ANALYSIS OF THE MARKETING STRATEGIES OF MILCOPAL NIGERIA LIMITED

BY

HANNATU HUSSAINI MAINA (MRS.)

A PROJECT SUBMITTED TO THE POST-GRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA. IN PARTIAL FULFULMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (M.B.A)

DEPARTMENT OF BUSINESS ADMINISTRATION,
FACULTY OF BUSINESS ADMINISTRATION,
AHMADU BELLO UNIVERSITY,
ZARIA.

1998

DECLARATION

I hereby declare that this project was written by me based on the research findings conducted personally by me.

To the best of my knowledge, this project has not been presented to any post graduate school for the award of higher degree.

All references made to texts, journals and articles have been duly acknowledged in the references.

Finally, I wish to state that, I am responsible for any errors committed and or omissions made in this project.

Hannatu H. Maina		28-08-2000
Name of Student	Signature	Date

The above declaration is hereby confirmed by:

Mr. A. B. Akpan		5/9/2000
Name of Supervisor	Signature	Date

CERTIFICATION

This project entitled "Analysis of the Marketing Strategies of MILCOPAL NIGERIA LIMITED, Kaduna, by HANNATU HUSSAINI MAINA (Mrs.) meets the regulations governing the award of the degree of MASTERS OF BUSINESS ADMINISTRATION (MBA) of AHMADU BELLO UNIVERSITY, ZARIA and is approved for its contribution to knowledge and literary presentation.

Supervisor	8/7/2010 Date
Head of Department	9/9/00 Date
Dean, Post Graduate School	14/10/04 Date

15/05/2000
Professor Usman A. Zahradeen
External Examiner

CERTIFICATION

This project entitled "Analysis of the Marketing Strategies of MILCOPAL NIGERIA LIMITED, Kaduna, by HANNATU HUSSAINI MAINA (Mrs.) meets the regulation governing the award of the degree of MASTERS OF BUSINESS ADMINISTRATION (MBA) of AHMADU BELLO UNIVERSITY, ZARIA and is approved for its contribution to knowledge and literary presentation.

....

Supervisor Date

Head of Department Date

....

Dean, Post Graduate School Date

DEDICATION

This research work is dedicated to my children: Laila, Yasmin, Aisha and Ramlah for enduring my absence for so long a time.

ACKNOWLEDGEMENT

In acknowledging the help which has been received in producing a thesis, a researcher must certainly thank all those who made contributions to the success of the work.

I am especially grateful to my husband, Dr. Junaidu A. Maina for his support and encouragement.

To my most able supervisor, Mr. A. B. Akpan for all the assistance he rendered which cannot be quantified, I am most sincerely grateful.

My thanks also go to the Managing Director of MILCOPAL Nigeria Limited, Mal. M. M. Danbaba for assisting me with the information necessary for the completion of the work. Similarly, I thank all the staff of MILCOPAL Nigeria Ltd.

I must also thank the Management of Kaduna Polytechnic; my employers, for providing me with the opportunity of attending the M.B.A. course.

Finally, I am most grateful to Mr. Emmanuel Nnamani for typing and printing the manuscript.

TABLE OF CONTENTS

ABSTRACT

There is no doubt that marketing strategy has an important bearing on the performance of a business organisation. The basic purpose of this project therefore, is to examine the role of marketing strategy on the overall performance of MILCOPAL NIG. LTD., Kaduna. Firms in Nigeria have over the years adopted various marketing strategies aimed at improving their overall performance and profitability. It is the argument of this study that the desired objective of an organisation may not be attained without a comprehensive marketing strategy. This is because the firm may not actually know how its objectives are to be accomplished. It is for this reason, coupled with a more challenging business environment in recent time that more and more companies are now adopting the use of marketing strategies. The project is organised into five chapters. Chapter one deals with the basic framework of marketing strategies and how they contribute towards an efficient operation. The chapter also considered the objectives of the study, its scope and limitations. An overview of the various literatures relating to marketing strategy were produced. The marketing strategies of the organisation were analysed and assessed in relation to its overall performance.

CHAPTER I

1.1 INTRODUCTION

Business organisations were at one time pre-occupied with the view that their products can sell themselves without taking into account the fact that consumers wants and their responses to the product are of significance. During that period, the market was essentially a sellers' market because goods were scarce and the markets had little or no difficulty in selling their limited supplies. Under this condition one the key people were the production personnel on the one hand and the sales people on the other. Essentially, the production personnel produced the scarce product while the sales personnel marketed the products from the factory to the consumers. However, as the society and economy developed, more goods and services were provided above or below their demand. Moreover, as the supply exceeds demand a form of marketing started to creep in the form of trade exchange. The problems ceased from that of production or sales to that of marketing.

The essence of marketing therefore, is transaction or an exchange of intended to satisfy human needs or wants. Thus, differing sharply with selling concept which was formally used by business and which emphasized more on the product and the art of persuading consumers to buy the product.

In marketing, the company tries to fit the demand of the consumers with a product offered by the company; that is the demand of the buyers or potential buyers is first sought and the company then designs a product to fit or to satisfy such demand.

Despite criticisms towards marketing, marketing concept is fundamentally important to organisations because it is applicable to all business organisations, irrespective of size or nature of the goods and services marketed. Differences in the type of goods supplied, in the size and characteristic of the consumer or user markets for the various classes of goods, is the purpose for which they are acquired and in the methods by which they are distributed, do not invalidate the universal applicability of the marketing concept to business operations.

According to the marketing concept therefore, organisations are continually trying to identify the needs/wants of customers and then provide an element or product that will satisfy those needs and wants for profit. Non business organisations may not seek profit but that is not to say that they do not indulge in marketing activities. Ordinarily, non-business organisations have goals by which they measure their success just as other organisations use profit to measure their own success. Whatever kind of business an enterprise is in, it exists to accomplish something in the larger environment. In order to enhance its market share and profitability, organisations are now adopting the strategic planning system in order to achieve the set objective of the organisations. The strategic management process starts with establishing a company purpose which specifies reason for the existence of the company. A well defined and clear purpose makes employees more committed and dedicated to the company. Once the purpose has been defined, management must then translate the company's purpose into a set of specific objectives and goals that will lead to the attainment of this purpose. Organisational goals and objectives refer to the results which an organisation seeks to achieve by its existence and operations. Organisations usually pursue many goals including primary or strategic objectives and secondary or sub-unit objectives. Organisational goals refer to the desired future level which the organisation seeks to achieve. They are broad general guidelines to thinking which provide levels of attainment that are relatively timeless. Goals are aimed at the broad purpose and mission of the organisation and it includes survival, efficiency and profitability.

Organisational objectives on the other hand are the statements that help guide the activities of graps and members towards the overall goals. Objectives are more specific and time bound than goals. When an organisation has defined its purpose, goals and objectives, it then formulates grand design in order to achieve its objectives. That is called 'strategy'.

A strategy is a means used to achieve the ends (objectives). It is a unified plan that ties all parts of the organisation together and covers all major aspects of the organisation. A strategy is integrated. All the parts of the plan are compatible with each other and fit together well. William F. Gilvek (1980: Pg 9) defined strategy as "a limited, comprehensive and integrated plan relating the strategic advantages of the firm to the challenges of the environment. It is designed to ensure that the basic objective of the enterprise are achieved."

In essence therefore, strategies denote a general program of action and a deployment of emphasis and resources towards the attainment of comprehensive objectives.

The development of a strategy is a human exercise which involves personal motives, value judgements, aspirations and other human elements. In the corporate environment therefore, are skilled managers who are involved in the formulation and redesign of corporate strategy and secure compliance by allowing subordinate managers to develop sub-strategies in their various departments in order to successfully achieve the objectives of the corporate strategy.

As the issue of strategy formulation becomes more complex, organisations are continually placing great importance on their marketing department whose purpose include the formulation, redesigning and implementation of the marketing strategies in order to achieve the set goals.

The fundamental aim of marketing strategies is to ensure the long term competitive profitability of the company in the market place. Since in a competitive economic environment the market place provides the only real justification for a company's existence, a number of sub-strategies are considered with the grand marketing strategy and they include strategies relating to product, pricing, promotion and placement.

Product is designed by an organisation in order to satisfy the wants of a particular market segment. It is therefore the main reason for an organisation's existence.

W. J. Stanton (1981: 161) defined a product as a set of tangible and intangible attributes including packaging, colour, price, manufacturer's prestige and retailer's services which the buyer may accept as offering want-satisfaction.

Companies should therefore not only produce products for the sake of producing but the product quality should be sufficiently good so as to attain the required sales level as well as profit. Since there are various competitors trying to satisfy the same wants, a comprehensive and well integrated product strategy should be formulated in order to outweigh competitors in both quality and packaging of the product.

Pricing is an equally important strategic element in marketing and it refers to the monetary value attached to a product. Traditionally, companies add a fixed mark-up percentage on their costs to arrive at a selling price, while others follow the price of industry's leaders as a basis of arriving at their own selling price. Still others fix a price they believed will bring a certain percentage or return on their investment over the long run. However, due to intense competition, strategic pricing techniques are being evolved in order to maintain or improve market share and above all profitability in the long run. Pricing decisions are thus, dependant on a number of factors such as the inflationary rate, degree of demand and competitive nature of the industry. It is therefore, necessary for pricing strategy to be as flexible as possible so as to incorporate unforseen changes in both the economic and competitive environment.

Promotional strategy aims at increasing greater sales and eventually profit. Basically, promotion is a marketing communication device designed to inform, persuade and communicate with the consumers. The mere existence of a product does not lead to sales. The end users must be informed about the existence of the product, its attributes and users etc. It follows therefore, that the producer must inform the middlemen about the existence of the product, and the middlemen must in turn informer the consumer about the product and persuade the consumer for a trial of the product.

Similarly, as a competition within the industry increases, it becomes essential to differentiate a company's product from those of competitors since buyers will certainly be selective in purchasing a particular product in satisfying the same wants. Various promotion strategies such as advertising and other general promotion activities are employed in order to win consumer patronage on a company's product. Strategies should be keyed to the product's life cycle as well as the nature of the product. Sales promotion for example would be different for a product at an introductory stage from the one for a product at a decline stage. Moreover, the kind of promotional strategy to be adopted will depend on whether the product is a convenience shopping or speciality product.

Marketing strategies normally dictate the distribution strategy for an organisation (placement). It is difficult for an organisation to have a completely independent distribution strategy since a desire on the part of a distribution personnel to have a least cost system could eliminate part of a product's sales impact which in turn could be an essential part of the overall marketing strategy.

In today's economy, producers do not sell their product directly to the end users, instead they sell to intermediaries called middlemen and they include wholesalers and retailers and in some cases Brokers and Agents, all performing special but different functions on behalf of the producer. Wholesalers and Retailers take title of the products by buying direct from the producers and later re-sell to the consumers. Brokers and Agents on the other hand do not take title of the product.

Distribution channels include the transfer of products title from the producers to the end users and it involves all the processes that facilitates the movement of such product. It is however, important for an organisation to select middlemen with wide knowledge about the market. They must also possess all the necessary facilities needed to perform their functions efficiently in order to achieve the set objectives of the organisation, whole selling and enough distribution channels.

1.2 OBJECTIVES OF THE STUDY

Recent proliferation of business producing a wide range of products have necessitated the need to conduct more researches and contribute by providing literature that could be used by both students and business executives in formulating marketing strategies in order to achieve the set goals or objectives of their own organisations.

This researched aimed at analysing the marketing strategies of MILCOPAL LTD. With a view to:

1. Identifying the ways customers wants/needs are satisfied through the production of goods or services by the organisation.

2. Find out how prices of the organisation's products are set.

3. Look into elements that necessitates marketing communication and how they are carried out in the organisation.

4. Identify the effectiveness of the various strategies connected with distributing the products from the production site to the end consumers.

5. Identify how marketing budget is made and its justification in relation to the performance of the company.

6. Relate theory and practice of marketing strategies of MILCOPAL LTD.

7. Formulate recommendations for future improvement.

1.3 SCOPE AND LIMITATIONS OF THE STUDY

This research is aimed at analysing the marketing strategies of MILCOPAL LTD. The research will make an analysis of marketing strategies employed by the organisation with regards to product, price, place and promotion.

In addition to an analysis of the marketing strategies, the marketing expenditure of the company will be evaluated in relation to the overall performance of the company.

In order to determine the effectiveness of marketing strategies of the organisation, some customers were interviewed.

The limitations of the research work include; shortage of time which could not allow the researcher to cover a wider area of the marketing strategies of MILCOPAL. The researcher would have liked to cover a more vast area in terms of travelling to the States and zones that the product is being marketed to really assess how the product is fairing with competitors and what the company is doing in such States in order to curb this competition and establish a better market for the product.

Conducting a research is not an easy task for it requires a lot of funding. The financing of the project also posed as another constraint to it. For travelling to zonal offices and other States to assess the performance of the product in such areas would definitely involve spending a lot of money of which the researcher cannot really afford and as such that being the case, the researcher decided to restrict the research work to Kaduna and its immediate surroundings alone.

1.4 METHODOLOGY

The researcher has adopted a number of methods in gathering data for the research. Valuable information was derived from the accounts of the organisation, particularly on the historical background of the organisation as well as its marketing expenditure.

