NEW PRODUCT MARKETING IN A DEPRESSED ECONOMY
A CASE STUDY OF JOHNSON WAX NIGERIA LIMITED

BY

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APPROVAL SHEET

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I hereby declare that this research project was conducted solely by me under the guidance of Mr A.B. Akpan of the Department of Business Administration, Institute of Administration, A.B.U. Zaria.

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DEDICATION

To My husband Osahon, for his love and encouragement and my son Osamudia for his endurance.

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My profound gratitude to the Almighty God for seeing me through this course successfully and for his continuous Blessing and Guidance to me and all members of my family.

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May the Almighty continue to shower his mercies and Blessings on us all (Amen).

ABSTRACT

In times of depression you see companies that do well in spite of the depression. They do not have much need to totally change their marketing strategies, except for occasional review. Others exist that are hard hit by the depression. They must make quick and sometimes radical change in their marketing strategies to survive. It is therefore important that the whole portfolio is reviewed regularly and that an active policy towards new product development and their effective marketing and/or divestment of old product is pursued.

Marketing managers are therefore faced with developing new and improved marketing strategies other than those used before to suit or accommodate the current depressed condition of the Nigerian economy.

It is in light of the above, that this study was carried out to analyse the strategies adopted by Johnson Wax Nigeria Limited to market efficiently and effectively it's relatively new product which is a new brand of insecticide marketed under the brand name of Raid. This has been done given special consideration to the current depressive economy prevalent in Nigeria.

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CHAPTER ONE

1.1 GENERAL INTRODUCTION

Organisations always operate in a dual environment. The operating environment and the general environment. The operating environment consists of those forces interacting with other organisations, such as customers, suppliers, competitors, marketing intermediaries, financial institutions, etc. On the other hand, the general environment can be seen as an open system of economic, social, political and technological forces, each of which has interacting impacts on each participant in the operating environment. The general environment shapes the nature and character of opportunities, demands and constraints faced by individual organisations at any time. This also determines the pattern of consumer behaviour as well as the rules for competition strategies. It is in the light of the above observation that an aspect of the general environment; "The Economy", is discussed to judge it's effect on the operating environment of an organisation.

The Nigerian economy has experienced a lot of expansion and contraction over the years. Prior to the oil era, Nigeria's economy was tailored towards the production of raw materials, mostly cash crops and minerals to service the industries of the mother country. From the 1970's however, the growth in the economy came from the marketing of crude petroleum. Nigeria especially benefitted immensely from the 1973 oil embargo against the west by OPEC members during which oil prices shot to the roof tops.

In the early 1980's Nigeria's economy was in deep crisis, so much so that by October 1985, the Government has to declare a state of economic crisis. The International Monetary Fund (IMF) was approached to provide succour but the negotiations were dead locked.

As an alternative solution the government designed a homegrown program which was thought to be capable of getting the country out of the woods. This was the Structural Adjustment Program. This program was meant to help revamp the economy quickly. Several measures were taken, which led to a stringent package of austerity measures. For example, prices

of both foreign and consumer goods shot to the roof tops. The value of the Naira continued to depreciate, money began to be found in the hands of a few. In short, the economy became what we generally describe today as "depressed". This depression has a lot of implications for the operation or even survival of many organisations. Management is faced with some basic decisions about the objectives of what to achieve in the organisation. These objectives will guide the subsequent search for strategies and action programmes. Two types of objectives may be the most important to set. There is the financial objectives where the company is concerned with the profits they would make in the current year. The financial objectives must be converted into the marketing objectives. The marketing objectives need to achieve the total sales of certain amount which represents certain percentage increase from the past year and therefore sales volume in units of an amount which represents an expected market share of a certain percent. It could also be to expand consumer awareness of the company from a certain percent to another percentage over the planning period. Still, it could be to expand the number of distribution outlets or to aim at an average

realistic price of some amount.

Under the current depression, Nigerian marketers are faced with a number of problems to achieve the above marketing objectives as regards product marketing, especially marketing of a new product as new products are generally characterised by high prices.

One may ponder to ask why new products are being launched and how they are fairing in this period of stiff competition occasioned by the depression in the economy.

1.2 STATEMENT OF PROBLEM

If we choose a particular company and take the range of it's products, the products will reveal different stages of growth, maturity, saturation and decline. The idea of a portfolio is for a company to meet it's objectives by balancing sales growth, cash flow and risk. As individual products progresses or declines and as market grows or shrinks, the overall nature of the company's product portfolio changes. It is therefore important that the whole portfolio is reviewed regularly and that an active policy towards new product development as well as their marketing be

pursued. It is in the light of the above philosophy that we are faced with the problems and prospect of "New Product Marketing in a depressed economy".

1.3 OBJECTIVES OF THE STUDY.

The study is aimed at achieving four main objectives.

(1) to identify, if any, problems encountered in the marketing of a New product during depression as compared with boom era in general.

(2) To identify problems encountered in launching and subsequent marketing of this product under study.

(3) To identify possible solutions in "New product marketing, during depression.

(4) To identify prospects, if any, of marketing a new product during depression.

1.4 HYPOTHESIS

I will like to make the following hypothesis;

1. An effective marketing strategy on new product marketing in a depressed economy, ensures product acceptance.

2. In a depressed economy, pricing influences product acceptability.

1.5 SCOPE OF THE STUDY/LIMITATION

The scope of this study covers the periods 1985 to date which witnessed and is still witnessing crisis in the economy with Johnson Wax (Nig) Ltd as a case study.

1.6 SIGNIFICANCE OF THE STUDY

Marketing plays a big role in economic growth and development of any Nation. Marketing stimulates research and new ideas, resulting in new goods and services. An effective marketing system is important to the future of our Nation. It is a social process that directs an economy's flow of goods and services from producer to consumers in a way that effectively matches supply and demand and accomplishes the companies objectives in particular and the objectives of the society in general.

In this depressed economy, consumers want the best for their money's worth, organisations are struggling to stay afloat.

How then do you market a new product to satisfy both the consumer and the company? Infact, in the light of this, the significant of this study cannot be over-emphasized, if it can find an answer to this question.

1.7 RESEARCH METHODOLOGY

The researcher used the questionnaire and case study method.

The questionnaire consist of formal questions, arranged in a logical form and designed to attract limited response. They give up to date information to the research problem.

Case study method is a comprehensive study of a real event or several aspects of an event.

1.8 DEFINITION OF RELEVANT TERMS

1. Competitors - Organisations that are into the same or similar products.
2. Depression - Living under stringent measures.
3. Insecticides - Product used for killing insects.
4. Brand name - A name given to differentiate a product from other similar products.

CHAPTER TWO

2.1 INTRODUCTION

Companies must revise their marketing strategies as the economy shifts through different economic climate such as, shortages, inflation and depression. Companies normally experience a decline in sales volume during such periods. If in addition, their prices fall, cost rises and sales does not increase significantly enough to offset the fall in price and rise in cost, then the profits will shrink considerably.

The extent and speed of management's response depends on the marketing strategies laid out by the organisation. In times of depression or if possible at all times, organisation should carry out research as to how the market situation is. In times of depression you see companies that do well in spite of the depression. They do not have much need to totally change their marketing strategies, except for occasional review. Others exist which are hard hit by the depression. They must make quick and sometimes radical change in their marketing strategies to survive.

