MARKET SEGMENTATION IN PETROLEUM PRODUCT MARKETING: A CASE STUDY OF UNIPETROL NIG. PLC.

By

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DECLARATION

I hereby declare that the report contained in this thesis is a result of my original work and was not written for me or copied from elsewhere, except where assistance and references were contacted which were duly acknowledged with appreciation and has not been presented before in any previous application for a higher degree.

Name of Student

Signature

CERTIFICATION

This thesis entitled Market Segmentation in the Petroleum Industry: A Case Study of Unipetrol Nig. Plc by Olorunfemi Cornelius JEGEDE, meets the regulations governing the degree of master of Business Administration of Ahmadu Bello University, Zaria and is approved for its contribution to scientific knowledge and literary presentation.

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Dean, Post Graduate School

18/02/00
Signature

DEDICATION

This research work is dedicated to Veronica my wife, Teganmosibineba and Tiyeyosibina for their prayers, support, encouragement, sacrifices, understanding and patience during the course of this programme.

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ABSTRACT

Business under the prevailing economic environment, have to be efficient to survive. Faced with diminishing markets, businesses have had to compete more aggressively with one another to attain acceptable sales volumes and market share.

This development has brought the marketing function to the fore front of business activity in the country. Businesses now find it necessary to fashion out strategies and marketing programmes aimed at growth, market retention or simply, their continued existence as a going concern. In performing this function at a time when costs have become more critical than ever before, marketing managers have to ensure that resources available to them are effectively utilised to achieve set objectives.

This study is an attempt to investigate the application of the concept of market segmentation in marketing petroleum and allied products by the major petroleum marketers with Unipetrol Nig. Plc, a major marketer as a case study. Three petroleum products were considered for the study viz: premium motor spirit (PMS), Diesel and engine oil - a lubricant.

The study reveals the various segmentation strategies/approaches unipetrol employs in marketing the three products under study. Two of the products: premium motor spirit (PMS) and Diesel has almost

the same segmentation strategy while Engine oil-a lubricant, has a different segmentation strategy. The marketing strategy used for premium motor spirit and diesel is the undifferentiated strategy while differentiated strategy is used for engine oil. Unipetrol Nig. Plc uses two main criteria to select market segments for the three products under study, these are recheability for premium motor spirit and diesel and size of the market is used for engine oil. Geographic characteristics is the basis for market segmentation for the three products while the segmentation strategy for premium motor spirit and diesel in market orchestration and that of engine oil is product differentiation.

Market segmentation has enabled Unipetrol Nig plc witness increased total sales leading to a satisfactory sales performance over the last five years.

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CHAPTER ONE

INTRODUCTION

Business units which have long been accustomed to the oil boom years with its attendant, high consumer demand and expanding markets found themselves having to cope with increasingly stiff competition from rivals, as it became clear that for a business to grow or even retain its existing market position under extant conditions, it had to purposely go after the market share of its competitor.

The Nigerian business environment in recent years, has become so competitive that any business organization has to understand market segmentation in order to survive the severe economic recession and competition both internally and externally. The marketing institutions in Nigeria must be sure of their position and how to maitain their market shares in such a competitive environment.

In order to compete effectively, and thereby solidfy market share and achieve growth under the present economic environment, business units must elevate the marketing function to its rightful place, at the centre-stage of business activities. Therefore efforts must be made to make managers realise the import of analysing markets, consumer trends and competitive activities, and of fashioning out strategies to tailor marketing efforts and available resources to meet corporate goals and objectives.

All business organisations perform two basic operating functions, which are: the production of goods and services and the marketing of these goods and services. This is true of all firms whether giant manufacturers or even smaller business. Production and marketing are the most important aspect of life.

What is marketing? Several definitions have been given by different people as they perceived it to be in their own position of responsibility. Circumstances and also as partakers in the marketing activities, while some view marketing as a set of techniques employed by business organisations or individuals, others have argued for the broadening of the range of organisations in which it can apply. "Marketing consists of those business activities involved in the flow of goods and services between producers and consumers". And marketing moves goods from place to place, stores them, and effect changes in ownership by buying and selling process.

Today's marketing is more customer oriented than just producing. A marketer must know what his customers needs and desires are and try to satisfy them.

The major aim of a marketer is to ensure and maintain the marketing position of his organisation and the customer orientation satisfaction. If this is not achieved can lead to the failure of the organisation to maintain its position as a leader. It needs to innovate

its strategies in terms of new idea, new packaging, innovation in terms of the pricing, promotion product concept and in physical distribution.

In order to carry out this research work, the researcher has divided the work into five chapters as follows:

The first chapter examines the historical background, statement of the problem, hypothesis, objectives of the study, significance of the study, the scope of the study, the limitations of the study and definition of terms.

Chapter two is the review of literature on market segmentation, bases for segmentation, importance of segmentation, strategies for segmenting the oil industry, problems of segmenting the oil industry and contribution of the oil industry to the Nigerian economy.

Chapter three is the research methodology which includes research design, methods of research, sources of data, population and sample size, research instruments, techniques of data analysis. Chapter four will concentrate on data presentation and analysis: presentation of data, data analysis test of hypothesis and discussion. While chapter five deals with the summary, conclusions and recommendations.

Bibliography and appendices follow chapter five.

1.1 Historical background

Petroleum is Nigeria's primary source of revenue today. It has been so for more than two decades and is likely to be so for the next two decades (vision 2010).

The Nigerian Bitumen company, a German company operating before the first world war, was the first company to explore oil in Nigeria, starting in 1908. Unfortunately, the first world war ended this company's activities; Nigeria being a British colony and Britain being at war with Germany. In 1937, the whole country was granted to a UK/Dutch consortium, Shell D'arcy, for exploration. This company metamorphosed to Shell-B.P, and by 1956 recorded its first commercial discovery thus leading to the first exports by 1958. In the first full year of export, a little over 2 million barrels of high quality, low sulphur oil were exported. By 1962, the newly independent Nigerian Government gave new concenssions to Mobil, Gulf, Safrap, Agip Amoseas now Texaco, Tennesse-Sunray, Union oil, Great Basins, Phillips Petroleum and Esso.