Questionnaires were served on all officers who are responsible for making marketing decisions and also the sales personnel.

Certain information that could not adequately be obtained through questionnaires was derived through personal interview which was conducted on some principal officers, sales personnel and consumers in order to gather a comprehensive and up to date information concerning the formulation and implementation of their marketing strategies.

A lot of time also spent observing the response of the consumers to the marketing strategies particularly the factors that influence their choice of the product over those of competitors. Based on this, some important conclusions and recommendations were made.

Finally, some literature on the subject-matter were reviewed and at the end some recommendations were made on some marketing strategies to be employed by the company in order to enhance future viability and existence of the organisation.

1.5 DEFINITION OF TERMS

1. ***Market*** – defined as people with needs to satisfy, money to spend and willingness to spend it.

2. ***Market Segmentation*** – the development and pursuit of marketing programs directed at sub-groups or segments of the population that the organisation could possibly serve.

3. ***<u>Selling</u>*** - the personal or impersonal process of assisting and or persuading a prospective customer to buy a commodity or a service or to act favourably upon an idea that has commercial significance to the seller.

4. ***<u>Marketing</u>*** – the performance of business activities that direct the flow of goods and services to the consumer or user. Or it can be defined as those activities performed by individuals or organisations either for profit or non-profit that enable, facilitate and encourage exchange to the satisfaction of both parties.

5. ***<u>Marketing</u>*** – this involves four basic elements viz. – product, distribution, pricing and promotion and the way they are combined by the organisation or company for the achievement of corporate goals.

6. ***<u>Product</u>*** - anything that can be offered to a market for attention, acquisition, use or consumption. It includes physical objects, services, personalities, places, organisatison and ideas.

7. ***Price*** - Money value per physical units or value expressed in terms of Naira and Kobo or any other monetary medium of exchange.

8. ***Promotion*** - the conveyance of information concerning the products, price, promotion, distribution and servicing of goods and services. Or it is any paid for communication whereby the company informs, persuades or reminds potential customers about itself, its products or services.

9. ***Distribution*** - Movement of the goods from the point of production to the point of utilization or consumption.

CHAPTER II

LITERATURE REVIEW

2.1 DEVELOPMENT OF MARKETING

The precise period that the concept of marketing was first conceived cannot be determined. Some people argued that, marketing is one of the oldest profession, while others are of the opinion that, marketing began when mankind first engaged in barter trading. Little or no exchange takes place as societies and families are self-sufficient in all their basic needs as such there was no marketing during that period. As the society began to grow, the idea of economic exchange began to improve and hence the need for division of labour and specialisation. Consequently, the need for the adoption of marketing concept began.

Drucker (1973:62) thought that marketing was invented in Japan around 1650 AD by the first member of the Mitsu family to settle in Tokyo as a merchant and to open what might be called 'the first departmental store.' Drucker then suggested that marketing appeared in the west around the 19^{th} century at the International Havester Company through Cyrus H. McCormick (1809 – 1884).

Since then, marketing activities and institutions have been described throughout recorded history. According to Russ and

Kirkpatrick (1982:0) the code of Hammurabi, developed and recorded between 1795 and 1750 B.C regulated among other things, pricing practices and other aspects of the business transactions in ancient Babylon. It apparently formed the basis of laws affecting marketing in many ancient cultures.

Marketing started from being a buyers orientation, to sellers orientation through to its present state of being a marketing orientation and to a socially-oriented marketing.

Buyers Orientation

Up to the year 1975 A.D, marketing was simple, involving producing and distributing goods. In the early mid 1800's, sellers had a single primary goal, to maximize production so as to keep pace with demand. This means, there was little or no marketing activity on the part of the producers. The role of marketing was relegated to price bargains with potential buyers and at times to distribution issues.

Kotler (1980:27) referred to buyers orientation as the production concept and went on the explain that, the production concept is a management oriented concept, that assumed that consumers would favour those products which are available and affordable and that the major task of management is to pursue improved production and distribution efficiency.

Sellers Orientation

Stanton (1981:12) stated that, two significant organisational changes occurred during the sellers orientation stage. First of all marketing activities such as advertisement and marketing research are grouped under one executive. Still typically called a sales manager or Vice President of sales. Secondly, activities such as sales training and sales analysis formerly performed by other department are now handled in the sales department.

The sellers orientation period started in the later 1800 when production processes were improved and which led to the growth of business into larger entities. By 1900, mass production had been achieved in certain industries, notably steel and automobiles. As a result of this development it became necessary for producers to achieve large volume of sales in order to minimise the unit cost of production. Thus organisations were forced to raise their ability up to a level that matched with their capacity.

Marketing Orientation

The great depression and world war II disrupted the sellers orientation due to a drastic fall in the demand of the products which forced some firms out of business. After the world war, there was rise in the demand for specific goods and thus organisations that adopted the sellers orientation concept started to adopt an entirely new concept called "the marketing concept or market orientation."

According to Kotler (1980:3) the marketing concept is a management orientation which holds that, the key task of the organisation is to determine the needs and wants of the target markets and to adapt the organisation to delivering the desired satisfaction more effectively and efficiently than its competitors.

Marketing did not appear in the academic or business scene until early 1900's in America. In 1905 W. E. Kreun taught a course in the University of Pennyslvania entitled "the marketing of products." In 1910, Ralph Starr Butler offered a course entitled "marketing methods" at the University of Wisconsin. Marketing appeared in the business scene in the early 20th century when Curtis Publishing Company established the first marketing research department in 1911. Since then, marketing concept has spread to all business as a necessary impetus for development and survival. Non profit organisations such as hospitals, colleges, museums etc. are now adopting the concept.

Socially-Oriented Marketing

The growing discontent among consumers due to changes in our socio-economic and cultural goods during the 1960's led to the rise of a popular social movement called "consumerism". Stanton (1981:530) defined consumerism as the actions of individuals and organisations (consumers, government and business) responding to consumer dissatisfactions in exchange relationships.

Drucker (1973:64) considers consumerism to be evident of this:- that after twenty years of marketing rhetoric, consumerism could become a powerful popular movement, proves that not much marketing has been practised. Consumerism is the shame of marketing.

Consumerism accused marketing of promoting excessive materialism, a [pre-occupation with consumption, and because of the hopes it raises and the distance it helps to create between producers or sellers and buyers. Marketing is said to create a feeling of frustration and inadequacy. Moreover marketing has been accused of placing deceptive advertising by portraying goods or services that may not be beneficial to the consumer as essentially useful.

As a result of this growing discontent among consumers, business today is quite sensitive to the side effects of its actions. In the past, the responsibility of business was limited to production and selling but business of nowadays are responding to the effect of their action on the society and this has led to the call for a new concept to replace the marketing concept. Among the proposal according to

Dawson (1969:29) include, 'the human concept, the intelligent consumption concept and the ecological imperative concept, all of which propose a socially responsible business.

Keith and Blomstran (1973:39) defined social responsibility as "actions that protect and improve the welfare of the society along with its own interests."

According to Stanton (1981:538) a socially oriented marketing includes the development of a marketing program to plan, price, promote and distribute products and services to satisfy consumers wants. But we must also consider the social consequences of this marketing program.

Kotler (1980:35) defined the new concept as 'the societal marketing concept' which according to him, 'is a management orientation which holds that, the key task of the organisation is to determine the needs and wants of target markets and to adapt the organisation to delivering the desired satisfactions more effectively and efficiently than its competitors in a way that preserves or enhances the consumers and society's well being.

2.2 MARKETING STRATEGY

The term 'strategy' is derived from the Greek word 'strategos', meaning general. In a military sense, it involves the planning and directing of battles or campaigns. In the business sense however, the term refers to actions by management to offset actual or potential action of competitors.

Kenneth E. Runyan expressed that, the term is used to describe how objectives are to be accomplished. Thus, strategy statements communicate the principles used in selecting and or utilising various marketing strategy, media strategy, product strategy, copy strategy and so forth.

According to Gluek (1980:8) strategy is a unified, comprehensive and integrated plan relating the strategic advantage of the firm to the challenges of the environment. It is designed to ensure that, the basic objectives of the enterprise are achieved.

To Vanciy (1976:18), the strategy of an organisation is a conceptualization expressed or implied by the organisation's leader of:

(1)The Long term objectives or purposes of the organisation.

(2) The broad constraint and policies, either self-imposed by the leader or accepted by him from his supervisors that currently restrict the scope of the organisation's activities.

(3) The current set of plans and near term goals that have been adopted in the expectation of contributing to the achievement of the organisation's objectives.

Kotler (1980:80) defined marketing strategy as "a management process of analysing market opportunities and choosing marketing positions, programs and control that create and support viable business that serves the company's purpose and objectives.

In agreement with the above definition, Seibert (1973:519) emphasized that marketing strategy is concerned with the marketing mix. A given goal may be reached by various routes. Using various combination of the marketing mix, the marketing manager then comes out with a program of action known as "the strategy."

Buel (1985:194) defined strategy as the internal (company) response to the external environment.

Perhaps a more comprehensive definition of marketing strategy is that provided by Kotler (1981: 272) – "a marketing strategy is a consistent, appropriate and feasible set of principles through which a particular company hopes to achieve its long run customer and profit objectives in a particular competitive environment."

2.3 THE NEED FOR MARKETING STRATEGY

The need for marketing strategies arises because managers need to develop a set of decisions and actions which lead to the development of an effective marketing strategy or strategies to help achieve corporate goals and objectives.

The market place and economic environment are continually changing. Customers needs and wants change everyday. Competitors are increasing and their mode of satisfying consumers is consistently improved. Technological innovations are greatly improved. As a result of all these changes, marketers need to be develop strategies aimed at achieving the objectives of their organisations.

Whatever kind of business an organisation is in, it has to evolve and include in its plan certain strategies that will lead to objective accomplishment.

A firm's competitive marketing strategy would have to take account of the following factors:-

i. The company's resources, objectives and policies.

ii. The competitors' marketing strategies.

iii. The target markets buying behaviour.

iv. The stage of the product life cycle.

v. The character of the economy.

These factors invariably dictate the kind of strategy to be formulated in a given situation.

<u>The Company's Competitive Size and Position in the Market</u>

A firm may choose its non-strategy depending on its competitive size and position in the market. In every industry, there is bound to be a leader, who controls the greatest share of the market, followed by the next stronger firm in the industry commonly referred to as the market challenger.

The market follower is the next strong competitor following the market challenger and then lastly the market nichers as shown in the figure below.

Market Leader	Market Challenger	Market Follower	Market Nitchers
40%	30%	20%	10%

Hypothetical Market Structure.

Market Leader Strategies

A specialist in strategic management, Carolyn Wool, outlined some advantages enjoyed by market leaders over their competitors. They seem to have all the advantages: big economies of scale, lowest cost production, readiest brand recognition, channel dominance and strongest bargaining position with customers and suppliers.

Market leader, as depicted in figure 1 above controlled over 40% of the market and is certainly the firm with largest market share in the industry. Market leader usually leads other firms in the industry in major product and market decisions. All major marketing decisions are normally dependant on the market leader's action.

The main objective of the market leader is to maintain its enormous market leadership position, which they hope to achieve by expanding the total market share; and by protecting and expanding its market share. In order to achieve this objective, the market leader can adopt one of the following broad strategies:

1. **Innovation Strategy**

   With this strategy, the market leader can protect its market share by leading other firms in the industry in new product innovation, cost cutting discoveries and improving the 4 P's viz: product, price, promotion and distribution.

2. **Fortification Strategy**

This strategy helps the market leader to maintain its leadership position by keeping its price responsible in relation to the perceived value of its offer and competitive offer. However, this strategy can only be effective when the market leader serves all market segments by providing at various sizes to meet different customer requirements.

3. **Confrontation Strategy**

This strategy is applicable when the market leader has one aggressive competitors whose actions require quick and direct response. Using this strategy, the market leader can engage in massive promotional war with the aggressive competitor.

4. **Harassment Strategy**

The market leader can set to destroy a competitors by attracting better executives of a competitor into its own firm. In some cases, the market leader might instruct its distributors not to carry the products of competitors.

Market leaders can also try to grow through further expansion of their market share. According to the well-publicised Profit Impact of Strategies (PIMS) studies, profitability measured by pre-tax ROI rises with market share. This meant that, firms should not only strive for market dominance but must also try to control higher market share. This strategy should be employed with more caution particularly by firms with share of over 50%. This is because market share expansion by these firms may be both expensive and risky. Their position may better be enhanced by building market size rather than market share.

The first reason for self-restraint has to do with the possibility of provoking anti-trust action. The second reason is economic. Despite the usually strong correlation between market share and profitability, clearly the benefits of dominance are not universally enjoyed. To support her assertion, Carolyn Wool studied the experience of 112 market share leaders business not companies. She contrasted the result of 41 low performing leaders (which has pre-tax ROI of less than 10%) with 71 high performing bell wethers (pre-tax return exceeding 40%).

