. A pilot study involving 86 respondents was conducted to determine the reliability of the research instrument using Cronbach Alpha Technique. The reliability coefficient was 0.931, indicating high degree of internal consistency of the research instrument. The sample size for each sub-group of the drug firms was estimated using Bowley's Proportional Allocation Technique;  $N_h = \frac{nN_h}{N}$ ; where,  $n_h$ =number of unit allocated to each sub-group,  $N_h$ =number of respondents in each sub-group,  $n$ =total sample size,  $N$ =total population. A total of 300 questionnaires were distributed in Aba, Umuahia, Ohafia and retrieved. The data generated were analyzed and the hypotheses tested using Z-Test Statistical Technique.

### 4. Data Presentation and Analyses.

The data generated from the survey were presented in tables and analyzed as shown below.

Table 1. Population Distribution of Licensed Drugs Manufacturers/Importers,

Wholesalers, Retailers and Major Drug Customers in Abia State.

Channel Members	Population	Percentages
Manufacturers/ importers	120	10
Wholesalers	196	16
Retailers	295	25
Customers	589	49
Total	1200	100

Source: Pharmacists' Council of Nigeria, List of Licensed Pharmacies and Pharmaceutical Premises, as modified to include major drug customers of the retail firms, for the purpose of this study.

Table 1 showed the population of study as 1200, comprising manufacturers/ importers (120), wholesalers (196), retailers (295) and major customers of each of the retail firms (589). The licensed drug firms and major customers of the retail firms constituted fifty one percent and forty-nine percent respectively of the study

population. Using Bowley's formula, the sample size for each stratum was calculated and the results were; manufacturers/importers 30, wholesalers 49, retailers 74 and customers 147.

Table 2. Channel Performance of Vertical Marketing System of Drugs Distribution in Abia State, Nigeria.

Indicators	No. of Respondents $n_a$	Scores Of Respondents	Mean Scores $\bar{X}_a$	Std Deviation $\hat{\sigma}_a$	No. of Respondents $n_b$	Scores of Respondents	Mean scores $\bar{X}_b$	Std Deviation $\hat{\sigma}_b$	Total Respondents $n$
Brand equity	160	720	4.50	11.32	140	560	4.00	5.31	300
Prompt Drugs Delivery	188	414	2.20	11.94	112	515	4.60	1.67	300
Internal communication	178	694	3.90	8.78	122	488	4.00	0.85	300
Relative prices	133	519	3.90	5.07	167	334	2.00	12.68	300
Profitability	178	392	2.20	13.92	122	561	4.60	5.78	300
Innovation	174	696	4.00	9.03	126	554	4.40	5.06	300
Channel Relationship	185	555	3.00	1.64	115	552	4.80	5.11	300
Market Share	157	628	4.00	4.06	143	415	2.90	6.91	300
Total	1353	4618	27.70	65.76	1047	3979	31.30	43.37	2400
Aggregate Mean	169	577.25	3.46	8.22	131	497.38	3.91	5.42	300

Source: Field survey, 2013

The analysis of the questionnaire provided the data in Table 2. Applying the Z statistical techniques to analyze the data for the testing of hypothesis one, the results were presented in Table 3. The degrees of freedom are equal to the total number of items sampled minus the number of samples (Lind, Marchal and Swathen, 2005: 367). For this study, the degrees of freedom are  $8 - 4 = 4$ .

Table 3. Test of hypothesis on channel performance of the vertical marketing system of drugs distribution.

Respondents Category	N	$\bar{X}$	Standard Deviation	Degrees of Freedom	Z Calculated	Z Critical	Level of Significance	Decision
A	169	3.46	8.22	4	- 0.41	±1.96	0.05	Accepted
B	131	3.91	5.42					

Source: Field Survey, 2013.

The respondents were categorized as A and B based on their perceptions (Table 3). Opinions on Strongly Agree and Agree came under category A while Undecided, Disagree and Strongly Disagree responses were assigned to B for purposes of clarity. The results of the analysis using Z Statistical techniques were presented in Table 3.

Hypothesis one (Decision): Ho- The channel performance of the vertical marketing system of drugs distribution in Abia State is not significantly high. Table 3 showed that the calculated Z - value (-0.41) was found in the region between -1.96 and + 1.96 (i.e., critical values of Z), at 4 degrees of freedom and 0.05 level of significance. The null hypothesis was not rejected. The p-value provided a confirmation of this decision. The likelihood of finding a Z-value greater than -0.41 was  $0.5000-0.1591= 0.3409$ . Being a two-tailed test, the p-value,  $2(0.3409) =0.6818$ , was greater than the significance level of 0.05(i.e.  $p >0.05$ ). We therefore conclude that the performance of the vertical marketing system of drugs distribution in Abia State was not significantly high.

Table 4. Channel Members' Satisfaction with the Channel Linkage.