At independence in 1960, commercial oil had been found around Ugheli, west of Nigeria. Thus trans Niger Pipeline started in 1963 was commissioned in 1965, to take oil to Bonny, 140 miles away. As far as income to government went in those early days, the petroleum profits were shared equally between the company and the state 50/50. The state's half included items such as royalties, rents, customs duties,

stamp duties etc. Nigeria being in the atlantic Basin is closer to Europe and the US than the main Middle East Producers, thus on the basis of quality and proximity, Nigerian oil commanded a premium over the Middle East. Upto the mid-1960s, the government's interest in the oil industry was limited to the collection of tax, rent and royalties. The oil companies dominated the operation, and legislation upto this time reflected this. In 1968, oil comapnies were required by law, to be incorporated in Nigeria and a year later in 1969, the main petroleum decree was promulgated. The 1969 petroleum decree was the first major attempt at producing detailed and comprehensive set of laws for petroleum operations in the industry. This new act defined petroleum, tenure of concession holdings and relinquishment; it also adddressed the question of Nigerianisation in the industry, gas and gas utilization and down stream operations amongst others.

The birth of Unipetrol Nigeria Plc followed the decision of the Federal Government of Nigeria in 1976 to buy shares in all foreign owned petroleum companies operating in the country. ESSO West Africa Inc (Unipetrol's Forerunner) started business in 1956 in Nigeria and later became ESSO Standard Nigeria Limited in 1968. When in 1976, Government decided to buy shares in petroleum industry, ESSO standard - after a protracted negotiation - sold all its shares to the Government. The new company that thus emerged was registered in January 1977 as Unipetrol Nigeria Limited. In May, 1991, the

company was privatised with authorised share capital of N60m. The federal government has 40% of the share with NNPC holding the government's shares in trust. Other Nigerian citizen and associations have the remaining 60% shares.

Although the name Unipetrol became known to those financially involved with the petroleum industry only in 1977, when it was officially registered, it was by no means a tenderfoot in the business of petroleum marketing.

The activities of Unipetrol cover all the 36 states and the Federal Capital Territory of the country in consonance with the directive of government to ensure that petroleum products reach all parts of the country. The primary concern of the company is to render efficient service to motorists, industries, goverment agencies and organisations both within and outside the country. The company also has offices and engages in petroleum marketing business in Freetown, Sierra Leone, Accra, Ghana and Lome, Togo.

1.2 Statement of the Problem

Petroleum industry in Nigeria has been passing through crisis period in the country. This has led to several problems which includes smuggling across borders, black marketeering in such a way that distribution falls into the hands of quacks, adulterations, transportation difficulties thus paralysing economic activities in the

countnry. Several efforts have been made to find lasting solution to the problem. Given the poor state of the economy of the country and the difficult political terrain, foreign investment participation may not be an effective input into solving the already critical availability problem. The major petroleum marketers have been forced by the present circumstances to adopt make-shift strategies to effect even distribution of petroleum products. But, apparently, these strategies have not yielded the desired result. One of the strategies that have been found profitable in petroleum product distribution is segmentation which permits allocation of petroleum product on the basis of level of consumption. It is against this backdrop that a major petroleum marketer is being understudied to examine its segmentation strategies vis-a-vis premium motor spirit (PMS), diesel and engine-oil in the Northern Nigeria.

1.3 Hypothesis

Some hypothesis are formulated to guide the researcher in this study. The hypothesis assumed are as follows:

i) That there is total neglect of market segmentation in the marketing operations of oil product by the major oil marketers.

ii) That the total neglect of market segmentation has adverse effect on market characteristics of their product.

iii) That there is no relationship between marketing strategies and market segmentation. That is, marketing strategies are not derived from market segmentation.

1.4 Objectives of the Study

The objectives of the study are as follows:

i) To find-out the extent to which market segmentation has been effectively and efficiently applied in the sales of oil products.

ii) To find out the extent of adoption of market segmentation by the major oil marketers.

iii) To find out the effect of market segmentation on the sale of their products.

iii) To identify the measures needed in carrying out market segmentation in the oil industry, and

iv) To give useful suggestions and recommendations based on the research findings in order to improve upon their marketing.

1.5 Significance of the Study

The importance of reduction/inadequate sales or marketing of the product can be traced to market segmentation, and as such, its review is a first thing in identifying latent/hidden market potentials and opportunities. The chaotic domestic oil product market at present can be improved if effort is geared towards market segmentation. With

increasing international pressure on Nigerian economy which is dependent on the oil sector, all hands must be on-deck to put necessary strategies on ground incase of undue international influence as a constant review of ingredient of market success and high turn over vis-a-vis market segmentation is necessary.

1.6 The Scope of the Study

The activities of the major oil marketing companies are two broad to be covered adequately in a single study of this nature. This study will only focus on the analysis of market segmentation and its application by the major oil marketing companies. Unipetrol Nigeria Plc, a major oil marketer was used for the study. The intending company of this kind will in no doubt benefit a lot from this study.

1.7 Limitations of the Study

In an ideal situation, every major oil marketer should have been interviewed. However, this was not possible as a result of limited financial resources coupled with the fact that, the researcher had limited time at his disposal to conduct the research. Another limitation is the unwillingness to release information freely by Unipetrol Nig. Plc about their organisation, thus not every details demanded were released for the fear of their competitors who might have access to them.

1.8 **Definition of Terms**

i) Market segmentation: Philip Kotler defines market segmentation as "sub dividing of a market into homogeneous subsets of customers where any subset may conceivably be selected as a market target to be reached with a distinct marketing mix."

ii) Premium Motor Spirit: This simply is petrol.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Market Segmentation

On the definition of segmentation, Wendoll and Smith (1956), is of the view that market segmentation is essentially a merchandising strategy aimed at the adjustment of market offerings to consumer or user requirements. Philip Kotler (1976), writes that market segmentation is the process of identifying groups of buyers with different buying desires or requirements. Robert C. Blattberg and subrata K. Sen (1974) jointly hold the view that, conceptually, a strategy of market segmentation involves the development and implementation of different marketing programmes for different components of the over-all market. Professor E. Raymond Corey (1978) states that market segmentation is the process of dividing up the market into segments according to some rational scheme.