Her conclusion was as follows – "Market share leadership is far from a sure indicator of superior performance, market share has not given this group of business attractive returns. While appealing and sometimes heroic, the effort to attain share dominance must therefore not be applauded without reservation. The expected benefits often implicitly related to market share, must be evaluated against the nature of the environment. Objectives defined mainly by market share points are not always relevant to profitable performance. Any increase in the total market share of the industry is usually more advantageous to the market leader. Hence, the market leader can adopt one of the following strategies in order to expand the total market:

i. **New Users**

At one time or another, a market leader is likely to face a situation in which competitors threaten to take away its business with a new product and the company has to react fast. Failure to respond with appropriate speed can lead to loss of market share and dissipated profits. One way to react is to attract new users to the product class. Invariably, this may be a difficult task because in any industry there exists potential buyers who are unaware of the product or are re4sisting the product because of its price or because it does not meet their requirements. In such a situation, the market leader can employ one of the following sub-strategies:

<u>Market Penetration Strategy</u>

Within the target market, the market leader can try to convince those that do not use the product for a trial.

<u>New Market Strategy</u>

The market leader can expand into an entirely new segment of the market. For instance, if the company is concentrated on the female market, it can expand into the male market as well.

<u>Geographical–Expansion Strategy</u>

Using this strategy, the market leader can expand into an entirely new geographical location that it was not serving before.

ii. **<u>New Users</u>**

The market leader can decide to invent and promote new users for the product.

iii. **<u>More Usage</u>**

It is also possible for the market leader to convince people to increase the usage rate of the product.

<u>Market-Challenger Strategies</u>

Following market leaders are market challengers controlling about 30% of the market. They are firms with an objective of gaining more market share. These firms can adopt one of the following three strategies in order to achieve the main objective:

1. **<u>Direct attack strategy</u>**

   Market challenger can face the market leader 'head on' in its competitive war. It could use various tools such as offering price discount, cheaper product, intensive advertising, etc.

2. **<u>Back-door strategy</u>**

   Using this strategy, the challenger runs around the market leader rather than directly into it. This strategy can be adopted using various sub-strategies such as distribution-innovation strategies, etc.

3. **<u>Guppy strategy</u>**

   This is a strategy of attaching smaller competitors instead of the market leader. Various sub-strategies for this strategy exist and they include manufacturing cost reduction strategy etc.

<u>Market Follower Strategies</u>

Market followers are firms that are content with their market share. They do not engage in any form of competitive war, instead they try to maintain their position. Market challengers unable to better off would settle in following the leader rather than attacking it. Market followers are quite common in homogenous products such as steel, fertilizers and chemicals. In this type of industry, product differentiation and image differentiation are quire low; service quality is often comparable, price sensitivity runs high, market share in this industry tends to be stable because firms offer similar products at uniform price normally reflecting the market leader's activities.

Market followers can adopt a number of strategies such as; they must identify a target market to which they can profitably serve and must be ready to expand to new markets that are opening.

Market-Nicher Strategies

Market nichers are minor firms in an industry that operate in some par of the market and try to avoid clashes with bigger competitors. These firms are normally specialist in particular products and they serve market niches that are likely overlooked or ignored by competitors.

Since they are specialist, their strategies are narrowed along market, customers, product or marketing mix lines.

2.4 PRODUCT STRATEGY

Udell and Laczniak (1981:233) defined product development as "the creation and adjusting products to satisfy consumer demands".

Management should realise that, it is primarily in the business of providing 'satisfaction.' People spend their money to attain satisfaction, not the specific technical characteristics of the item being purchased.

It is for this reason that, marketing research into product strategies in relation to satisfying the needs and wants of consumers become so important. In fact, the survival of any business is dependent on how effective its strategies (product strategies inclusive) are.

There are five stages in the product life cycle. Successful products normally go through the stages of introduction, growth, maturity and decline. Some potentially successful product may suffer an early demise because of a marketing mistake while an old product that reached the decline stage may be resurrected.

Most alert and thoughtful marketing managers are now familiar with the product life cycle concept. Appropriate strategies are being applied during each stage in order to ensure the profitability and survival of the business.

The figure below portrays the product life cycle. It is however, arbitrary to determine the starting point or end of a product life cycle.

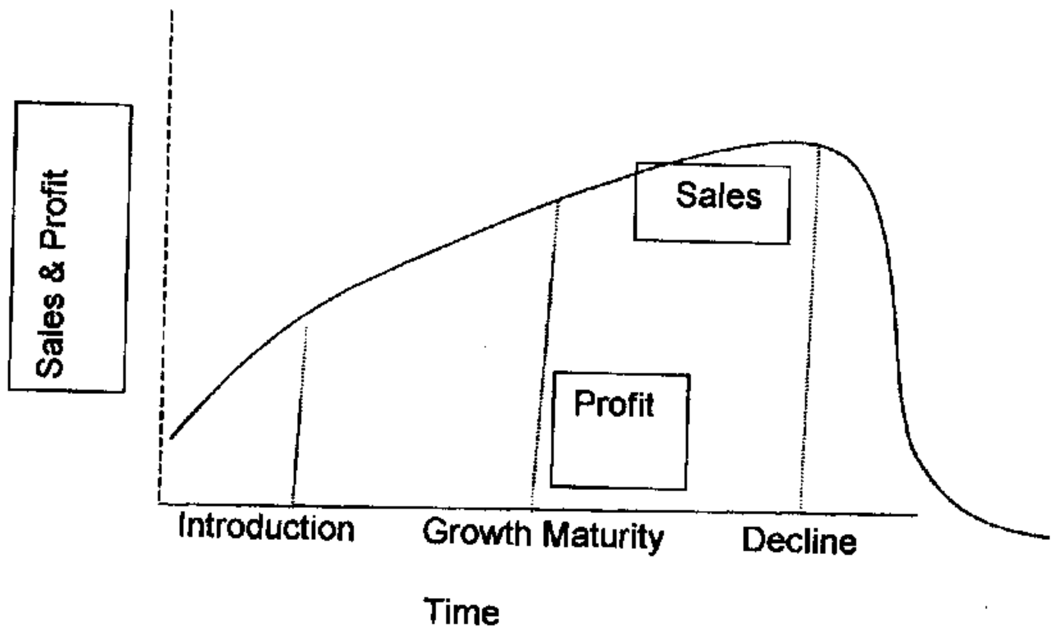


Figure 2 - Sales and profit cycle

Source: Kotler (1980: 290).

Introduction Stage

The actual introduction of a product in the market place takes place after a long period of research and test marketing. After test marketing, sequence of events leading to product improvement are carried out in order to meet the required standard needed by the potential buyer. At this stage, management should focus its attention on obtaining the most capable distributors, who must be informed about the new product. Management should also create an extensive awareness at this stage. Ultimate consumers must be educated and sold on the merits of the products. Of equal importance is the fact that a successful product is only feasible when the company is able to provide prompt services in terms of product quality and service problems.

During this stage, profit is normally low or non-existent due to low sales and heavy distribution and promotion expenses. There are few competitors who produce basic version of the product.

Four strategies are available at this stage and they are related to price and promotion.

For the purpose of this study, we shall employ the setting of high or low levels of price and promotion in arriving at out product strategy.

	Promotion	
	High	Low
High price	Rapid skimming strategy	Slow skimming strategy
Low	Rapid penetration strategy	Slow penetration strategy

Figure 3: Four introductory marketing strategies.

Source: Kotler (1980: 295).

I. **Rapid Skimming Strategy**

This strategy consists of launching the new product with high price and high promotion level. The purpose of setting a high price is to recover as much gross profit per unit as possible, and the purpose of high promotion level is to accelerate market penetration.

This strategy makes sense under the following assumptions:

i. A large part of the potential market is unaware of the product.

ii. Those who become aware of the product are eager to have it and are able to absorb the price.

iii. Due to fierce competition, the firm wants to create brand preferences.

II. **Rapid Penetration Strategy**

This strategy consists of launching the product with a low price and heavy promotion. This strategy is expected to bring about the fastest rate of market penetration and the largest market share for the company. This strategy makes sense under the following assumptions:

i. The market is large in size.

ii. The market is relatively unaware of the product.

iii. Most buyers are price sensitive.

iv. There is strong potential competition.

v. The company's unit manufacturing costs fall with the scale of production and accumulated manufacturing experience.

III. **Slow Penetration Strategy**

This strategy consists of launching the new product with a low price and low level of promotion. The low price will encourage the markets' rapid acceptance of the product and at the same time the company keeps its promotion costs down in order to realise more profits. The company using this strategy firmly believes that; market demand is highly price elastic but minimally promotion elastic. This strategy makes sense if:

i. The market is large.

ii. The market is highly unaware of the product.

iii. The market is price sensitive.

iv. There is some potential competition.

IV. **Slow Skimming Strategy**

This consists of launching the new product with a high price and low promotion. The purpose of high price is to recover as much gross profit per unit as possible, and the purpose of the low promotion is to keep marketing expenses down. This combination is expected to skim a lot of profit from the market. This strategy makes sense under the following assumptions:

i. If the market is relatively limited in size.

ii. Most of the market is aware of the product.

iii. Those who want the product are prepared to pay a high price.

iv. There is little threat of potential competition.

Growth Stage

This stage is characterised with marked rise in sales and increasing profit as a result of an appreciable increase in consumer demand of the product.

At this stage, potential competitors who have been watching developments during stage I jump into fray. The first ones to get in are generally those with an exceptionally effective "used apple policy." Some enter the market with carbon copies of the original product.

Others make functional and design improvements. It is during this stage that, product and brand differentiation begins to develop.

As more competitors join the market, the fight for consumer's patronage to the originating firm poses an entirely new problem – that of trying to gain consumer patronage of his brand instead of educating consumers about the product. This development ultimately leads to some important changes in marketing strategies and methods. During this stage, the firm tries to sustain market growth, as long as possible. This can be accomplished through any of the following strategies:

i. The firm undertakes to improve product quality and add new features and models.

ii. It vigorously searches for new market segments to enter.

iii. It keeps eyes open to new distribution channels to gain additional product expose.

iv. It shifts some advertising copy from building product awareness to trying to bring about product acceptance and purchase.

v. It decides when the time is right to lower prices to attract the next layer of price sensitive buyers into the market.

Maturity Stage

At this stage, the products rate of sales growth would slow down and the market would become saturated. No more distribution channels need to be filled, while price competition become intense. These situation force firms to emphasise more on brand preference which involves making better differentiated products; improvement in customer service and promotional practices and claims.

At this point, a good marketing manager should not concentrate on his existing distribution channels alone rather he should launch an offensive program in order to provide a bit defense for his product.

The major goal of management at this point is to prolong the profitable life of the product for as long as possible. To achieve this, three basic strategies are available and they include:

1. ***Market Modification***

   Using this strategy, the product manager first looks for opportunities to find new buyers for the product. Then he identifies new markets and market segments that have not yet tried the product and later look for ways to stimulate increased usage of the product among present customers.

The manager may want to consider re-positioning the product to achieve larger brand sales although this will not affect total industry sales. For example, a manufacturer of a chocolate drink mix may find that heavy users are mostly older people. The firm should give serious consideration to trying to reposition the drink in the youth market, which is experiencing faster growth.

2. **Product Modification**

Managers can also improve their sales by making attractive changes in their product's characteristics which in turn will attract new users or more usage from current users. The following strategies can be employed in order to modify the product.

i. Quality improvement strategy aims and increasing the functional performance of the product such aspects of its durability, reliability, speed and taste. However, this strategy is more effective when:

   a) The product is capable of quality improvement.

   b) Buyers believe the claims about improved quality.

c) Sufficient number of buyers are highly responsive to improved quality.

ii. Feature improvement strategy aims at adding new features that expand the product's versatility, safety or convenience.

Steward (1959:65) outlined five advantages flowing from a strategy of feature improvement:

1. The development of new functional features is one of the most effective means of building a company image of progressiveness leadership.

2. Functional features are an extremely flexible competitive tool because they can be adopted quickly, dropped quickly and often can be made optional at very little expense.

3. Functional features allow the company to gain intense preference of pre-selected market segments.

4. Functional features often bring the innovating company free publicity.

5. Functional features generate a great amount of sales force and distributor's enthusiasm.

A great disadvantage of feature improvement is the ease of imitation, unless there is a permanent gain of being the originator.

III. Style Improvement Strategy aims at increasing the aesthetic appeal of the product in contrast to functional appeal. The periodic introduction of a new car model amounts to style competition rather than quality of feature competition. The outstanding advantage of a style strategy is that each firm may achieve a unique market identify and secure some durable share of the markets on the basis of that identification. Yet styling competition brings a number of problems. First, it is difficult to predict whether people and which people would like a new style. Secondly, style changes usually mean discontinuing the old style and the company risks losing some of the customers who liked the old style.

3. <u>**Marketing Mix Modification**</u>

As a result of final strategy in the maturity stage, the product manager should consider altering one form of the marketing mix variables in order to stimulate sales. First, he can cut prices in order to attract new triers and competitors' customers. Second, is to launch an effective advertising campaign in order to attract customers' attention and interest. Another method is through aggressive promotion such as trade levels, cents off, gifts and concerts.

Like style strategy, the main short coming of marketing mix modification is the fact that it is easily imitated. This means the firm may not gain as much as expected.

Decline Stage

This stage is characterised by decline in demand and therefore, a decline in sales. A product at this stage is very expensive to maintain due to the decline for its demand and the higher unit cost of production.