Metrics	No. of Respondents $n_a$	Scores Of Respondents	Mean Scores $\bar{X}_a$	Std Deviation $\hat{\sigma}_a$	No. of Respondents $n_b$	Scores of Respondents	Mean scores $\bar{X}_b$	Std Deviation $\hat{\sigma}_b$	Total Respondents $n$
Prompt payment	150	660	4.40	4.82	150	660	4.40	6.16	300
Credit Provisions	136	571	4.20	2.59	164	426	2.60	12.43	300
Mutual dependence	108	443	4.10	15.29	192	768	4.00	13.26	300
Drug return Policy	136	653	4.80	4.46	164	476	2.90	8.52	300
Avoidance of multiplicity of middle men	180	810	4.50	15.61	122	573	4.70	1.07	300
Sales force training	143	586	4.10	1.61	157	565	3.60	1.58	300
Reduction of dysfunctional conflicts	122	488	4.00	10.28	178	587	3.30	0.03	300
Order processing	122	598	4.90	0.28	178	623	3.50	2.88	300
Total	1097	4809	35.00	54.94	1305	4678	29.00	45.93	2400
Aggregate mean	137	601.13	4.38	6.87	163	584.75	3.63	5.74	300

Source: Field survey, 2013

The data generated for the testing of hypothesis two ,using Z statistical techniques were presented in Table 4.The metrics provided parameters for measuring channel members' satisfaction with the channel linkage.

Table 5. Test of hypothesis on channel members' satisfaction with the distribution channel linkage.

Respondents category	N	$\bar{X}$	Standard Deviation	Degrees of freedom	Z - Calculated	Z - Critical	Level of significance	Decision
A	137	4.38	6.87	4	+ 0.72	$\pm 1.96$	0.05	Accepted
B	163	3.63	5.74					

Source: Field Survey, 2013.

The results of the analysis of the responses on channel members' satisfaction with the channel linkage using Z statistical techniques were presented in Table 5.

Hypothesis two (Decision): $H_0$ - The extent of channel members' satisfaction with the distribution channel linkage is not significant to facilitate co-operation among members. Table 5 indicated that the calculated Z – value (+0.72) was found in the region between -1.96 and +1.96 (i.e., critical values of Z), at 0.05 level of significance and 4 degrees of freedom. In applying the decision rule, the null hypothesis was not rejected. The additional insight into the decision provided by p-value showed that the probability of finding Z-values as extreme as +0.72 was  $0.5000 - 0.2642 = 0.2358$ . The two tailed p-value,  $2(0.2358) = 0.4716$ , was greater than the significance level of 0.05 (i.e.  $p > 0.05$ ). The result implied that channel members' do not derive significant satisfaction from the manufacturer – wholesaler- retailer- customer distribution channel linkage. We therefore uphold the null hypothesis that the extent of channel members' satisfaction with the distribution channel linkage was not significant to facilitate co-operation among members of the channel.

## 5. Discussion of the Results.

The findings of the study showed that the channel performance of the vertical marketing system of drugs distribution in Abia State was not significantly high. Interviews held with channel members corroborated the findings. Each channel member perceived another as an adversary engaged in behaviors designed to scuttle his efforts and gain scarce resources at his expense. The manufacturers bypass the wholesalers and sell direct to retailers/ consumers. Wholesalers are denied easy access to the essential drugs and information on availability of new stocks. The middlemen are selfish, exploitative and neither care for the consumers nor the producers. They are interested in maximizing profits. A wholesaler or retailer procures drugs from the manufacturer or importer and sells them to the consumers, with little or no obligation to the manufacturer/importer, in spite of his huge financial resources. Feedbacks about market conditions are rarely sent to manufacturers to enhance innovations. Channel relationship is a far cry as the existing channel is largely an open market operation. The finding also revealed that the extent of channel members' satisfaction with the distribution channel Linkage was not significant to facilitate co-operation among members of the channel. This implied that channel members do not derive significant satisfaction from the Manufacturer – Wholesaler- Retailer- Customer Channel Linkage as to facilitate channel co-operation. In reality, what exists between drug channel members in Abia State, appeared to be arm's length transaction. The drug distributors serve price-sensitive customers in markets where there is strong upward pressures on costs (resulting from poor transport system / bad road networks) coupled with multiplicity of middlemen, competing vigorously on prices. In an interview with Mr. Ayo, the Managing Director of Petsow Laboratories Limited, Aba (drug manufacturing firm), the pharmacist lamented that the cost of producing a tin of Paracetamol (1000 tablets) analgesic, ranges from ₦550 - ₦600. Yet a tin of Paracetamol (1000 tablets) was sold for ₦250 - ₦300 in Aba drug market. The intense rivals and competition adversely affected growth in market shares of channel members with weak strength. While the big firms fully endowed with management resources are growing big, small firms are scratching for survival. Channel profitability is seriously eroded, resulting to abysmal performance of the vertical marketing system of drug distribution. The failure of a manufacturer or any other channel member to perform his task without guile hindered channel relationship. Manufacturers and institutional customers are often larger than distributors and have enormous resources. The inability of these big firms to provide necessary incentives to other channel members in the area of credits, prompt payment of commissions / discounts / rebates, quick order processing, sales force training and functional drug return schedules, brand equity among others, created dissatisfaction among members of the channel. The survey revealed that some channel members often engaged in withholding or distorting information to mislead, obfuscate or confuse others. This threat to free flow of information made dysfunctional conflicts inevitable within the system and affect channel performance. Opportunism whittles down goals compatibility and cooperation of the channel members. Opportunism refers to a lack of candor or honesty in transactions to include self-interest seeking with guile (Willianson 1975: 9 cited in Brown, Dev. And Jin-lee, 2000: 51-65). A drug channel member behaves opportunistically to increase his short- term, unilateral gains. Opportunism is capable of eroding the long – term gains potentially accruing to members in a dyadic channel relationship. The