On the definition of market segment, Charles D. Schewe and Rauben M. Smith (1980) opined that market segments can be defined on the basis of location, characteristics or behaviour of consumers. Professor E. Raymond, writes that a market segment may be defined as a set of potential customers that are alike in the way they perceived the product and value it, in their patterns of buying behaviour and in

the way they use the product.

Russell I. Haley (1968) stated that the idea that all markets can be profitably segmented has now received almost as widespread acceptance as the marketing concept itself. Commenting on this subject, Philip Kotler asserted that market segmentation, the most recent idea for guiding marketing strategy, starts not with distinguishing product possibilities but rather, with distinguishing customer groups.

Philip Kotler, defines market segmentation is the "sub-sets of customers, where any sub-set may conceivably be selected as a market target to be reached with a distinct marketing mix"(1). Segmentation recognises sub-groups who already have certain demands and then creates products to suit those demands.

The basic premise of segmentation is the identification of consumer needs. This consumer orientation makes market segmentation a vital part of modern marketing process. Market segmenetation recognises that different consumers have different needs which in turn influence market demand, filling these needs may result in profit. Segmentation is therefore based upon developments on the demand side of the market and represents a rational and more precise adjustment of product and marketing effort to consumer or user requirements. With high cost of production, distribution and promotion, accurate market segmentation has become increasingly

important. The concept of market segmentation is based upon three proposition viz. (i) That consumers are different (ii) that differences in consumers are related to differences in market demand and (iii) that segments of consumers can be isolated within the overall market(2). Market segmentation can also be explained on the notion that (i) markets rather than being homogeneous are heterogeneous. (ii) no two buyers or potential buyers of a product are alike in all respects and (iii) large groups of potential buyers of a product share certain characteristics of distinction(3).

Four characteristics/criteria are used for selecting segments. The better a segment base satisfies all four, the better it serves as a foundation for effective marketing strategy.

The four characteristics/criteria are:

(i) Measurability:- The market characteristics on which the segment is based Should be able to be measured e.g the population of a city, or college graduates. Some information is not easily measurable, for instance it is often difficult to measure the status or quality a customer looks for in a product.

(ii) Size:- The segment has to be large enough to make the marketing worthwhile. There must be enough potential buyers with enough money to cover the cost of production and marketing the product and to gain sufficient profits.

(iii) Reachability:- Segments must be accessible to the marketing effort of the organisation. Buyers must be exposed to the product through the media and other places where they do their shopping.

(iv) Market Responsiveness:- A clearly defined segment should react to changes in any of the elements of the marketing mix. For instance, if segments are determined by reaction to pricing, the potential customers interested in economy will buy less if a product's price is raised.

A fifth characteristic/criteria put forward by:

(v) Stability: The segment's behaviour should be such that its future response may be predicted.

There are at least three situations when the concept of market segmentation cannot be used namely.

(i) Where the market is so small that marketing to a portion is not profitable.

(ii) Where heavy users make up such a portion that they are the only relevant target and

(iii) Where the brand is a dominant brand in the market, there is no basis for segmenting.

But apart from such situations which calls for an undifferentiated marketing strategy, most authors agreed that some form of segmentation offers the best opportunity of securing a

competitive advantage in the market place.

2.2 Bases for Segmentation

According to Douglas L. Macclachlan and Johny U. Johansen (1981) there is rarely agreement on the appropriate basis for segmentation. Typically, they assert, it is useful to explore a variety of bases before selecting one. Joseph P. Guitinan and Gordon W. Paul (1982) however, are of the opinion that because market segmentation is a managerial tool, the most important consideration in selecting a basis for segmentation is to determine the decision making purpose of the segmentation effort. This suggestion, according to Peter R. Dickson (1982), raises a major problem of how to integrate effectively the different components of marketing strategy, when each component uses different segmentation basis. Dickson goes on to recommend the person-situation framework as basis for segmentation, stating "the person-situation framework provides a structure for integrating different bases by reducing them to a common higher order basis."

Machachlan and Johanson on their part recommend the use of behavioural criteria as a basis, stating that although there is no unanimity among marketing scholars on the appropriate basis for segmentation, majority opinion favours using behavioural criteria like purchase incidence or volume, brand loyalty or purchase elasticities to marketing decision variables or other factors. Russel I. Haley in his

It is based on the assumption that people in different part of the country may want different products. Alternatively or in combination with the regional segmentation, one can often find an urban-rural breakdown. There is a substantial body of findings reporting geographic differences in consumption. Differences in consumption patterns exist between rural and urban families. Distinction between rural and urban areas is still of great importance, greater emphasis is now being placed on the differences between sub-urbanites and downtown dwellers.

b) **Demographic and Socioeconomic Characterists:** The most widely used bases for market segmentation have been sex, age, marital status, number and age of children, ethnic origin and geographical location and mobility of a household. The first four are often combined into a stage-of-life-cycle index. The primary reason for the popularity of demography is its case of measurement the accessibility to these segments by various communications and distribution media and the relatively large size of segments based on any of these variables. The major value of demography seems to be in distinguishing users of a product from non-users. The existence of variables such as age group, occupational category or religious groups in itself guarantee at least a potential market for certain products. Demography can help predict the likely purchasers of a product or services.

(i) **Sex**: Physiological, psychological, social and cultural factors contributes to significant differences between the sexes which leads to different patterns in buying behaviour. Factors such as women's reproductive system and sexual characteristics, size and muscular power, bone and proportion, extremely acute senses and specific bodily mechanism and nervous system are what make women buy. The effects of these factors on a woman's purchasing behavour is indirect, that it is mediated by the women's personality traits, needs and attitudes. Supplementing these factors are women's values, which includes compassion and loyalty, a dislike of being misled or fooled, an interest in people rather than things, a concern with what others think of them, tangible and not abstract wants, a high degree of individualism, attention to small details, a tendency toward irrational beliefs, and a different sense of humor than men. Understanding male-female buying behavour differences is not complete, however without an examination of the roles men and women. Those roles are of considerable importance for market segmentation because, if decisions made by a wife in one family would be much the same as those made by another wife, the roles could serve as a basis for segmentation.

ii) **Age:** The recent concern with the teenage and youth market

would expect considerable interdependency between this and other possible influences on consumer behavour. For example, people in a given social-economic class will behave differently if they are at different stages of their life cycle. Similarly, one could expect that the role of family members in the buying decision process will change through the life of the family.

