INTERNATIONAL JOURNAL OF SOCIAL SCIENCE EXCEPTIONAL RESEARCH

My Fears for the B2B Stakes in Fast Moving Consumer Goods Market (FMCGS) In Nigeria

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Article Info

ISSN (online): 2583-8261
Impact Factor (RSIF): 8.41
Volume: 05
Issue: 04
Received: 20-05-2026
Accepted: 19-06-2026
Published: 18-07-2026
Page No: 120-124

Abstract
The fast moving consumer goods market is very competitive in Nigeria. The competition occurs among the firms and within the intermediate businesses. On the part of the firms, there is increasing number of products that are similar, substitute and closely related across the market line. This makes consumers choice making more complicated and very price elastic. On the part of the wholesalers and retailers, the competition has eroded deep into their profit margins. As a result of this, dealers, wholesalers and businesses within the B2B nodes are forced into struggling for survival in the face of the competition. This fact is made worse with the falling average purchasing power in the economy. The implications of the above is that firms may need to continually innovate new products or raise marketing awareness to sustain patronage and keep their products in the market shelves. B2B firms are thereby forced to focus on selling products that offers largest margin or highest sales turnover as a means of survival.

Keywords: Fear, B2b Stakes, Fast Moving Consumer Goods Market (FMCG)

Introduction

A lot of activities have defined the operations of business to business (B2B) relationships in the last one decade in Nigeria. First, the sector has become very competitive. There is increasing participation of more firms in the manufacturing sector as well as in the distribution networks. The number of businesses and firms producing similar and competing goods have risen without major growths in the consumer base. In the main, consumers face competition over the increasing choices they have to make in purchasing a product while businesses fight over market visibility, profit margins and survival. The competition is made worse with the declining average purchasing power of the citizenry.

Second, the B2B structure has become increasingly important in modern commerce because it supports market expansion, inventory management, and product accessibility across different regions and retail outlets (Srinivas *et al*., 2025) [20]. This makes the relationship between B2B and the manufacturing firms to be fundamentally strategic as firms rely heavily on them as business partners to sustain production, distribution, and market penetration. In the FMCG industry, manufacturers depend seriously on wholesalers and distributors to ensure their products are available to millions of consumers across urban and rural markets steadily. This interdependence creates a commercial ecosystem in which firms cooperate while simultaneously competing for market share and profitability.

Third, the fight for market share is shifting the focus of the manufacturing firms away from partnerships in trade (B2B) to the final consumers (business to consumers (B2C) and direct relationship to bakeries (D2B)) as a means of survival. Since consumers are the ultimate target in every product line, firms in recent times have modified their marketing policy with greater preference for the consumers than the middle business partners. For instance, in 2021, Olams Crown Flour Mills (CFM) normalized a modification to the extant B2B relationships as a core marketing strategy policy in the flour industry. The model was to identify big and reliable dealers in the industry and empower them with credit supplies and other logistics so as to annex more sales and market shares. The flourmills of Nigeria (FMN) in reaction to the development matched the strategy by introducing the direct to bakeries (D2B) model, which essentially is about identifying big and reliable bakeries and partnering with them for market holderships. The idea was to identify reliable and promising final consumers with capacity to generate sales volume and extend relationships to them. The relationship includes extending credit sales and patronage to the consumers and sustaining product presence in the market. Over these years that the models has been introduced, the B2B business model has continued to shrink while the D2B and other direct relationship to consumers options continued to increase. Among the flour mills, over a four-year period, while the B2B policy declined, firms adopting the D2C (direct relationship to consumers) models have doubled (see table 1). The focus of this study is on the B2B operations and the threats to its continued operation as a business model in Nigeria. The key markets of interest include the flour, sugar and margarines and fats and oils, and other consumer goods. The rest of this study is structured as follows. The next sections discussed the relevant literature. This is followed by the methods, findings and results. The last section concludes the study.

