EFFECTIVE MARKETING OF DAIRY PRODUCTS IN NIGERIA: A CASE STUDY OF NATIONAL LIVESTOCK PROJECTS DIVISION / VILLAGE MILK PRODUCERS ASSOCIATION.

BY

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

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APRIL, 1995

DECLARATION

I hereby declare that this Project was written by me under the able guidance of my supervisor and has to the best of my knowledge never been previously presented in any submissions for a higher degree. All works consulted have been duely acknowledged and footnoted.

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CERTIFICATION

This Project titled "Effective Marketing of Dairy Products in Nigeria: A case study of National Livestock Projects Division; Dairy Unit by Fatimah O. Abdullahi meets the regulations governing the Award of the degree of Masters of Business Administration, Ahmadu Bello University and is approved for the contribution to knowledge and Litrary presentation.

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DEDICATION

Dedicated to Mankind for whose economic and Social Development this research was conducted. And to my Parents for their understanding.

ABSTRACT

Marketing may be defined as the performance of all business activities that direct the flow of goods and services from the producers to the consumers. The process includes buying, selling, transportation, storage, standardization, grading, financing, information and risk bearing. In every economy, marketing acts as a catalyst because the economy and the market system have reciprocal effect on each other. Therefore the role of marketing in the Nigerian economy can not be over emphasized.

The project represents a humble attempt to study how to cany out marketing effectively. For this puipose, the National Livestock Projects Division's Dairy Unit was selected as an organization which engages in marketing activities, and whose marketing division is quite young and needs to be guided with the much needed strategy to effectively market its products.

This research has shown effective marketing as an important function in industrial organizations in Nigeria.

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CHAPTER I

1.0 INTRODUCTION

The National Livestock Projects Division (N. L. P. D.) was established in 1978 to boost the protein production and intake of the Nigerian populace. The First Livestock Development Programme (F. L. D. P.) thus took effect in 1981 and ended in 1986. The FLDP was designed for meat production only.

The second Livestock Development Programme (S. L. D. P.) became effective in early 1987 when the Naira and the Dollar was at par. However with the introduction of SAP, and the consequent devaluation of the Naira, the local cost of the project (N .L. P. D.) has increased tremendously. These and other reasons necessitated the redesign of the Project and the inclusion of additional components. These include among other things a dairy component, which was informed by the local competitiveness of local milk production as compared with import as a result of doubling of the international price of milk powder, devaluation of the Naira and the imposition of quotas in the European Economic Co-operation (EEC) countries and United State of America. It was designed to establish a dairy development unit in N.L.P.D. that will spearhead the formation of the Milk Producers Co-operatives similar to Anand Model in India.. The programme is presently established in Kaduna alone to take advantage of the large markets, favourable climate and existing infrastructure.

The major strategy of the Dairy Development Programme is to establish a vertically integrated farmers' organisation that will be owned and controlled by member producers. Professionals will be appointed to manage the work pertaining to milk procurement, processing, marketing and distribution of technical inputs. This hopefully would create self reliance for the country's requirement of milk and milk products.

to beat these factors will also be our object of focus in this research.

The company also faces a lot of competitions from other local producers within the same market environment, and its channel of distribution is affected by the nature of the products, and the technology available to the producers. The sales organisation is poor and promotion policies are not well defined.

The whole problem listed above tend to affect the overall effectiveness of marketing in the company, which is the major focus of this research.

1.3 RESEARCH OBJECTIVES

The research objective is to increase sales and profit levels through an effective marketing system and increased customer's awareness.

To achieve the objectives, there is the need to answer the following pertinent questions:-

- How much of the product is required to meet demand?
- What raw materials are required?
- What manufacturing capacity is need to provide adequate supplies?
- where should production take place?
- What channel of distribution should be used?
- what should be our promotional strategy?
- How do we balance the relationship in the market system between the different economic institution, and between producers and consumers?
- How does the company market its products presently?
- How can the company beat its competitors?
- And what steps should be taken to overcome the climatic factors affecting Dairy products?

The objective of this research is to answer the above questions towards the improvement of the marketing of dairy products in NLPD and in Nigeria as a whole.

1.4 RESEARCH SCOPE

This research will be limited to the marketing of dairy products in NLPD, and using Kaduna state as the market area to be covered.

1.5 RESEARCH METHODOLOGY

The research will be carried out through primary data; by direct observation conducted by the writer for the purpose of this write up.

Through Secondary data; studying and analysing recorded information official internal records files, and lastly by Survey - this involves the administration of questionnaires to producers, customers, salesmen, competitors, the ultimate consumers and the top management and other relevant staff of the organisation.

1.6 SIGNIFICANCE OF THE STUDY

It has long been held by market oriented companies that the objective of all production is to meet the consumer needs in a free market. Even under systems which reject free market economies, there is a growing acceptance that if production is not guided by consumer demand serious misallocation of resources and inefficiencies rapidly become a feature of the system. The question of how best to meet consumer needs is of fundamental importance to production planning and policy formulation. Herein lies the significance of the research.

The study will also provide NLPD with the much needed strategies to effectively market its dairy products.

1.7 LIMITATION

First limitations is the fact that even though the topic says Dairy products, the products in question are restricted to only fresh-milk and yoghurt. This is because they are currently the only dairy products the organisation is able to produce.

As an insider (staff of NLPD) obtaining information was quite easy from the staff of the dairy section and other section. A few were skeptical about the objective of this study though, it posed very little problem.

The field survey was a success since majority of those who answered the questionnaire were quite co-operative. A few problems also did occur; not returning the questionnaire, absenteeism. However, this was too minute to adversely affect the success of the study.

CHAPTER II

2.0 LITERATURE REVIEW

2.1 DEFINITION OF MARKETING.

Marketing may bc defined as thc performance of all business activities that direct the flow of goods and services from the producers to the consūmers and it includes buying, selling, transportation, storage, standardisation, grading, financing, information and risk bearing.

According to N. G. Nwokoye, " marketing is the set of activities that facilitate exchange transaction involving goods and services for thc ultimate purpose of satisfying human needs."1

The American Marketing Association defines marketing as 'I The performance of all business activities that direct the flow of goods and services from producers to consumers or users. "2

Philip Kotler defines it as " The performance of business activities that direct the flow of goods and services from the producer to the consumer." 3

Edward Bank and William's Norton defines it as the activities cooping all functions in the process of causing goods or services to move from where they are produced or assembled to the hands of the ultimate consumcrs."[4]

Mansur (1947) says that "marketing is a delivery of standard of living to socicty."5

Stanton says that "Marketing is a total system of interacting business activities designed to plan, price, promote, distribute and sell want satisfying goods and services to present and potential buyers to customers".[6]

Christopher Martins et al says that " Marketing is the way in which organisations match their human, physical and financial resources with the needs and wants of consumers. Matching is a very important term, in which human, physical and financial resources are referred to as capabilities."[7]

Apart from earlier definition of marketing, according to Philip Kotler, he also has a simplified version that "marketing means dealing or working with markets." 8

Larry Rosenberg says "Marketing is a matching process based on goods and capabilities in which a marketer offers a marketing mix in order to satisfy the needs and wants of his customer within the limits of the society. " This means that each time we are in a marketing process, we are in a dynamic, complex and competitive society. Thus, there are always other groups which are working and their business can improve or impede our goals which is to satisfy customers." 9

Marketing therefore must involve different activities to be performed by those in business in order to achieve the desired goals.

2.2 MARKETING FUNCTIONS.

The marketing functions are discussed below:

Buying: buying is concerned chiefly with determining what is needed either for sale or for industrial use, locating sources of supply.

Selling: selling is the counterpart of buying. Obviously, in order to have a buyer one must have a seller. Specific activities of selling include locating buyers, creating demand through personal selling, advertising and helping consumers use or resell product.

Transportation: The transportation or physical distribution function is concerned with moving goods from the point of production to the place of consumption. Transportation gives a product place utility. Food products for example have limited value until they have been transported from the farmer and processor, to the consumer.

Storage: storage contributes to marketing by presenting goods from the time of production until they are ready for use or reselling. Storage is desirable when the time of production to the time of consumption are not the same.

Standardisation: standardisation involves uniform specification for goods. It aids the marketing process in two ways; it makes selling much easier because consumers would rather buy a crate of eggs that are uniform in every respect than a crate of various sizes, ages, quality and colour.

Standardisation also makes possible sales by description. When standard means the same thing to both the seller and the buyer, sales can be made by wire, telephone or letter.

Financing: Either cash or credit is indispensable in marketing. All middlemen and many consumers are much accustomed to doing much of their business on credit. The granting of credit has become a specialised function in many businesses, with specialised personnel to investigate and approve credit appreciation, collect overdue accounts and handle credit sales.

Market Information: Modern marketing management attempts to leave as little as possible to hunches and guesswork. Solutions to business problems can best be given on the basis of facts. Specific information of value in marketing pertains to the kind, quality and quantity of merchandise people want, the price they are willing to pay, the

effectiveness of advertising, future market conditions, population trends, prices and market conditions.

Risk bearing: *Numerous risks are incurred by businesses engaged in marketing.* Some of these risks are;

- Changes in the prices of a needed commodity.
- Spoilage, deterioration, or obsolescence of goods.
- Theft of merchandise by employees, customers and the public.
- Bad debt losses.
- Fire, accidents and/or natural disasters.

Marketing managers cope with the marketing tasks by carrying out marketing research, planning, implementation and control. Within marketing planning, marketers must make decision on target markets, market positioning, product development, pricing, channel of distribution, physical distribution, communication and promotion.

What philosophy should guide these marketing efforts? What weights should be given to the organisations, the customers and the society? Very often, these interests conflict. Clearly marketing activities should be carried out under some well-thought out philosophy of effective and responsible marketing.

There are five competing concepts under these marketing activities.

The Production Concept: This is one of the oldest concepts guiding sellers. the concept holds that consumers will favour those goods that are widely available and low in costs. Managers in production oriented organisations concentrate on achieving high production efficiency and wide distribution coverage.

The assumption that consumers are primarily interested in product availability and low price holds in at least two types of situations:

The first is where the demand for a product exceeds supply, and therefore customers are more interested in obtaining the product than in its fine points. The suppliers will concentrate on finding ways to increase production.

The second situation is where the product cost is high and has to be brought down through increased productivity to expand the market.

While the production concept results in handling many cases per hour, this type of management is open to charges of impersonality and consumer insensitivity.