The company's task is to figure out how to keep sales up

at reasonable price in proportionate to cost.

On the non-marketing front, general management normally takes the following action during depression.

- They reduce general overhead
- They lay off some personnel
- They appoint cost reduction taskforces
- Initiate a strong working capital control program
- Increase liquidity
- Move toward's more buy than make
- Purchase more carefully.

This effort is directed at cutting the breakeven point so that the company can operate at a much lower capacity and still make profit.

On the marketing front, management must consider a whole set of possible adjustment in their customers' and market's mix. Company using the customer mix must re-examine their markets and consider which one have the best potential for expansion. The company will then withdraw from losing markets and direct it's resources into building up or entering more promising markets. On the other hand, if a company is using the marketing

mix during depression, it is good to analyse product - time profitability and prune out dying products while building more strength on winning products. How will a company succeed in marketing it's new product in this depression. In discussing this topic effectively, it is necessary to provide a theoretical framework for the study by reviewing related literatures on the Nigerian Economy in general and the marketing concept in particular.

2.2 THE NIGERIAN ECONOMIC ENVIRONMENT

"The emergent sovereign Nigerian nation inherited in 1960 an economy whose foundation had been laid by six decades of colonial rule". (Dr. Bunza; "Restructuring of the Depressed Nigerian Economy: What Role for the Industrialists and Corporate Administrators".) According to him, as typical of most colonial economies, Nigeria's economy was tailored towards the production of raw materials to service the industries of the mother country. The administration that emerged at independence did not only retain the colonial economic policy it inherited, it actively promoted the sustenance by strengthening those policies and structures put in place by the colonialists.

In Bunza's words, By the end of the 1960's, crude oil sale began to assume a commanding height among the revenue earners for the country. It did not really constitute a major part of the nation's export or revenue earner until from the 1970's.

"From the 1970s however, the growth in the economy came from the marketing of crude oil. Nigeria especially benefitted immensely from the 1973 oil embargo against the west by OPEC members during which oil prices shot to the roof tops". (Mallam Muktari, "short notes on Nigerian Economy", 1997).

According to Muktari, "By 1979, the mining and quarrying sector accounted for about 37.5 percent of the GDP, thereby pushing agriculture to the background".

"By the early 1980s, the Nigerian economy was basking in a shadow affluence created through a continuous draw of long accumulated foreign exchange reserve. Various calls and signals for caution were ignored, while false economic prophesies kept the government comfortable in it's expenditure pattern". (Chris Ogbechie, 1980). "When it became obvious that Nigeria's foreign exchange account could not sustain the prodigal rate of importation, the federal government established the import

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licensing scheme which sought to reduce and control the outflow of foreign exchange. Even that scheme did not help to change the import oriented culture of the economy" (Chris Ogbechie, 1980).

"It was easier to obtain license to import finished goods than to get one for raw materials import". (Uche Aligbe, 1989) In his words, it was still an economy of traders, registration of business names flourished better than the actual organised business operations. And the air and seaports took the steam over from factories as the focus of economic activities.

To a large extent, the internal economic environment remained buoyant, according to research, there was still some Naira to be spent by a large proportion of the society and that the local currency was artificially strong enough to stand on it's own against the dollar or pound sterling. Consumer's real income was high and therefore purchasing power of consumers could keep alive their demographic taste and life style" (Chris Ogbechie, 1980). According to Chris Ogbechie, it was trendy to be associated with imported products no matter the cost. This therefore was an era of "seller market, initially for importers and

sellers of foreign goods". (Uche Aligbe, 1989). According to him, goods produced locally were discriminated against on ground of lack of quality as sometimes countries of production conveyed superiority. It was field day for manufacturers' sales representatives and import-exporters, whose real economic activities started and ended in their brief cases.

"For local manufacturers, the factories suffered acute starvation of raw materials and therefore operated at ridiculously low capacities. Many companies went through series of rationalization or staff demobilization. Unemployment soared high, reducing the average income and the total market size for many products shrunk" (Uche Aligbe, 1989).

In 1986, as reported by "This Week" Magazine titled, "The top 100 companies", 1989 edition, the import license scheme was abolished and the foreign exchange market (FEM) and later second tier foreign exchange market (SFEM) was established. This according to Giwa (1988) was a welcome relief to many manufacturers. But with time, the value of the Naira deteriorated to an extent that many producers could not afford the Naira back-up for their total foreign exchange requirement. For others who

had the finance, the high cost of imported raw and packaging materials and spare parts made their business unprofitable.

Later on, the Babangida administration introduced a blue print to rescue the nation from economic collapse after all other economic measures have failed. This was the Structural Adjustment Programme (SAP). "And like shaving powder, it went all out to cleanse the rough stubs and bumps, consumer disposable income was sapped along with all excess liquidity to the extent that purchasing power became a dwarfed shadow of it's former status." (Nduka Obaigbena, 1989).

"Structural Adjustment Programme also brought about a general increase in interest rate and a squeeze on cost liquidity. Capital was not available and where there is capital it was at high cost." (Uche Aligbe, 1989) In his words, there was a dramatic curtailment of the distribution power of middlemen, measure in terms of their power to purchase stock and distribution when it reaches the final consumer.

Finally, there is high cost of production, occasioned by the factors already discussed and the resultant high unit prices under the present depressed economy of Nigeria.

2.3 THE NATURE AND ENVIRONMENT OF MARKETING

The term marketing has been a subject of considerable debate. Much of the controversy has focused on the appropriate domain for the marketing discipline (Arnat, 1983).

Some advocates of narrower perspective view marketing as a set of techniques employed by business organisations or individuals. Others argue for the broading of the range of disciplines in which marketing can be applied (Bogozzi, 1978). Marketing delivers a standard of living". (Paul Massur, 1953). In other words, marketing exist to satisfy society's need for goods and services. Yet others have favoured on the distribution system. A less celebrated but perhaps the most enduring view is the social system perspective which views marketing in relation to the national economy and aspects of the total cultural and social context. For the purpose of this study, I shall adopt the social system perspective which identifies the basic social system as the foundation and rationale of the marketing process.

In this context, "Marketing is viewed as a fundamental societal process which necessarily and inherently evolves within a society's need for exchange of consumption values" (Sweeney

1972). Accordingly, the marketing process is viewed as a social process of this exchange taking place in a society and may be defined as "A process that, within the societal goals and aspirations, attempts to establish mutually satisfying exchange relationships between people or organisations with diverse requirements and seek to satisfy their needs". (Sweeney, 1972).

Secondly, the focus of the marketing discipline can be seen to rest on the determinants, structure and performance of the process which evolves to facilitate the exchange required by the independent product and consuming units in a social system (Hambagda, 1987).

2.4 THE MARKETING CONCEPT

The precise period that the concept of marketing was first conceived cannot be determined. Some people argue that marketing is one of the oldest profession (Phillip Kotler, 1980). While others are of the opinion that marketing began when mankind first engaged in barter trading. Little or no exchange took place, as societies and families were self sufficient in all their basic needs as such there was no marketing during that

period. As the society began to grow the ideas of economic exchanges began to improve and hence the need for division of labour and specialisation. Consequently the need to adopt marketing concept began to creep.

Peter Drucker (1973) thinks that "Marketing was invented in Japan around 1650 by the first member of the Mitsui family to settle in Tokyo as a merchant and to open what might be called the first department store. Drucker then suggests that marketing appeared in the west around the 19th century at the International Harvester 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) 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 other ancient cultures.