Literature Review

The FMCGs market is characterized by high sales volume, low unit margins, strong distribution networks, and continuous consumer demand (Kotler & Keller, 2022) [6]. In Nigeria, the FMCGs sector plays a critical role in business and economic development because it contributes significantly to employment generation, manufacturing output, retail activities, and consumer welfare. The literature suggest that firms will be more attracted to B2B relationships than relating directly with the final consumers (B2C) in competitive market settings. There are two main reasons for this presumption. First, the wholesalers and the intermediating middle business serve as partner with the producing firm in ensuring steady production and visibility of their products in the market. In view of this, they mobilize funds for storage and other supporting logistics which helps to sustain continuous production by the firms (Taufiq *et al*, 2025). Secondly, the intermediating businesses bring in their unique expertise and capacities into the business lines, creating a synergy which becomes a source of internal competitiveness. The foregoing mode of operation has been the reason why most manufacturing firms adopt the B2B model for their business operations. However, in the face of stiff competition and/or low sales, manufacturing firms are now forced to relate directly with their consumers using many sales and market activation strategies. Nigerian economy has experienced significant declines in average consumer purchasing power over the recent years. As a result, consumers have become price and brand sensitive. This has made distributors and wholesalers to prioritize pushing products with higher turnover rates and wider profit margins. This situation threatens the survival of smaller firms and less competitive brands within the market. Consumers now prefer affordable alternatives to more expensive products due to economic hardship and declining purchasing power (Nwankwo and Kanu (2023)) [16]. In a similar development, competition tend to change the market structure of the competing firms from monopolistic to oligopolistic rivalry (Stigler, 1964; Ofonyelu, 2023) [21, 17]. A major implication of this actions is that prices will continue to remain volatile and elastic. Given the nature of competition in the B2B market, surviving the market now requires that firms sell at very low profit margins to sustain competitiveness. In the contemporary Nigeria, only few businesses can survive this situation due to high operating and overhead causes. This explains the reason why many B2B businesses are failing in recent years. For instance, in the B2B vegetable and cooking oil market, two major firms have joined the market within the first half of the year. Flourmills of Nigerian and Olams Group have joined the market in producing 25litres kegs of oil. This is a market that used to be dominated by Kings and Emperor oil brands. However, the space of competition in the recent time have pushed the manufacturing firms into stiffer competition and subsequently scampering for final consumers. The major argument of this paper is that with the rising competition across the B2B markets in Nigeria, the manufacturing firms are being forced to opening wider relationships that are targeted at final consumers and leading to shrinking of the B2B markets. This development has become very noticeable since the last five years.

Methods

The main purpose of this study is to show the strong correlation between rising competition across the FMCGs markets in Nigeria and the declining adoption of the B2B policy in the industry. The study was designed first to show that there a correlation between rising competition and declining adoption of B2B policies across the markets. Secondly, the study showed the trends of the policy adoption in the face of the economic realities in the past one decade. The data used for the study is majorly non parametric and estimated from sales and other documented records across the market.

Results and Findings

There have been noticeable changes in the pattern of market operations in the FMCGs markets in recent years. Within the flour industry in Nigeria, the B2B stake has fallen significantly. As at 2023, about 35% of sales across the industry occurs through the B2B medium. This has reduced consistently to about 27% over a four-year period. With the decline in the B2B sales model, each of the flour mills have intensified their direct relationships with the final consumers (D2C). Within the years 2023-date, the D2C has doubled with the trend supposedly on the increase (see table 1). A major implication of this is that the manufacturing firms will always be willing to forego the middlemen to capture the final consumers at any point in time since the consumers are the ultimate king in the production chain. A typical firm will prefer to lose an intermediating partner than to lose a major consumer of her products. We can compare tables I and II to show how the trend is pervading across the different segments of the markets since 2015.

Table 1: Trends of marketing models among flour mills in Nigeria

Years/ Marketing models	2023	2024	2025	2026*
B2B	35	32	30	27
B2C	48	50	51	52
D2C	5	7	9	10

Source: Authors' computations

(a) *2026 was computed for the first half of the year

Outside the flour mills market, a similar trend can be observed across the products. The B2B stability index has also been on a decline over a decade. As at 2015, the market was active` relatively structured around a small number of dominant FMCG brands such as Unilevers, Nestlés, and Procter & Gambles operating in a familiar oligopolistic arrangement. Distributors knew their suppliers, territories were reasonably protected, and competitive pressure was manageable. At this time, the B2B marketing route was functionally viable and dominant as distributors were earning, surviving, and reinvesting.