The Product Concept: "The product concept holds that consumers will favour those products that offers the most quality, performance, and features. Managers in these product oriented organisations focus their energy on making good products and improving on them over time." [10]

These managers assume "that buyers admire well made products, can appraise product quality performance, and are willing to pay more for product 'extras.' Many of these managers are caught up in a love affair with their product and fail to appreciate that the market may be less "turned on" and may even be moving in a different direction. They say "we make the finest men's tailored suits" or "we make the finest television sets" and wonder why the market doesn't appreciate this. "11

One of the most common manifestations of the product concept occurs with new products that a company invents. Management becomes enamoured with the product and often loses perspective. It falls into the "better mouse trap fallacy," believing that a better mouse trap will cause people to beat a path to its door.

Product oriented companies go about designing their products in the wrong way. A General Motors executive said some years ago" How can the public know what kind of car they want until we have invented it?" General Motor's perspective was that company's designers and engineers will create a car with emphasis on styling durability. Then manufacturing will make it, while the finance department will price. Finally, marketing and sales would be called on to sell it. No wonder the company required such hard selling by the dealers! The General Motor's failed to ask customers what they wanted and never brought in the market people in the beginning to help figure out what kind of car would sell.

This concept leads to "marketing myopia" and induce concentration on the product rather than the need. Railway management thought that users wanted train rather than transportation, and overlooked the growing challenge of the air lines, buses, trucks and automobiles. Organisations too often are looking into a mirror instead of through a window.

The Selling Concept: "This concept holds that consumers, if left alone, will ordinarily not buy enough of the organisation's products. The organisation must therefore undertake an aggressive selling and promotion effort." 12

The concept assumes that "consumers typically show buying inertia or resistance and have to be coaxed into buying more, and that the company has available a whole battery of effective selling and promotion tools to stimulate more buying."[13]

The selling concept is practised more aggressively with "insight goods" - those goods that buyers normally do not think of buying, such as insurance, encyclopaedias, and funeral plots (as in Lagos). These industries have perfected various sales techniques to locate prospects and hard-sell them on the benefits of their product.

Hard-selling also occurs with sought goods, such as automobiles.
From the moment the customer walks into the showroom, the auto salesman "psyche him out." If the customer likes the floor model, he may be told that there is an6ther customer about to buy it and he should decide on the spot. If customer waits 10 minutes and the salesman returns with "The boss doesn't like it but I got him to agree." The aim is to work up the customer to buy on the spot.

Most firm practices the selling concept when they have over capacity. Their aim is to sell what they make rather than what they can sell. In modern industrial economies, productive capacity has been built up to a point where most markets are buyer markets (that is, the buyers are dominant), and sellers have to scramble hard for customers. Prospects are bombarded with television commercials, newspaper advertisements, direct mail and sales calls. At every turn some-one is trying to sell something. As a result, the public identifies marketing with hard selling and advertising.

However selling is only the tip of the ice-berg when we discuss marketing. Peter Drucker says "there will always be need for some selling. But the aim of the marketer is to make selling superfluous. The aim of marketing is to know and understand the customers so well that the product or service fits him, sells it self. Ideally, marketing should result in a customer who is ready to buy. All that should be needed is to make the product or service available." 14

Thus selling, to be effective, must be preceded by several marketing activities such as needs assessment, marketing research, product development, pricing, and distribution. If the marketer does a good job of identifying consumer needs, developing appropriate products and pricing, distributing and promoting them effectively, these products will sell very easily.

Indeed, marketing based on selling carries high risks. It assumes that customers who are coaxed into buying the products will like it, and if they don't, they won't bad mouth it to friends or complain to customer organisations. These are indefensible assumptions to make about buyers. Studies have shown that disappointed customers bad mouth the product to eleven acquaintances, while satisfied customers may praise the product to only three.

The Marketing Concept: The marketing concept is a business philosophy that arose to challenge the previous concepts. Although it has a long history, its central tenets did not crystarnse fully until the middle of 1960.

The concept holds that "the key to achieving organisational goals consists in determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors." 15

The marketing concept has been expressed in many colourful ways:

- "Find wants and fill them."
- "Make what you sell instead of trying to sell what you can make."
- "Love the customers and not the product."
- "Have it your way" (Buyer king).

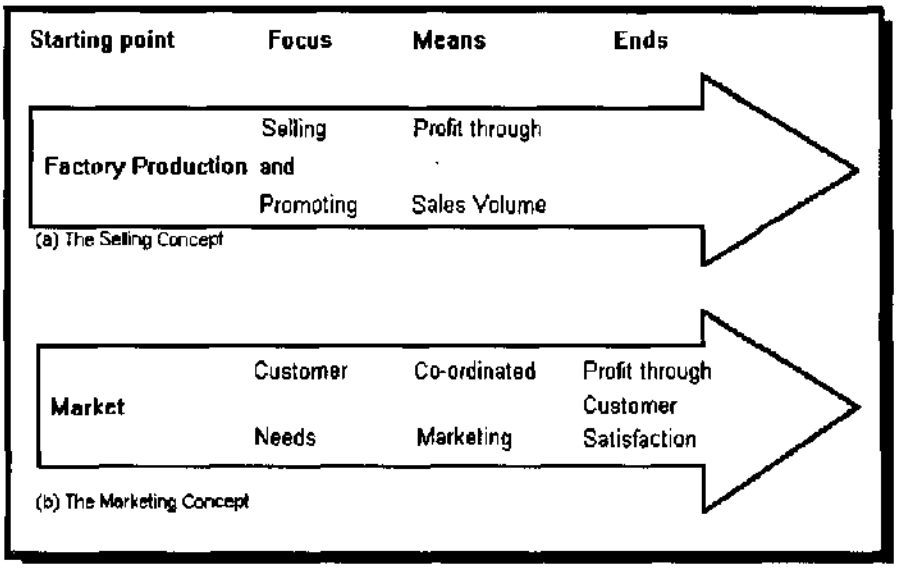


Figure 1 The Selling and Marketing Concepts contrasted

- "You are the boss." (United Airlines).
- "You do all in your power to pack the customer's dollars full of value, quality and satisfaction." 16

Theodore Levitt drew a perceptive contrast between selling and marketing:

"Selling focuses on the needs of the buyer, selling is pre-occupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the need of the consumer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it." 17

The marketing concept rests on four main pillars mainly, a market focus, customer orientation, co-ordinated marketing and profitability. These are shown in the diagram below where they are contrasted with a selling orientation.

The selling concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products and calls for heavy selling and promoting to

produce profitable sales. The marketing concept takes an outside-in perspective. It starts with a well defined market, focuses on customer needs, coordinates all activities that will affect customers, and produce profit through creating customer satisfaction. In essence, the marketing concept is a market focused, customer oriented co-ordinated marketing effort aimed at generating customer satisfaction as the key to satisfying organisational goals. 18

2.3 How each pillar contributes to more effective marketing.

Market Focus: "No company can operate ill every market and satisfy every need. Nor can it even do a good job in a broad market. Companies do best when they define the boundaries of their markets carefully. They do best when they prepare a tailored marketing program for each target market." 19

For example, an auto manufacturer can think of designing passenger cars, station-wagon, sport cars and luxury cars. But this thinking, is less precise than defining a market target. One Japanese car maker is designing a car for the career woman, and it will have many features that male-dominated cars don't have. Another Japanese car maker is designing a car for a "town man," the young man who needs to get about town and park easily. In each case, the company has classified a market target, and this will greatly influence the design of the car.

Customer Orientation: A company define its market carefully and still fail at customer oriented thinking. For example: The chemists in a major chemical company invented a substance that hardened into a pseudo-marble. Looking for an application, the marketing department thought that the substance could be used to produced elegant looking bathtubs. They went ahead created a few model bathtubs and rented a space in a bathroom furnishing trade show. They were hoping to convince bathtub manufacturers to produce bathtub with the new materials. Although manufacturers thought the new bathtub were attractive, none signed up. The reason became obvious.

The bathtub would have to be priced at ₦2,000; for this price consumers could buy bathtubs made out of real marbles or onyx. In addition the bathtubs were so heavy that the bathroom floor will have to be reinforced at additional cost. Aside from these, most bathtubs were sold in the range of N500 and few people were ready to spend N2000. The company had succeeded on developing a market focus, but had failed to understand the customers.

Customers oriented thinking requires "company to carefully, defme customers needs from customers point of view, not from its own point of view. Every product involves trade-offs and management can not know this without talking to and researching customers." 20

Why is it supremely important to satisfy customers? Basically because a company's sales each period comes from two groups; new customers and repeat customers. It is more costly to attract new customers than to retain current ones. The key to customer retention is customer satisfaction. A satisfied customer buys again, talks favourable to others about the company, pays less attention to competing brands and adverts and buys other products the company may later add to its brand.. Thus a company must be wise to check on customer satisfaction, by setting up suggestion and other systems to maximise the customers' opportunity to complain. A customer-oriented company would track its customer satisfaction level each period and set improvement goals.

Co-ordinated marketing: Unfortunately, not all the employees in a company are trained or motivated to pull together for the customer. An engineer at one company complained about the sales people because they were "always protecting the customers and not thinking of the company's interest"! He went ahead to blast the customers for "always asking for too much."

"Co-ordinated marketing means two things. First, the various marketing functions,

sales forces, advertising, marketing research, etc. must be co-ordinated among themselves. Too often the sales force is mad at the marketing people for setting "too high a price" or "too high a quota," or the advertising director and a brand manager cannot agree on the best advertising campaign for the brand. These marketing functions must be co-ordinated from the customer point of view.

Second, marketing must be well co-ordinated with the other departments in the company. Marketing does not work when it is merely a department; it only works when all employees appreciate how they impact on customer satisfaction." 21

Marketing concept requires the company to carry out internal marketing as well as external marketing. Internal marketing is the task of successfully hiring, training, and motivating able employees to serve the customers well. Infact internal marketing must precede external marketing. It makes no sense to advertise the organisation's service before it is ready to provide quality services.

Bill Marriots reasons "that in his hotel business there are three groups to be satisfied and in the following order, the employees, the customers and then the stockholders. The employees must be first satisfied, if they love their jobs and feel a sense of pride in the hotel they will serve the customers well. Satisfied customers will return frequently to the hotel. This repeat business will in turn result in high profits which will satisfy the stockholders." 22

Here, Marriot is saying the customer is the ultimate key to profitability.