Nwokoye (1981) summed up the issue of marketing as follows:-

- Ask the customer about his/her needs.

- Develop or acquire the products to fill these needs.
- Plan and organise a marketing programme to bring the products to the customers in such a manner as to lead to the achievement of stated goals.
- Carry out sales activities that will ensure that products are satisfactory in use and learn of customers reaction that will guide for future improvements.

In the real sense of it, marketing should begin and end with the customer. This philosophy is called marketing concept.

According to Kotler (1980), the marketing concept is a business philosophy that arose to challenge the Review concepts. Kotler (1980) defined the marketing concept as follows; "The marketing concept holds that, the key to achieving organisational goals consist in determining and delivering the desired satisfactions more effectively and efficiently than competitors.

The above definition suggests that, organisations are able to achieve organisational goals after the determination of the customer's needs and wants and meeting them satisfactorily, more effectively and efficiently than other competitors. Simply stated, organisation's management must focus on business

thinking and policy formulation on customer needs and wants. In the words of Drucker (1979); "The True marketing starts out with customers, their demographics, related needs and wants, it does not ask, "what do you want to sell?", It asks, "What do you want buy?", It does not say, "this is what our product or service does", It says, "these are the satisfactions the customer wants".

Drucker went on to say that it is only by asking the customer, by watching him and by trying to understand his behaviour that one can discover who he is, how he buys, for what purposes, what he expects and what his values are. Cundiff (1976) on the other hand views the marketing concept as consisting of four main features/stages.

2.4.1 BUYERS ORIENTATION

Up to 1795, 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. That meant 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.

Phillip Kotler (1980) referred to Buyer's orientation as the production concept and went on to explain - "The production concept is a management orientation that assumes that consumers will favour those products which are available and affordable and that therefore the major task of management is to pursue improved production and distribution efficiency.

2.4.2 SELLER'S ORIENTATION:

In the late 1800's however, production processes were improved and this led to the growth of businesses into large 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. According to W.J. Stanton (1981) two significant organisational changes occur during the seller's orientation stage. First, all marketing activities such as advertising and marketing research were grouped under one

executive, still typically called a sales manager or Vice President of sales. Second, activities such as sales training and sales analysis, formerly performed by other departments, were now handled by the sales department.

2.4.3 MARKETING ORIENTATION

The great depression and world war II disrupted the sellers orientation due to a drastic fall in the demand of the product which forced some firms out of business. After the World War there was rise in the demand for specific product and thus organisations adopting the sellers orientation concept started adopting an entirely new concept - the market orientation or marketing concept. Marketing did not appear in the academic or business scene until early 1900s in America. In 1905, W.E. Kreusi taught a course at the University of Penssylvania 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 twentieth century when Curtis publishing company established the first marketing research department in 1911.

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Since then marketing concept have spread to all business as a necessary impetus for development and survival. Non product organisations such as hospitals, colleges, museums etc are now adopting the concept.

2.4.4 SOCIALLY ORIENTED MARKETING

The growing discontent among consumers due to changes in our socio-economic and cultural goal during the 1960s has led to the rise of a popular social movement called consumerism.

W.J. Stanton (1981) defined consumerism as the actions of individuals and organisations responding to consumer dissatisfaction in exchange relationships.

Drucker (1973) considers consumerism to be evidence of this; "That after twenty years of marketing rhetoric consumerism could become a powerful popular movement, proves that not much marketing has been practiced." 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

producer or seller and buyer, 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 it's actions. In the past the responsibility of business was limited to production and selling but businesses 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 proposals according to Dawson (1969) include, "The human concept, the intelligent consumption concept and the ecological imperative concept", all of which propose a socially responsible business. Keith and Blomstrom (1975) defined social responsibility as "actions that protect and improve the welfare of society along with it's own interests".

According to W.T. Stanton (1981) a socially oriented marketing includes the development of a marketing program to plan, price, promote and distribute products and services to

satisfy consumer's wants. But we must also consider the social consequences of this marketing program.

Any company operating under the marketing concept takes it's principal direction from the market place, that is from it's knowledge and understanding of it's customer's wants, needs and desires. This knowledge provides the basis upon which firms organise their operations, not only marketing, but production, financial and other organisational units geared towards satisfying the wants and needs of customers.

According to Stanton (1983), the marketing concepts is a philosophy of business that states that, the customer's want/ satisfaction, is the economic and social justification for a firm's existence. As a consequence therefore, all the firm's activities and resources must be devoted to establishing what the customer wants and strive to satisfy them, while making a profit over the long run.

2.5 NATURE AND CHARACTERISTICS OF DEPRESSION

According to Kotler (1981), "Depression is a period of slowed-down economic growth, marked by a decline in orders, a

rise in inventories, a low capacity utilization and a rise in unemployment. "It usually follows a period of rapid inflation because government policies will be directed at restricted demand. The effect will be excess inventories, workers lay off and reduced purchasing power. Buyers will respond to the income squeeze by buying less and buying sufficiently" (Kotler, 1981).

E.B. Weis (1960) suggested that "significant trends in our societies indicated that time would replace possessions as the top status symbol." To this end, companies under depression will want to hold on to their current customers and search hard for new customers. Companies will find it an opportune time to introduce economy version of their products. They must reverse their marketing strategy position through different economic climate (Kotler, 1981).

2.6 THE EFFECT OF DEPRESSION ON ORGANISATION

"During depression, business firms experience declining sales, falling productivity, under utilized capacity and demoralized work force, these firms are under terrific pressure to lower their

break-even point by increasing efficiency and reducing fixed costs" (Kotler, 1981). According to Stanton (1981) "Management is worried about how to make their products during depression. At the same time in most of these industries, management still has to worry about how to market their output".

Stanton further asserts that, industries faced with depression will not find their marketing task easy. Top management puts pressure on their purchasing department to search for ways to trade down in what they buy or do with less. The purchasing agent start searching for additional suppliers and lower prices. They get tough with their existing suppliers, trying to arrest down prices and threatening to switch to other suppliers. They want sales people "to show why we should pay more to you than the other fellow". Thus sellers have to think hard about price and value positioning as they try to maintain their existing business with existing customers. It is also a time of new opportunities. "Sellers who can innovate products that will save customer's money will find a welcome mat at the buyer's door" (Kotler, 1980).

2.7 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. Runyon, expressed that, "the term is used to describe how objectives are to be accomplished. Thus strategy statement communicate the principles used in selecting or utilising various marketing strategy, media strategy, product strategy, copy strategy and so forth.

According to W.F. Gluek (1980), "strategy is a unified, 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 objectives of the enterprises are achieved".

Richard Vancil of Havard University defines the concept of strategy as follows; "The strategy of an organisation, is a conceptualization expressed or implied by the organization's leader of (1) the long term objectives or purposes of the

organisation. (2) The broad constraints and policies, either self imposed by the leader or accepted by him from his superior, that currently restrict the scope of the organizations activities and (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.

Phillip Kotler (1980) defines marketing strategy as "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".

In agreement with the above definition, Joseph C. Seibert (1973) 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 as the strategy.

The need for marketing strategies arises because managers need to develop a set of decisions and actions which lead to development of an effective marketing strategy or strategies to

help achieve corporate goals and objectives.

The market place and the economic environment are continually changing. Customer's 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 these, marketers need to develop strategies aimed at achieving the objective of the organisation.