C) **Psychographic Characteristics:-**

This is the newest approach. Psychographic characteristics have been identified to include personality factors such as aggression, anxiety, masculinity feminity, community involvement, pleasure activities, convenience etc. It is assumed that market can be segmented according to the above factors. Attempt to do this has not been useful personality does not seem to be that closely related to buying behavour. This is a life style segmentation according to how consumers live, as reflected by their activities, opinions, interests etc.

II. **Consumer Response to Products**

This approach concerns itself with differences in behaviour. It is concerned with discovering why consumers buy a product instead of describing the type of consumer who will buy. Bases for segmentation include:

a) **Benefits Response**:- *Here, individuals are grouped according to*

the benefits they seek in a particular product. Benefit may be defined as economy, durability status etc. Once consumers have been segmented according to the benefit they seek, each segment can be analysed in terms of demogoraphy, personality etc; and a better marketing strategy can be designed.

b) **Usage Response:-** This is segmentation according to volume. Buyers of a product are classified as heavy, medium and light and non-users. The marketer is interested in the heavy users. Though their number may be small, the volume they consume is very large. Usage response alone, like other categories does not give all marketing information needed.

c) **Loyalty Response:-** Every marketer has hard core loyals, soft core loyals and switchers. The hard core users are not necessarily heavy users, though a wise marketer finds out what distinguishing characteristics the hard core loyals have so that more of them may be acquired. Brand loyalty is not always easy to measure. A buyer may appear to be a hard-core loyal, because there are no other acceptable brands available those that seem to be switchers may have been forced to switch because their store changed brands.

2.3 Importance of Segmentation

On the importance of segmentation as a marketing strategy, Wendell R. Smith asserts that many companies are reaching the stage in their development where attention to market segmentation may be

regarded as a condition or cost of growth. Their core markets have already been developed on a generalized basis to the point where additional advertising and selling expenditures are yielding diminishing returns. Attention to smaller or fringe market segments which may have small potentials individually but are of crucial importance in the aggregate, may be indicated. Martin Marshall in his paper "market segmentation and strategic positioning" opined that if a business designs it's marketing strategy to quite explicitly solve the needs or problems of a specific subgroup, then it is likely to have a strong competitive position.

Market segmentation is a foundation for market analysis in a consumer oriented organisation.

i) Segmentation leads to a more precise definition of the market in terms of consumemr needs. Segmentation is therefore important in improving managements understanding of the consumer. Once management understands consumer needs, is in a much better position to direct marketing programmes that will satisfy these needs and hence parallel the demands of the market, thus encouraging systematic planning for future market. Market segmentation strengthens managements capabilities in meeting changing market demands.

ii) Through market segmentation, management is better able to assess competitive strengths and weaknesses. Of greatest importance, it can identify those segments where competition is thoroughly entrenched.

This will serve the company resources by forging a pitched battle with lead-in competition, where there is little real hope of market gain. Market segmentation leads to a more efficient allocation of market resources. For example, product and advertising appeals can be more easily co-ordinated. Media plans can be developed to minimize waste through excess exposure. This can result in a sharper brand image and target consumers will recognise and distinguish products and promotional appeals directed at them.

iii) Market segmentation is important in leading management to a more precise setting of market objectives. Targets are defined operationally and performance can later be evaluated against these demands.

2.4 Strategies for Segmenting the Oil Industry

As the earliest sellers learned, customers are very different, which means they can always be segmented. A company can plan its marketing around these differences or it can ignore them.

An organization must go with a particular market targeting strategy: differentiated, undifferentiated, or concentrated strategies. *Generally, five factors determines a company's choice of strategy:* company's resources, product homogeneity, product stage in the life cycle, market homogeneity and competitive marketing strategies. All of these are to be considered before a marketing strategy is chosen.

Available company's resources affect an organization's ability to purchase a certain strategy. Large financial and marketing resources

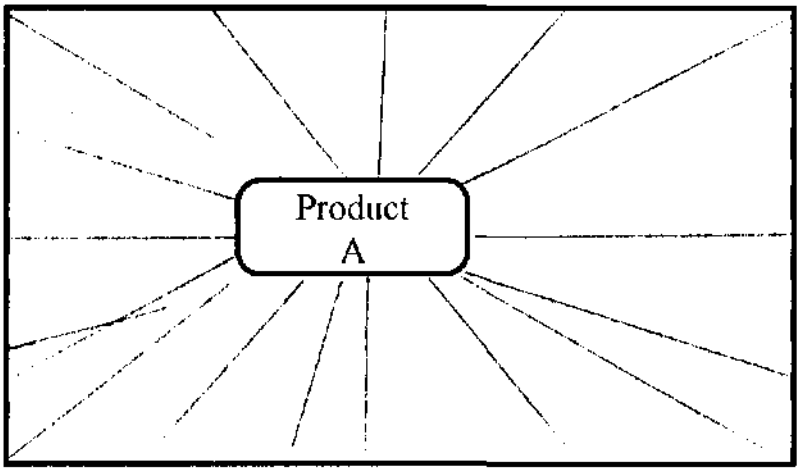
are needed to follow undifferentiated and differentiated strategies. Product homogeneneity refers to the degree to which a product is likely to retain the same characteristics. Product stage in the life cycle also affects strategy for segmentation. For instance, if a new product is being manufactured, undifferentiated or concentrated marketing will best help to create a demand for it. When the product is at a mature stage of its life cycle and has saturated the market, then differentiation marketing is used. Market homogeniety refers to the degree to which consumers have the same needs and wants if all are alike, segmentation would be a waste of time and the undifferentiated strategy would be best. Where consumers have more diverse needs differentiation or concentration are best. Competitive marketing strategies are those being used by the competition. For example if the competition is serving several segments, a company would be out of place to practice undifferentiated marketing. But if the competitor is serving a mass market, the company might profit by segmenting. Two strategies can be used to select the market targets from among the market segments by the petroleum industry. These are:

i) Undifferentiated strategy

ii) Differentiated strategy

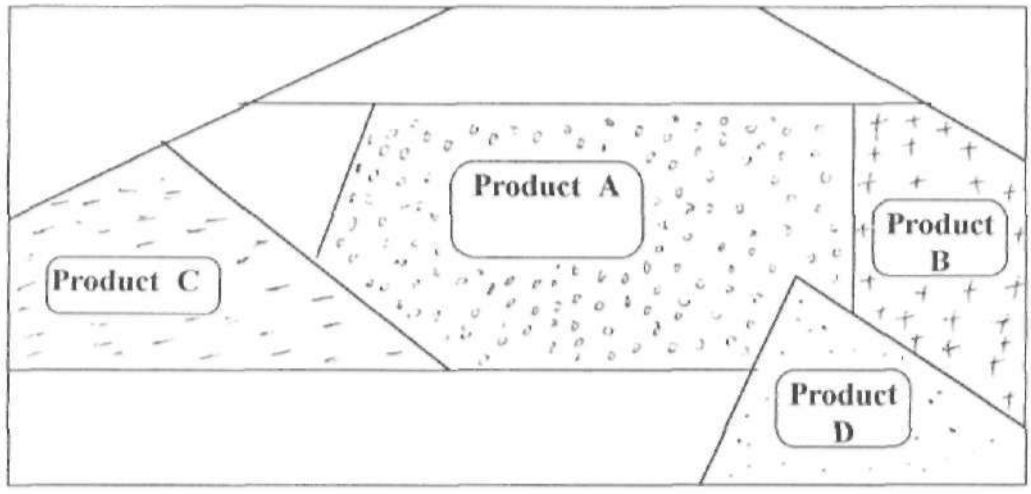
i) **Undifferentiated Strategy:-** The market is treated as one target, focusing on how the customer needs are alike rather than how they are different. Its product has the broadest possible appeals and uses mass

advertising. This strategy saves money by minimizing production, inventory, transportation and marketing research costs.



Undifferentiated Strategy

ii) **Differentiated Strategy:-** The organization/company aims at all or many market segments with different programmes for each segment. In this way, the company hopes to achieve higher sales and greater customer identifications with the company. It also hopes for customer loyalty and the resulting repeat purchases. Differentiated marketing usually results in high sales than undifferentiated marketing.



Differentiated Strategy

2.5 Problems of Segmenting the Oil Industry

Some of the most important problems of segmenting the oil industry are the problems in recognizing, defining, understanding and segmenting markets. The amount of information needed to plan a rational segmentation programme to a particular segment even when the composition and characteristics of the segment are known. It may or may not be possible to devise product characteristics and promotional appeals that will disproportionately affect target segment. Promotional mass media may be hard to focus on a particular segment, either because of their actual audience characteristics or because of lack of detailed information about them.

2.6 **Contribution of the Oil Industry to the Nigerian Economy**

The Nigerian economy is highly dependent on proceeds from oil which constitutes over 90 percent of total foreign earnings required for financing several national development projects (Federal office of statistics 1997). Invariably, whenever oil prices rise or fall, the fortune of increased/reduced revenue will automatically manifest itself on the economy of Nigeria. In most instances, several budgets are tied to projected earnings from oil export relative to weighted specified range of crude oil. In the period between 1958 and 1980, oil revenue as a percentage of total government revenue rose from 0.09 to over 87.41. As a percentage of government expenditure in the same period, oil revenue had moved from its 0.09 in 1958 to an imposing figure in excess of 80 (Nnadi, 1997). This situation inevitably introduced fundamental structural changes in the Nigerian economy, manifesting most in the pattern of production, for instance, huge petroleum revenues enabled the "Udoji Awards" of 1974 to take place. Higher spending power, combined with high marginal propensities to consume, occasioned by long-endured deprivations as a result of previously low wage levels, snowballed into high tastes for durable consumer goods and deflected tastes away from what was locally available. A natural consequence of this scenario was the development

of a culture of copious amounts of imports which rose from N1.2 billion in 1973 to N7.5 billion in 1979 and N9.7 billion in 1980 (Nwankwo, 1982). Another consequences was the supplanting of the agricultural base of the country by the petroleum industry. In the 1960, agriculture contributed 69.7% of Nigeria's gross national product (GNP), employed 80% of the work force, generated 60% of export earnings, and supplied more than 90% of the food needs of the country (Nigeria, 1981).

In terms of share of the gross domestic product (GDP) at current factor costs, the contribution of agriculture declined from 61.2% in 1962 to 23.3% in 1976/77 and just 12.8% in 1979/80, having been overtaken by petroleum. The decline in agriculture was of such a scandalous magnitude that Nigeria translated into a net importer of food (Nnadi, 1997.).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The Research which is descriptive, was carried out using Unipetrol Nigeria PLC a major petroleum marketer as a case study. The information needed and the questionnaire administration was carried out at the Unipetrol Divisional office based in Kaduna. Three petroleum, products viz premium motor spirit (PMS), Diesel and engine oil-a lubricant were considered for the research. Each of these three products had a questionnaire administered. Managerial staff who are also product sales manager at the Unipetrol Divisional office Kaduna responded to the questionnaires and the interview.

3.2 Methods of Research

The Research involved structured questionnaire administration and oral interview of the product sales manager for each of the three products being considered for the study.

3.3 Sources of Data

The research consist of both primary and secondary sources of data.

The primary source of data is the information collected at first hand at the Unipetrol Nigeria PLc Divisional office Kaduna, for the purpose of the research problem under study. The primary source of data was obtained by use of structured questionnaire to get the necessary information. In addition, interview memthod was used to get some of the silent points in the questionnaire.

The secondary source of data was the existing information which have already been gathered for some other purposes. This information can be gathered much faster and less expensive than the primary data. The secondary data was collected from the following sources.

- existing project work of ex-students from the library.
- professional magazines and journals
- Unipetrol journals
- Abstracts from business management text books.

3.4 Population and Sample Size

For the purpose of this study, the scope of business of Unipetrol Nigeria Plc was regarded as the population while the specific products under study as the sample size. The scope of business of Unipetrol today covers:

- marketing of petroleum products (petrol, kerosine, diesel).
- Bottling and distribution of liquefied petroleum gas from its LPG plant at Warri.