Prontability: "The purpose of marketing is to help Organizations achieve their goals. In the case of private firms it is profit, in the case of public non-profit firm, it is surviving and attracting enough fund to perform their work. Now the key is not to aim for profit as such but to achieve them as a by product of doing the job well."[23] The

General Motors executive who once said "we are in the business of making money not cars" was misplacing the emphasis. A company makes money by satisfying customers need better than competitors can do. The job is not making money or cars but finding a profitable way to satisfy various wants for personal transportation. This is not to say that makers are unconcerned with profits. Quite the contrary, they are highly involved in analysing the profit potential of different marketing opportunities.

Companies should not only focus on customers but should be organised to respond effectively to changing customer needs.

Most companies have not arrived at full marketing maturity, and are yet to grasp the marketing concept until driven to it by circumstances such as the following:

Sales decline, slow growth, changing buying patterns, increasing competitors and increasing market expenditures.

Consumer Markets; Understanding the buying behaviour of the target market is the essential task of marketing manager under the marketing concept.

"The consumer market consists of all the individuals and household that buy or acquire goods and services for personal consumption." 24

Consumers vary tremendously in age, income, educational level, mobility patterns, and taste. Marketers find it useful to distinguish different consumer groups or segments and to develop products and services tailored to their needs. If a market segment is large enough, some companies may set up special marketing programmes to serve this market.

2.4 Analysing Organisational Markets and Buyer Behaviour.

"The industrial market consists of all the individuals and Organizations that acquire goods and services that enter into the production of other products and services that are sold, rented or supplied to others. The major types of industries making up the industrial market are agriculture, construction, transportation, communication, public utilities, banking, finance and insurance services." 25

More money and items are involved in sales to industrial buyers than to consumers.

Fewer buyers:

"The industrial marketer normally deals with fewer buyers, and are characterised by a high buyer concentration ratio, that is a few large buyers account for most of its purchasing. In such industries as motor vehicles, telephone and telegraphs, cigarettes, air crafts engines, the top four manufacturers account for over 70% of total production." 26 Because of the large customer base and the importance and power of the larger customer over the suppliers, we observe a close relationship between the customers and sellers in the industrial markets. Suppliers are frequently expected to customise their offerings to individual consumer needs. Sales go to those suppliers who closely cooperate with the buyer on technical specifications and delivery requirements such as just-in-time / just-in-line production. Suppliers are increasingly expected to attend special seminars held by the industrial customer to be familiar with the buyer's quality and procurement requirements.

Demand Derivative:

"The demand for industrial goods is ultimately derived from the demand for consumer goods, therefore the industrial marketer must closely monitor the buying pattern of the ultimate consumers and those environmental factors that affect them." 27 The demand for industrial goods and services tend to be more volatile than the demand for consumer goods and services, especially the demand for new plant and equipment.

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Sometimes a rise of only 10% in consumer demand can cause as much as 200% rise in industrial demands in the next period, and vise versa. This sales volatility has led many industrial marketers to diversity their products and markets, to achieve more balanced sales over the business cycle.

Direct buying:

Industrial buyers often buy directly from producers rather than through middlemen, especially those item that are technically complex and/or expensive.

Reciprocity:

Industrial buyers also often select suppliers who also buy from them. An example of this reciprocity would be a paper manufacturer who buys needed chemical from a chemical company that is buying a considerable amount of its paper. Reciprocity is illegal if there is coercive use of pressure by one of the parties and its result is reduced competition. Non coercive reciprocity is legal provided it is supplied by elaborate records of purchases and sales to and from other parties.

Leasing Instead of Buying:

Many industrial buyers lease their equipment instead of buying it. This happens with computers, shoe machinery, packaging equipment, heavy construction equipment, delivery trucks, machine tools, and sales force automobiles. The lesser gains a number of advantages, conserving capital, getting the seller's latest products, receiving better servicing, and gaining some tax advantages. The lesser often ends up with a larger net income and the chance to sell to customers who might not have been able to afford outright purchase.

2.5 What Buying Decisions Do Industrial Buyers Make?

The industrial buyer faces many decisions in making a purchase. The number of decision depends on the type of buying situation.

Major Types of Buying Situation: Robins and others distinguish three types of buying situations, which they call buy classes. They are the straight re-buy, modified re-buy and new task.

Straight Re-buy: "The straight re-buy describes a buying situation where the purchasing department buys on a routine basis (for instance, office suppliers, bulk chemicals)."[26] The buyers chooses from suppliers on its "approved list," giving weight to its past buying satisfaction with the various suppliers.

Modified Re-buy: "The modified re-buy describes a situation where the buyer wants to modify product specifications, prices, delivery requirements or other items. The modified re-buy usually involves additional decision participants on both the buyers' and the sellers' sides. The in-suppliers see it as an opportunity to make a "better offer" to gain entry into the account." 27

New Task: The new task faces a purchaser buying a product for the first time (for example, custom built office building, new weapon system). "28 The greater the cost and/or the risk, the larger the number of decision participants, and the greater seeking, the longer the time to decision completion. The new task situation is the marketer's greatest opportunity and challenge. The Marketer tries to reach as many as many key influences as possible and provide helpful information and assistance. Because of the complicated selling involved in the new task, many companies use a sales force, called a missionary sales force consisting of their best sales force.

New-task buying passes through several stages, each with its own requirement and challenges to the marketer. Ozanne and Churchill have applied the innovative diffusion perspective to new task, identifying the stages as "awareness, interest, evaluation, trial and adoption." 29. They found that information sources varied in

effectiveness at each stage.

Major Sub-decisions Involved in the Buying Decision.

The buyer makes the fewest decisions in the straight re-buy and most in the new task situation. In the new task situation the buyers have to determine product specification, price limit, delivery terms and time, service terms, order qualities, acceptable suppliers, and the selected supplier. Different decision participants influence each decision, and the order in which these decision are made varies.

2.6 Who Participates in the Industrial Buying Process.

Webster and Wind call the decision-making unit of a buying organization the buying center defined as "all those individuals and groups who participate in the purchasing decision making process, who share some common goals and risk arising from the decision."30 The buying center include all members of the organization who play any of the six roles in the purchase decision process.

- Users: arc the members of the organization who will use thc product or service.
- Influencers: Influencers are persons who influence the buying decision. They often help define specifications and also provide information for evaluating alternatives. Technical personnel are particularly important as influencers.
- Deciders: Deciders are persons who have the power to decide on product requirements and/or on suppliers.
- Approvers: Approvers are persons who must authorise the proposed action of the deciders or buyers.
- Buyers: Buyers are persons with formal authority for selecting the suppliers and arranging the terms of purchase. Buyers may help shape product specifications, but they play their major role in selecting vendors and negotiating. In some complex purchases, the buyers might include high-level officers participating in the negotiations.
- Gate Keepers: Gate keepers are persons who have the power to prevent sellers or information from reaching members of the buying centre. For example, purchasing agents, receptionists and telephone operators may prevent salespersons from talking.

Within any organisation, the buying center will vary in size and composition for different classes of products. More decision participants will be involved in buying a computer than in buying paper clips. The industrial marketers has to figure out who thc major decision participants are, in what decision do they exercise influence? And what evaluation criteria does each decision participants use?

2.7 Major Influences on Industrial Buyers.

Webster and Wind have classified the various influences on industrial buyers into four main groups; environmental, interpersonal, organisational and individual.

Environmental Factors: Industrial buyers are heavily influenced by factors in the current and expected economic environment, such as the level of primary demand, the economic out-look, and the cost of money. Industrial buyers are also affected by technological, political, and competitive development. The industrial marketer has to monitor all environmental forces, determine how they will affect buyers and try to turn problems into opportunities.

Organisational factors: Each buying organisation has specific buying objectives, policies, procedures, organisational structures and Systems. The industrial marker has to know this as well as possible.

The Industrial marketer should be aware of the following trends in the purchasing area; purchasing department up-grading, centralised purchasing, long term contracts, purchasing performance evaluation.

Interpersonal factors: The buying centre usually includes several participants with different status', authority, empathy, and persuasiveness. The industrial marketer is not likely to know what kind of group dynamics will be involved during the buying process, although whatever information he or she can discover about the personalities

and inter personalities would be useful.

Individual factors: Each participant in the buying process has personal motivation, perceptions, and preferences. These are influenced by the participants age, income, education, professional identification, personality and attitudes towards risks. Buyers definitely exhibit different buying styles. Some of the younger, better educated buyers are "computer freaks" and make rigorous analyses of competitive proposal before choosing a supplier. Other buyers are "tough guys" from the "old school" and play off the sellers.[31]

2.8 How Industrial Buyers Make their Buying Decision

Industrial buyers do not buy goods and services for personal consumption and utility. They buy things to make money, or to reduce operating cost or to satisfy a social or legal obligation. To buy the needed goods, industrial buyers move through a purchasing or procurement process. "Robinson et al has identified eight (8) stages of industrial buying process and can call them buy-phases." 32

Problem Recognition - The buying process begins when someone in the company recognises a problem or need that can be met by acquiring a good or a service. Problem recognition can occur as a result of internal or external stimuli. Internally, the most common events leading to problem recognition are the following:

- The company decides to develop a new product and needs new equipment and materials to produce this product.
- A machine breaks down and require replacement or new parts.
- A purchasing manager senses an opportunity to obtain better prices or quality.

Externally, the buyer may get some new ideas at a trade show, or see an ad, or receive a call from a sales representative who offers a better product or a lower price.

Industrial marketers can therefore stimulate problem recognition by developing advertisements, calling on prospects and so on.

General Need Description - Having recognised a need, the buyer proceeds to determine the general characteristics and quality of needed item. For standard items, this is not much of a problem. For complex items, the buyer will work with others - engineers, users, and so on - to define the general characteristics. They will want the importance of reliability, durability, price, and other attributes desired in the items.

The industrial marketer can render assistance to the buying company in this phase. Often the buyer is not aware of the benefits of different product features. An alert marketer can help buyers define their companies' needs.

Product Specifications - Now the buying organisation proceeds to develop the items technical specifications. A product value - Analysis engineering team will be put to work on the problem. "Product value analysis is an approach to cost reduction in which components are carefully studied to determine if they can be redesigned or standardised or made by cheaper method of production. "33 Questions used in product value analysis are as follows:

- "Does the use of them contribute value?
- Is its cost proportionate to its usefulness?
- Does it need all its features?
- Is there any thing better than its intended use?
- Can a usable part be made by a lower cost method?
- Is the product made on proper tooling, considering the quantities that are used?
- Will another dependable supplier provide it for less?
- Is anyone buying it for less? " 34

Sellers too can use product value analysis as a tool for breaking into an account. By demonstrating a better way to make an object, an out-supplier can turn a straight re-buy situation into a new task situation and break into the account.

