MODERN MARKETING FOR NIGERIA

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Preface

One of the legacies of Africa's colonial past was an educational system that paid no attention to the formal training of an entrepreneurial and managerial class. Post-Independence African governments are slowly remedying the situation by starting business studies in the universities, polytechnics and other centres of higher learning. Marketing is a vital part of business education.

Post-Civil War Nigeria has witnessed a great expansion in the volume of business activities. The sellers' markets that characterised much of the economy are slowly giving way to competitive markets in certain product categories as the nation's productive capacity grows. The relevance of marketing is growing *pari passu* with this development. There is an increasing need therefore for managers who have received formal training in modern marketing techniques. The objective of this book is to contribute to the training of such managers.

Marketing is at once a common and yet a complex and elusive subject. It is common because everyone is daily in contact with marketing as we seek to fulfil our economic needs; it is elusive and complex because there is little hard core body of knowledge that can be truly labelled marketing as it borrows from other disciplines like economics, the behavioural sciences, and statistics. Further, the practice of marketing is very challenging since marketing is responsive to a host of factors external to the firm, so that strategies that worked yesterday may not work today. All this may make the beginning student of marketing not have as close a feel for his subject as does, say, the accounting student. This book attempts to bring the subject closer to the student through a judicious mixture of description of current marketing practices in Nigeria and prescription of how things should be done for greater effectiveness.

There is a great lack of business texts relevant to the Nigerian environment. *Modern Marketing for Nigeria* hopefully will help to fill this gap in the area of marketing. This is the most important justification for writing the book in view of the existence of some foreign texts.

The text is divided into five parts. In Part I, marketing is introduced and its role in Nigeria's economic development is explored. The tasks of marketing management are discussed with extra attention devoted to organisational patterns of a firm's marketing operations. Part II examines the external variables of buyer behaviour and the key laws or decrees that govern marketing in Nigeria. As a prelude to the substantive decision areas in marketing, Part III deals with how to gather the information needed for decision making, namely, through marketing research, the measurement of market potential and forecasting of sales.

The major section of the book is Part IV which contains nine chapters dealing with the decision areas of product, pricing, distribution, advertising, sales promotion, and sales management, as well as marketing planning and control, and international marketing. The material under marketing planning and control is purely prescriptive. It gives a glimpse of the kind of detailed planning needed for success in a competitive market. It should be of great interest to Nigerian marketing managers dealing with products that are not in scarce supply. A lone chapter forms Part V in which we discuss the societal issues related to the product itself, pricing, advertising and environmental pollution.

This book is positioned primarily as a text for the first course in marketing in universities, polytechnics, and other institutions of higher learning in Nigeria. The student will find the end-of-chapter discussion questions and outside assignments stimulating—a welcome departure from the over-simplified assignments typically contained in introductory texts.

The serious tone of the book should also appeal to practising marketing managers and those conducting management seminars who will find much of practical value especially in Part IV, Marketing Decision Areas.

This text grew out of my teaching experiences in the University of Massachusetts, Amherst, the Graduate School of Business, Columbia University, New York, and the Institute of Management and Technology, Enugu. I acknowledge the contribution of my colleagues in these institutions with whom I held many useful discussions and my students who provided useful feedback on early versions of various chapters. I should mention, too, the contribution of the reviewers of Macmillan Press whose many suggestions helped to improve the text.

A basic textbook writer owes much to published sources. I am no exception. I acknowledge my indebtedness to authors too numerous to be all explicitly cited in the book. Of course, I am solely responsible for the material in the book, and any errors or omissions are mine.

Special thanks go to the typists, especially Simon O. Ezenkwa, who made my scribblings come alive. Finally, my deep appreciation goes to my family for their great patience with me as I laboured on this work. My wife, Anne, even typed the first five chapters of the original draft. To her and the children, I dedicate this book with love.

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Contents

PART I
Introduction

1 Marketing: meaning and role in Nigeria's economic development

In this opening chapter, we examine the meanings of marketing and market. Next, the economic role or justification of marketing in any economy is discussed through the concept of value added by marketing. The contribution that marketing can make to economic development is highlighted and then related to Nigeria's recent economic history. The problems in the path of development of the field of marketing in Nigeria are discussed along with the gains the field has made and the outlook for the future.

Marketing and market

The meaning of marketing

Marketing is a crucial human invention. It embraces the activities we engage in to satisfy economic needs and wants. Early in man's history it became clear that no household could be economically self-sufficient for long; specialisation in production and the exchange of items produced with items needed were introduced. Thus marketing was born.