Victor Buel (1985) defined strategy as "the internal response to the external environment." Perhaps a more comprehensive definition of marketing strategy is that provided by Phillip Kotler (1981) "A marketing strategy is a consistent appropriate and feasible set of principles through which a particular company hopes to achieve it's long run customer and profit objectives in a particular competitive environment.

Whatever kind of business an organisation is in, it has to evolve and include in it's 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 competitive size and position in the market:

A firm chooses it's own strategy depending on it's 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.

(ii) The company's resources, objectives and policies

(iii) The competitors marketing strategies.

(iv) The target market's buying behaviour.

(v) The stage of the product life cycle and

(vi) The character of the economy.

2.8 FIRM'S MARKET STRATEGIC POSITION DURING DEPRESSION

"During depression, companies normally experience a decline in sales volume. If in addition their prices fall and cost rises, their profit will surely shrink considerably" (Kotler, 1981). The company's task is to figure out how to keep volume and

prices up and costs down. The extent and speed of management's response will depend largely on how much profit have shrunk and their estimate of how deep the depression will be, how long it will last and how price sensitive the target market will be. On the marketing front as suggested by Kotler, management must consider a whole set of possible adjustments in their customer mix and marketing mix.

Management can protect market share by new product innovation, cost cutting discoveries and improving the 4p's viz: product, price, promotion and distribution.

2.9 MARKET SEGMENTATION

Market segmentation means the analysis of a particular market on the basis of it's constituent parts, so that sets of buyers can be differentiated. (A.R. Morden, 1989) According to him, it is an important input to marketing planning because it can be used to formulate company "product-market" objectives, by which the enterprise may;

- define it's markets,
- position ranges of brands and product varieties

- identify gaps which offer significant opportunities for expansion or new product positioning, and
- Rationalise policies for existing brands, products and mixes.

A.R. Morden further gave three main reasons for the importance of market segmentation. These are;

(1) **Market Fragmentation**; Caused by demographic and lifestyle changes, new product and process developments and intense market competition. Some markets which once had a homogeneous character, have tended to splinter into a variety of consumer groups, each with different tastes and preferences.

(2) **The development of retailer power**; in which the relative advantage obtained from bulk buying, the use of retailers' "own brands" and policy limitations on the range of items stocked, have all combined to put the manufacturer or supplier at a disadvantage. At the same time concentration has occurred amongst retail companies, leaving a small number of very large companies as well as a large number of smaller retailers.

(3) **The volume trap:** in which markets for commodity type products may become dominated by suppliers capable of volume production and distribution to retail multiple chains bulk-buying on a centralised basis.

According to A.R. Morden (1989), there are two main categories of segmentation criteria.

(1) **The characteristics of the consumer or user.**: Consumers or users are allocated into different groupings according to the way they may be categorised, it could be by age, sex, customer size, life style, consumption rate and usage rate.

(2) **Product segmentation:** This focuses on how consumers or buyers perceive, group together and differentiate between available brands, products or services. Products or services may then have to be positioned according to these perceptions.

"In general it is more beneficial to select and appeal to several market segments. This can be done through variations in

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the marketing mix through different products, different prices, different promotional efforts or different distribution arrangements". (Charles D. Schewe and Reuben M. Smith)

2.10 **NEW PRODUCT DEVELOPMENT**

Udell and Laczniak (1981) defined product development as "the creation and adjusting of products to satisfy consumer demands, management should realise that it is primarily in the business of providing 'satisfactions', people spend their money to attain satisfaction, not to specific technical characteristics of the item being purchased".

It is for this reason that marketing research into product strategies and product development in relation to satisfying the needs and wants of consumers become so important. Infact the survival of any business is dependent on how effective it's strategies 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 products may suffer an early demise because of a marketing mistake while an

old product that reached the decline stage may be resurrected through a successful marketing strategy.

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.

2.10.1 INTRODUCTION STAGE

The actual introduction of a product in the market 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 it's 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 told 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 service 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 basic strategies are available at this stage and they are related to price and promotion.

Price		Promotion: High	Promotion: Low
	High	Rapid skimming Strategy	Slow skimming Strategy
	Low	Rapid penetration Strategy	Slow penetration Strategy

Fig. 2.1 Four Introductory marketing strategies

Source: (Kotler, 1980)

(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 has the following assumptions:

(a) a large part of the potential market is unaware of the product.

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

(c) 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.

(a) the market is large in size

(b) the market is relatively unaware of the product

(c) most buyers are price sensitive.

(d) the company's unit manufacturing costs fall with the scale of production and accumulated manufacturing experience.

iii. **Slow skimming strategy**

This strategy consists of launching the new product with a high price and low promotion. The purpose of the 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 has the following assumption;

(a) the market is relatively limited in size;

(b) most of the market is aware of the product;

(c) those who want the product are prepared to pay a high price;

(d) there is little threat of potential competition.

iv. **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; at the sametime, the company keeps it's promotion costs down in order to realise more net profit.

The company firmly believes that market demand is highly price elastic but minimally promotion elastic. This strategy has the following assumptions;

(a) the market is large

(b) the market is highly aware of the product

(c) the market is price sensitive

(d) there is some potential competition.

2.10.2 GROWTH RATE

This stage is characterized with market rise in sales and increasing profit as a result of an appreciable increase in consumer demand.

At this stage potential competitors who have been watching developments during stage 1 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 originator's product. Others make functional and design improvements. And at this point, 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:

(a) The firm undertake to improve product quality and add new features and models.

(b) It vigorously searches out new market segments to enter.

(c) It keeps it's eyes open to new distribution channels to gain additional product expose.

(d) It shifts some advertising copy from building product awareness to trying to build about product acceptance and purchase.

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

2.10.3 **MATURITY STAGE**

At this stage the product's rate of sales growth will slow down and the market will become saturated. More distribution channels need to be filled while price competition become intense. These situation force firms to emphasize more on brand preference which involve making better differentiated product, 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 the best 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. This can be achieved by modifying the market, that is either repositioning the product or identifying new markets, modifying the product and also modifying the marketing mix.

2.10.4 SATURATION/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 it's 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 than an active one. Furthermore, retaining a product at this stage may spoil the image of the company because it does not compare favourably with newer products.

Some firms are frightened into early withdrawals while others may decide to stay in the market up to the end.

2.11 PRICING

"A price is a value, or sum of money, at which a supplier of a product or service and a buyer agree to carry out an exchange transaction." (A.R. Morder, 1989) The prices at which such exchange transactions take place may either be fixed to the buyer or negotiable.

Price according to Marvin A. Jolson (1978) is the stimulator that converts the procrastination of buyers into cupidity, that suggests value, that generates risk, that encourages the expenditure of search and travel costs by the prospective purchaser. According to him, it is one of the most effective communicators in the marketing mix. Price, the backbone of the economist's demand theory, a major element in formulating competitive strategies, a continuous source of channel conflict and the variable most easily quantified by marketing model building.

According to Musselman and Hughes (1981) pricing can be defined as "the exchange value 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 or she is offering for sale. As a general rule, the point at which supply and demand curves intersect determine the price for a specific good.