Supplier Search - The buyer now tries to find the most appropriate vendor. The buyer can examine trade directories, do a computer search, or phone other companies for recommendation. Some will not qualify because they lack the required production capacity or have a poor reputation for delivery and services. Those who appear to qualify may be visited to examine production facilities and meet their personnel. The buyer will end up with a short list of qualified suppliers. The newer the buying task, the more complex and expensive the item, the greater the amount of time buyers will spend in searching for, and qualifying suppliers.

Proposal Solicitation - The buyer will now invite qualified suppliers to submit proposals. The industrial marketer must be skilled in researching, writing and presenting proposals. Their proposal be marketing documents, and not just technical documents. Their oral presentation should inspire confidence, they should position their company capabilities and resources so that they stand out from the competition.

Supplier Selection - In this stage the members of the buying center will review the proposals and move towards supplier selection. They will perform a vendor analysis to select supplier(s). Not only the technical competence is considered, but also their ability to deliver the *item* on time and deliver necessary services. The buying center will often draw up a list of the desired suppliers attributes in order of importance.

The buying center may attempt to negotiate with the preferred suppliers for better prices and terms before making the final selection. Buying centers must also decide on what suppliers they want to work with. Many buyers prefer multiple sources of supply so that they will not have to be solely dependent on one supplier in case

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something goes wrong and also that they will be able to compare the prices and preference of the various suppliers. The buyer will normally place most of the order with the supplier and less with other suppliers.

Order-Routine Specification - The buyer now writes the final order with the chosen supplier(s), listing the technical specification, the quantity needed, expected time of delivery, return policies, warranties and so on.

Performance Review - In this stage the buyer reviews the performance of each supplier. Three methods are used; The buyer may contact the end user and ask for their evaluations, or the buyer may rate the supplier or several criteria using a weighted point method. Or the buyer may aggregate the cost of poor performance to come up with an adjusted cost of purchase, including price. The performance review may lead buyers to continue, modify or drop the suppliers. The suppliers job is to monitor the same varieties that buyers and users use to rate the supplied items.

The eight stage buy-phase model represents the major steps in the industrial buying process. In any real situation further steps can occur. "Clearly industrial marketing is a challenging area. The key is to know the users needs, the buying participants, the buying criteria and the buying procedure. With this knowledge, the industrial marketer can proceed to design marketing plans for selling to different types of customers." 35

2.9 Competitors.

"To prepare an effective marketing strategy, a company must consider its competitors as well as its actual and potential customers. This is especially necessary in slow-growth markets because sales can only be gained by winning them away from competitors. " 36

A company's competitor includes those seeking to satisfy the same customers and customer needs and makes similar offer to them. A company, however should also pay attention to its latest competitors who may offer new or other ways to satisfy the same needs. The company should try to identify its competitors by using both an industry and market based analysis.

The company needs to gather information on competitors strategies, objectives, strengths/weaknesses, and reaction patterns. The company needs to know each competitors strategies in order to identity its closest competitors and take the proper steps. The company should know the competitor's objectives in order to anticipate further moves and reactions. Knowing the competitors strengths and weaknesses will permit the company to refine its own strategy to take advantage of the competitors limitation while avoiding engagement where the company choose and time its moves.

Competitive intelligence needs to be collected, interpreted, and disseminated continuously. Company marketing executives should be able to obtain full and reliable information about any competitors that has a bearing on a decision.

As important as a competitive orientation is in today's markets, companies should not overdo their focus on competitors Companies are more likely to be hurt by emerging consumer needs and latent competitors than by their existing competitors. Companies that manage to factor in a good balance of consumer and competitor considerations are practising a true market orientation.

2.10 Product Policy Planning and Development.

"A products is a complex of tangible and intangible attributes, including packaging, colour, price, manufacturers prestige, retailers prestige and manufacturers' and retailers' services, which the buyer may accept as offering satisfaction of wants or needs. "37

The key idea in this definition is that the consumers are buying more than a set of physical attributes. Fundamentally, they are buying want - satisfaction. Thus products manufacturers sell symbols as well as product. "People buy things not only for what they can do, but for personal attributes, goods, and social patterns. "Any change in physical features no matter how minor (design, colour, size, packaging, etc.) may create in effect a new product."38 For example coca cola in a can is a different product from coke in a bottle. There are three recognisable categories of new products. They are:

(1) Products that are really innovative - truly unique. Examples would be a cancer cure products for which there are considered satisfactory. In this category' we can also include products that arc quite different from existing products but satisfy the same needs. Thus, television to a great extent replaced radio.

(2) Replacements for existing products that are significantly from the existing goods. Instant coffee replaced ground coffee. Dry cereal manufacturers introduced new cereals and often discontinued existing ones that no longer fulfil sales and profit expectations.

(3) Imitative products that are new to a particular company but not new to the market. The company simply wants to capture part of an existing market with a product. The idea of new product is dependent on how the intended market perceives it. If buyers perceive that a given item is significantly different in characteristics (appearance, performance), then it is a new product.

In discussions of product policies, you will hear such terms as product planning, and product development. These terms, while related, do have different meaning.

Product Planning and Product Development:

Product Planning: "Involves all activities which enable producers and middlemen to figure out what should make up a company's line of product. Product planning takes into account the strengths of the firm and the profit possibilities of products to determine whether product development is feasible." 39

Product Development: "Includes the technical activities of product research, engineering and design. Here emphasis is on product innovation, or improvements. The production, research and engineering departments are involved." **40**

Activities centered around product planning and development include decision making in the following areas;

- Which product should the firm make and which should it buy?
- Should the company expand and supply its lines?
- Is the quality right for external use and markets?
- What brand, package and label should be used for each product?
- How should the product be styled and designed, and in what sizes, colours and materials hould it be produced?
- In what quantities should each item be produced, and what inventory control should be established?
- How should the product be priced?

2.11 Development of new products.

The following steps are likely to be followed to produce and develop a new product:

1. Generate new-product ideas: New product development start with ideas. These ideas normally come from salesmen, customers, non-marketing employees, consumers or industrial users, competitive products, trade associations, government agencies, research Organizations and inventors. The company's source of new ideas

should be identified, acknowledged and received promptly.

2. Screen ideas in a preliminary fashion: A manufacturer must make sure that there is an adequate market demand. The size and location of the potential market should be known. The product should fit into the company's marketing structure, and its present production structure. It should also fit from a financial stand-point. The product should be in keeping with the company's overall image, self concept and objectives.

3. Conduct technical research: Engineers and other technicians should determine whether they can produce the product in an appropriate quality within a satisfactory cost. In this case it is advisable to first establish pilot models, or small quantities should be manufactured and costing carried out.

4. Test the product: Initial testing should be in the laboratory to ensure adequate performance. The next step should be in the market, to determine its performance and consumer acceptance.

5. Concurrently plan the Marketing and Manufacturing Programmes: Here the product policies (Brand, packaging) are established along with distribution, pricing and promotional policies.

6. Conduct Market Test: Before introducing the product to the entire market, it is essential to test the full marketing programme in a limited geographical area and cost. This will help to eliminate any flaws in the product.

7. Enter the Stage of full Scale Production and Marketing: Up to this point, in the development process management has virtually complete control over the product. Once the product is "born" and enters its life cycle, the external competitive

environment becomes a major determinant of its destiny.

The first three stages are the least expensive, each stage becomes progressively more expensive in naira and scarce human resources.

2.12 Why New Products Fail or Succeed.

Many products fail because ideas or timing is wrong. The first three stages are designed to identify such situations.

In the various research studies regarding this question, the main reasons cited for failure of new products are as follows;

(a) Poor Marketing Research: This may be as a result of misjudging what products the market wanted. Overestimating potential sales of the new product and lack of knowledge of buying motives and habits.

(b) Technical Problems in New Product Design or Its Production: Poor product quality and performance; products that were too complicated, and especially products that did not offer any significant advantage over competing items already in the market.

(c) Poor Timing in Product Introduction: Product failure can be due to delays in bringing the product to the market or rushing too quickly to the market.

(d) Poor Management Practices: Lack of well-defined new product strategy, lack of a strong long term commitment by top management to new product development.

New Products succeed in the market because of the following reasons:

i) The product satisfies one or more market needs.

ii) The product is technologically superior and it enjoys a competitive cost advantage.

iii) The product is compatible with the company's internal strengths in key functional areas as selling and distribution.

iv) Top-management makes a long term commitment to new product development.

v) Strategies for new products are clearly defined. They enable a company to generate and relate new products that meet internal strategic needs and external market needs.

2.13 Packaging and Labelling.

Many physical products going to the market has to be packaged and labelled.

Packaging - Packaging can play a minor role or a major role. Some packages such as the coke bottles are famous all over the world. Many marketers have therefore called packaging a fifth P along with Price, Product, Place and Promotion. Most marketers however treat packaging as an element of product strategy.

We define "packaging as the designing and producing the container or wrapper for a product."[41] The container or wrapper is called the package. Package is one of marketing's vital tools because it creates awareness, attracts customers, communicates and presents an attractive visual appeal, for example, Omo washing detergent. The package may include up to three level of materials;

The Primary Packaging - is the product's immediate cover. Thus the bottle holding an after-shave lotion is a primary package.

The Secondary Package - refers to materials that protect the primary package and is discarded when the product is about to be used. The card board box containing the bottle of the after-shave lotion is a secondary package and provides additional protection and promotion opportunity.

The Supplying Package - refers to packaging necessary for storage, identification or

transportation.

"Labelling is part of packaging and consists of printed information that describes the product appearing on the or with the package." **42**

In recent times, packaging has become a very potent marketing tool. Well designed packaging can create convenience value to the consumer and promotional value for the producer. Various factors have contributed to packaging growing use as a marketing tool.

a) Self service - An increasing number of products are sold on a self-service basis in the supermarkets and discount houses. The package must now perform many of the sales task. It must attract attention, describe the product's features, give the consumer confidence, and make a favourable overall impression.

b) Consumer affluence - Rising consumer affluence means consumers are willing to pay a little more for the convenience, appearance, and dependability, and prestige of a better package.

c) Company and Brand Image – Companies are recognising the power of well designed packages to contribute to instant consumer recognition of the company or brand. Every film buyer for example immediately recognises the yellow package of the Kodak film.

d) Innovation opportunity – Innovation packaging can bring large benefits to consumers and profits to producers. Toothpaste pump dispensers have captured 12% of the toothpaste market because they are more convenient and less messy.