At this stage, management must decide whether to retain the product or not. To retain the product, sales force will spend more and more time and attention on the product. Furthermore, retaining a product at this stage may spoil the image of the company because it does not compare favourably with new product. Some firms are frightened into early withdrawals while others may decide to stay in the market up to the end. The firm remain may enjoy a temporary sales increase as competitors' customers may shift to their product.

Three (3) strategies can also be adopted by the firm that decides to stay in the market:-

1. **Continuation Strategy**

   This is a case whereby, the firm continues with its past marketing strategy, same market segments, channels, pricing and promotion. The product simply continues to decline until it is eventually phased out.

2. **Concentration Strategy**

   In which case it concentrates its resources only in the strongest market and channels while phasing out its efforts elsewhere.

3. **Harvesting Strategy**

   Using this strategy, the company reduces its expenses sharply to increase its current profits, knowing this will accelerate the rate of sales decline and ultimate demise of the product. In some situations, hard core loyalty may remain strong enough to allow marketing the product at a greatly reduced level of promotion and at the old or even higher price, either of which will mean good profits.

Stybel (1982:76) concluded that product managers should not plan their marketing strategy blindly around the classic product life cycle. Rather they need to realise that a number of product life cycle pattern have been found, and that marketing strategy should be both a response to and an effective agent on the cycle.

Product Rejuvenation Strategies

Product managers should not wait to see one of its promising products die, rather they should try to determine whether the product can be reactivated in order to recover the product's lost sales, market share and profits. This is essentially what product rejuvenation is all about.

An outstanding contribution to this issue are the four rejuvenation strategies proposed by William Lazer et al (1984:21). According to them, four product rejuvenation strategies can be used in the decline stage of a product life cycle and these are: recapture, redesign, refocus and recast. They further explained that, while developing rejuvenation strategies, firms may choose to offer the same product or a modified version to previous and present users or to different users – either those who have never used the product or who were peripheral users.

I. **Recapture**

This strategy minimises manufacturing charges and cost by marketing an abandoned product to previous users or a declining product to present users, without making product alteration.

A recapture strategy can prove profitable with a product which was abandoned because the company did not have the resources to sustain the required marketing campaigns.

II. **Redesign**

Marketing a modified version of a product which is declining or has already been abandoned is another strategy. Products are often abandoned because of dwindling customer interest, low profits, outdated technology or the inability to adapt to new market demands. Overtime, however, the initial reason for customer rejection may no longer prevail and it may be possible to rekindle interest among previous users, provided needed product adjustments are made.

III. **Refocus**

The refocus strategy is used in marketing abandoned or declining products to new or peripheral purchasers. The objective is to capitalize on product characteristics that might appeal to those who have had little, if any experience with the product, although they may be familiar with the name. These potential users are characterised as 'delayed' emulators. Product endorsements by prior users who have credibility with these emulators can legitimate and enhance the rejuvenate's appeal.

IV. **Recast**

Recasting involves marketing a modified product to new peripheral customers. Although this call for both product and market adjustments, previous experience in marketing an abandoned or declining products to former customers provide experience in marketing an abandoned or declining products to former customers provide the basis for relaunching modified product version. A recast strategy can often be used successfully in international markets where both customer and product requirements may vary from those of the home country.

These four strategies are not mutually exclusive and may indeed be used in combination of two or more in order to broaden product demand.

2.5 PRODUCT PORTFOLIO

A firm may have many products serving similar markets with widely differing potentials. While some of these products will be strong relative to competitors, others may be weak. Some products may need cash to finance growth or competitive battles, while others may be generating more cash than they need. Somehow, the organisation must deploy its limited financial resources among these products so as to achieve the best performance possible.

Essentially, product portfolio concerns with the linking of an organisation's product line into profit centres. Basically products that generate more revenue than they actually need are identified. The cash surplus are then transferred to those products that are in dire need of finance in order to finance its growth or combat competition that may threaten its position.

A firm's strength lies in the market segment that yields a lot of revenue and thus dominates the competition. Management should develop the main segment that yields revenue and then apply different strategies for the remaining segments. These strategies should then be incorporated into wide plan and then adjusted independently from one another to meet corporate financial performance.

Abell and Hammond (1979:173) aptly noted that, a multi-division company without an overall strategy is not even as good as the sum of its parts. It is merely a portfolio of non-liquid, non-tradeable investment which has added overhead cost and constraints. Such closed end investment sell at a discount from the sum of its parts.

A multi-divisional, multi-product company has an important advantage over undiversified firms because of its ability to deploy resources into the most productive areas. Using the product portfolio approach, a multi-product company assigns strategic roles to each product on the basis of its relative growth rate and market share. These individual roles should be integrated into a strategy for the whole portfolio of products while taking into account the product portfolio of a significant competitor.

Abell and Hammond further explained that, the differences in growth potential, relative market share and hence cash flow potential unique to each product determine which product re[resent investment opportunities which should supply investment funds, and which should be candidate for elimination from the portfolio. The objective is to get the best overall performance from the portfolio while keeping cash flow in balance.

Growth share matrix is the most important model used in the analysis of a firm's product portfolio. The matrix proposes that the organisation should be managed as a portfolio of business, giving each a clearly defined strategy. The growth share matrix is used to evaluate business strategy in muti-industries and firms where a large array of business demand advanced techniques in selection and management.

The first step in forming the growth share matrix is to identify the distinct business, market segments or product lines which make up the organisation. The second step is to distribute the business units identified in step one into a matrix position in the four quadrants (as shown in figure 3) based on market growth potential and market share relative to competitors.

Relative Market Share (Cash Generation)

	High	Low
High growth rate (cash use)	Stars	Question mark
Low	Cash cows	Dogs

Figure 3:

Product categories in the product portfolio chart.

Source: Abell & Hammond (1979: 178).

Stars

These are products with high growth rate and high market share. They generate lots of cash and are frequently in balance on net cash flow and can be self sustaining in growth terms. The aim of business in this category is to grow faster in sales and profit than competitors. Business resources should therefore be allocated into this segment in order to maintain its competitive position.

Cash Cows

These are low growth and high market share products. Normally, they have strong and competitive market position and low costs. Due to the low costs associated with these segments, a lot of cash surpluses are generated and this gives them the name "cash cows."

Since these business are already in strong competitive position, the strategy is to invert only enough to maintain the present position in the market while using the competitive advantage to build cash flow for use in higher growth areas.

Dogs

These are low growth and low market share products. The low market share places the business in this segment at a competitive advantage and with low growth rate it suggests a low probability for improvement. The cash required for investment in the business is first to maintain competitive position. Thus, they are likely to absorb large amount of cash. The strategy here is to maximise short-term cash flow which includes cost cutting, divesture or liquidation.

<u>Question Mark</u>

Business in this category are typically termed "question mark" or "problem children." They are high growth and low market share products. Due to the high market growth, their cash needs are high but a low cash generation due to the low market share. As the market growth slows down, management should do everything possible to increase the market share, otherwise it would turn to a "dog." The logical strategy is to try to find the business to dominate in order to become a 'star.' The other alternative strategy is 'divestment' either outright sale or gradual decline.

According to Buzzell (1975: 97), the use of the growth-share matrix as a management tool permits management to array all the business on one graph called "a product portfolio chart." This chart is based upon the relationship between market share and profitability and provides management with the tools necessary in deciding the kind of strategies to be adopted in each category. For example, dominance is the major strategic objective in high growth market.

Therefore, the first goal in portfolio strategy should be to maintain position in the cash cows, and to guard against the temptations of re-investing in them excessively.

The cash generated from the cash cows should be re-invested in the starts so as to consolidate position in them. Any surplus remaining can be used to fund a selected number of question marks to dominance. Those which are not funded should be divested either by sale or liquidation over time. Occasionally, it is possible to restore a 'dog' to viability by a creative business segmentation strategy, rationalizing and specializing the business into small niche which it can dominate. If this is possible, the only prospect is to manage it for cash, cutting off all investment.

2.6 PRICING STRATEGY

The success of any marketing strategy is likely to depend on the appropriate prices of the product. A highly inflated price for example may scare customers away and thereby reducing the amount of revenue that would have been gained. In order to ensure their growth and profitability, a firm should charge an appropriate price for its products, given both the profit required and the marketing strategy being adopted. Price according to Jolson (1978:459) is the stimulator that converts the procrastination of buyers into cupidity, that suggests value, that ge4nerate risks, that encourages the expenditure of search and travel costs by the prospective buyer. Accordingly, it is one of the most effective communicators in the marketing mix. Price, the backbone of the economists demand theory, is a major element in formulating competitive strategies; a continuous source of channel conflict and the variable most easily quantified by marketing model building.

Musselman and Hughes (1981:333) defined price as "the exchange valve of a product or service. It is the amount a buyer is willing to pay for a good or service. It can also be the value a seller is asking on items he/she is offering for sale." As a general rule, the point at which supply and demand curv4es intersect determine the price for a specific good.

From these definitions, it is obvious that product and pricing policies are inseparable and that price cannot be established in isolation of all other marketing strategies. Despite its importance, pricing strategy has been relegated to a minor role in relation to other marketing strategies. For example, in studying the functional areas most vital to the success of 200 producers of industrial and consumer goods, Udell found that, pricing ranked 6^{th} in frequency behind product research and development, sales research and planning, sales force management, advertisement and sales promotion and product service.

Pricing strategy according to Kotler (1980:382) is "the task of defining the price range and price movement through time that would support the sales and profit objectives and marketing positioning of the product in the target market.

Pricing strategy aims at achieving an objective, such an objective can be any one of the following:

1. Increasing market share
2. Maintaining market share
3. Profitability.

Both increasing market share and maintaining market share are volume objectives. A firm with this objective may set a low price in order to attract business while the company image and product line are promoted. Profitability objective on the other hand is pursued by firms striving to increase their profit level. Such firms may increase the price of its products in order to increase the profit level. But in most cases, such an increase does not raise the profit level because there is the possibility that when price increases, the sales volume decreases, thereby decreasing the profit level. A firm wanting to increase its profit level must know that an increase in price that exceeds the decline in sales would be profitable. If the sales decline exceeds the price increase, it would be unprofitable. For instance, if a price increase of 15% causes sales volume to decrease by 10%, it would be profitable. But if it results in a decline of 20%, it would be unprofitable.

Management must set its goals before adopting a price, so that the strategy will focus on the expected goal. Management can use one of the following strategies in setting a price for its products:

1. **Cost Plus Pricing**

   Cost plus or mark-up pricing is a commonly used pricing strategy. Mark-up strategy is the difference between a middlemen's cost and selling price. Resellers merely add a mark-up to the cost of acquiring, handling and marketing the product and the price is then automatically determined.

2. **Competitive Pricing**

   This is a strategy whose aim is to sell goods below the prevailing market price. A market leader or a dominant firm in an industry may set a price level and all other competitors are forced by competitive pressures to adopt the pricing strategy.

Competitive pricing strategy is especially true of producers of wheat grains in Nigeria where there is an organised market price during each market day.

However, some competitors may adopt a strategy of pricing above or below the prevailing competitive price. Pricing above most other products is possible if the product enjoys a favourable brand patronage by consumers. Most people believe that price is an indication of quality. Hence, the higher the price, the better the quality. Based on this notion, some companies price their products above the going market price to suggest a better quality. This strategy is normally effective in a situation where it is difficult to judge the quality of the products.

On the other hand, retailers may price their brand below the price of a well known brand in order to induce purchases. This strategy is more effective when the cost of production by the competing firm is lower than that of the competitor.

3. **Value-Oriented Pricing**

This strategy emphasizes profit maximization and the value of the product to potential customers. The sellers determines the quantity of sales and price combination which is likely to maximize profit. If the item involved is one of a kind, such as a famous art work, a bidding procedure can be used, with competition among potential buyers setting the price. This strategy is likely to be highly profitable if competition (among setters) is weak and the demand for the product or service is fairly inelastic.

4. **Pricing with Legal Constraint**

Many firms are forced to set their prices within the limits set by law. In most countries there are price control agencies whose main function is to control the price of various goods and services. In the United States for example, producers of aerospace and defense products were required to set their price according to government approved guideline.

5. **New Product Pricing**

A new product usually enjoys a fairly monopolistic position especially if it has effective patent and patent right protection. However, the new product may have to compete with substitute product and is indirectly in competition with many other goods and services.

A producer introducing a new product has several alternative pricing strategy from which to select. These strategies include:

i. <u>Skimming the Market</u>

In a situation whereby cost of developing a new product have been substantial, management may feel that a high price is necessary in order to recover those costs before competing products are developed by rivals. In such a case, the product is introduced with a high price.

ii. <u>Sliding down the demand curve</u>

This is a pricing strategy that attempts to successively tap various layers of demand or segments of the market. In this case, the product is initially introduced with high price with the intention of reducing the price as soon as the upper segment of the market has been saturated.

iii. Pre-Emptive Pricing

Using this strategy, the firm may price the product at or below costs of production in order to discourage competitors from coming in. The goal of this strategy is to discourage competition by making the product unattractive while reaping the gains in the long-run.

iv. Penetration Pricing

A firm pursuing this strategy may enter the market with low price in order to attract a large number of potential buyers. There are several advantages associated with this strategy and these are:

1. By introducing the product at a low price, brand loyalty may be established among many buyers.
2. Competitors may be discouraged from entering the market.