- serving of industrial petroleum product requirement
- marketing of tyres, tubes, batteries and other car accessories
- marketing of industrial chemicals
- marketing of bitumen from its Apapa and Port Harcourt plants
- Blending, marketing and exporting of bitumen from its Port Harcourt Bitumen plant
- marketing of insecticides uniflit
- Distribution of household utensilssuch as unicookers and LPG regulators
- Bunkering activities
- Blending and distribution of lubricants from its lube plant at Kaduna.
- Export of petroleum products
- property Business and
- Aviation.

The sample size for this study are three of the petroleum products being marketed by unipetrol Nig Plc. Viz: premium motor spirit (petrol), diesel and engine oil, a lubricant.

3.5 Research Instrument

The research instrument involved the structured questionnaire administration to obtain the primary data from Unipetrol. There was also oral interview/discussion with the product sales manager and other managerial staff of Unipetrol Nig. Plc divisional

office Kaduna to obtain secondary information for the research. See appendix for the structured questionnaire.

3.6 Techniques for Data Analysis

The techniques that was used for the analysis of data collected is a non parametric technique.

CHAPTER FOUR

PRESENTATION AND ANALYSIS

4.1 Presentation of Data

1. Unipetrol Nig. Plc was established in January, 1977.
2. The main goals and objectives of Unipetrol Nig. Plc is in the form of a mission statement which is: commitment to being a reputable international company, marketing quality grades of petroleum and allied products while striving for the premier position in Nigeria through excellent customer services and high level of profitability to satisfy her stake holders.
3. The scope of the company's business is the marketing of petroleum and allied products.
4. The company's current marketing objectives are customer satisfaction so as to achieve rapid growth in total sale.
5. Table 1: Market Strategies employed.

Product	Market Strategies
Premium Motor Spirit	Undifferentiated
Diesel	Undifferentiated
Lubricant (engine oil)	Differentiated

From table 1 above, premium motor spirit (PMS) and Diesel are undifferentiated while for lubricants, differentiated market strategy

is employed.

6 -9 Unipetrol Nig. Plc do carry out market segmentation on all of its products without exception. Having different market segments for its products and different basis for segmenting each products.

10. Table II: **Criteria for Selecting Segments.**

Products	Criteria
Premium Motor Spirit (MPS)	Recheability
Diesel	Recheability
Lubricant (Engine Oil)	size

From the table above, the same criteria is used for selecting segments for premium motor spirit and diesel which is recheability, while size is the criteria for selecting segments for engine oil.

11. Table III: **Basis for market segmentation**.

Consumer characteristics approach.

Product	Bases
Premium Motor Spirit (PMS)	Geographic
Diesel	Geographic
Lubricant (engine oil)	Geographic

From the table above, the basis for market segmentation from the point of consumer characteristics approach is geographic.

b) **Consumer Response Approach**

Product	Basis
Premium Motor Spirit	Usage response
Diesel	Usage response
Lubricant (engine oil)	Loyalty response

Table IIIb shows that premium motor spirit and diesel have usage response as the basis for segmentation while lubricants has loyalty response as the basis for segmentation from the point of consumer response approach.

12. Table IV: **Segmentation Strategy**

Product	Strategy
Premium Motor Spirit	Market Orchestration
Diesel	Market Orchestration
Lubricant	Product Differentiation

Market orchestration is the segmentation strategy for premium motor spirit and diesel as shown in table iv above, while product differentiation is the segmentation strategy for lubricant.

13. Some of the problems which market segmentation should address according to Unipetrol Nig. Plc are:

i) Segmentation can be used to satisfy specific characteristics of the market if certain markets have particular characteristics, segmentation is a means of satisfying such characteristics.

ii) Segmentation help address the problem of product accessibility and availability to consumers.

iii) Market segmentation can be a means of opening up new markets particularly where there is no channel of distribution. Market

segmentation can be an instrument for addressing specific market problems.

iv) Market segmentation also helps address the problem of purchasing power limitation by addressing the different economic status of all buyers. Example is the engine oil where different grades and quantities are available.

14. The segmentation strategies of Unipetrol Nig. Plc has been able to address all of these problems.

15. Through market segmentation, Unipetrol Nig. Plc has witnessed improvement in the sales of petroleum and allied products.

16. Unipetrol Nig. Plc ensures customer satisfaction by:

i) The production and marketing of genuine/quality petroleum and allied products.

ii) ensuring product availability.

iii) Adjusting their products to consumer requirements.

17. Unipetrol engages in market research.

18. the marketing problem Unipetrol Nig. Plc has faced within the last three years is the problem of scarcity of premium motor spirit (petrol) and diesel. This has caused their inability to satisfy their customers.

19. Their sales performance over the last five years has been satisfactory.

20. Unipetrol Nig. Plc views its competitors as a means for improving on its product and marketing strategies.

4.2 Data Analysis

Based on the response gathered from Unipetrol Nig. Plc via structured questionnaire and oral interview, it can be seen that, among the three products under consideration for this research viz premium motor spirit (PMS), diesel and lubricant (engine oil), Unipetrol Nig. Plc market strategy for premium motor spirit (PMS) is undifferentiated strategy, for diesel is also undifferentiated strategy while the market strategy for the lubricant (engine oil) is differentiated strategy. The segmentation strategy of Unipetrol Nig.Plc for premium motor spirit (PMS) is market orchestration. That of diesel is market orchestration while that of engine oil is product differentiation. Recheability is the criteria used by Unipetrol for selecting segments for premium motor spirit (PMS) and diesel while size is the criteria for selecting segment for engine oil.

Unipetrol Nigeria Plc, employs almost the same strategy for marketing premium motor spirit (PMS) and diesel while engine oil, a lubricant has a different approach at segmentation as can be seen from the above analysis of nos. 5, 10, 11 and 12 of the response/data presented.

4.3 Test of Hypothesis

From the fore going, the propositions earlier made are:

i) There is total neglect of market segmentation in the marketing operations of oil product by the major oil marketrs.

From the information gathered and data collected from the response, major oil marketers undertake market segmentation in marketing its petroleum and allied products like any other company wishing to maintain and improve its share of the market. Though it can be said that only three out of many petroleum product was studied, there is still much room for improvement as regards market segmentation if they must continue to survive the economic environment of the country.

ii) That the total neglect of market segmentation has adverse effects on market characteristics of their products.