Developing an effective packaging for few products require a multitude of decisions.

i) The first task is to establish the packaging concept. The packaging concept is a definition of what packaging should basically be or do for the particular product.

ii) Decisions must be made on further elements of package design – size, shape, materials, colour text, and brand mark. Decisions must be made on how much text or how little text is to be printed on the package. The various packaging elements must be harmonised with the decision on pricing, advertising and other marketing elements.

iii) After packaging is designed, it must be put through a number of tests. Engineering test to ensure the packaging stands up to expectation under normal condition. Visual tests, to ensure that the script is legible and colours harmonious, dealers test to ensure that dealers find the packages attractive and easy to handle, and consumers to ensure favourable consumer response. Developing effective packaging for a new product may cost a few hundred thousands of naira take a few months to a year. The importance of packaging can however not be over emphasised.

Companies must pay attention to the growing societal concern about packaging, make decisions that save societies interest as well as immediate customers and company objectives.

Labelling.

Sellers will also design labels for their products. The labels may be a simple tag attached to the product or an elaborately designed graphic that is part of the package. The label might carry only the brand name or a great deal of information.

Label performs several functions:

i) Identification - It helps identify the product or brand.

ii) Grading – The labelling might also grade the products. For example, female bras are labelled A, B, or C.

iii) Description – The label might describe several things about the product; makers, where, when, what it contains and how to use it safely.

iv) Promotion – The label might promote the product through its attractive graphics.

Sellers should make sure that their label contains all the required information before launching new products.

2.14 Promotion.

Modern marketing calls for more than just developing a good product, pricing attractively and making it accessible to target customers. Every company is inevitably cast into the role of communicator and promoter.

What is communicated should however not be left to chance. To communicate effectively their must be effective sales promotion.

"Promotion is the co-ordination of all sellers initiated efforts to set up channels of information and persuasion to facilitate the sales of goods and/or services or the acceptance of an idea. "43 Thus, promotion involves sending messages to target markets and intervening middlemen through various markets communication media - advertising, personal selling, point of purchase materials, packaging and other media such as samples and coupons. The messages sent relate to various aspects of the overall marketing strategy that management feels might contribute to favourable buying responses on the part of middlemen, and members of target market segments.

Consumers derive both direct and indirect benefits from promotion. Promotion arouses desire, informs, entertains, and influences.

Its benefit to management is the shifting of demand curve to the right.

Forms of Promotion.

Personal selling and advertising are the best known forms of promotion. They are also the most important forms in terms of cost and market impact.

Personal selling is almost always an important part of promotional programmes and commonly supported by advertising. "Its mission is to match up specific products with specific customers on a person to person basis to secure ownership transfers." [44] In other words, personal selling seeks to pair up the right product with the right customer.

Basically it consists of communicating product and service features in terms of benefits and advantages to the buyers and persuading potential buyers to right kind and quantity of product.

Its effects is to push the product through its distribution channel.

2.15 Advertising.

Advertising is an impersonal form of promotion and involves "transmitting standard messages to large number of intended receivers. Its effect is to pull the product through the distribution channel by appealing directly to the product user." 45

The advertiser has a wide choice of message media; Radio, newspapers, magazines, television, etc.

Although the same message is used, it can be targeted specifically to selected prospects through appropriate media choice.

Pricing.

All profit organisations and some non profit organisations face the task of setting a price for their products or services.

Through most of history, price has operated as the major determinant of buyer choice. Price is the only element in the marketing mix that provides revenue. Yet many companies do not handle pricing well. The most common mistakes are: Pricing is too cost oriented, price is not revised often enough to capitalise on market changes, price is set independently of the marketing mix rather than as an intrinsic element of market positioning strategy, and price is not varied enough for different product items and market segments.

In setting the price of a product, the company follows a six step procedure:

a) The company carefully establishes its marketing objective(s) such as survival, maximum current profit, maximum current revenue, maximum sales growth, maximum market skimming, or product quality leadership.

b) The company determines the demand schedules which shows the probable quantity purchased per period at alternative price levels. The more inelastic the demand the higher the company can set its price.

c) The company estimates how its costs varies at different output level and with different level of accumulated production experience.

d) The company examines competitors' prices as basis for positioning its own price.

e) The company selects one of the following pricing methods:-

- Mark-up pricing,
- Target return pricing,
- Perceived value pricing,
- Going rate pricing and Seal bid pricing.

f) The company selects its final price expressing it in the most effective psychological way, co-ordinating it with the other marketing mix elements, checking that it conforms to company pricing policies, and making sure it will prevail with distributors and dealers, company sales force competitors, suppliers and government.

Companies adapt price to varying conditions in the market place.

i) Geographical pricing where company decides on how to price to distant customers.

ii) Price discount and allowances where the company establishes cash discounts, seasonal discounts and allowances.

iii) Promotional pricing where the company decides on loss-leader pricing, special event pricing, cash rebates, low interest financing, and psychological discounting.

iv) Discriminatory pricing where the company establishes different prices for different customer segments, product forms, brands images, places and times.

v) Product-mix pricing where the company decides on the price zones for several products in a product line and as the pricing of optional features, captive products, by products and products bundles.

When a company considers initiating a price change, it must first consider customers'

and competitors' reactions, customer reaction are influenced by the meaning he/she sees in the price changes. Competitors reaction flows from a set reaction policy or a fresh appraisal of each situation.

The firm initiating a price change must try to understand the competitors intent and the likely duration of the changes. If swiftness of reaction is desirable, the firm should then plan its reaction to different possible price actions by competitors.

2.16 Warehousing.

Every company has to store its goods while they wait to be sold. A storage facility is necessary because production and consumption cycle seldom match. Many agricultural products are produced seasonally whereas demand is continuos. "The storage function overcomes discrepancies in desired quantities and timing." **46**

The company must decide on a desirable number of stocking locations. More stocking locations means that goods can be delivered to customers more quickly. Warehousing costs go up however. The number of stocking locations must strike a balance between customers service levels and distribution costs.

Some company stock is kept at or near the plant, and the rest is located in warehouses around the country. The company might own private warehouses and space in public warehouses. Companies have more control in owned warehouses, but they tie up their capital and face some inflexibility if desired location change. Public warehouses, on the other hand, change for the rented space and provide additional services (at a cost) for inspecting goods, packa"ging them, shipping them, and invoicing them. In using public warehouses, companies have a wide choice of location and warehouses types, including those specialised in cold storage, commodities only and so on.

CHAPTER III

3.0 HISTORICAL BACKGROUND TO DAIRY DE~ELOPMENT PROGRAMMES IN NIGERIA

The National Dairy Study (NDS) reported here is a study of the Production, Processing, Marketing and Consumption of dairy products in Nigeria.

3.1 National Dairy Development Plan: A Historical Analysis.

The achievement and maintenance of the highest possible rate of increase in the standard of living of Nigerians have been the major objectives of the past four National Development Plans (first in 1962/68 to the fourth in 1981\85).

Given the well-established role of dairy development in providing better human nutrition and the alleviation of rural poverty, the absence of an organised dairy industry has contributed to Nigeria's continued calorie/protein malnutrition and the generally low standard of living. This is why some degree of attention has been given to the country's dairy industry in the more recent development plans.

The plan objectives of agricultural development during the First National Development Plan (1962/68) did not recognise milk or dairy development per se as a priority. Indeed. the plan only stated that considerable scopes existed for further expansion of meat and fish production. It went further to say that new techniques in animal husbandry will serve to ensure not only that Nigeria could produce enough meat that a growing export market could be developed. Nothing was said about the development of the nation's dairy industry.

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The second and third National Development Plan (1981\ 85) were operated for the Agricultural sector under the Green Revolution Programme, the major objective of

which was to ensure self-sufficiency in food and raw material production. The major highlights of the dairy projects proposed for the period were:

i) Establishment of integrated dairy projects with dairy farms, milk collection centers, expansion of processing plants, etc. Details are given in table 1.1.

ii) Establishment of new pilot dairies and urban dairy farms and expansion of some of the existing ones. Details are given in table 1.2.

Table 1.1: Nigeria: Proposed Dairy Development Projects Under the 4th National Development Plan (1981 – 1985) Integrated Dairy Projects

S/N	**Project**	**Description**	**Allocation N ('000)**	**Executing Agency**
1	Dairy Farm Project	4 dairy farm with 600 friesian cows each, to cater for dairy factories.	3,794.00	NLPC
2	Dairy Factories	Expansion of Kaduna and Minna factories to a 20,000 litres/day factory.	1,599.00	NLPC
3	Integrated Dairy Farm	Establishment of 3 x 200 – 250 cow dairy farms, milk collection centres; expansion of existing dairies to 500 cows each, plus central processing plant.	7,000.00	Bauchi State

Source:Peat Marwick Ani Ogunde Consultants; National Dairy Products Study, June, 92.

Table 1.2: Nigeria: Proposed Dairy' Develovment Projects Under the 4th National DeveloDment Plan (l981-1985)

Pilot and Urban Dairies

S/N	Project	Description	AIlocation N ('000)	Executing Agency
1	Pilot Dairy Plant	10,000 litre/day processing plant.	300.00	Benue State
2	Pilot Dairy	Pilot Dairy Farm	700.00	Anambra State
3	Dairy Centre	Pilot Dairy Farm centre at Kukawa	750.00	Borno
4	Pilot Urban Dairy	Pilot Dairy Farms at Aba and Owerri	150.00	Imo State
5	Pilot Dairy	Expansion of Shao Dairy Centre plus establishmrnt of a new farm.	1,000.00	Kano State
6	Dairy Production	200 dairy cow rearing plus 50 dairy goats at Ikenne, Odeda, and Imasai	900.00	Ogun State
7	Urban Dairy	Maintenance of 560 cows for production of 1.14 million litres of milk per annum.	599.00	Oyo State
8	Urban Dairy and Processing Plant	Establishment of 200 Friesian and 100 white fulani dairy and processing plant at Onne.	2000.00	Rivers State
	Total		**6,399.00**	

Source: Nationel Development Plan, 1981-1985.

3.2 The Importance of Dairy in National Economy.

The various activities of Nigerian Dairy Industry, viz. milk production, processing, marketing reconstituted milk products from imported powdered milk. The industry represents an important component of the Agricultural sector of the economy with great economic nutritional and social implications.

The importance of the dairy industry can be assessed in terms of its contribution to the major macro-economic variables such as employment and income. The industry provides means of livelihood for a significant proportion of the fulanies within the sub-humid and semi-arid ecological zones of Nigeria. These zones encompass the state of Sokoto, Kano, Katsina, Kaduna, Bauchi, Gombe, Borno, Gongola, Niger and parts of Kwara State. Pastoral activities also take place in parts of Oyo, Bendel, Ondo, Ogun, and Benue States. According to Food and Agricultural Organisation (FAO) 1988, an estimate of about 183,000 rural households derived some income from the dairy industry in 1986.