The core concept of marketing is the transaction, which is the exchange of desired objects by two parties. Such exchange could be product for product (trade by barter), or product for money in its various forms. For marketing or exchange to take place, it is necessary that there be: (a) two or more parties who have unsatisfied wants, (b) some products or services and money to exchange, and (c) some means of communication between the parties involved.

Definitions of marketing in the literature[1] differ primarily in terms of: (a) relating marketing to society (macro viewpoint) versus restricting marketing to the business activities of a firm (micro viewpoint), and (b) restricting the objects of exchange to economic goods and services versus broadening marketing to include non-economic goods and services. Our definition of marketing involves economic goods and services and is ultimately concerned with satisfying human economic needs:

> Marketing is the set of activities that facilitates exchange transactions involving economic goods and services for the ultimate purpose of satisfying human needs.

What activities are implied in the above definition? It is clear that products have to be designed, developed, produced, branded, and packaged. To be distributed to buyers goods must be transported and stored at strategic geographic points; they may be sorted into appropriate lots for buyers; prices must be established at both wholesale and retail; financing or credit may have to be provided to buyers; and the risk of owning inventory must be borne until the sale is consummated and title transferred. Information about aspects of the product such as features, uses, and availability must be communicated to buyers through advertising and personal selling. Effective marketing includes post-transaction activities that ensure satisfaction with the product in use; examples include maintaining repair parts and service facilities and carrying out any guarantees and warranties. Product demand must be estimated through sales forecasting, and often research is needed on products, buyer behaviour, resellers and many other aspects of the marketing process.

In sum, marketing embraces activities related to the product itself, the pricing, the distribution, communications or promotion, post-sale matters, marketing research and sales forecasting.

From the elaboration of marketing activities, it is clear that a broad range of participants engage in marketing such as:

- a manufacturer or processor;
- a farmer who produces for local or export markets;
- resellers or middlemen, notably, wholesalers, agents, brokers, and retailers such as shopkeepers or petty traders;
- the ultimate buyer like the housewife;
- the Produce Marketing Boards that control the assembly and export marketing of cash crops;
- a transportation company which moves goods and traders;
- an advertising agency which handles product advertising;
- a marketing research firm which identifies useful marketing information and researches buyer needs.

Participants like manufacturers, resellers, and final buyers are directly involved in the exchange transactions, while others like transportation companies and advertising agencies play facilitating roles and may be regarded as *facilitating institutions*. Advertising agencies, marketing research firms and even manufacturers are relatively new to the tropical African scene, because we have long depended on imports for most of our manufactured goods, and the more sophisticated methods of marketing are being slowly introduced.

Another inference to be drawn from the elaboration of marketing activities or functions is that marketing encompasses far more than selling. It is a common misconception to equate marketing with selling. That is clearly too restrictive for, after all, selling has as its immediate goal the conversion of goods to cash.

One final point to note about marketing activities is that they must be performed in any marketing system. The efficiency of performance may be high, leading to reasonable retail prices, or low, leading to high retail prices; the level of performance may be high such as in elaborate marketing research, or low when no formal marketing research is undertaken; the division of activities among marketing participants may differ widely from one marketing system to another depending partly on the expertise, financial ability, objectives and willingness of the participants.

Market as product buyers

To the African the word 'market' almost invariably means the market place, whether it is a periodic market as in the rural areas or a daily market mostly found in the urban areas. The African market not only fulfils its economic role as a place for buying and selling, but also serves as an important social, political and religious meeting place especially in the rural areas.[2]

A second meaning of market, which is to be emphasised throughout this book, is market as consisting of the buyers of a product. Our formal definition of market, adapted from Kotler,[3] is:

> A market for a product or service consists of individuals or organisations that have purchasing power and that are current or potential buyers of the product or service.

We note three things about this definition. First, a market could be ordinary people purchasing their needs, or it could be organisations such as business firms, non-profit institutions like schools and hospitals, and the government—federal, state, or local. Second, to be included in the market for a product an entity must have purchasing power, that is, money in its various forms—cash, cheques, credit. Thus, villagers would ordinarily not be included in the market for television sets but they might be the primary market for a new type of hoe. Third, current buyers and potential buyers are included in defining a market. For a product being newly introduced in an area, the market consists entirely of potential buyers. A major challenge for marketing is to convert potential buyers to actual buyers, in short, to create a customer, and advertising and personal selling are the more visible means to that end. Figure 1.1 symbolises the components of a market.