restraint of opportunism is critical to enhancing both channel performance and channel members' satisfaction (Gassenheimer, Baucus and Baucus, 1996: 67-69). Drug damage and expired drugs provide the means for channel members to be opportunistic. They are sources of growing acrimony in the drug distribution channel between the manufacturers / importers and other channel members. Distributors blame manufacturers with respect to transportation accidents, package design flaws, late arrival of shipment or default in delivery arrangements. Manufacturers, in turn, blame distributors in the area of drugs damage at warehouse, store or damage in between and selling expired drugs instead of destroying them. The situation usually ends up affecting channel coordination / relationship and the size of the total channel profits, with low channel performance as the outcome.

### 5.1 Conclusion

The low performance of the vertical marketing system of drugs distribution in Abia State and the dissatisfaction of the channel members with the distribution channel linkage were the findings of the study. The research findings confirmed the observation of Professor Dora Akunyili (former Director-General of National Agency For Food And Drugs Administration and Control, NAFDAC) that the drugs distribution system in Nigeria is rather chaotic (Akunyili, 2010: 219). The distributive trade is a sector that has not enjoyed a clear cut distribution policy by government (Chukwu, 2004:320). The virtually non-existent policy on distribution has contributed to the multiplicity and duplication of distribution functions in Nigeria. Channel members have not fully embraced the distribution channel as a system. There is neither channel co-operation nor channel relationship in strict terms. Opportunistic behaviors of channel members for short-term, unilateral gains abound. They are competing intensely on prices and the likelihood of customers switching distributors for lower prices is a surefire. Manufacturers and institutional customers with enormous resources to offer assistance to other channel members are shirking from the responsibilities. The problems of the small channel members should be seen as channel problem that can affect the overall channel performance. The prospects of those small firms for survival, profits and market share growth depend on good channel performance. Drugs are marketed like any other products. The Patent and Proprietary Medicine Dealers (PPMD) are in the business of drugs distribution and sale. Some are third generation drug sellers who were hawking drugs in luxury buses, with little or no formal education but simply learnt the skill on the job. They render services to Nigerians in the remote villages that have no access to pharmacists or medical doctors. They purchase drugs from available sources including illegal wholesale drug markets scattered all over the cities. Efforts of NAFDAC authorities to create orderly marketing channels for drug distribution in Nigeria in general and Abia State in particular had suffered grave set back (Akunyili 2010: 219).

### 5.2 Recommendations.

In view of the findings of the study, the following recommendations were made to enhance efficiency of the vertical marketing system of drugs distribution in Abia State for improved channel performance.

1. Since the drug manufacturers / importers and institutional customers in Abia State are fully endowed with management resources. They should provide assistance to other channel members in training / retraining of personnel, particularly in key functional areas like marketing, finance and administration to raise their level of management expertise. The channel members would be equipped to understand the total channel concept, perform their respective tasks, discover their strengths / weaknesses and appropriate responsibilities with finesse, to enhance the efficiency of the vertical marketing system.
2. Mutual dependence of channel members should be embraced with much interest, especially in matters of financial leverage. Manufacturers should extend generous credits provisions to other channel members while the wealthy distributors should make substantial financial deposits available to manufacturers to enable them attain economies of scale in production with the attendant cost- effectiveness. Channel members should pay promptly for drugs supplied or build the costs of indebtedness into interest charge or price structure. The emerging profitability of this financial arrangement would foster beneficial relationship and stimulate channel members' satisfaction with the channel linkage.



3. Manufacturers / importers of drugs are encouraged to ease competitive conditions within the channel by limiting to a manageable proportion, the number of middlemen in a given territory. Emphasis should be centered on improving channel performance through the provision of relative prices, prompt delivery of drugs, promotional support, and growth in market shares and innovations in technology in relation to inventory computerization, telemarketing and video catalogues.
4. Maintaining effective channel communication in the vertical marketing system of drugs distribution is imperative. Drug manufacturers need to gather market-place information on competitors' pricing tactics, key factors hurting sales of particular brands of drugs, and how to co-ordinate wholesale and retail activities creditably. They need to give advance notice of late arrival of shipment to control the number of "out-of-stocks" of other channel members. New drugs and notice of upcoming special allowances should be communicated within the channel. The wholesalers and retailers need free information flow to enable them assist in coordinating national advertising of chain operations and utilize manpower development programmes of channel leaders. Retailers need information on how to locate potential customers, break bulk, sort and repackage drugs in smaller units, and position them to maximize shelf space to meet retail demand. With effective internal communication network of this nature, channel performance of the vertical marketing system of drugs distribution in Abia State would be enhanced.

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