The dairy industry, though the commercial dairy processing plants and marketing segments contribute significantly to the national economy through employment creation and value added. This fact is demonstrated in Table 1.3 using data from four food organisation studies on industrial surveys between 197.0 and 1985

As at 1985, there were eight (8) dairy plants employing a total of 1,710 workers. The 1989 survey showed that there were sixty-three (63) dairy plants although most of them have been closed down.

Apart from the workers in the existing dairy plant, many others are employed in companies engaged in marketing of milk products from these plants and milk products imported into the country. In the same vain, thousands of middlemen make their living from selling milk products produced in Nigeria and those imported into

the country.

Milk consumption in Nigeria though limited when compared with consumption levels in Europe, America, Australia and New Zealand constitute a major source of food for bridging the gap between supply and demand for animal proteins in the diet of average Nigerian. Apart from milk from the cows, the industry also adds to beef supply of the nation when old bulls and low milk producing cows are slaughtered.

In addition to the excise duties and personal income taxes of workers in the industry tariffs on imported finished and semi-finished milk products had always been a ready source of revenue for government. Import duties on such milk products have been quite significant in the past twenty-five years as indicated on table 1.4. The import duties on milk products increased substantially in 1986 after the introduction of the Structural Adjustment Programme (SAP) as a result of the depreciation of the naira against other currencies.

The foregoing importance of the dairy industry to the Nigerian economy not withstanding, there are certain features of the industry that needs to be addressed in order to maximise the potentials of the industry. These will be discussed in subsequent chapters of this write-up.

Table 1.3: Number of Establishments EmDloyment Level and

Value-Added in the Nigerian Dairy Plants, 1974-1985

Year	Number Established	Number of Employees	Value-added N ('000)
1974	7	1,181	8,269
1975	6	961	4,218
1976	6	1,587	5,152
1977	7	1,525	8,270
1978	4	1,573	27,701
1979	6	1,668	34,481
1980	6	1,671	76,117
1981	6	1,491	20,084
1982	7	2,179	20,407
1983	8	1,767	24,907
1984	8	1,692	26,586
1985	8	1,710	26,050

Source: Federal Office of Statistics, Industrial Surveys of Nigeria 1970, 1980, 1983 and 1983

Table 1.4: Government Revenue From Duties on Dairy Imports, Nigeria, 1965-1989

Year	Duties (N)
1965	1,324,035
1966	604,757
1967	3,222,413
1968	6,310,931
1969	2,468,388
1970	2,415,271
1971	10,983,894
1972	4,602,349
1973	4,410,978
1974	1,918,675
1975	478,902
1976	734,385
1977	728,469
1978	22,311,800
1979	20,470,820
1980	22,520,813
1981	22,165,399
1982	22,545,353
1983	26,633,253
1984	20,344,367
1985	11,245,490
1986	12,615,406
1987	37,875,869
1988	48,745,647
1989	61,016,982

Sources: 1 Nigerian Tr&de Sum~ary
2. CBN Annual Report and Statement. of Account.

3.3 Justification of the National Dairy Development Study.

World food problems can be categorised into two clauses. One class consists of the problems related to energy deficiency problems which are easily predicted, recognised and averted. Protein deficiency related problems appear intractable, particularly in the third world countries. The long term devastating effects of malnutrition is reflected in high mortality and low growth rates. It also affects the mental ability of children and resistance to diseases. To prevent malnutrition, the protein content of diet must be increased to some minimum standards and one of the best known option to accomplish this is through the intake of more animal protein.

From the above, the need to develop the National Dairy Industry stems from three reasons: first is that Nigeria derives a considerable proportion of their animal protein needs from dairy products; second is that the domestic capacity to supply sufficient quantity of dairy products is grossly inadequate; the third reason derives from the escalated rises in prices of dairy products due largely to the depreciation of the Nigerian currency.

The option to Nigeria is to mobilise domestic resources for an efficient development of the nation's dairy industry.

3.4 The Federation.

The Kaduna Federation of vrnage Milk Producers Co-operative Association Limited (the Federation) is registered as No 2126 under section 7 of the Northern Region Co-operative Societies Law of 1956.

The objective of the Federation is to carry out activities conducive to the socio-economic development of the milk producers by organising, producing, procurement, processing and marketing of milk and milk products. In addition, the Federation

procures inputs, such as livestock feeds, veterinary drugs and supplies, seeds, fertiliser and equipment for the benefit of its member societies.

The Federation was registered on 8th May, 1992 to pursue this objective. So far, it has successfully organised twenty-seven (27) milk co-operative societies with a total of 1,117 farmers in Kaduna State. This has been accomplished under the guidance and assistance of the National Livestock Projects Division (NLPD) of the Federal Ministry of Agriculture and Rural Development. The programme is part of the pilot dairy development scheme, which is geared towards achieving the national objective of self reliance in milk and milk products under the Second Livestock development Project supported by the World Bank.

The number of villages desiring to set-up milk producers association under the umbrella of the Federation is rising. However, the Federation is unable to accept new societies or allow expansion of membership of the existing societies, as its ability to market milk is severely constrained by the limited processing capacity (2,000 litres/day) of the defunct Kaduna dairy Plant. The feasibility study conducted by Danish Consultants on the rehabilitation and operation of the plant indicates that about US$ 2 Million would be required for this purpose.

3.5 Organisation and Management.

Presently the operations of the Dairy Development Unit (DDU) is comprised of the operations of the spear head team which is mainly organising farmers into associations for their eventual registration as co-operative societies, inputs procurement and sell to the co-operatives when available, milk procurement, transportation, processing and marketing. The unit is also responsible for the operations and management of the dairy plant. The unit is headed by an Assistant Chief Livestock Development Officer (ACLDO), supported by seven other staff.

Two ACLDOs, one Principal Dairy Technologist, one LDO and one Assistant Chief Co-operative Officer seconded from the Kaduna State government.

In pursuant to the implementation of the agreement reached with the Bank during the last mission, there is need to clearly separate the commercial activities of the Dairy Development Unit (DDU), that is, the Federation from the development activities for the sake of accountability and the prudent management of resources. The commercial operations would be milk procurement and processing, marketing of milk products, inputs supply to farmers etc. While the development activities would be all those activities related to the development of farmer organisation and extension.

Orpanisational Structure.

a) Head of Unit: is responsible for the overall implementation of the dairy development programme in Kaduna state under the supervision of the Deputy Project Manager/Planning (DPM/P). He is to ensure the faithful implementation of the agreed work plan and be in constant liaison with the officials of the various societies as to ensure their continuous interest in the program. He would carry out all duties that may be assigned to him by the DPM/P.

b) Plant Manager: is responsible for the operation and the management of the plant. His responsibilities would include quality control, maintenance and would ensure that wholesome milk is delivered to the marketing section for distribution. He will report to the Head of Unit.

c) Procurement/Farmer Organisation Section: this section is responsible for the identification of milk producers and thc motivation and organisation of viable and operational co-operative societies. Thus under this section there would be input procurement and extension arm, milk collection arm and thc co-operative arm. The various arm heads would report to the head of section, while the sectional head would

report to the Head of the Dairy Unit.

It needs to be stressed that the support of the management is crucial to the success of the Pilot Dairy Program. No mention is made of vehicle equipment because at this stage all what is required is the approval of the management to implement the organisational restructure. Other needs of the unit would be prepared and submitted by the Head of Unit.

d) Funding: The Bank has already agreed to provide funds under the SLDP for the implementation of the pilot dairy program. Which means the operations of the Dairy Development Unit (Federation) would be fully funded by the project until such a time the federation is viable enough to take over. The role of the project would then be limited to monitoring, guidance and providing technical assistance.

However salaries and allowances of the staff will continue to be paid by the project. Any additional staff that is employed would have to be recruited under terms and conditions that obtain in the Federation. In addition all operations pertaining to the activities of farmer organisation like motor vehicle and operating costs, publicity materials is borne by the project. While all operations pertaining to milk procurement, processing and marketing is financed by the Federation (DDU). This is from funds that has been provided to the unit for which a separate account is opened.

CHAPTER IV

4.0 DATA ANALYSIS.

The interview questions seek to identity the nature and characteristics of markets for Milk and Milk Products, Pricing System, Storage, Distribution Channels and the Problems of Marketing of Dairy Products in the Federation.

4.1 Nature and Characteristics of Markets for Dairy Products.

Marketing of dairy products involves a large number of individuals - including the fulanis/pastoralist who are members of the federation, retailers, consumers and NLPD.

The marketing system follows the production pattern which distinguishes between traditional producers who operate mainly in the rural and peri-urban markets and the reconstituted dairy products producers, exporters who operate in the urban markets. We will not concern ourselves with the later.

4.2 Dairy Milk Markets (Source of Supply).

The interview question sought to identity the sources of supply of the Dairy Milk. In the interview it was noted that the marketing system whose products involve only liquid milk at the producer level is dominated by Fulani women and girls who are directly involved in the collection and sale of milk to the Federation.

The questionnaire was given to both the pastoralists and the Federation workers responsible for milk collection. The milk produced by the cows is for both household consumption and direct sale to the Federation who in-turn process and sell to consumers in form of fresh pasteurised milk and Yoghourt. It was noted that only about 60% milk collected is sold to the Federation. The remaining 25% and 15% goes

to house-hold consumption and wastage respectively.

Table 4.0: Showing Percentage Supply of Milk.

Milk sold to the Federation	60 %
Milk used for house-hold consumption.	25 %
Wastage	15 %
Total Milk Collected.	100 %

Questionnaire given to the Federation workers shows that they are 100% dependent on the Fulani pastoralists for their milk supply.

The projects has so far spearheaded the formation of 27 Village Milk Producers Association with 1,117 members in Kaduna State, of which 10 are registered.

4.3 Logistics of Milk Collection.

There are ten (10) collection points where Fulanis take their milk for sale. These points are namely Kachia Grazing Reserve, Karko, Kajuru, Gadan Gayan, Dokan Itu, Bango, Gayan Grazing Reserve, Jere, Janjala and Kuse.

The Fulanis hardly incur any cost transporting their milk to the centers, because the centers are sited in such a way that large concentration of fulani settlements are served and they can trek to the centers. 90% of those interviewed confirmed they trek. Only about 5% ride on bicycles and 5% send their products to be delivered through friends or relations.

The Federation in turn sends refrigerated vehicles to these collection centres to convey the milk to the plant for processing.