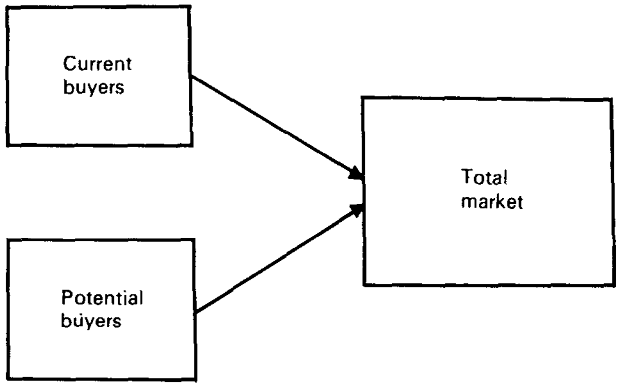

Figure 1.1. Components of a market

The third meaning of market is the verb sense such as in 'to market a product'. It suggests the performance of activities needed to bring an existing product to buyers, a meaning that is clearly related to the meaning of marketing.

Value added by marketing

From our earlier discussion of marketing activities it is apparent that through research into buyer needs ideas are obtained for product design and development; thus, marketing begins before actual production. Yet, it is sometimes necessary to estimate the monetary value of the purely marketing activities that occur from the point the product is produced to the time of purchase by the ultimate user. Here we will try to estimate the value added by marketing, a concept similar to the more familiar concept of value added by manufacturing.

No one will deny that a bag of cement is worth more in a market store than at the factory door. Yet, it is sometimes difficult for people to appreciate that the performance of marketing activities enhances the value of a product. The main reason is that market costs are often perceived as too high due to inefficiencies of the marketing system and occasionally also due to the unscrupulous practices of certain middlemen. Thus, the price the final buyer pays is frequently much higher than what the producer gets per unit. A second reason is psychological: marketing does not change the physical form of the product and the utility or value it creates is intangible. And something intangible may be difficult to appreciate.

Production in agriculture and manufacturing or processing creates *form utility*, that is, the tangible product purchased by buyers. Marketing adds value to the product by creating three kinds of utilities.

(a) *Time utility*, that is reflected in storage of the product immediately after production and during distribution until a more convenient time when it is demanded or purchased.
(b) *Place utility*, that is reflected in transportation of the product from the point of production to the place where the final buyers are located.
(c) *Possession utility*, that is reflected in the transfer of title and in providing information about the product so that the buyer may use or enjoy it to the best advantage.

Using the definition of value added as the gross value of output minus the value of inputs, we may define value added per unit by marketing as retail price minus producer's price per unit. A hypothetical example in figure 1.2 indicates that marketing.accounts for 50 kobo of every naira the consumer pays.

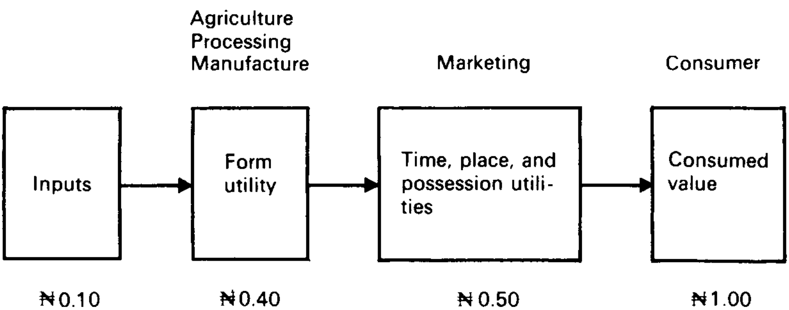

Figure 1.2. Value added by marketing

Source: Adapted from Ronald R. Gist, *Marketing and Society – A Conceptual Approach* (New York: Holt, Rinehart and Winston, 1971).

The role of marketing in Nigeria's economic development

Marketing and economic development

The role of marketing in economic development has been discussed by a number of marketing scholars and development economists, notably, Bauer,[4] Drucker,[5] and Moyer.[6] Overall, marketing fulfils the critical function of integrating the economy into society to serve human needs. Specifically, marketing contributes to material progress in the following ways:

(a) by the extension of markets, with the resulting promotion of specialisation and of production for sale;
(b) by stimulating the accumulation of capital needed for industrialisation;
(c) by creating a merchant class which in turn is the major source of entrepreneurial and managerial talent needed to establish and run manufacturing enterprises;
(d) by linking local communities to the outside world and acquainting people with the processes of the exchange economy and promoting the habits and attitudes appropriate to it.