According to Uche Aligbe (1989) pricing presents an interesting phenomenon, under our current environment cost are rising and therefore prices must go up if the business of consumer satisfaction must be achieved profitably. On the other

hand, consumer income and purchasing power are declining and therefore prices must go down for the consumer to reap the satisfaction intended from the product. Caught in their two valid but opposing situations, the marketer has two options at his disposal. He either keeps a high unit margin pricing strategy and settles for selling less volume or keeps a low margin unit price and rolls out a large volume.

Aligbe in his words also argued that during depression competitors will engage in aggressive pricing to move customers into their camp. Every company has to review or reverse their pricing strategy. Accordingly, companies with a good image and superior product will want to emphasize value and avoid aggressive price tactics that might cheapen it's image. If the economy's product range stretches from economy to expensive versions, management has to divide which to advertise. Some marketers prefer to advertise the economy version to attract customers to look at their line, hoping customers will trade up. Other manufacturers would stress the more expensive version to convey an image of high quality. Companies resorting to aggressive price tactics, can lower their price or offer a lower real price in other ways.

2.11.1 **Pricing Objectives**

Pricing objectives should be tied to the overall objectives of the company.

Before an effective marketing job can be accomplished, managers need to determine their objectives. Pricing is no exception. Unfortunately, however, few firms consciously determine their pricing objectives and fewer still have explicit written statements of such goals. Objectives can be categorized into three areas:

(a) **Sales Objectives**

A fundamental goal of most organisations is to grow, it therefore follows that sales growth would be a reasonable goal of pricing. Even so, growing sales do not automatically ensure growing profits. Infact many companies have been caught in a profit squeeze over the past two decades. While their sales have grown in general, their costs have disproportionately grown even more, the end result has been smaller profit.

On the other hand, some companies actually want to avoid sales growth, aiming instead at maintaining sales. Such organizations realize that sales growth and expansion bring increased complexity, greater responsibility and more problems. Thus, their pricing objective is to maintain sales.

2.11 Profit Objectives

Cost pressures have led more and more companies to seek financial goals through pricing; that is, they have become increasingly profit oriented. One common pricing objective is profit maximization. However, in practice this goal is operationally unrealistic, since a firm can never know when it has been reached.

(c) Competitive objectives

This aims at pricing products to meet or prevent competition. In a number of industries, there is a definite price leader and the other companies simply "follow the leader" in setting prices.

However, some competitors may adopt a pricing strategy above the prevailing competitive price since most people believe that price is an indication of quality.

2.11.2 PRICING APPROACHES FOR NEW PRODUCTS

A new product usually enjoys a fairly monopolistic position, especially if it has effective patent and copy 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 approaches from which to select.

(a) **Skimming the market**

In a situation whereby costs 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 competitors. In such cases, the product is introduced with a high price.

(b) **Sliding Down the Demand Curve**

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.

(c) **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.

(d) **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 approach and they are:

1. By introducing the product at a low price, brand loyalty may be established among buyers.

2. Competitors may be discouraged from entering the market.

3. The price should appeal to most segments of the potential market, thereby maximising 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 profit.

2.12 SALES PROMOTION

Okunmuyide (1989) observed that sales promotions have been increasingly used as cosmetic solutions to the fundamental marketing problems arising from the customers structural adjustment of consumption patterns in response to the changes in the economy. To Okunmuyide, the promotion of sales growth is perhaps the most dramatic and unpopular element of the marketing mix. But it is conventional to differentiate it from "advertising" through which customers are persuaded and convinced to buy a product or service and "promotions" through which

temporary improvements in consumers' perception of product values are created to stimulate purchase. Both are essentially complementary to each other. Strauss (1980) states that, companies have to reassess their advertising budgets, message and media as well as their sales promotion in the face of an economic depression. Companies also seek new managers that are more attuned to the buyer's economising state of mind. Strauss's findings also indicate that during depressions, companies cut their budgets on image, advertising because their advertisements don't speak of what is on the consumer's mind. Also sales promotion increases during depression, taking the form of cents-off-coupons, two-for-the-price-of-one sales.

Consumers are highly dial prone and companies therefore shift some of their funds from advertising to sales promotion.

2.12.1 Sales promotion and product life cycle

Products go through a life cycle. After their introductory stage, they move through growth to maturity and eventually decline. And in each of these stages, the emphasis of promotional activities should vary.

(a) Sales Promotion at Introductory stage

During the early stage of pioneering the product's entry into the market, the marketer must stimulate primary demand - demand for the product itself, rather than for a particular brand. Consumers must get used to the idea of having a trash compactor or a video recording system or solar heating before specific brands can be differentiated. During this first stage, promotional attention should focus on informing and creating awareness. The market must know that the product exists and must learn about it's attributes. Exposure is the key and advertising is the best way to get it. During the early stages of a

product's life cycle, then, marketers must rely on advertising to build demand.

Also during the first stage, a product may need to be pushed through the distribution system. Getting intermediaries to accept the product may require a substantial investment in personal selling. Trade shows, fairs and conventions are often a good way to sell the product to channel members, greatly reducing the number of contracts needed to make the product familiar and desirable.

Finally, publicity is often used during the early stages of the life cycle. New products are often news worthy and communication in the form of publicity can help overcome resistance to a new idea.

(b) **Sales promotion at Growth/Maturity stage**

As products move beyond their introductory stages, the promotional mix calls for increased advertising but the messages changes from information to persuasion. Marketers now face stiffer

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competition and they must stress the benefits and advantages of their product as compared with competitors' offerings. Additionally, the aim of promotion changes from developing primary demand to creating selective demand - demand for a particular brand within a product class. Now marketers must usually invest greater sums of money in competitive promotional activities. The high cost of this often reduces further the declining profits associated with later stages of the life cycle.

(c) **Sales promotion at Decline stage**

During the decline stage, new products over take old ones, which are finally abandoned. Unless sales can be revived by a change in the market or by repositioning the product, promotional expenditures are usually reduced substantially or eliminated during this stage. Advertising in particular is ineffective when a product's primary demand takes an unfavourable turn.

2.13 DISTRIBUTION

"Lower incomes will lead consumers to reshape their consumption habits and patronize low-price retail outlets". (Kotler, 1981). According to him, high price departmental stores will loose out to mass merchandisers and discount stores. Low income consumers will also pay more attention on used good stores, factory sales outlets and garage sales. All these poses a major problem for the firm that is into high cost distribution during depression. The company will watch it's volume shrink and yet hesitate to court the lower price retailers because it would lower the profit margin, cheapen the brand image and allienate high price retailer's goodwill.

2.13.1 OBJECTIVES OF A GOOD DISTRIBUTION CHANNEL

(a) Appropriate and adequate distribution to achieve the objectives for market penetration and competitive position.

(b) To gain access to target markets, however these are distributed.

(c) Cost-effectiveness in access to the market.

(d) Cost-effective physical distribution or goods, given the distribution channel chosen.

(e) Cost effective level of customer service, whilst at the same time maximising the competitive advantage to be gained from offering consistent and reliable customer service.

2.13.2 **FACTORS THAT INFLUENCE THE CHOICE OF DISTRIBUTION CHANNEL/MIDDLEMEN**

(a) Type of product, whether a complex or simple one will influence the choice of middle men. Also the packaging and fragility of the product influences the distribution channel to be used.

(b) The economic situation also influences the choice of middlemen. High price departmental stores will surely loose out to mass merchandisers during depression.

(c) The extent to which distribution objectives can be achieved using appropriate middle men also influence the choice of middle men to be used.