From 2016, the competition heightened especially as products from China and India began flooding the Nigerian shelves, competing with and crowding out local products in the market with cheaper alternatives across personal care, food, and household categories (Nielsen Nigeria, 2017; Euromonitor, 2018) [15, 4]. More brands competing for the same shelf space and the same consumer wallet meant B2B operators were suddenly carrying a wider, more fragmented portfolio with thinner individual product returns. In 2020, COVID-19 instantaneously disrupted formal supply chains of the foreign competitors and a flood gate for informal imports and unregulated actors in the market. The market at that point was no longer competitive in the conventional sense it was approaching commodity-level price warfare in many FMCG categories. By 2023, the competition level had reached a near saturation point. More competitors fighting over the same distributors, the same retailers, and the same consumers and thereby shrinking the revenue pie available to any single B2B intermediary.

Table 2: Competition Intensity and Direct-to-Consumer Strategies vs. B2B Sustainability among selected FMCGs products in Nigeria

Year	Competition Intensity Index (CII)	DTC Strategy Index (DCSI)	B2B Stability Index (B2BSI)	Key Observable Event
2015	45	30	78	Oligopolistic market baseline; limited DTC activity (Euromonitor Nigeria, 2018) [4]
2016	50	33	74	FX crisis triggers import surge; informal channel disruption (CBN, 2016)
2017	55	37	70	Asian brand proliferation accelerates (Nielsen Nigeria, 2017; trade press) [15]
2018	61	42	66	SKU count expansion documented; Jumia scales operations (Euromonitor, 2018) [4]
2019	67	49	62	Unilever Nigeria begins DTC channel investment (Unilever Annual Report, 2019) [22]
2020	74	60	57	COVID-19 shock; DTC acceleration; channel disruption (NBS SME Report, 2021)
2021	78	70	53	NCC reports 45.5% mobile internet penetration (NCC, 2021)
2022	82	79	49	Jumia E-Commerce Index signals digital FMCG growth (Jumia, 2022) [5]
2023	86	86	45	Post-subsidy removal crisis; NBS reports 31% distributor decline (NBS, 2023; KPMG, 2023) [7]
2024*	88	89	42	Scenario projection — structural saturation phase
2025*	90	91	40	Scenario projection — near-maximum competition
2026*	91	93	38	Scenario endpoint — B2B model economically unviable for majority (KPMG exit survey, 2023)

***Sources**:* Euromonitor Nigeria SKU data (2018–2023) [4]; NCC internet penetration stats (2015–2023); Jumia E-Commerce Index (2022) [5]; PwC Nigeria FMCG Reports (2019, 2023) [13, 14]; KPMG Nigeria distributor survey (2023) [7]; CBN exchange rate & MPC data (2015–2023); NBS CPI/PPI & Business Demography Report (2021); MAN Energy Cost Survey (2022); Nielsen Nigeria promotional data (2015–2021) [15]; Nwosu & Ilechukwu (2020); World Bank Nigeria Economic Updates; Unilever/PG/Nestlé annual reports (2015–2023).