4.4 Processing and Storage Plant.

Information was gathered from the Federation record on this. The daily processing and storage plant is located in Kaduna. The plant was acquired (51%) during the Privatisation of Kaduna State Dairy Plant. Available information is inadequate to ascertain the output of the dairy plant over the years. However the milk collected from the various centers are transported to the plant for processing to fresh pasteurised milk and yoghourt.

The Fulani/pastoralists is not involved in the processing of the milk into fresh milk and yoghourt.

The plant has three (3) refrigerated vans which transports milk to the plant. The milk is collected in large aluminium cans for hygiene and easy handling and transportation.

Apart from two deep freezers for storage before sales and during sales, the Federation does not have storage facilities. The milk is stored at Okin drink company's cooling house. These also serves as the Federation cooling centers. This arrangement is made on the basis of annual rentage of the refrigerated space from the company.

4.5 Distribution Channels.

The five marketing channels which can be distinguished in the marketing of NLPD dairy products include-

Channel of Distribution.

1	Producer	-consumer channel
2	Producer	-Processor channel
3	Processor	-Distributor/Retailer channel
4	Processor	-consumer channel
5	Retailer	-consumer channel

The Producer in this case refers to the members of the Association; while the Processor refers to the Federation.

1. The Producers-Consumer milk marketing channel involves basically the primary producers (Fulani/Pastoralists) and the consumers of traditional milk and milk products. This channel is dominated by fulani women and girls who collect milk from cows for both household consumption and direct sales to local consumers. This has nothing to do with the Federation.

2. The Producer-Processor marketing channel is the primary concern of fulani herdsmen who sell directly to the federation through the milk collecting centers established by the federation to ensure economic returns to primary milk producers through remunerative prices for their liquid milk. This is especially during the rainy season when fulani herdsmen have large quantities of milk to sell. Please refer to table 1.0 which shows percentage supply of milk products to the Federation.

3. The Processor-Distributor/Retailer Marketing channel prevails in Kaduna where the federation sells directly to retailers who now assume responsibility of selling to consumers and other intermediate buyers such as supermarkets and bicycle boys. The retailers serve as intermediaries between the federation and the consumers. Sales activities in these channels are usually in large quantities.

4. The Processor-Consumer channel is essentially concerned with the processing of milk and manufacturing of re-constituted milk and products such as pasteurised liquid milk and yoghourt. This channel also prevails in Kaduna alone where the processing plant is located and where large concentrations of its products are sold.

5. The Federation has kiosks located in strategic places where sales are made directly to consumers. Consumers are also allowed to make direct purchase at the plant; ex-factory sales.

The retailer- Consumer channel is very widespread, covering both urban and rural areas. This channel is perhaps the most important since most dairy products pass through it. Retailers and consumers handle the bulk of the dairy product. Other bulk breakers such as bicycle boys and petty traders constitute the intervening layers between them. Retailers are the last channel members selling in both urban and rural areas. The federation itself serves as the largest distributor and retailer of its own products.

As a trial the pasteurised fresh milk and yoghourt is being sent to Benin, Kaduna, Kano, Maiduguri, Abuja and Jos for sample marketing. No measured impact has been made to determine establishment of larger market outlets in such areas.

Ultimate consumers obtain most of the products from the plant, which also serves as the depot Shops, bicycle boys and petty traders display the milk product for sale. There are kiosks also built at the NLPD offices which serve as market outlets.

Packaging and Labeling

The federation has two packaging methods, which are the cheapest, and most available in Nigeria presently which are:

i. Plastic Sachets

ii. Plastic bottles

These contain 330mls of milk and/or yoghourt. The fresh pasteurised milk is however usually sold by doling system. This means that customers/consumers have to come along with their containers to buy.

The bottles and sachet carry the name of the Kaduna Village Milk Producers Association Limited abbreviated as MILCOPAL.

In analysing the questionnaires it was observed that 80% of consumers prefer the bottled yoghurt but would rather buy the sachet yoghurt because its price is lower. Therefore about 60% of the customers buy the Sachet when it is available.

Table 4.1 Preference of Packaging.

1	Sachet	15% of the consumers
2	Bottle	20% of the consumers
3	Indifferent	05% of the consumers

Table 4.2 Sales rate because of packaging.

1	Sachet	60% of the consumers
2	Bottle	25% of the consumers
3	Indifferent	15% of the consumers

Advertising

The awareness of the product as different from other similar products of competitors among consumers is quite low, because of poor advertising strategy.

The only form of advert carried out for the product is on a few bill boards on the outskirts of Kaduna metropolis, and a few handbills distributed during the 1993/94 trade fair.

4.6 The Role of Middlemen.

The only noticeable middlemen in the dairy product marketing are retailers. The retailers play the traditional role of bringing the products to the consumer thereby reducing transaction cost of searching endlessly for the commodities.

The perishable nature of dairy products in this case fresh milk and yoghourt puts additional responsibility on the Federation to ensure that suitable preservation facilities are provided for the products. The retailers are thus expected to provide

time, place, and form utilities to the products. These roles are played at varying degree between the Federation and its retailers.

Because of the smallness of the scale of operation, there are no appointed distributor(s) for the products for now.

Pricing of the Milk and Milk Products.

The pricing of milk and milk products in this case covers the fresh pasteurised milk and yoghourt. Areas of emphasis include retail and wholesale pricing as well as marketing cost and margins.

The price of purchase from the producers by the federation has remained constant, it is not affected by seasonal variation whereby we have the flush season and the lean season.

The price at which the fulanis deliver the milk at the collection centers is at Nl 1.00 per litre.

Changes in the retail prices have varied too constantly between June, 1993 and May, 1994 due to increase in the cost of additives, transportation, sales and administrative expenses.

These changes are reflected as shown below;

Ex-factory Prices: '--------- ■ --- *2212
RARY

1st June, 1993 to 12th September, 1993.

N 8.50	Per	330ml Plastic bottle of Yoghourt
N6.00	Per	3 OOgrms Sachet of Yoghourt
N 4.00	Per	500ml Sachet of Fresh Milk

13 th September, 1993 to 1st November, 1993.

N 8.50	Per	330ml Plastic bottle of Yoghourt	Ex-Factory sale.
N 6.00	Per	300grms Sachet of Yoghourt	Ex-Sales outlet.
N 9.00	Per	300ml bottle out side Kaduna	
N10.00		Litre of Pasteurized Fresh Cow Milk.	
N 5.50		300grms Sachet of Pasteurised Fresh cow Milk.	

1st November 1993 to 15th November, 1993.

N9.00	per	330ml bottle of Yoghourt:	Ex-Factory and sales booths.
N7.00	per	330ml Satchet of Yoghourt:	Ex-Factory and sales booths.
N9.50	per	330nil bottle of Yoghouil	Outside Kaduna.
N7.50	per	330ml Sachet of Yoghourt	Outside Kaduna
N13.00	per	Litre of Pasteurised Fresh Milk.	
N800.00	per	Can of 40kg bulk Yoghourt.	
N1,000	Per	Can of 50kg bulk Yoghourt.	

16th November, 1993 to 22nd November, 1993.

N12.00	per	330 ml bottle of Yoghourt	Ex-Factory and sales booths.
N10.00	per	330 ml Sachet of Yoghourt	Ex-Factory and sales booths.
N14.00	per	330 ml Bottle of Yoghourt	Outside Kaduna.
N1,200.00	per	40 kg bulk Yoghourt.	
N8.00	per	500 ml Sachet of Pasteurised Fresh Milk.	
N15.00	Per	Litre of Pasteurised Fresh Milk.	
N12.00	Per	330mi Sachet of Yoghourt	Outside Kaduna
N1,500.00	Per	50kg bulk Yoghourt	

23rd November 1993 to 27th April, 1994.

N	10.00 per	330gm Bottle of Yoghourt	- Ex-Factory and Sales booths.
N	8.00 per	330gm Sachet of Yoghourt	- Ex-Factory and Sales booths.
N	12.00 per	330gm Bottle of Yoghourt	- Outside Kaduna (*near).
N	10.00 per	330gm Sachet of Yoghourt	- Outside Kadw~a (near).
N	13.00 per	330gm Bottle of Yoghourt	- Outside Kaduna (*Far).
N	11.00 per	330gm Sachet of Yoghourt	- Outside Kaduna (Far).
N	15.00 per	Litre of Pasteurised Fresh Milk.	
N	8.00 per	500ml Satchet of Pasteurised Fresh Milk.	
N	950.00per	40kg bulk Yoghourt in churns.	
N1,	150.00per	50kg bulk Yoghourt in churns.	

*Near in this case refers to Kano, Minna, Abuja and Jos. Far refers to Benin City,

Lagos, Port-Parcourt.

YOGHOURT

28th April, 1994 to *25th* May, 1994.

Kaduna.

			N	K
250 gm	Sachets	Wholesale Ex Factory		7.00
250 gm	Sachets	Sales Booths.		8.00
330 gmn	Bottles	Wholesale Ex Factory		13.00
330 gm	Bottles	Sales Booths.		14.00

Kano / Minna / Abija / Jos.

250gm Sachet	8.00
330gm Bottle	14.00

Lagos / Benin City / Port Harcourt

250gm Sachet	8.00
330gm Bottle	16.00

Others

150 gm Sachet (Whole sale)	4.00
150 gm Sachet (Reetail)	
One Litre of Pasteurised Fresh Milk.	15.00
40gm Bulk Yoghurt Can	1,10000
50gm Bulk Yoghurt	1,350.00

Changes in the prices of milk had changed too frequently between June 1993 and May, 1994. The percentage changes periodically have however never been up to 50%.

The frequency of this price changes indicates a lack of long term forecast on the part of the federation(MILCOPAL).

The sales price is considered too low because the difference that gives the marginal profit is low. Purchase price per Litre N11.00. Transportation cost to the plant is charged at N1.00 per Litre. Sales prices vary with differences in location and this is due to transportation costs incurred in transferring the products to such locations.

4.8 Marketing Costs.

The marketing cost of the traditional milk and milk products involving the fulani women and girls include the opportunity cost of itinerant movement from the homestead to sales points which is the foregone household work, transportation cost and the cost of rudimentary apparatus such as gourds and calabashes often used in the sale of milk.

Since fulani women move from place to place on foot to sell their products except on few occasions to distant sales points, minimal transportation costs are incurred. Transportation cost are very significant in respect of manufactured or processed products.

The Federation as a secondary distributor of milk and milk products incur transaction cost including movement cost of milk from collection centres and movement of milk to sales points. These costs vary depending on the location.