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2.14 SALES FORCE AND CUSTOMER SERVICE

According to Strauss (1980) during depressions, the sales-force fund it harder to sell, and then spirits sag. To this end, companies have to find ways to incite their sales force to try harder. Even some companies add bonuses for selling the higher profit product and excess inventory products. Management introduced sales contests with larger prizes. Top management starts pitching into help drum up sales.

Strauss's finding was supported by Baker (1980), that companies are tempted to eliminate some customer. But this must be done carefully. Accordingly, a company should maintain it's service image during poor as well as good time or else it will soon be submerged by it's competitors.

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CHAPTER THREE

3.1 INTRODUCTION

This chapter describes the method used in conducting an investigation, the instruments and tools, the population and sample size, the sampling procedure employed and statistical technique used in analysing the data.

In order to satisfy the objectives set out for this research work, it was necessary to generate information on how the company, Johnson Wax Nigeria Ltd formulates marketing plans and strategies to launch their new product (Non Irritant Raid) into the market and generate maximum sales for the company in this depressed times.

Information on the overall marketing activities of the organisation towards better sales were gathered.

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3.2 RESEARCH POPULATION/SAMPLE

In this study, residents of Unguwar Rimi low-cost Kaduna and Management and staff of Johnson Wax Nigeria Limited were taken as the population. The size of the population is so limited due to problems of logistic, and cost and also time constraint.

Before the questionnaires were administered to any resident of Unguwar Rimi low-cost Kaduna, it must be confirmed that he or she has used the new product.

This is to provide comprehensive and reliable responses so as to make the result most reliable.

3.3 RESEARCH DESIGN/INSTRUMENT.

The researcher used the questionnaire and case study method.

1. Questionnaire Method

The questionnaire consist of formal questions, arranged in a logical form and designed to attract limited response. They give up to date information that are pertinent and imperative to the research problem.

The questionnaire for Johnson Wax Nigeria Ltd staff focused on aspects of marketing differentials, and special marketing activities the company embarked upon to effect maximum sales and better market share given the nature of the depressed economy under which they are operating.

The questionnaire for consumers was drawn up to be able to deduct how successful the product has been and if possible the strategies used to achieve this success.

2. Justification for use of Questionnaire Method

The questionnaire method was adopted in conducting this research for various response;

- It is simple and objective.
- Very versatile in nature. It can be used to ask as

many questions as possible.

- Cheap to administered can provide very rich source for data collection and analysis.

3. **CASE STUDY**

This is a comprehensive study of a real event or several aspects of an event. In this case a real event was chosen. This is the non-irritant Raid, produced by Johnson Wax Nigeria Ltd, which was launched into the Nigeria market in October 1998.

The case study allows for making conducive or inference from a real event. Since the case to be studied has taken place and passed through all necessary stages, it is very useful in making inferences.

4. **Justification for use of case study method;**

Case study method was used in this research because;

- It is detailed.
- It is real and allows for a more realistic sampling, since respondents will be able to provide answers to what they have personally experienced than what they have not experienced.

3.4 THE SAMPLE

The sample was randomly selected from residents of Unguwar Rimi low-cost Kaduna.

Definitely, for this type of study, the sample size may be to small, however costs and time constraint did not make it possible for the researcher to use a larger and wider sample. Moreso, since the sample will nevertheless provide some insight into marketing of new products in a depressed economy in Kaduna.

The basic criteria used in selecting sample were, convenience and also the fact that Unguwar Rimi are characterised by averagely dense population where both high and low income workers can be found. And as such one will be able to draw unbiased conclusion from results of research made.

3.5 DATA ANALYSIS;

Simple analysis was used to draw conclusion from answers given to the questionnaire administered to management and staff of Johnson Wax Nigeria Limited.

While simple statistical table was used to analyse data collected from the questionnaire administered to consumers.

3.6 AN OVERVIEW OF JOHNSON WAX NIGERIA LIMITED

Johnson Wax Nigeria Ltd is a multinational with branches all over the country.

It's major focus is on insecticides and toiletries. And it has really being able to penetrate the Nigerian market.

Besides it's business interests, Johnson Wax Nigeria Ltd also recognises it's social responsibilities towards the communities and environment in which it operates and provides health care and establishes education for the under-privilege.

Johnson Wax Nigeria Limited in line with it's policies and need to grow decided to develop and launch a new product in 1998. The product, an insecticide is currently marketed under the brand name, "Non Irritant Raid" and is popularly called "Blue Raid".

Johnson Wax Nigeria Ltd decided to launch it's non-irritant Raid brand of insecticide to take advantage of new opportunities. It is the first of it's kind in the Nigerian market.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter presents the analysis of the result got from the study which was carried out in May 1999.

Two sets of questionnaires were administered. One set was for the management and staff of Johnson Wax Nigeria Limited. The other set was for customers of the company. All the questionnaires (12) administered on the management and staff of Johnson Wax Nig. Limited were answered and returned. While only one hundred (100) out of the one hundred and twenty (120) questionnaires administered on consumers of the Non Irritant Raid were answered and returned.

The reports of these findings will be based on those information considered as being useful variables or yardstick for measuring the marketing of a New product in a depressed economy. Such variables include; Marketing Strategy, Product development, Market share and sales force. (Two sets of questionnaires are placed as appendix A and B).

4.2 Marketing Strategy

i. From the answers to questionnaires administered to staff and management of Johnson Wax Nigeria Limited, the product objectives of the company are to:

(a) Have a defined market.

(b) Position ranges of brands and product varieties.

(c) Identify gaps which offer significant opportunities for expansion of new product positioning and

(d) Rationalise products for existing brands, products and mixes.

ii. It was also found that the company seeks to appeal to several markets segments and doing this through their different promotion efforts and different distribution arrangements.

iii. On reasons for review or total changes in marketing strategy, shift in economy from different economic climate such as shortages, inflation and depression was given as a major reason.

Also change in consumers needs and wants and competitors activities do necessitate the company to review or totally change it's marketing strategy.

It could also be to take advantage of new technology.

All the responses above are clear indication of a good marketing strategy.

4.3 **Product development strategy**

i. Part of Johnson Wax Nigeria Limited's product strategy, is adjusting of product from time to time to satisfy consumer demands and wants. And due to depression,

consumers want more for their money, they want to justify their spending and as such Johnson Wax Nig. Ltd embarked on developing this new product to increase consumers satisfaction and take advantage of it's non availability in the Nigerian market.

ii. The special feature of this product is the absent of irritation as compared with other similar product and this gives it a competitive advantage.

iii. As compared with other products of the company and as reflected by marginal profit obtained from the product it is fairing well.

iv. This question was not answered by any staff of the company i.e What special marketing activities do you embark on to keep the product fairing well.

v. There was no need to answer this question since the product is fairing well.

4.4 PRICING

Pricing is the stimulator that converts the procrastination of buyers into cupidity, that suggest value, that generates risk, that encourages the expenditure of search and travel costs by the prospective purchaser. It is one of the most effective communicator in the marketing mix and a major element in formulating competitive strategies. So the researcher has great need to cover pricing in working on this topic.

i. Pricing policies are made by the top management using the result of marketing research carried out by both the production and marketing departments.

ii. Generally the main pricing objective of the company is to brow through maximum sales.