Marketing's role in breeding entrepreneurs and managers is of special importance because, according to Drucker, economic development 'is the result of action, the purposeful, responsible, risk-taking action of men as entrepreneurs and managers.'[7] The leading contribution of merchants to early industrialisation is the finding reported in various empirical studies, such as Papenek's study of 250 leading industrialists in Pakistan,[8] Bauer and Yamey's study of West African trade,[9] Alexander's studies of industrialists in Greece,[10] and in Turkey,[11] and Carroll's study of Filipino manufacturers.[12] As Moyer observes, this phenomenon has existed for a long time; for example, during the industrial revolution, England's export merchants played a leading role in financing that nation's industrial progress.[13]

Several reasons account for the merchants' high productivity of industrial entrepreneurs. According to Alexander:[14]

(a) Unlike other potential industrialists, merchants are already entrepreneurs; they are accustomed to responding to market incentives and to exposing themselves to business risks.
(b) Merchants also possess business skills such as in buying, selling, employing others, and in making contracts.
(c) Merchants are likely to possess capital, and this is of special advantage in countries in which the financial system is undeveloped

and the possibilities of drawing on other people's resources are limited.

(d) Merchants probably already have their own networks of wholesale and retail outlets, they are more sensitive to particular product specifications, and are generally closer to the market on the demand side of their contemplated industrial projects. These conditions also help explain why merchants often go into the production of goods that they were formerly trading.

It should be noted that the marketing system and the economy have reciprocal effects on each other. Marketing provides the driving force for economic development, and the level of economic activity in turn affects the sophistication or development of the marketing system.

The current impact of marketing in the Nigerian economy

The question before us is whether marketing is fulfilling its proper role at this stage of our economic development. With reference to the four ways in which marketing contributes to material progress stated in the previous section, we make the following observations.

1. Although the overall level of commercial activities has grown tremendously, especially in the post-Independence period, there has been a greater enthusiasm for specialisation in importation for sale rather than in local production for sale. Nigeria had become a dumping ground for all manner of foreign goods.
2. Capital has indeed been accumulated by the private sector through commercial activities, but only a small proportion of it has been funnelled into industrialisation.
3. The marketing and consumption of manufactured goods—especially those of foreign origin—has had a tremendous impact on social norms and values even in remote rural areas of Nigeria. For example, the radio and Coke bottle are virtually ubiquitous and with rural electrification, the TV set is no longer such a novelty. These products and others have changed people's ideas of their world and induced new attitudes and expectations. New appetites for novel products and services have meant a steadily growing modern consumer sector.
4. A Nigerian merchant class was created which followed in the footsteps of the expatriate trading firms such as United Africa Company, John Holt, and Union Trading Company. Notable among the early Nigerian merchants were the Dohertys of western Nigeria, the Dantatas of northern Nigeria, the Eroninis, Abaechetas, Akwiwus and Nzimiros in eastern Nigeria.

By the late fifties, the expatriate trading firms had started moving into import substituting industries like sewing machine assembly plants, cigarette factories, breweries, bicycle assembly lines, cement, soap, corrugated iron sheets, textiles, tyres and tubes. The indigenous merchants on their part expanded their trading activities and were not keen on moving into small-scale manufacturing. In spite of the efforts made by the various regional or state governments to invest in larger-scale industries like breweries, textiles, vegetable oil mills, cement and so forth—most of which were unfortunately poorly managed—the overall contribution of manufacturing to the economy was low. At the start of the Third National Development Plan (1975–80) manufacturing value added was estimated as being anywhere from 4 to 8 per cent of Gross Domestic Product (GDP), a figure which compares unfavourably with 15 to 20 per cent attained by many countries at a similar stage of economic development.

One key factor accounting for the reluctance of our merchants and other businessmen to enter manufacturing is that long time horizons are involved in planning for manufacturing and profits may be slow in starting. The Nigerian businessman operates on relatively short time horizons and wants quick profits to accrue from his business dealings, as in importation, supply contracting, and transportation. In short, he has yet to learn the patient cultivation of profits.

Current impediments to the development of marketing[15]

A number of factors have retarded the development of marketing and thereby obscured its impact in Nigeria's current economic transformation. These are:

(a) the current relative scarcity of essential goods in the country;
(b) inadequate marketing infrastructure;
(c) complexity and inefficiency of the existing distribution channels; and
(d) ignoring the marketing concept.