From the findings, it could be said that market segmentation has enabled Unipetrol, a major oil marketer to characterise its products to fit into the various segments of the market.

iii) That there is no relationship between marketing strategies and market segmentation. That is, market strategies are not derived from market segmentation.

The data collected and information gathered reveals that there is a strong relationship between the marketing strategies and segmentation.

In fact, their strategies are derived from market segmentation. That is, strategies employed is dependent on the market segments to be served.

4.4 Discussion

This section discusses the data presented in section 4.1 above. Unipetrol's current marketing objectives are customer satisfaction so as to achieve rapid growth in total sales. This agrees with Isa (1990) that, segmentation process, like any other managerial strategy must begin with the setting of objectives. This means that, the organisation carrying out the exercise must start by deciding on the desired end results it wishes to achieve from the segmentation process. Through market segmentation process, Unipetrol has been able to identify groups of buyers with different buying desires or requirements, and has designed a marketing mix to match the particular wants and needs of each identified and selected group/segments, thus achieving its current marketing objectives.

In table 1, Unipetrol employs undifferentiated market strategy for the premium motor spirit (petrol) and diesel. By this strategy, Unipetrol ignores the different market segments making up the market. Instead Unipetrol treats the market as an aggregate and focuses on what is common in the needs of buyers and not what is different. More so, since premium motor spirit (PMS) and diesel are not in various grades and their prices are fixed by the Government to be the same for

every segments of the market. Unipetrol therefore tries to develop one marketing programme designed to reach as many customers as possible, this has enabled the company to maximize its economies of scale in production, physical distribution and promotion. Producing and marketing one product for one market means longer production runs at lower unit costs, minimized inventory costs due to limited variety of colours and sizes of product and more efficient ware housing and transportation efforts (Isa 1990). However Larry Rosenberg (1977) reported that, this kind of strategy (undifferentiated strategy) may result in hyper competition. That is several firms in an industry try to serve the same large segment while neglecting smaller ones. For lubricants (engine oil), Unipetrol employs differentiated market strategy in this case, Unipetrol recognises the different market segments making up the market and decides to operate in many segments of the market. Unipetrol produces engine oil in various grades for the different segments of the market such as for heavy duty engines, lighter engines, (i) versatel SAE 40-premium quality mono-grade detergent oil for petrol and diesel engines, (ii) XL super 20w/50 superior high performance multigrade detergent engine oil for petrol engines and (iii) Unilube detergent oil for diesel engines. They all come in various packaging and volumes to suit the needs of the customers. The net effect of this approach is to create more total sales and greater customer identification with the company. It also hopes

for increased customer loyalty and the resulting repeat purchases. This strategy (differentiated strategy) has resulted in increase cost of doing business for Unipetrol due to higher product modification costs, production costs, inventory costs etcetera for Unipetrol. This finding agrees with Larry Rosenberg (1977) who pointed out that differentiated marketing usually results in higher sales than undifferentiated marketing. But it lacks one advantage of undifferentiated marketing - low production and marketing costs.

Segmentation is not an entirely new concept to Unipetrol. It has been practising it over the years one way it ensures that it reaches all potential customers and cover all facets of the market is by segmenting all its products without exception. This has helped Unipetrol to grow strong in the petroleum marketing business. According to Schewe and Smith (1980), many companies are reaching the stage in their development where attention to market segmentation may be regarded as a condition or cost of growth. Their core markets have already been developed on a generalized basis to the point where advertising and selling expenditures are yielding diminishing returns. Professor E.R. Corey (1978) is of the opinion that, the most important decisions any organization makes, whether it be a business, a school, hospital etcetera is what market it will serve with what products (segmentation). He goes on further to state that marketing experiences has shown that more targeted communication as well as

products are likely to lead to marketing success. On criteria for selecting segments Unipetrol uses market recheability to select segments for premium motor spirit (PMS) and diesel. Through this criteria Unipetrol ensures that the segments is accessible to the marketing efforts of the company. The products, premium motor spirit (PMS) and diesel stations are located at strategic places for easy reach of the customers. For engine oil, unipetrol uses size as the criteria for selecting segments. The segments they say, is large enough to make the marketing effort worthwhile. There are enough customers to cover the cost of producing and marketing the product and to gain sufficient profit.

The basis for market segmentation using the consumer characteristics approach is geographic characteristics, where Unipetrol divides the market into different locations such as regions, states, local government areas and towns. Isa (1990) observed that Nigeria is a very large country hence the need to segment the market geographically to ensure adequate coverage of the entire country rather than focusing on a small area of the country. The basis for market segmentation by Unipetrol Nig. Plc using the consumer response approach for premium motor spirit (PMS) and diesel is through usage response. Here, Unipetrol clasify buyers as heavy, medium and light users and concentrate most of their efforts towards the heavy users. For engine oil, Unipetrol segment the market based

on loyalty response because of the quality of their engine oil, there are customers who are very loyal to their engine oil as their name has earned them a big reputation in the engine oil market. This agrees with Smith (1956) that, every marketer has hard-core loyals, soft core-loyals and switchers and that, the hard-core-loyals are not necessarily heavy users though. The marketer would be wise to find out what distinguishing characteristics the hard-core loyals have so that more of them can be acquired.

The market segmentation strategy employed by Unipetrol Nig. Plc for premium motor spirit (PMS) and diesel is market orchestration. This is because these two products are delivered to more than one segment of the market. According to Kotler (1972) if an organization wants to deliver the same product or service to more than one segment, it is faced with the problem of market orchestration. Production differentiation is the segmentation strategy employed for engine oil. Unipetrol produces and sells her engine oil in various grades to promote the otherwise uniqueness and differences between the Unipetrol engine oil and the other engine oils in the market. Through market segmentation, Unipetrol has experienced improvement in the sale of petroleum and allied products. This is because market segtmentation has enabled Unipetrol Nig. Plc to explore every segment of the market with their goods and services thereby expanding their business activities. Also Unipetrol Nig. Plc,

has through segmentation been able to compete effectively and thereby solidify market share and achieve growth under the present economic environment. Unipetrol Nig. Plc has witnessed increased total sale through market segmentation. This is in line/agreement by Isa (1990) that segmentation has for many organisations become a condition or cost of growth, and their survival and prosperity depends on their ability to develop brands and/or marketing programmes for specific market segments whose needs are imperfectly satisfied by the current market offerings.