3. The price would appeal to most segments of the potential market, thereby maximizing sales.
4. If there are economies of scale in production or distribution, appealing to the largest possible market should help to minimise costs and enhance profits.

What is important however, is that the pricing strategy of a firm should deal with the methods of determining prices that will be attractive to the target market and at the same time profitable for the company.

2.7 DISTRIBUTION STRATEGY

Clewett defined channel of distribution as the pipeline through which a product flows on its way to the consumer. The manufacturer puts his product into the pipeline or marketing channels and various marketing people move it along to the consumer at the other end of the channel.

Howard (1957:176) states that, marketing channels are the combination of agencies through which the seller who is often though not necessarily the manufacturer, markets his products to the ultimate user.

Anderson (1957:211) sees marketing channels as consisting of intermediary sellers who intervene between the original source of supply and the ultimate consumer.

Converce et al (1958:119) views trade channels as consisting of the middlemen who move goods from producers to consumers and that usually think of the channel as being made up of those merchants who own the goods and of those agents middlemen who effect sales.

A wide variety of interpretation is available in the literature on the issue of what constitute a channel of distribution. However, the channel can be classified as "direct," as in the case where the manufacturer sell directly to the ultimate consumer or it may contain one or more institutional middlemen. Some of the middlemen assume risks of ownership, some perform various marketing functions such as advertisement, while others may perform non-marketing or facilitating functions such as transportation and warehousing. In essence, management concerns itself with providing an orderly flow of materials to the firm and of finished goods to the market place; which includes the management of finished goods inventories and the movement of goods to customers' locations.

The committee on the definition of the American Marketing Association defined "middlemen" as a business concern that specializes in performing operations or rendering services directly involved in the purchase and or sale of goods in the process of their flow from producer to consumer. Based on the above definition, all business concerns that play a role or roles in the marketing channel are classified as middlemen, and they include wholesalers, retailers, agents, brokers, commission merchants and jobbers.

The most basic factors in establishing a distribution channel are: the company's objectives and consideration of customer needs and desires. There are several strategies that can be used by a firm in selecting channel of distribution and they include the following:

1. **Zero Level Channel Strategy**

   This is a situation whereby the title of the product moves from producer to consumer and hence it is a 'one stage' channel because there is a single channel from producer to ultimate consumer. This strategy is effective with industrial goods whereby an after sales service and other technical advises are desirable.

2. **Two-Stage Strategies**

In some instances, the producer relies upon a distributor to reach the ultimate consumer. Using this strategy, the producer sells to a distributor who in turn sell to the ultimate consumer.

3. **Three-Stage Strategy**

In many other instances, the producer may utilise both a wholesaler and a retailer thereby forming a 'three stage' channel of distribution with three transactions involved in the flow of title. This strategy is commonly adopted by many consumer producers.

4. **An 'n' Stage Strategy**

A firm using this strategy may utilize three or more middlemen in reaching the consumer – an 'n' stage method. It is common to find firms who distribute their products through wholesalers who sell to jobbers in order to reach small retailers and ultimately the consumer. In this case a 'four' stage channel is utilized.

5. **Channel Multiplicity Strategy**

Using this strategy, a producer distribute its products through more than one channel arrangement. However, this strategy is becoming more useful especially when markets become more segmented.

It is the responsibility of management to determine the number of middlemen that will be needed in order to reach the consumers. Such decision must specify whether the distribution is going to be intensive, selective or exclusive.

Intensive Distribution

Using intensive distribution, many wholesalers and retail middlemen will be needed in order to saturate a market with the product. Advertisement responsibility falls on the producer since the main objective here is to maximise the opportunity for sales as such retailers will not be interested in advertisement because there are plenty retailers selling the same product as well.

Selective Distribution

Using this strategy, few wholesalers and limited number of retailers will be used. The advantage in pursuing this strategy is that the producer can reasonably cover a particular market and select those intermediaries that will best promote and service the product.

Exclusive Distribution

Using this strategy, a producer will grant distribution rights in any given area or market to only one wholesaler or retailer. For an exclusive distribution strategy to be effective, the product involved must usually be a speciality good or a highly differentiated shopping good, in other words, the kind of product certain purchasers will seek out.

Under this strategy, the retailer receives the benefit of exclusivity with a particular product brand and ideally, the manufacturer receives an exceptional selling-effort in the territory with a minimum investment in the number of distribution outlets. Thus the retailer can afford to push the product aggressively because he alone reaps the gain of these efforts.

Ware Housing

No channel of distribution can work well if goods are not in the right place, at the right time – this is essentially what makes ware housing an important element in physical distribution.

Udell (1981:488) rightly described physical distribution as including those activities involved with the movement and storage of goods. He further defined ware housing as "an oasis in the channel of distribution which enables products to be moved in efficient quantities (such as car load or truck load) to a resting point within reasonable access to the final consumer." He went on to explain that, because the volume of production and customer demand can never be perfectly matched, the inventories held at ware houses also serve as a buffer between differences in the rates of output and sales.

The fact that, efficient production requires a continuous and uninterrupted production operations made it necessary for the producer or middlemen to maintain warehouses in strategic locations in order to accommodate finished inventories before they are sold to the ultimate consumer. It is therefore, important for the ware houses to be located near or in centres of demand so as to facilitate customer service.

2.8 SALES PROMOTION STRATEGY

According to Marks (1980:6) promotional strategy refers to the marketing mix element of promotion. That, promotional mix are personal selling and non-personal selling (including advertisement, sales promotion public relations. He went on to explain that, advertising is one of the most significant element of promotional mix since it usually accounts for the bulk of a firm's promotional expenditure.

Mandell (1984:201) defined sales promotion strategy as those activities that belong neither to personal selling nor to advertising but are necessary in coordinating them and making them effective, such as displays, shows and expositions, demonstrations and other non-recurrent selling efforts not in the ordinary routine.

Quoting the Sales Promotion Executives Association (SPEA) Maurice, provided another definition of sales promotion as "any activity which increases or speeds up the flow of goods and services from the manufacturer to the final sale".

Certainly, the definition of sales promotion in business cycle is infinite, regardless of the terminology used in the definition, sales promotion essentially aims at increasing either short-term or long-term sales level and this could be achieved at either the retailer or wholesaler level. What is important however, is to design how these objectives are to be achieved. This is basically what promotional strategy is all about.

Stanley (1982: 104) explained further that promotion strategy lays down the broad principles by which a company hopes to achieve its objectives. The objective of a company indicates where it wants to be, the strategy sets forth the way it is to get there. He then recommended two major distinctions in promotion strategy as "push" and "pull" strategies. This distinction is based upon the relative emphasis placed on man promotion as compared with that of personal promotion.

1. <u>Push Strategy</u>

Using this strategy, a company places heavy emphasis upon personal selling at all stages of the marketing channel. Sales people explain product features and benefits and press for a favourable buying decisions.

Personal and direct selling are required when it is envisaged that consumers may feel that the product is not absolutely necessary.

In absolute terms, personal selling is the most expensive method of strategy through which the producer establishes contact with the potential consumer. This is because the product is forced through the marketing channel. Relatively however, it is often the least *expensive method owing to the higher conversion factor* achieved by direct selling vis-à-vis the use of middlemen or other promotional efforts.

Push strategies are usually sought in selling industrial goods as well as consumer production that require personal selling efforts. For this strategy to be successful, the producer must:

1. Have a high quality product with unique product features and taking points for the sales force.
2. Have a relatively high priced product.
3. Provide sufficient economic incentives to both middlemen and their sales representatives.

In using the push strategy, the role of advertising becomes minor. This is due to the fact that the combination of high number of middlemen and heavy personal selling expenditure which leaves little for advertising.

2. **Pull Strategy**

This is a direct opposite of push strategy and is sometimes called a "suction strategy." This strategy emphasize the use of extensive advertising in order to generate consumer demand. In this case, the consumer will ask the retailer for the product, the retailer will ask the wholesaler and the wholesaler will in turn secure it from the producer thereby, the product is being pulled through the marketing channels by consumer demand generated by advertising.

3. **Push-Pull Strategy**

   Most producers use a combination of push-pull strategies to sell their products, with the difference between firms being the ratio of push and pull. As the name suggests, sales force are used to push the products through the marketing channel while at the same time, an extensive consumer advertising program is conducted. This strategy requires extensive promotion expenditures and is usually available only to the largest companies.

2.9 EFFECTIVE MARKETING STRATEGY IN NIGERIA

For marketing to be effective, marketing managers have to pursue a marketing effectiveness auditing which must involve the following:

1. The system had to be based on a sound philosophical concept of the role of marketing in the modern corporation.

2. It has to have credibility.

3. It had to yield to clear directions or steps that the corporation would take to improve marketing effectiveness where it was lacking.

4. It had to be available for periodic application to measure progress towards greater marketing effectiveness.

Marketing effectiveness depends also on whether management can design a profitable strategy out of its philosophy, organisation and information resources. First, this requires a formal system of annual and long range marketing planning. Second, the system should lead to a core strategy that is clear, innovative and data based. Third, management should look ahead towards contingent actions that might be required by new development in the market place.

The concept of marketing and its importance is yet to be given adequate recognition in the Nigerian economy. Marketing is still viewed as setting a company's output to the final customer. The satisfaction of consumers' needs at a profit and the creativity involved in marketing act are yet to be recognised.

In the words of Stanton (1981:4) marketing need to be given great attention. He stated that, marketing is a total system of business activities designed to plan, price, promote and distribute want satisfying goods and services to present to potential customers.

An elaborate analysis of the above definition shows that the act of marketing starts from consumer needs and ends at satisfying them for a profit.

Okenyi (1988:18) asserted that, marketing which is the mainstay of any organisation is yet to be given its appropriate place within the Nigerian economy. Professional marketers are still fighting hard to be recognized and be given the opportunity to exhibit their knowledge.

The dilemma of marketing effectiveness in Nigeria can be attributed to the following:

1. Most Nigerian companies cannot distinguish between sales and marketing executives. Instead of marketing executives to take time in analysing environmental changes, new customer needs, competitive challenges and new strategies for company growth, he spend his time worrying about the disappointing sales. Okenyi states that, it is common place to find the post of marketing personnel being dominated by politicians and other non-professionals. A sensitive position as marketing need not to be given to those that cannot defend it.

2. Some organisations that have started to recognise marketing, simply converts sales executives to marketing executives. These former sales executives leading the marketing department often lacked the balanced view of the effectiveness

of different marketing tools. They continue to favour the sales force in the marketing mix.

3. The Nigerian manager is typically reluctant to use sales revenue to help increase new product development, advertising, sales promotion or marketing research.

4. Most managers prefer quick return on investment (ROI). They place more emphasis on short-run sales promotions without taking into consideration the fact that, short run sales promotions constantly disrupt production planning and cash flow requirement.

Nigerian market has been described as "sellers market" by many authors. This is a situation where supply is unable to meet consumer's demand and thus the sellers exploit the customers. This according to Ikeano (1984:11) often leads to the proliferation of fake imitated or adulterated products especially of adulterated health care products. This is giving consumers a great concern.

Another short-coming of marketing in Nigeria is the absence of data and information necessary to provide facts about the social and economic status of the economy.

One of the major economic factors that has implication on marketing activities in Nigeria is inflation. Inflationary rate in Nigeria for the past years has been increasing at an unprecedented rate.

Manufacturers find it extremely difficult to import the needed raw materials due to shortage of foreign exchange. Without these raw materials it will be impossible to judge the effectiveness of marketing strategy in Nigeria.

Despite the short-coming of marketing in Nigeria, it has achieved quite a lot. Analysis of marketing expenditure of the company under study, in relation to overall performance have indicated as appreciable profit growth. However, there is need to improve marketing practices in Nigeria.

A rational business organisation will not produce a product without ascertaining that there will be demand for it adequately enough to employ its production capacity reasonably or fully, in order to make profit in the short or long run. When a new product is introduced it needs to be launched, that is advertised for would-be-consumers to know of its existence, its values and when or where it is available among others.

It is important to pinpoint that, the development of marketing strategy should begin with an examination of the goal desired. The person or persons for whom the product is intended should influence the marketing content of the organisation.

CHAPTER III

METHODOLOGY

3.1 HISTORICAL BACKGROUND OF MILCOPAL NIG. LTD.

The Kaduna Federation of Milk Producers Cooperative Association Limited (KFMPCAL) is an apex organisation registered by the Kaduna State Department of Cooperatives under the 1965 cooperative laws and regulations of Nigeria. By this registration, the Federation becomes a body corporate with perpetual succession and a common seal.

The primary objective of establishing the organisation is to carry out activities conducive for economic and social development of milk producers by organising production, procurement, processing and marketing of milk, milk products and other commodities.

To achieve its objectives, the organisation in 1992 registered a business under the trade name MILCOPAL. It then started producing and marketing three products namely:

1. Pasteurised Fresh Milk
2. Yoghurt
3. Butter.

The processing and production of the above mentioned products are done at the Nigerian Dairy Plant situated along Kaduna – Zaria express road and has a total area of 16 hectres. Presently the organisation has a staff strength of 50. It has a paid-up capital of N40M as at 1998 and fixed assets with net book value of ₦39.6M as at the same date.