An economy of scarcities

In the preceding section of this chapter, we have discussed the poor performance of our productive sectors, especially manufacturing. Since the country is nowhere near producing enough of her needs and does not have unlimited foreign exchange to import the shortfall, scarcities of the most essential commodities have persisted in the post-Civil War period. Shortages of goods like cement, beer, milk, sugar and even refined petroleum products suggest to all that little effort be expended in marketing what is available. Marketing of such products merely reduces to rationing as buyer demand keeps skyrocketing.

This state of affairs exacts a price, namely, that good marketing skills and procedures are not developed, and when the goods become plentiful again, the producers and sellers will sorely feel their lack of marketing expertise. And such expertise is not developed overnight.

Inadequate marketing infrastructure

Infrastructure has to deal with the provision of such basic amenities as good transportation network, steady electric power, sufficient water, dependable postal services and telephone system. In spite of the ambitious projects being undertaken in the ₦43 billion (1975–80) Third National Development Plan to improve our infrastructure, the gains made so far have not been appreciable.

Under the circumstances, how can a manufacturer assure product quantity and quality when electric power is constantly interrupted during the production process? How can a supermarket operator adequately stock his frozen foods section when he may lose power for a day or two running? How can an advertiser deliver the correct schedule of TV commercials when the receivers of the intended audience are dark due to zero or fluctuating voltage? How can a manufacturer or distributor dependably supply his dealers with the product when the vehicles break down due to bad roads? Finally, why is the marketing researcher today forced to depend almost solely on costly personal interviews when mailed questionnaires or telephone interviews might be cheaper or faster? Thus, there are endless examples of how marketing activities have been frustrated by inadequate or non-existent infrastructure.

Complexity of distribution channels

Our channels of distribution are characterised by many layers of middlemen most of whom are small traders with little capital. There is a marked absence of specialisation by stages of distribution; the same firm may transact business in units of widely different sizes. Thus, the terms wholesale and retail as used in industrialised countries are largely blurred in this developing economy. Such a system is too technically inefficient to handle the flow of goods in a fast growing economy.

There is further a deep public suspicion and distrust of the role of middlemen in the economy. Middlemen are seen as adding nothing but cost that inflates consumer prices. There are persistent reports of hoarding to create artificial scarcity of essential commodities and profiteering by some unscrupulous operators. In this kind of climate, it is rare that the functions, costs and rewards of middlemen are properly analysed to assess objectively their contribution in the flow of goods to consumers and users. It is indeed difficult for the ordinary Nigerian to accept the notion that marketing adds value or utility to the product.

Ignoring the marketing concept

The marketing concept is the philosophy of business that states that a producer or seller should be customer-oriented. This means that customer welfare should always be uppermost in the mind of the marketer before, during, and after the sale of the product. Yet what we see in the Nigerian economy is that producers and sellers are not interested in pleasing the consumer; their only interest is in the size of their profits. The scarcity of essential goods obviously contributes to this problem. Ours is still pretty much a seller's market.

Starting at the retail level, the consumer is either ignored and at best given a rude reception (especially at the department stores) or he is smothered with attention that is largely aimed at cheating him (as is the case in the daily urban markets). The quality of sales assistance that the buyer gets when making purchase deliberations is appallingly low.

The manufacturers are no more customer-oriented than the retailers. The quality of made-in-Nigeria products is sadly lacking. It is not surprising that consumers continue to prefer foreign-made goods. Not to be daunted, some unscrupulous indigenous producers (for example, in textiles and clothing) have taken to putting foreign labels on locally made items and demanding higher prices for them. Businessmen, especially those dealing in scarce goods, should take a long-range view of their business and realise that the customers that they are taking for granted today may desert them in the future when new producers emerge and the scarce goods become plentiful.

Apart from shortages in the economy, the existence of state-run monopolies that provide vital services is another cause of the customer-be-damned attitude. Notorious examples are the Nigerian Airways, National Electric Power Authority (NEPA), and the P.&T. The customer has no way of switching his loyalty; he simply accepts whatever he can get.

Some gains made by marketing

While we discuss the role of marketing in the development of the Nigerian economy and examine the impediments in the path of growth of the field itself, we must note what progress it has made, especially in the decade of the seventies.

Marketing has indeed made impressive gains in post-Civil War