Unipetrol engages in market research through the Research and Development Unit. Since market segmentation is a customer-oriented philosophy based upon developments on the demand side of the market, market research has helped Unipetrol to define the market and analyse customer preferences in order to understand the what, when, where, how and why of demand and to determine those attributes along which to identify the possible existence of distinct market segments. This is in line with Isa (1990) that, information for analysing how competitors are positioned with the target market segments and determining their strengths and weaknesses can only be generated from marketing research and intelligence gathering activities. Over the last three or more years, the country has witnessed chronic shortage of premium motor spirit and diesel. This has led to the inability of Unipetrol Nig. Plc. To satisfy its teeming customers

leading to frustrations on the part of the customers and hawkers adulteration and black marketeering of the products.

Despite the economic down turn of the country since the introduction of the structural adjustment programme (SAP) in the mid-80s, Unipetrol Nig. Plc has been able to perform above board by having satisfactory sales performance in the last five years. This can be attributed to the wide scope of business of Unipetrol Nig. Plc and not just to premium motor spirit (PMS), and diesel sale which has been scarce for quite some time now. Competitors rather than being a source of threat to Unipetrol are instead viewed as a means for improving on its product and marketing strategies. This is achieved through the effort of the research and development unit.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This research reveals how Unipetrol Nig. Plc has been able to successfully applied market segmentation in marketing petroleum and allied products, which is the scope of business of the company. Unipetrol Nig. Plc apply market segmentation strategy to all its products without exception. By using undifferentiated market strategy for premium motor spirit (PMS), diesel and differentiated market strategy for engine oil, Unipetrol has been able to capture a good share of the petroleum market thereby achieving customer satisfaction and rapid growth in total sales.

In selecting segments, Unipetrol Nig. Plc uses the criteria of recheability for premium motor spirit (PMS) and diesel and uses size as the criteria for selecting segments for engine oil, a lubricant. The basis for market segmentation from the point of consumer characteristics approach for the three products under study is geographic while the basis for market segmentation from the point of

consumer response approach is usage for premium motor spirit (PMS) and diesel and loyalty for engine oil. Market orchestration is the segmentation strategy for premium motor spirit (PMS) and diesel.

Unipetrol Nig. Plc, has benefited a lot from segmenting the market such benefits include increased total sales leading to a satisfactory sales performance over the last five years.

5.2 Conclusion

In line with the present economic climate of the country, marketing managers are charged with the responsibility of continually developing programmes which makes as judicious as possible use of the firm's available resources. One of such development is the strategy of market segmentation. This involves the formulation and implementation of different marketing programmes for different component of the over all market based on the premise that the opportunities present in a market increase when the marketer recognises that it is made up of customers groups with varying preferences, not all of whom are likely to be satisfied with the current offerings in the market.

5.3 Recommendations

The segmentation approach to effective resource utilisation offers tremendous opportunities for company survival and growth strategies in the extant economic environment and for the Nigerian economy as a whole.

A firm which becomes a large business, must realise that, its competitors would most likely attempt to increase sales by attacking its share of the market. Therefore, as firms find approapriate ways to segment and analyse market segments in order to focus on areas where the competition is weak and vulnerable, so too must they identify the areas in which they are weak and vulnerable and thus open to effective attacks from their competitors.

In order to prevent a loss of market share therefore, it is important for the firm to carefully analyse its market and determine how it is segmented or could be segmented. To analyse and understand the wants, needs and trends of each identified customer segment and its perception of the firm's product offering vis-a-vis those of the competition.

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APPENDIX

Please complete the questionnaire at your earliest convenience. The purpose of this questionnaire is to gather information on market segmentation in the petroleum product marketing. The information is required purely for project writing, and any assistance in providing the information will be treated absolutely confidential and solely for the purpose of project writing.

Thank you.

QUESTIONNAIRE FOR UNIPETROL NIGERIA PLC.

SECTION A

1. When was Unipetrol established?.....

2. What are the company's main goals and objectives?.....

3. What is the scope of the company's business?

4. Your company's current marketing objectives are:

a. to satisfy customers
b. Rapid growth in total sale
c. all of the above.

5. Which of the following marketing strategies do your employ?

a. Differentiated marketing
b. undifferentiated marketing
c. concentrated marketing
d. others.

6. Does your company apply/carry out market segmentation? Yes ( ) No ( ).

7. Which of your product is segmentation applied? All ( ) Some ( )

8. If answer to No.7 above is same, which are they?

9. Why are others not segmented?

10. What are your criteria for selecting segments?

a. Measurability

b. Size
c. Reacheability
d. Market responsiveness.

11. What is the basis for market segmentation in your company?

i) Consumer characteristics approach.

a. Geographic characteristics
b. Demographic characteristics
c. Socio-economic characteristics
d. Psychographic characteristics.

ii) Consumer response approach

a. Benefit response
b. Usage response
c. Loyalty response
d. Others.

12. What segmentation strategy do you employ?

a. product differentiation
b. market positioning
c. market integration
d. market orchestration

13. What are some of the problems you think segmentation should address?

14. Has your segmentation strategies effectively addressed these problems?
Yes ( ) No ( )

15. If No to No.14 above, what are your suggestions.

16. If Yes to No.14 above, what effects has segmentation had in your seles.

17. What benmefits has your company derived from segmentation.\

a. Increased total sales
b. decreased total sales
c. No benefit so far
d. Others.

18. How do you ensure customer satisfaction?

19. Do you engage in market research? Yes ( ) No ( )
20. What other marketing problems have you faced within the last three (3) years.?
21. How would you assess your sales performance in the last five years?
    a. satisfactory
    b. not satisfactory
    c. needs improvement
    d. others.

22. How do you view competitors?
    a. As a real threat
    b. means of improvement
    c. no effect
    d. others.

SECTION B

i) What is your current position?

ii) How long have you been in this position?

iii) Which other department have you worked in?