The DCSI was lowest at 30 in 2015, reflecting a period when manufacturer-to-consumer direct engagement was largely experimental and limited to a few pioneering brands. From 2015 the index of the DTC falls consistently and without a single year of recovery. The traditional B2B channel: manufacturer → distributor → retailer → consumer was still the dominant and largely unchallenged route to the market. The index climbed gradually through 2016 to 2019, tracking early investments in e-commerce platforms, brand websites, and social media-driven promotions. After 2021, more firms sustained the relationship, reaching 86 by 2023 and projected to 93 by 2026 because the DTC investments made during COVID were not reversed after restrictions lifted. Manufacturers discovered they could speak directly to consumers, build brand loyalty independently of distributors, and gather consumer data that had previously been invisible to them. This thus became the major turning point in the marketing dynamics of the market. Manufacturer therefrom progressively began to reduce their dependence on the B2B intermediary as the primary bridge to the consumers. At 93 in 2026, the scenario envisions a market where virtually every major FMCG manufacturer treats direct consumer engagement as a core strategic priority. This thus reflect the growing notion that the B2B distributor is becoming increasingly dispensable in the market chain. By 2026, the gap between the rising pressures (CII at 91, DCSI at 93) and the collapsing stability index (B2BSI at 38) is wider than at any prior point in the study period. This widening gap explains the core empirical argument of this study. The greater the competition intensity and DTC strategic investment, the more catastrophic the consequences for B2B sector stability in Nigeria's FMCG market.

Table 3: Price Margins, Production Costs, and Profit-Driven Pricing vs. B2B Survival and Profitability

Year	Production Cost Index (PCTI)	Profit-Driven Pricing Index (PDPBI)	Price Margin (%)	B2B Profitability (%)	B2B Survival Rate (%)	Key Observable Event
2015	40	42	24	22	91	Pre-devaluation baseline; stable margins (PwC Nigeria, 2019; Nwosu & Ilechukwu, 2020)
2016	48	47	22	20	89	Naira devaluation; manufacturing input costs spike (CBN exchange rate data, 2016)
2017	53	52	20	18	87	MAN energy cost survey flags diesel cost rise (MAN, 2017)
2018	58	57	18	16	85	NBS PPI signals accelerating producer cost pressure (NBS CPI/PPI, 2018)
2019	63	62	16	14	83	PwC documents margin compression to 10–14% range (PwC Nigeria FMCG Report, 2019) [18]
2020	72	70	14	11	79	COVID supply chain disruption; Nestlé/PG trade term tightening (Nestlé Annual Report, 2020)
2021	76	75	13	10	76	CBN MPR raised; financing costs increase for distributors (CBN MPC data, 2021)
2022	82	80	12	8	72	MAN Energy Cost Survey documents 60%+ energy cost increase (MAN, 2022)
2023	91	86	10	6	67	Petrol subsidy removal; energy costs peak; KPMG finds 22% of distributors considering exit (KPMG Nigeria, 2023) [7]
2024*	95	89	9	5	61	Scenario projection — margin approaching break-even
2025*	98	91	8.5	4.5	55	Scenario projection — majority below viable threshold
2026*	100	92	8	4	49	Scenario endpoint — distribution economically unviable without restructuring (World Bank Nigeria Economic Update; KPMG, 2023)

Sources: Euromonitor Nigeria SKU data (2018–2023) [4]; NCC internet penetration stats (2015–2023); Jumia E-Commerce Index (2022) [5]; PwC Nigeria FMCG Reports (2019, 2023); KPMG Nigeria distributor survey (2023) [7]; CBN exchange rate & MPC data (2015–2023); NBS CPI/PPI & Business Demography Report (2021); MAN Energy Cost Survey (2022); Nielsen Nigeria promotional data (2015–2021) [15]; Nwosu & Ilechukwu (2020); World Bank Nigeria Economic Updates; Unilever/PG/Nestlé annual reports (2015–2023)

In 2015, production costs for Nigerian FMCG manufacturers were elevated but manageable. The naira, though not strong, had not yet experienced the catastrophic devaluations that followed. Energy costs were significant but somewhat subsidized. Imported raw material costs were painful but predictable.

The first notable upward kink in the amber line occurs at 2016, when the CBN floated the naira and the exchange rate deteriorated sharply from roughly ₦197 to over ₦300 per dollar (CBN Exchange Rate Data, 2016). Since the majority of raw material inputs for Nigerian FMCG manufacturing resins, chemicals, fragrances, packaging materials are dollar-denominated imports, this single monetary policy event immediately translated into a cost shock across the entire sector.