3.2 MANAGEMENT AND ORGANISATIONAL STRUCTURE

Management is the task of coordinating human and material resources towards effective and efficient accomplishment of objectives. For any organisation to be successful therefore, it got to have abled managers whose responsibility should include organizing employees as well as committing resources in order to achieved the desired goal.

MILCOPAL is also organised at two levels, the first one being the management staff with the Managing Director being the head of the management team. The second level consists of supervisory personnel.

An organisational structure may be considered as an established pattern of relationship among employees that delineate authority and functional relationship among them and the departments in the organisation.

The organisational structure of the organisation consists of six sections, namely:

1. Farmers' Organisation
2. Processing and Production
3. Quality Control
4. Marketing
5. Finance and Administration
6. Audit.

The organisational structure in the appendix clearly shows the Managing Director as the Chief Executive of the organisation. The place of marketing is also clearly shown with the Manager – Marketing, being at the helm of affairs there.

Another organogram separately for the marketing section shows relationship among all the functionaries in the section.

From the organogram, it can be seen that, the marketing activities are merged with sales activities under the Marketing Manager. The organisation also has no separate research unit but all research activities are undertaken by the marketing section.

Looking at the organisational structure, one can see that marketing has been accorded the prominence it deserves for it is headed by a Manager who is directly answerable to the Managing Director.

3.3 RESEARCH POPULATION AND SAMPLE SIZE

The entire staff of the organisation make up the research population – that is fifty employees. However, the research focused on the Managing Director, marketing staff (10 people, inclusive of the Manager – Marketing) and the Production Manager and his assistants who are six in number; making a total sample size of 17 staff.

3.4 INSTRUMENTATION

The research employed personal interview method. The 17 staff of the organisation were interviewed on the activities of the organisation. The interview was informal and unstructured, thus the respondents were freely allowed to talk on all issues concerning the three products. Doing this enabled the researcher to gather more information than what would have been gathered had it been a structured form of interview. Documents of the organisation were also looked into. Such documents include, their annual report, the balance sheet, the production cost table, etc.

Observation of how the products are marketed was also made. This involved going to the areas that the products are sold and watching the movement of the products that is how buyers react to the said products. The packaging and containers of the product were also observed. The researcher also looked out for posters and bills of the product pasted in different places within Kaduna.

Questionnaires were served to the public to assess how the product is fairing in the market.

CHAPTER IV

DATA ANALYSIS

With the marketing opportunities clearly defined, some profitable strategies must be developed for taking advantage of them. Before a successful marketing strategy is developed, the various elements which make up the marketing mix must be effectively combined.

Marketing strategies describe the more immediate means of accomplishing the desired objective. For the purpose of this research, the following marketing strategies of MILCOPAL NIG. LTD. would be analysed:

1. Product strategy
2. Pricing strategy
3. Promotional strategy
4. Distributional strategy.

4.1 PRODUCT STRATEGY

MILCOPAL produces the following consumer products:

1. MILCOPAL Pasteurized Fresh Milk
2. MILCOPAL Yoghurt (from fresh milk)
3. MILCOPAL Butter.

The main product policy of the organisation is to develop products of good quality at affordable prices.

The idea of producing qualitative products and services is as a result of intense competition in the market of these consumer products. Furthermore, majority of the people in the country are used to buying milk and milk products such as Yoghurt that are made from imported artificial milk.

The few customers that patronise MILCOPAL products belong mainly to the elite class who are conscious of the nutritional value of fresh milk and thus are sensitive to quality.

The company's products carry a blanket family name and with the good name that the organisation has i.e. of producing fresh milk and its products, any other products of the organisation benefits from the general approval. Similarly, if one product is advertised, all the products that bear the name share the benefit.

4.1.2 Packaging

MILCOPAL products are packaged in containers of different sizes and quality in order to satisfy customers at different levels. Some of the products are packaged in plastic sachets in order to cut cost and as such make them cheaper while others are sold in bigger plastic containers for ease of transportation and convenience in usage.

The table below shows how the products are packaged for sales.

Products	Dolling (litre)	330 mls plastic bottles	250mls plastic sachets	150gm plastic sachets	1000gm bowls
Fresh milk	100%	-	-	-	-
Sweet yoghurt	8.17%	68.12%	20.43%	-	-
Unsweetened Yoghourt	100%	-	-	-	-
Butter	15%	-	-	-	50%

Source: MILCOPAL Annual Report Sheet.

The table shows that, fresh milk is mainly sold in dolling by litre which is represented by 100%. The fresh milk is not packaged in small containers. Sweet yoghurt is packaged mainly in plastic bottles and plastic sachets due to its high demand by both the medium and the lower class.

The idea of packaging it in sachets is to diversity its market to cater for the low income people and also for small demand and children who can not ordinarily finish the 330mls of plastic bottles at once.

Unsweetened yoghourt is 100% sold in dolling by litre because most of the people that demand for it use it in making other products such as locally made porridge which would normally not require sweetening.

The unsweetened yoghurt is also mainly used by diabetic customers who by the nature of their sickness would not take sugar.

Butter is mainly sold in 1000grms bowls represented by 50%. This is because most people that use it, buy it in large quantities for making bakeries which would not be economical if they buy in small quantities or in containers.

4.1.3 Product Modification

From inception, the organisation produced only unsweetened yoghurt, but it later on added the sweetened yoghurt to its range of products. This changed the taste of the product. It also added flavour to its yoghourt. Three distinctive flavours were added thus:- vanilla, strawberry and pineapple. These made the products unique and changed its colour from being plain white to having three colours, pink, yellow and cream; reflecting the colours of the flavours used.

According to the Managing Director of MILCOPAL, the addition of these flavours is to diversity the market and to attract new users to the product. Coupled with that, to also make the yoghurt unique and different from the others in the market and to give competition to the foreign yoghurt which come in different flavours.

4.1.4 **Feature Improvement**

The packaging of the product in sachets is a new addition. Initially, the products were packed in plastic bottles but the addition of sachets makes it more convenient for small users and less expensive to the buyer thus giving it a more competitive advantage. The company is also planning to start packing butter and fresh milk in smaller containers to enable those people who want it in small quantities to buy.

4.1.5 **Quality Control**

The quality control section of the organisation is responsible for checking and analysing the quality of milk and milk products. It is also responsible for the cleanliness of the plant and its surrounding as well as its waste disposal. At the collection centres, milk is checked for possible adulteration or fermentation due to poor hygienic conditions. These are checked using amyl alcohol (salute gun test).

At the plant, milk is also checked using both lactometre and amyl alcohol. In addition, some platform and or organoleptic tests are carried out. The platform test includes clot-on-boiling, resazurin and alcohol tests. The organoleptic test is a skill used to judge the quality of the milk by its colour, odour and flavour.

The milk products such as the pasteurised fresh milk, yoghurt and butter are also checked through sampling and then either platform and or organoleptic tests are applied as appropriate. However, chemical and microbiological analysis of all the products are carried out purposely to determine the fitness of the product for human consumption. To achieve this, the quality control laboratory is stocked with all the required chemicals and equipment such as plate dishes, beakers, burners, titration set, microscope, centrifuge and incubation to ensure that qualitative products are produced.

The organisation also signed an agreement with Alpha Chemicon, a private analyst as per the recommendations of the National Agency for Food and Drugs Administration and Control (NAFDAC). They liaise with the analyst who collects samples of the products from the plant and analyses them on quarterly basis. This provides an independent professional opinion on the quality of the products and also serves as a guide to improvement of the operations of the organisation.

4.2 PRICING STRATEGY

Pricing strategy comprises the process by which exchange values are worked out. Before a product is introduced into the market, a monetary value has to be fixed for the product. This is because consumers and clients look at price as the measure of the value a certain product or service can offer.

Price tends to be a key component of marketing strategy and in some cases, one of the most important components of the marketing mix. Determining the value to base price is a strategic decision because such decision is very important to both the consumer and the producer. To the consumer, price can be a powerful force in attracting attention and eventual purchase. For the seller however, price is the only basic element in the marketing mix that directly generates profit. It is therefore, the amount asked for a product or service that will result in fair profit.

MILCOPAL sets prices by using percentages mark-up – a naira amount added to cost of product to get the selling price. This means that the company determines the selling price by calculating the cost of production, distribution and marketing each unit of product and add an appropriate profit margin.

As part of its pricing strategy, market survey is usually conducted on a continuous basis to determine the price charged by competitors. This means that even after determining the selling price by mark up, prices can still be adjusted in order to meet competition and at the same time bring some reasonable profit margin.

Strategic pricing decisions are usually undertaken by the management. The account department is required to determine cost of procuring raw materials, transportation cost, production cost, labour cost, administration expenses, marketing and distribution costs. Thereafter, the management decides on the price to be fixed for each product.

The cost of production and prices set for each of the three products are *tabulated below.*

Items	Fresh Milk (N)	Yoghurt In litre (N)	Yoghurt Plastic Bottles (N)	Yoghurt Sachets (N)
Total cost of production	38.35	42.62	24.20	10.08
Selling price	45.00	50.00	25.00	12.00

Source: MILCOPAL Production Cost Sheet.

Penetration Pricing

The organisation is using penetration pricing strategy as initially it enters the market with low prices for its products; despite the fact that, all the products are from fresh milk which is not the case with its competitors. The company set its price lower than most major competitors. The cost of all the products – fresh milk, yoghurt and butter are cheaper than those found in the market. This makes the product to become popular and it thus attracted a large number of potential buyers.

4.3 PROMOTION STRATEGY

Promotion strategy is the art of communicating information between seller and potential buyer to influence attitudes and behaviour. The four elements of promotion are: personal selling, advertising, sales promotion and publicity. The first three elements are prominently used in the promotional strategy of MILCOPAL.

4.3.1 Sales Promotion

Sales promotion as a strategy in MILCOPAL involves a direct inducement directed towards prospective customers and includes exhibitions, trade fairs and agric. shows and fairs.

The company has attended the following activities and displayed their products:

1. Kaduna International Trade Fair – 1995/19956
2. National Agricultural Fair at Abuja – 1996
3. Kaduna State Agricultural Fair – 1996
4. Joint North-East Domestic Fair, Damaturu – 1996

5. 7th All Africa Trade and Tourism Fair, Kaduna – 1997

6. Africa First Ladies Peace Summit Exhibition, Abuja – 1997

7. World Food Day, Abuja – 1998.

It is during these fairs that the company's representatives come into contact with the ultimate consumers. Through an informal discussion with these consumers, the company is able to determine how their product and services are viewed by their clients and consumers. At the end of the trade fair, the company's representatives come up with a comprehensive report on the performance of their products and services and where improvements are required.

4.3.2 **Advertisements**

Advertisements are carried out in both the electronics and the print media.

Radio jingles in both English and Hausa are done by the organisation in order to reach customers and potential consumers of the products who do not watch television and who cannot read messages in the print media.

In 1996, the company started airing television adverts which consequently drew a large percentage of their new customers and subsequent increase in demand for the products.

The company uses its delivery vehicles to register its presence by designing its name, logo and products on the body of the vehicles. This serves as adverts as the vehicles are seen daily on the road by prospective and potential clients and customers thereby promoting their corporate image.

Posters, bills, stickers are also used as advertisement tools by the management. Even the label placed on the packages serve as advertisement to the organisation.

4.3.3 Personal Selling

This involves selling directly by the organisation to potential buyers. This is done by the use of sales representatives and selling in their plant and the branch units.

4.4 DISTRIBUTION STRATEGY

Goods produced for sale are of no value to the consumer, unless they are moved to a point where they can be seen and at a time when they are needed.

Physical distribution decisions involved two inter-related activities:

1. Transportation
2. Storage and inventory control.

4.4.1 Transportation

Transportation of raw materials (milk) is done by the vehicles designated for such activity. The milk suppliers of the various associations converge every morning with milk at designated milk collection centres along the five milk routes namely – Kagarko, Gadan Gayan, Kachia, Birnin Gwari and Zaria. At the centres, milk is tested for possible adulteration measured and recorded by the officials concerned. The milk is then transported and delivered to the processing plant along Zaria road by milk vans every morning.

Each milk route is supplied with one delivery vehicle to be conveying the milk for faster production and processing. Once the raw materials are processed into finished goods that is the fresh milk, the milk is then pasteurized, the yoghurt made and the butter extracted. It then becomes necessary to move these finished goods from the processing plant to a point of sales or purchase and this is necessary as the largest percentage of the consumers are not located near the factory.

Transportation of finished products is undertaken by the sales vehicles to the various sales outlets.

The organisation has the following outlets located in Kaduna:

1. National Livestock Projects Division headquarters
2. Kaduna State Water Board headquarters
3. No. 14 Sani Sambo Avenue
4. KM 6, Zaria road (the Dairy Plant).

It also distribute to other retailers within Kaduna such as supermarkets, restaurants and snack shops which in turn sell to the ultimate consumer.

In adding to this, it also has 10 low gravity trading bicycles which were launched in 1995; these bicycles have proved effective, for their ability to reach every nook and corners of Kaduna metropolis because of their mobile nature. The bicycle boys constitute about 15% of the total sales of yoghurt in bottles and sachets.