But for launching in this new product the pricing objective is to prevent competitors from coming in easily.

iii. The company's pricing approach for new product is the penetration pricing. The product entered the market with a low price in order to attract a large number of potential buyers.

iv. The product was launched with a very high promotion and a relatively low price.

v. The high promotion and low price strategy was used to allow for a very fast rate of market penetration and the largest market share for the company. And more also, the market is large in size, unaware of the product and due to the depressed state of the economy, the buyers are price sensitive.

4.5 SALES PROMOTION

Sales promotion is the Personal or Impersonal process of assisting and/or persuading a prospective customer to buy a commodity or service or to act favourably upon an idea that has commercial significance to the seller.

Sales promotion increases during depression and it is an important variable in the researcher's work.

i. Promotion policies do not actually exist but rather when needs arise, management meet to find the most appropriate promotional mix to use.

ii. The main objective of the company's sales promotion is to reach out to as many potential buyers as possible.

iii. Publicity was used at the entering stage of the product into the market.

iv. Publicity was used so as to inform and create awareness of the product to the market.

4.6 DISTRIBUTION

The physical movement of products to ultimate consumers.

i. The main distribution objective of the company is for appropriate and adequate distribution to achieve the objectives for market penetration and competitive position.

ii. Salesmen and retailers are the main source of distribution of the company.

iii. Salesmen are able to solve the problem of geographical distance better and can be easily supervised and disciplined by the company.

4.7 COMPETITORS

i. Competition exist at the moment. Raid Non-irritant is the only non-irritant insecticide in the Nigerian market at the moment.

ii. This question was not answered.

4.8 SALES FORCE

i. The company gives bonuses for beating a set target sales to salesmen and this bonuses are very attractive.

ii. Instead of employing new and more aggressive salesmen, old ones were trained and re-oriented to meet the challenges of the depressed economy.

4.9 TABLE (I)

Types of Customers

Variables	Response Frequency	Percentage
Wholesalers	5	5
Distributors	10	10
Retailers	85	85
Others	-	-
Total	100	100

Source: Questionnaire

Of the 100 respondents, 5% were wholesaler, 10% distributors and 85% retailers.

TABLE II

Speed of Market penetration

Variables	Response Frequency	Percentage
Very fast	20	20
Fast	50	50
Slow	30	30
Total	100	100

Source: Questionnaire

Of the 100 respondents 20% started using the product immediately it was launched into the market, 50% some months after it was launched while 30% only recently.

TABLE III

Frequency of usage

Variables	Response Frequency	Percentage
Very often/Always	20	20
Often	60	60
Fairly often	10	10
Not often	10	10
Total	100	100

Source: Questionnaire

Of the 100 respondents 10% use the product fairly often and another 10% not often. 20% use it always while 60% often use it.

TABLE IV

Level of product acceptance

Variable	Response Frequency	Percentage
Highly accepted	80	80
Marginally accepted	15	15
Not accepted	5	5
Total	100	100

Source: Questionnaire

Of the 100 respondents, 5% claim the product is not accepted, 15% claim it is marginally accepted while 80% claim it is highly accepted.

TABLE V

Degree of Consumer Satisfaction with product

Variable	Response Frequency	Percentage
Very satisfactory	80	80
Fairly satisfactory	15	15
Not satisfactory	5	5
Total	100	100

Source: Questionnaire

Of the 100 respondent 5% claim they were not satisfied with the product, 15% claim the product is fairly satisfactory while 80% claim it is very satisfactory.

TABLE VI

Most effective media of Advertisement

Variables	Response Frequency	Percentages
Television	30	30
Previous		
Consumers	50	50
Distributors	10	10
Others	10	10
Total	100	100

Source: Questionnaire

Of the 100 respondents, 10% got to know of the product through distributors and another 10% through other sources. 30% saw it on television advert and 50% from previous consumers.

TABLE VII

Most effective mode of distribution

Variables	Response Frequency	Percentage
Wholesalers	10	10
Distributors	55	55
Company	20	20
Others	15	15
Total	100	100

Source: Questionnaire

Of the 100 respondents, 10% purchase the product from wholesalers, 15% from other sources, 20% from company while 55% purchase the product from distributors.

TABLE VIII

Major influence on choice of place of purchase

Variable	Response Frequency	Percentage
Availability	10	10
Price	70	70
Originality	5	5
Accessibility	15	15
Total	100	100

Source: Questionnaire.

Of the 100 respondents, 5% claim they choose their place of purchase to ensure buying the original product. 10% buy where they are sure it will be available, 15% buy at the most accessible place while 70% go th where it can be bought at the lowest price.

TABLE ix

Area where product needs modification.

Variable	Response Frequency	Percentage
Delivery schedule	8	8
Product quality	10	10
Pricing	80	80
Distribution system	2	2
Total	100	100

Source: Questionnaire.

Of the 100 respondents, 2% want the distribution system improved on. 8% want the delivery schedule improved. 10% want the product quality improved on while 80% want the price reduced.

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TABLE x

Competition

Variable	Response Frequency	Percentage
Yes	-	-
None	100	100
Total	100	100

Source: Questionnaire.

4.10 TEST OF HYPOTHESIS

H.1 Various hypothesis were postulated in this research work. An effective marketing strategy on new product marketing in a depressed economy ensures product acceptance.

H.0 An effective marketing strategy on new product marketing in a depressed economy does not ensure product acceptance.

Looking at responses to questions (a), (b) and (c) of section (1) in the staff questionnaire, a very effective marketing strategy was used and also looking at the responses to question, 3, 4, and 5 of the consumers, questionnaire, there is proof that the product has much market acceptance as mandatory of the respondents often use the product and are highly satisfied with the product.

Therefore the hypothesis is true that an effective marketing strategy on new product marketing in a depressed economy ensures product acceptance.

H.12 In a depressed economy pricing influences product acceptability.

H.02 In a depressed economy, pricing does not influence product acceptability.

From responses to questions 8 and 9, where 70% purchase the product from where it is cheapest and 80% want reduction in price, it is clear that price is an important variable in this depressed time.

CHAPTER FIVE

5.1 SUMMARY, RECOMMENDATION AND CONCLUSION

i. Summary of findings:

From the data collected from the management and customers it has been revealed that Johnson Wax Nigeria Limited embark on marketing strategies on their new product. All the management and staff of the company have shown this from the result of administrative questionnaire.

The company have very good product objectives and with the development of this new product they have been able to meet one of their major objectives, which is to "Identify gaps which offer significant opportunities for expansion of, new product positioning".

The company is also able to appeal to several market segments. They have also been able to identify opportunities for new market and took advantage of it.

ii. With the product development/strategy, they have been able to penetrate the market which is large and unaware of the product using the best approach which is the low skimming penetration strategy.

iii. The analysis further revealed that an effective pricing policy/approach on new product in a depressed

economy increases product growth and acceptability. The company used the penetration pricing to prevent competitors and also attract a large number of potential buyers.

iv. Sales promotion is also an essential factor in product growth and acceptability. For a new product of which the market is large and unaware of the product, the company did right in using aggressive promotion and publicity through the television. The product was launched and shown on a Network programme that is very popular. (Newsline)

v. Effective distribution outlets through vans were used and it was made as cheap as possible in order to beat the economy. This is another good strategy to use in this depressed times.

vi. From the result of the research, no competitors exist yet and from the responses of the management and staff of the company, the low price with which the company is being launched is a contributing factor.

vii. The salesforce of the company were trained and re-oriented to meet the challenges of depression rather than employing new and more aggressive salesmen.