The line rises steadily through 2017 to 2019 as the cumulative effects of naira weakness, rising diesel costs, and erratic electricity supply compound each other. The MAN Energy Cost Survey (2017, 2022) documented manufacturers spending between 30% and 40% of operating costs simply on self-generated power an extraordinary structural burden that has no equivalent in most other emerging markets.

This study set out to examine the fears surrounding the sustainability of B2B stakes in Nigeria's Fast Moving Consumer Markets, and the evidence assembled across both objectives leaves little room for optimism without urgent intervention. The constructed indices collectively demonstrate that B2B intermediaries in Nigeria's FMCG sector are not facing isolated or temporary pressures they are caught in a compound structural squeeze operating simultaneously from multiple directions. Rising competition intensity and accelerating direct-to-consumer strategies are progressively eroding the strategic relevance of traditional distributors and wholesalers, while escalating production costs, shrinking price margins, and increasingly aggressive manufacturer pricing behaviour are destroying whatever economic viability remains. The convergence of these forces, as captured in the trajectory of the B2B Stability Index falling to 38, net distributor margins collapsing to 4%, and the survival rate of B2B operators projected to drop below 50% by 2026, represents not a market correction but a structural collapse of an entire intermediary tier within one of Africa's largest consumer economies.

The findings confirm that the fears motivating this study are empirically grounded. Without deliberate policy responses including regulatory frameworks that protect intermediary channel roles, manufacturer trade term standards, and targeted support for small and medium B2B operators the traditional B2B distribution model in Nigeria's FMCG sector faces a trajectory toward irreversible unviability. What is ultimately at stake is not merely the commercial survival of individual distributors, but the integrity of the supply chain infrastructure through which millions of Nigerian consumers' access essential goods daily. The B2B intermediary, long taken for granted, may soon be absent and the consequences of that absence will be felt far beyond the businesses themselves.

Conclusion

The competition in the FMCGs market has increased in the last one decade. The developments have impacted the schematic relationship between manufacturing firms and their intermediating business partners in the distributive system. In the main, firms in attempt for survival and to maintain a strong visibility in the market were forced to relate directly with the consumers without their involvements whole sales and retailers. On the other way, the dealers are faced with a market that is offering a widening variety of goods and lower profit margin. The consumers therefore are faced with a market where choice making has become more complicated and price elastic. The study shows a number of reasons why the B2B intermediary model in Nigeria's Fast Moving Consumer Goods (FMCG) sector is experiencing a deep and cyclical downturn in the marketing chains driven by converging and self-reinforcing economic pressures. Over the decade from 2015 to 2026, the Competition Intensity Index climbed from 45 to 91, the Direct-to-Consumer Strategy Index surged from 30 to 93, while the B2B Stability Index collapsed from 78 to a projected 38 a set of trajectories that, taken together, chart the progressive strategic and economic redundancy of traditional wholesalers and distributors in Nigeria's FMCG supply chain. Simultaneously, rising production costs driven by naira devaluation, energy burden, and imported input price shocks have compressed distributor price margins from 24% in 2015 to a projected 8% by 2026, while the B2B survival rate is on course to fall below 50% by the close of the year. The fact that the B2B share of flour mill sales has contracted from 35% to 27% in just four years while D2C channels have doubled confirms that this is no longer a theoretical concern but a measurable market reality already reshaping how essential consumer goods reach Nigerian households. Without urgent and coordinated intervention from the manufacturing firms, the Nigerian FMCG distribution ecosystem risks a hollowing out that will ultimately harm not only the intermediary businesses currently exiting the market, but consumer welfare, employment, and national food distribution security as well. The implications of the above is that firms may need to continually innovate new products or raise marketing awareness to sustain patronage and keep their products in the market shelves. B2B firms will be forced to focus on selling products that offers largest margin or highest sales turnover as a means of survival while many who could not survive having to close down.

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How to Cite This Article

Ofonyelu CC, Olanitori IP, Isah PA. My fears for the B2B stakes in fast moving consumer goods market (FMCGS) in Nigeria. International Journal of Social Science Exceptional Research. 2026;5(4):120-124.

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