In addition to local distribution, MILCOPAL products are also taken to places outside Kaduna metropolis where very good markets were established. These areas are zoned into four and they are: North-West, North-East, South-West and East. These zones takes care of product supplies to major towns like Lagos, Ibadan, Ilorin, Kano, Funtua, Sokoto, Jos, Bauchi and Maiduguri.

The table below shows the distribution pattern of the products and the sales recorded in 1998.

Products	Average Weekly Sales	In-State	Outside State
Pasteurized Fresh Milk	1,500 litres	100%	Nil
Sweet Yoghurt in bottles	5,000 litres	35%	65%
Sweet Yoghurt in sachets	2,000 litres	95%	5%
Sweet Yoghurt in litres	200 litres	198%	2%
Unsweetened Yoghurt in litres	10 litres	100%	Nil
Butter	80Kg	100%	Nil

Source: MILCOPAL Annual Report Sheet.

The table above shows that a higher percentage of the organisation's products are sold within Kaduna market.

4.4.2 <u>Storage</u>

Storage to a marketer means keeping the products until they are needed for sale. This is important because most of the products are not consumed immediately after they are produced.

Storage is not a problem to MILCOPAL, because it has storage facilities for its products such as cold rooms, refrigerated vans and deep freezers.

4.5 AN APPRAISAL OF THE MARKETING STRATEGIES AND PERFORMANCE OF MILCOPAL NIG. LTD.

It is really difficult to measure the effectiveness of marketing strategies in any organisation. This is because performance is not just a function of marketing strategies alone; rather it is a total business philosophy aimed at improving profit performance by identifying the needs of the target market and then designing and producing a product or service package that will satisfy the target customers more effectively than those of its competitors.

One of the most important tools used in evaluating the performance of a firm is the profitability ratios. There are a large number of measures of profitability, each showing profitability in relation to sales and those in relation to investment. As a group, these ratios give an indication of the firm's efficiency with respect to a given level of sales, certain level of assets or the owners investment.

However, for the purpose of this study, we will not look at the profitability of the organisation, for according to the Managing Director, that the organisation is still at its infancy that it has not fully taken off and as such wound not want to disclose such information due to some reasons.

However, the researcher was able to get the figures or expenditure of the organisation in terms of marketing costs for 1997 and 1998.

Promotional expenses are shown in the table below.

Particulars	Year ended	
	1997 ₦	1998 ₦
Advertisement and Publicity	8,000	25,000
Marketing Expenses	27,705	20,097
Trade Fairs and Exhibitions	336,400	96,000

Source: MILCOPAL Annual Report Sheet.

It can be seen from the table that not much emphasis is placed on promotions as little amount of money is spent on the advertisement of the products. However, exhibitions and trade fairs have more shares, this can be attributed to the number of exhibitions and attendance of trade fairs by the organisation during the year.

Production expenses from 1997 and 1998:

Particulars	Year ended	
	1997 ₦	1998 ₦
Quality Control expenses	67,275	29,200
Gas and Diesel	126,840	72,540
Production losses	174,806	213,407

Source: MILCOPAL Annual Report Sheet.

From the table above, it can be seen that the amount spent on gas and diesel for the machines used for production is more than what is spent on quality control. The company is also loosing a lot in terms of spoilt products.

Distribution Expenses:

Particulars	Year ended	
	1997 ₦	1998 ₦
Transport expenses	7,653	198,530
Motor vehicle fuel and lubricants	601,847	563,011
Vehicle maintenance	319,030	376,290

Source: MILCOPAL Annual Report Sheet.

According to the Managing Director, the company is currently not making much profit and sometimes it even runs at a loss. This according to him is as a result of under-utilisation of the Plant. That, they have equipment that would ordinarily be able to process 18,000 litres of milk per day, but current production is just 1,000 litres per day and thus the equipment are just laying idle which to him, is an additional cost, for they have to maintain these equipment and at the same time charge depreciation to their final accounts.

In addition to what the manager feels is the cost of low profits is the fact that marketing activities are not vigorously done, this can be seen from the amount they budget for marketing and promotional activities. Thus, this makes it impossible to really penetrate the market, for many potential buyers may not know the existence of the product. The packaging of the product is also not distinct from that of competitors who are mostly using imported powdered milk as against the fresh one. This would make buyers believe that there is really no difference between the organisation's products and the others in the market.

From the foregoing, it can clearly be seen that only yoghurt manufactured by the organisation carries the logo of the company on it. The others, milk and butter are sold by litres and grammes which means, they are not packaged, but as buyers demand for them, they would just be weighed and wrapped in polythene bags for them. The implication of this, is that, many potential buyers may not be aware that such a good product is being produced by the organisation, thus blocking their own market for such products. Coupled with this is also the fact that these two products (milk and butter) are not sold in smaller quantities and as such consumers with small demand for such products cannot buy them. This also restricts their market thereby narrowing their sales volume and as such profit level.

4.6 PLACE OF MARKETING STRATEGIES IN THE FUTURE

Marketing is interrelated with business activities. The starting point of marketing is human need and wants which are continually changing over time. Before 1820, people functioned on a subsistence kind of economy – providing what they actually needed. The family's

1. It is true that minimum consumption needs based on the necessities of life are rapidly being satisfied. Firms will look for new ways for consumers to spend their money. At first, firms will seek ways for consumers to satisfy their material needs – convenience foods, a house close to work and a house for leisure, etc. Business will seek to increase service, travel and leisure needs. Ultimately business will try to satisfy higher order needs for such things as art, music, spiritual life, etc.

2. Firms will seek ways to be more responsive to the social conditions that plague mankind – pollution, hunger, population growth, energy shortages and so on. Business firms will more nearly become public institutions on the one hand , making profits to ensure the economic survival and welfare of the firm and on the other, solving social problems for the society.

3. Firms will continue to search for ways to improve their mode of operation. Research will given them better information on which to base decisions. While improved technology will give them the means for carrying out these decisions. Managers will be better trained and organisations will be more integrated as

they strive to relate more closely to consumer needs. Markets would be world markets.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

This study aimed at examining the role of marketing strategies in the overall performance of MILCOPAL NIGERIA LIMITED. Chapter I provides the basic framework of marketing strategies in a profit oriented organisation and the need for these strategies to achieve the desired objective. The chapter also considered the objective of the study, its scope and limitations and definition of certain key terms.

Chapter II examines a number of definitions and contributions of various scholars in the development of marketing and marketing strategies. Finally, the chapter considered the effectiveness of marketing strategies in Nigeria.

Chapter III traced the historical background of MILCOPAL NIGERIA LIMITED, including the management and organisational structure of the company. It has been found that the place of marketing in the organisation is quite inadequate for effective performance.

Chapter IV provides an analysis of marketing strategies of the organisation. In the course of the analysis, it was found that the following 4 P's of marketing strategy were in use: product strategy, pricing strategy, promotion strategy and distribution strategy.

5.2 CONCLUSIONS

Marketing strategies are vital for the survival of any business organisation. Firms must continually adopt and improve their marketing strategies in order to effectively meet the new challenges facing them.

Marketing strategy is a managerial process of analysing market opportunities and choosing marketing positions, programs and controls that create and support viable business that serve the company's purpose and objectives. The marketing strategies of MILCOPAL NIG. were analysed. Based on the interview conducted with the Managing Director and the marketing and production staff, it was discovered that, the organisation produced three distinctive products. They are from one source; these are pasteurized fresh milk, yoghurt and butter. The products are made distinct by their quality – for fresh milk is used in producing them. They carry the logo of the company to differentiate them from others in the market.

Prices are set based on both mark-up percentages and competitive pricing that is after the total cost of production were determined, a certain percentage is added as profit before arriving at the selling price, coupled with the prices of similar products are also viewed and based on that the prices are set.

The organisation tries communicating and convincing the potential consumers on the quality of their product through such promotional activities as advertisement through the radio, television, bill boards, posters, stickers and labels. They also communicate through radio and television. They also embark on sales promotion through displays in trade fairs and exhibition shows.

Distribution strategy of the organisation include selling to retailers such as restaurants, snack shops and individual retailers. They also distribute through their sales outlets in five different locations in Kaduna. Personal selling is also done through the sue of sales representatives and bicycle boys who are the employees of the organisation.

The performance of the organisation is below expectation as reflected in their books of accounts with lower profit volumes. This has been attributed to under utilisation of the plant machinery and equipment.

5.3 RECOMMENDATIONS

Based on the foregone conclusions, the following changes are hereby recommended for better performance:

1. ***Packaging Improvement:*** Even though the company maintains a good quality of its products, consumers will only think about the product when it is attractive to them. The packaging of yoghurt in the same plastic bottles and sachets as other producers are using should be completely changed. There is need for the change of packaging to reflect the quality and appeal to the target market. They should use Tetrapak packaging which would distinguish it from other producers in the market and which will consequently reflect its quality and superiority to the others. Pasteurized fresh milk and butter should also be packaged in attractive containers, to expose the company more to potential buyers who may be attracted by the trade name and the quality of the product as written on the pack, such as writing "fresh milk".

2. ***Products Diversification:*** To allow for higher turnover, there is need for product diversification; other milk products should be introduced such as cheese and ice-cream which would enhance sales and reduce cost on warehousing and other accompanying costs.

3. ***Research and Development:*** The organisation should employ a research and development manager to take charge of all research and development activities. This include the improvement of existing product lines and the search for viable opportunities.

4. There is need to invest more on television advertisements since majority of the consumers belong to the elite class who recognise television as an effective medium of communication.

5. ***Sales Force:*** More aggressive salesmen should be employed in order to push the products to the market.

6. Distribution should be enhanced to include hotels and departmental stores where elites would come into contact with the products.

7. Prices should be set a little bit higher than what is obtainable in the market i.e. of other similar products. This would make the elites really believe that the product is not the same with the others. It would give it a kind of superiority over others. For many people believe that, the higher the price, the better the quality. But they should be careful not to set too high a price, or they would lose customers.

8. The organisation should open outlets in hospitals, especially general hospitals and teaching hospitals and they should liaise with the nutrition section of such hospitals. Doing this will improve their sales volume, for they can propagate that their products are from pure and fresh milk which is more nutritional and hygienic and can thus be taken by patients more safely than the others in the market inclusive of imported ones.

   Milk for instance, can be bought by lactating mothers who delivered and no breast milk was forthcoming. The fresh milk can be conveniently bought and fed the baby with. Other patients such as those with ulcer, diabetes etc. can all make use of the product because of its proximity to the hospital, its nutritional value and its lower prices than the imported or tinned milk.

9. The butter can also be diversified or the market for it can be segmented. It can take the form of salted and unsalted butter, just like the yoghurt is sweetened and unsweetened.

BIBLIOGRAPHY

1. Abell, D.F. and George S. Hammond (1979) Strategic Marketing Planning Problems and Analytical Approaches, Prentice Hall Inc. Eaglewood Cliffs, New Jersey.

2. Anderson, Wroe (1957) Marketing Behaviour and Executive Action, Richard D. Irwin, Homewood III.

3. Anonymous Annual Reports and Statement of Accounts of MILCOPAL Nigeria Limited, Kaduna.

4. Aycott, D.J. and Digby Brindlewood Williams (1970) Physical Distribution in Industrial and Consumer Marketing, Hutchinson & Co Publishers Limited.

5. Baker, M.J. (1981) Marketing: an introductory text, The Macmillan Press Ltd., London: and Basingstoke.

6. Bullmore J. (1983) Advertising What is it? Advertising Association Handbook, Edited by J. J. Bullmore & M. J. Waterson.

7. Clewet, R.M. (1961) Checking Your Marketing Channels – No. 120; Washington, US Small Business Administration, Management Aids for Small Manufacturers, Jan. 1961.

8.	Cohen, W.A. & Marshall E.R. (1981)	Successful Marketing for Small Business, A division of American Marketing Association.
9.	Converse P.D., Harvey W. Huegy and Rovet V. Mitchell (1958)	Element of Marketing, Prentice Hall, Eaglewood Cliffs.
10.	Crissy, W.J.E. et al (1973)	Segmental Analysis: A Key to Making Profitability. MSU Business Topics Vol. 21.
11.	Dawson, L.M. (1969)	The Human Concept: New Philosophy for Business, Horizons.
12.	Davis, K. and Robert L. Blomstrom (1975)	Business Society: Environment & Responsibility, Mc Graw Hill Inc.
13.	Drucker P.F. (1973)	Management: Tasks, Responsibilities, Practices, Harper & Row Publishers, New York.
14.	Folorunso, R.O. (1986)	Marketing Strategy: A case Study of Nigerian Tobacco Company, MBA thesis, Dept. of Business Admin., A.B.U., Zaria.
15.	Gatignon, A. (1984)	Competition as a moderator of the effect of Advertisement on sales. JOURNAL OF MARKETING REVIEW VOL. XXI.

16. Gluek, W.F. (1980) <u>Business Policy & Strategic Management</u>, MC Graw Hill series in Management.

17. Harvey, D.F. and Charles E. Merrill (1982). <u>Business Policy & Strategic Management</u>. A. Bell and Howel Company.