This is a very good step, in that training brings about job satisfaction and as such increase loyalty and productivity of staff.

viii the product found easy access into the Nigeria market due to it's low price and novelty. It is the only product of it's type in the Nigerian market. It was characterised by fast penetration.

ix. The launching aired on a popular television programme (Newsline) went a long way in informing and Educating potential buyers about the product. The sponsoring of a debate in Nigerian secondary schools on Television is also a good move.

x. Consumers are satisfied with almost all the aspects and services provided by the product except for possible reduction in price.

5.2 Recommendations:

This recommendation will be tailored towards the enhancement of marketing a new product during depression.

During depression, companies normally experience a decline in sales volume. This is also evident in the sales figure seen in Johnson Wax Nigeria Ltd.

Management can protect market share by cost cutting and improving the 4p's viz product, price, promotion and distribution.

5.2.1 Product

The product can be improved on firstly by making the odour more pleasant. Since the user is suppose to remain the room after applying it.

The product should also be provide in different sizes so as to allow for small size demand and very large size demand.

The quality of the product should also be improved upon so as to meet the standard of older products or even supersede them so that consumers will not only go for it when it is the only alternative.

5.2.2 Price

The price of the product can be cut by reducing the cost of designing and packaging the product which does not directly add to the utility of the product.

During depression, utility is the uppermost in people's mind not decor or colour.

5.2.3 Promotion

Personal sales should be added to the sales promotion strategy. Because as a new product potential buyers should be able to ask questions about the new product and get definite answers on them.

Some consumers questioned did not even know that it i non irritant nor do they understand what is meant by that.

Professional salesmen should also be used to boost the image of the company and improve on the acceptability of the product.

Also attractive sales force should also be used for personal sales so as to motivate potential buyers.

Trades fair should be organised from time to time and Bill boards should also be used.

5.2.4 Distribution channels

More distribution outlets should be introduced, like sales van and wholesalers.

Generally, more distributors should be sought.

5.3 CONCLUSION

This research was carried out, to access the marketing of a new product in a depressed economy. Johnson Wax Nigeria Limited was used as a case study with their new product, non irritant Raid,

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popularly referred to as 'blue Raid'.

In Chapter one, a general introduction was written on New product, and the Nigerian Economy.

Chapter two consist of detailed related literature on new product development, a new product marketing and the Nigerian economy.

Chapter three discussed the method used in gathering and analysing the data. Case study method and questionnaires were used in gathering data, while simple statistics was used in analysing the data.

The data gathered were presented and analysed in chapter four.

And finally, summary, recommendation and conclusion was done in chapter five.

In the course of the study, we saw that marketing a new product during depression is not an impossible task, as a matter of fact, depression is a time for new opportunities.

We also saw that during depression, consumers are more conscious of value for money. The quality of the product must be right and price must match the quality and utility of the product.

Under the conditions imposed by depression, the existing marketing mix strategy is under great pressure, costs of inputs have risen sharply as a result of the record devaluation of the Naira. Distribution

cost has risen and due to liquidity squeeze, cost of borrowed money has also risen.

Under all these conditions, Johnson Wax Nigeria limited was able to undertake this capital intensive project. They introduced and launched a new product under depressed economic conditions of the country with relatively low level of industrial base.

To this, I say kudos to Johnson Wax Nigeria Limited for their success in undertaking this project.

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APPENDIX I

Department of Business Administration
Institute of Administration
Ahmadu Bello University
Zaria.
10th May, 1999.

Dear Sir/Madam,

QUESTIONNAIRE

I am a post graduate student of Ahmadu Bello University Zaria, conducting a research on "New Product Marketing, in a depressed economy".

I will be delighted if you can answer the following questions. They are solely designed for academic purpose. Views expressed here-in would be used only for this research and will be treated with strict confidentiality.

Yours faithfully,

Morenike Olubiyo.

(1) **Marketing strategy**

(a) What are your "Product market" objectives?

.....

(b) Which market segment do you seek to appeal to?

.....

(c) What factors necessitate the review or total change of your marketing strategy?

.....

....

(2) **Product development/strategy**

(a) Given the nature of the depressed economy, what prompted your company into marketing a new product?.....

(b) What quality of your product gives it a competitive advantage over other similar products, if any in the market

.....

(c) How is your product fairing at this stage?

.....

(d) If fairing well, what special marketing activities did you embark on to get to this stage?

.....

(e) If not fairing well, what special marketing activities do you intend to embark upon to make it fair well? .....

(3) **PRICING**

(a) Who makes the pricing policies of your company?

.....

(b) What are the pricing objectives of your company?

.....

(c) What are your company's pricing approach for new products?.....

(d) How do you combine price and promotion to market your new product?

.....

(e) What influenced your choice of price and promotion combination? .....

4. **SALES PROMOTION**

(a) Who makes promotion policies of your company?

.....

(b) What are your promotion objectives?.....

.....

(c) What kind of promotion did you use to launch in your new product? .....

(d) What influenced your choice of promotion.....

.....

5. **DISTRIBUTION**

(a) What are the objectives of your distribution?

.....

(b) What distribution channel do you use?

.....

(c) What factors influenced your choice of distribution channel? .....

.....

6. **COMPETITORS**

(a) What are competitors' reaction to your new product? .....

(b) What action is your company taking in order to beat competitors? .....

7. **SALES FORCE**

(a) What incentives does the company gives in order to motivate their salesforce? .....

.....

(b) Has the company employed new and more aggressive marketing officers to face the challenges of depression or is it keeping it's old staff?.....

APPENDIX II

Department of Business Administration
Institute of Administration
Ahmadu Bello University
Zaria.
12th May, 1999.

Dear Respondent,

QUESTIONNAIRE

I am a post graduate student of Ahmadu Bello University Zaria, conducting a research on "New Product Marketing, in a depressed economy".

I will be delighted if you can answer the following questions. They are solely designed for academic purpose and will be used only for this research.

Yours faithfully,

Morenike Olubiyo.

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1. What category of customer do you belong to?
   (a) Wholesaler
   (b) Distributor
   (c) Retailer
   (d) Others
2. How long have you been using Blue Raid (It was launched in October, 1998).
   (a) Immediately it was launched
   (b) Some few months after it launched
   (c) Just recently
3. How often do you use the Blue Raid
   (a) Very often/Always
   (b) Often
   (c) Fairly often
   (d) Not often
4. How do you rate the general level of acceptance of the product?
   (a) Highly accepted
   (b) Marginally accepted
   (c) Not accepted
5. How comfortable and satisfactory is the product?
   (a) Very comfortable/satisfactory
   (b) Fairly comfortable/satisfactory
   (c) Not comfortable/Satisfactory

6. How did you get to know of the product?
   (a) Through Television advert
   (b) Through previous consumers
   (c) Through Distributors
   (d) Others
7. From where do you purchase your product?
   (a) Wholesalers
   (b) Distributors
   (c) Company
   (d) Others
8. Why do you choose to purchase it there?
   (a) It is readily available
   (b) It is cheaper
   (c) No risk of imitation
   (d) Easy accessibility
9. What aspect of the company's service do you think needs re-orientation?
   (a) Delivery schedules
   (b) Product quality
   (c) Pricing
   (d) Distribution system.
10. Any other alternative source available?
   (a) Yes
   (b) No.