18. Howard, J.A. (1957) <u>Marketing Management: Analysis & Planning</u>, Richard D. Irwin, Home Wood III.

19. Ikeano, V.N (1985) Consumer Trends, <u>Business Times of April 29, 1985 and March 18, 1985.</u>

20. Jolson, M.A. (1978) <u>Marketing Management: Integrated tex, teadings and cases</u>, Collier Macmillan publishers.

21. Kelley, E.J. (1972) <u>Marketing Planning and Competitive strategy</u>, Prentice Hall Inc. Foundations of marketing series.

22. Kotler, P. (1980) <u>Marketing Management: Analysis, Planning and Control</u>, Prentice Hall Inc.

23. Kotler, P. (1977) <u>From sales obsession to marketing effectiveness</u>, HARVARD BUSINESS REVIEW NOV-DEC. 1977.

24. Marks, R.B. (1981) <u>Personal Selling: An Interactive Approach</u>. Allyn and Bacon Inc.

25. Mandell, M.I. (1984) Advertising, Prentice Hall Inc., Eaglewoods, Cliffs, New Jersey.

26. Musselman, V.A. and Eugene H. Hughes (1981) Introduction to modern Business, Prentice Hall International.

27. MC Neal, J.U. (1981) You can depend advertising – But not every advertising, BUSINESS HORIZONS SEPT-OCT 1981 VOL. 24 NO. 5.

28. Nickels, W.G. (1979) Marketing Principles, Prentice Hall Inc. Eaglewood, Cliffs, New Jersey.

29. Okenyi, P.O. (1985) Marketing in Nigerian Economy in BUSINESS TIMES OF MONDAY OCT. 21, 1985.

30. Rodger, L.W. (1974) Marketing in a Competitive Economy, John Wiley & Sons New York.

31. Runyon, K.E. (1982) The Practice of Marketing, Charles E. Merill Publishing Company, A Bell & Howell Company.

32. Russ, F.A. and Charles A. Kirkpatrick (1982) Marketing, Little, Brown & Company Canada Limited.

33. Ryan, W.T. (1981) A Guide to Marketing, Learning system Company.

34. Stanton, W.J. (1981) Fundamentals of Marketing, MC Graw Hill Int.

35. Stanley, R.E. (1982) Promotion: Advertising, Publicity, Personal selling, sales Promotions, Prentice Hall Inc. Eaglewood, Cliffs, New Jersey.

36. Stewart, J.B. (1959) Functional Features in Product Strategy, HARVARD BUSINESS REVIEW MARCH-APRIL 1959.

37. Stybel, L.J. (1982) Product Life Cycle, HORIZONS JAN-FEB 1982.

38. Seibert, J.C. (1973) Concepts of Marketing Management, Harper & Row Publishers, series in Marketing Management.

39. Udell, J.G. and Gene R. Laczniak (1981) Marketing in an age of Change: An Introduction, John Wiley & Sons, Inc.

40. Vancil, R.F. (1976) Strategy Formulation in Complex Organisations, Sloan Management Review.

41. Vanhorne, J.C. (1980) Financial Management and Policy, Prentice Hall International Editions.

42. Walters, C.G. (1976) Consumer Behaviour: Theory & Practice, Richard D. Irwin Inc. Homewood Illinois.

43. Watson, D.S. (1972) — Price Theory and its uses, Houghton Mifflin Company Boston.

44. Webster, Jr., F.E. (1971) — Marketing Communication, Ronald Press, New York.

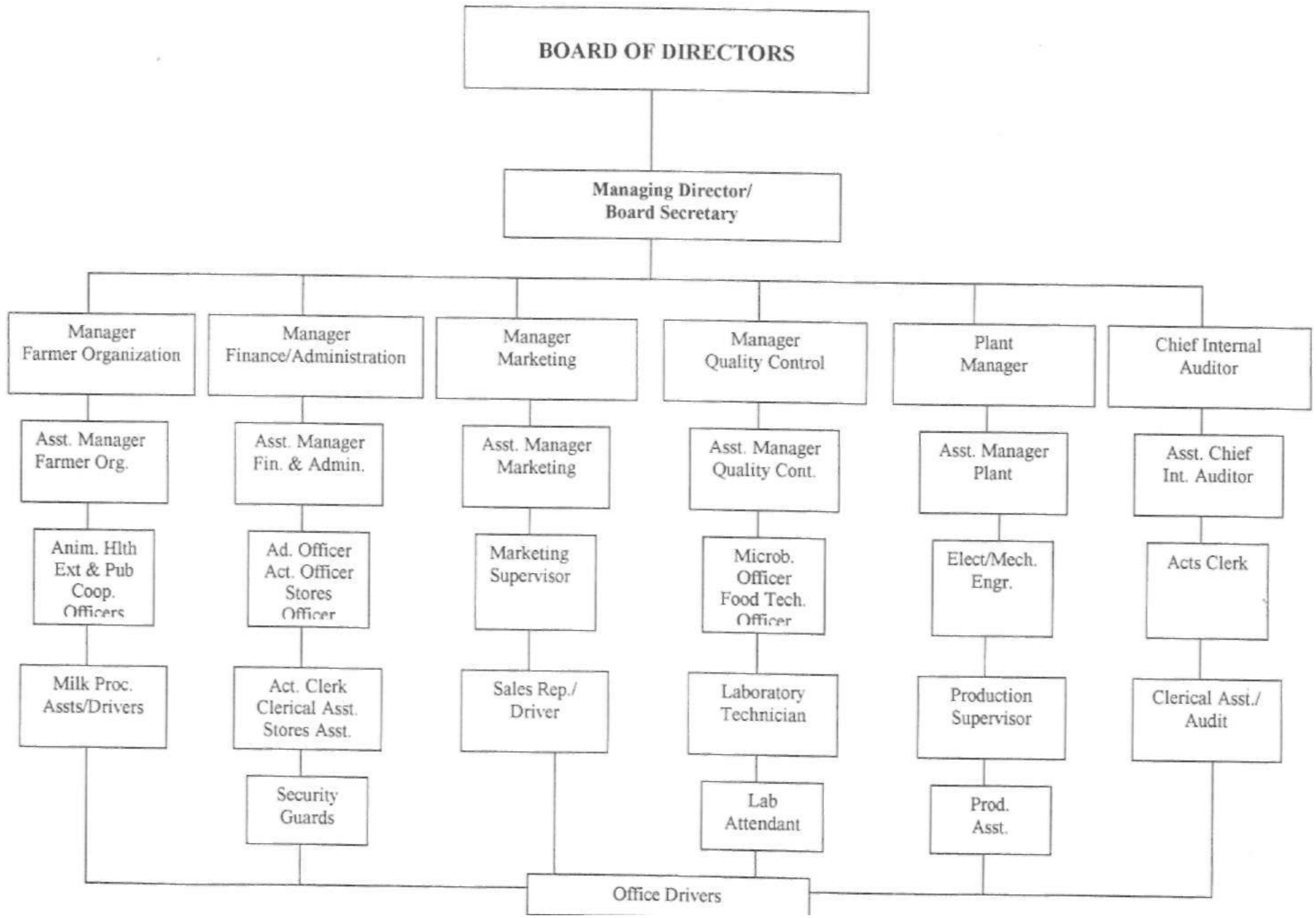
45. Wingate, J.W. and Carroll A. Nolan (1976) — Fundamentals of selling, South Western Publishing Company.

46. Winkler, J. (1969) — Marketing for the Developing Company, Hutchinson Marketing Library.

47. Woo, C.Y. (1984) — Market Share Leadership – not always So good, HARVARD BUSINESS REVIEW JAN-FEB 1984 NO. 1.

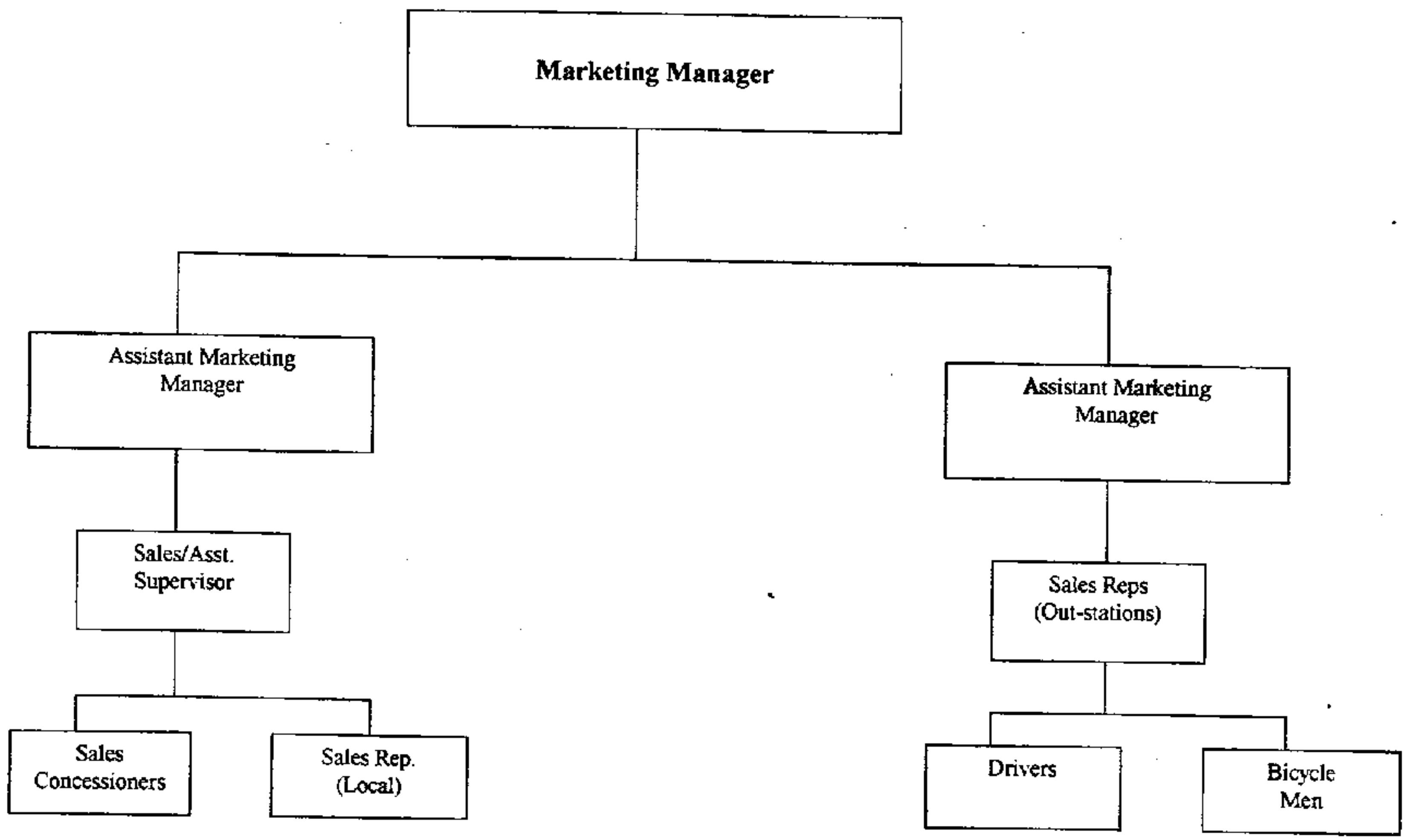
APPENDIX I

Organizational Chart for Kaduna Federation of Milk Producers Coop. Assoc. Ltd. (MILCOPAL)



APPENDIX II

Organogram for Marketing Unit of MILCOPAL



Annex III

Interview Questions to Management and Marketing Staff

Of Milcopal Nigeria Limited

1. Marketing Policy

(1) Who makes marketing policy in the company?

(2) How often are marketing strategies formulated?

(3) What are the factors that necessitate for the review of a marketing strategy.

2. Products

(1) What kind of products do you produce?

(2) How do you determine the performance of your products in the market?

(3) How do you control the quality of your products?

(4) How different is your products from those of competitors?

3. Pricing

(1) What are your pricing objectives?

(2) What factors influence price setting in your organisation?

4. Promotion

(1) How do you engage in promotion?

(2) What are the objectives of your promotion campaigns.

(3) How do you determine the promotion budget?

(4) How are your advertisement campaigns carried out?

(5) What media do you sue most often for your promotions?

5. Distribution

(1) How are your products distributed?

(2) What factors (if any) do you consider in choosing your middlemen?

(3) Do you encounter any problem in distributing your products?

6. Others

(1) What are your future plans in terms of production and marketing?

ABSTRACT

There is no doubt that marketing strategy has an important bearing on the performance of a business organisation. The basic purpose of this project therefore, is to examine the role of marketing strategy on the overall performance of MILCOPAL NIG. LTD., Kaduna. Firms in Nigeria have over the years adopted various marketing strategies aimed at improving their overall performance and profitability. It is the argument of this study that the desired objective of an organisation may not be attained without a comprehensive marketing strategy. This is because the firm may not actually know how its objectives are to be accomplished. It is for this reason, coupled with a more challenging business environment in recent time that more and more companies are now adopting the use of marketing strategies. The project is organised into five chapters. Chapter one deals with the basic framework of marketing strategies and how they contribute towards an efficient operation. The chapter also considered the objectives of the study, its scope and limitations. An overview of the various literatures relating to marketing strategy were produced. The marketing strategies of the organisation were analysed and assessed in relation to its overall performance.

•