Apart from transportation costs, individuals involved in marketing of dairy products have to bear substantial capital investment in rented space and cooling facilities. The federation also bears substantial capital investment in rented space and equipment (the plant). The extent of commitment from one wholesaler to another varies depending on the volume of trade engaged in, as well as the level of transactions involved. While cost of equipment and space is significantly most important, miscellaneous expenses like staff salaries, maintenance costs, utility cost and the like also contribute largely to the marketing cost incurred.

NLPD Proposal Strategy to Increase Sales Volume.

Due to non availability of chilling system in the plant, fresh milk is sold hot, making it impossible for milk to be sold all through the day at the sales booths. Sales is therefore restricted to between two to three hours after pasteurising beyond which

milk cannot keep well. If milk is properly chilled shelf life is increased and sales can be done all day.

4.9 Weekend Sales.

Availability of chilled facility will enable the unit institute weekend sales of fresh milk. Since most people are off work, consumption increase and therefore increase in sales volume.

Building More Kiosks.

Building more NLPD kiosks to be scattered round Kaduna metropolis will increase the reach and spread of fresh milk marketed.

Negotiating Price Drops with Farmers

During the rainy season which is the flush season, farmers could be taken into confidence to accept a reduction in the purchase price of milk so that the federation can bring down its prices of fresh milk from N15.00 to N13.00 or N12.00 per litre during this season.

Independent Marketers.

Identifying and encouraging more independent fresh milk marketers.

Institutional customers.

If properly pasteurised, institutional consumers of fresh milk like hotels, restaurants, and snack shops will be interested in being supplied with fresh milk.

4.10 Advertising.

A sustained radio, newspaper and television advert will go a long way to informing the consuming populace of the availability of the product.

Problems Associated with Marketing of Milk and Milk Products in NLPD

Marketing problems of milk and milk products are encountered in both traditional and processed milk and milk products.

At the traditional level, problems associated with marketing of milk and milk products include inadequate infrastructure which has adversely affected the collection, processing and storage operations. The scattered nature of Fulani settlement does not encourage effective planning of infrastructural facilities in a way that ensures prompt supply of raw milk to the processing plant.

There is generally lack of organisational methods in the marketing of traditional dairy product. This situation has resulted in poorer price attraction to the traditional milk products in comparison to the manufactured and imported ones.

Poor standardisation has also affected the traditional dairy products such that variation in the quality of product is noticed as we move from one producer to another. This problem is due to lack of standardised methods of collection and processing fresh milk. Furthermore the fulani woman can only sell small quantities of milk because of her inability to preserve liquid milk as to be able to retain its
natural qualities and the attendant problems posed by the scattered nature of the collection point.

The marketing of processed fresh milk and yoghourt have similarly experienced inadequacy of infrastructures such as good roads. Transportation costs are increasingly becoming too high as to eat too deeply into the marketing margins accruing to marketers. The bulky nature of the product also contributes to high transport costs.

Also the equipment and space being used has posed a problem that cannot be over

emphasised to the dairy production.

The processing plant and building currently still belongs to Kaduna State Government since its so called acquisition in the last three years. In principle it was agreed that NLPD acquired 51% of the plant during its privatisation. This arrangement has not been concluded in writing. This has brought constant misunderstanding between the Project and the State Government, and therefore uncertainty as to NLPD's position with reference to ownership. The State Government has in-turn been sending bills on rentage since the former has not been concluded. Discussion is however going on with a view to setting the issue to rest finally between the two parties.

Equipment used in marketing of dairy products require substantial capital investment which is quite prohibitive - this equipment include refrigerated vans, cooling facilities and centres.

There are also logistic problems in the distribution of processed dairy products, which have very short shelf life. It is not surprising therefore that the Federation milk and milk product marketing is concentrated only in urban centres where the concentrated population offers good marketing prospects. Because the Federation can effectively serve a rather small coverage, the vast proportion of population in the rural and the semi-urban areas who may demand for these products are not served adequately.

Another major problem is marketing of dairy products in NLPD is pricing. Prices are not only unstable but generally on the increase. Unstable prices are not helpful to the consumers who will have to change their basket of purchases in line with changing prices. The high price, which is consequent upon the depreciation of naira, has discouraged consumers from buying dairy products.

There are over twenty competing Yoghourt brands available in Kaduna and other

markets. These Yoghourts are produced from skimmed milk powder and packed with the same 330ml bottles. Their prices are about 20% lower than that of NLPD. Reducing its prices to meet competing plastic bottles brand will lead to negative margin. But since there is no clear distinction because of poor labelling and packaging of NLPD Products, its sales are bound to be lower. There are also high marketing costs of maintaining a cooling centre.

Seasonality in production and consumption. The amount of milk produced depends on the season. Usually, the quantity of production is more during the rainy season and less during the dry season because of changes in feed regimes of the animals. Consequently marketing follows the same pattern of rising during the flush season and declining during the lean season.

Furthermore the local market for dairy products depend on the purchasing power of the people. Dairy products in Nigeria are regarded as food for high income group. And the fall in the purchasing power of many families due to SAP nowadays has thus created low demand for fresh milk and its products as the prices have gone up fairly high.

The culture of milk consumption is very poor in the country. This is why there is poor demand for milk and its products. Consumption is in the processed form of butter, evaporated milk and ice cream in the urban centre. The rural dwellers regard this as food of the elite, and therefore do not care about them.

The fact that income earned from dairy is only a minute fraction of the farmers' income does not give enough incentive to pursue a competitive marketing strategy for the products. This is a problem because the producers do not pay much attention in terms of good management required to produce optimum milk yield from the cows.

And finally the greatest problem hindering effective marketing of dairy products is NLPD/World Bank interference.

The Dairy unit (the federation) is expected to be self-financing; this is paying its staff and taking care of all its financial responsibilities without turning to the Project for assistance. But this is hardly viable because the prices are dictated thereby leading to very low profit and sometimes loses. There is restriction presently of milk collection centres to Kaduna State, alone which is grossly inadequate to meet its customer demands.

Recently, the NAFDAC carried out the destruction and seizure of fifty cans of Yoghourt, thus at the unit cost of Nl,200.00 per the total amount involved was N60,000. Other property destroyed was worth N64,267.50k bringing the cumulative total to N124,267.50k only of the federation's property destroyed. Their reason was that the Federation was not meeting the required standard of food production in Nigeria.

CHAPTER V

CONCLUSION

5.0 SUMMARY RECOMMENDATION AND CONCLUSION.

5.1 SUMMARY.

The marketing activities of the federation show to a reasonable extent, a good marketing effectiveness. The unit however still has its own marketing problems.

milk collection from Fulani herdsmen has associated problems. First the productivity of the local herds is quite low, and seasonal which means little milk actually produced and little still remains after household consumption by the Fulani family itself. Second the state of dairy equipment and infrastructure is sub-optimal, and third herdsmen do not appreciate the current pricing system which tend to preclude remunerative returns. The method of ensuring quality control of milk supplied by Fulani herdsmen still remains a challenge.

The cost of trading in milk and milk products in Nigeria is mostly transportation and services. Substantial capital investment in rented spaces and equipment is also associated with dairy production and marketing.

Specific marketing problems of milk and milk products in Nigeria include inadequate infrastructure for the collection, processing, storage, and marketing of the products. Prices have also been largely unstable.

Further problems of marketing dairy products include the lack of awareness of the importance of milk consumption among the populace. It is assumed to be food of the elite only. Extension services are therefore required to create awareness.

There is also the presence of competitors who use manufactured powdered milk to produce yoghurt which is passed on to consumers as similar quality with that of the Federation.

How to address these problems should be the general issue to be looked into by the Federation.

5.2 RECOMMENDATION

It is pertinent to note that there is no one package of solutions or best solutions suited to any problem situation because of the dynamic nature of business, consumer purchase habits, change in consumer tastes, environmental factors, and internal organisation. The recommendations here will be based on problems identified in the data available. It is hoped that the recommendations will aid the effectiveness of marketing by the Federation's marketing unit. The solutions are as follows:-Marketing concept holds that the key to achieving organisational goals in marketing consists in determining the needs and wants of target markets, and delivering the desired satisfaction more effectively and efficiently than competitors. To do this the marketing unit must adopt these four pillars on which marketing concept rests.

Market Focus - The boundaries of its market should be clearly defined. In the case of the Federation, to beat its competitors it should try to produce milk products for different categories of diet; low-fat milk, no-fat milk, and fatty milk. This is one aspect that is yet to be touched by other milk producers and marketers. With this, a high percentage of the market will be captured from competitors.

Customer Orientation - It is supremely important to satisfy customers basically because a company's sales comes from two groups; new customers and repeat customers. A satisfied customer will make a repeat purchase and attract new customers.

Co-ordinated Marketing: - Ml other units should liaise with the marketing unit to co-ordinate their activities - this creates effective communication and smooth running of the marketing activities. Secondly the various marketing functions -sales forces, advertising, marketing research etc. must be co-ordinated among themselves.

Profitability - The Federation should not only focus on customers, but try to make money by satisfying customer needs.

To do this some steps must be taken. These should be first and foremost government intervention in the following areas which can be referred to as external focus:-

Good Roads and Effective Communication.

Government should provide good roads to open up rural areas where cattle rearers are located. This is essential to facilitate effective milk collection, processing and transportation and therefore marketing activities. This will also aid communication process between producers and the federation.

Extension Services.

An enlightenment programme should be initiated to cultivate the milk drinking habit in potential consumers to stimulate demand. But to meet the demand there will also be the need to provide extension services to stimulate the interest of the pastoralists in milk production, marketing and educating them on basic hygiene method of milk processing to meet required standard.

Quality Control - Government should set up quality control standards through the establishment of the testing procedure to check milk adulteration.

Research - Research into dairy management, nutrition and economy should be well funded to establish the financial viability of dairy enterprises, and in order that products reach consumers at affordable prices, time and place and quantities.

Establishment of Veterinary Clinics.

Government should provide better health care services through the establishment of veterinary clinics. This will enhance good husbandry management of the dairy cattle and ensure higher returns to the producers.

Establishment of More Grazing Reserves. Continuous availability of feed resources all the year round for the dairy cows require the establishment of more grazing reserves in favourable location in the country. This effort will also minimise if not totally check the transhumance nature of the fulani settlement.

This government intervention will help a great deal in production and supply of milk to the federation.

The Federation will therefore be able to take the necessary steps to improve its marketing system and therefore high sales volume.

Competitors: To prepare an effective marketing strategy, an organisation must consider its competitor as well as its actual and potential customers. The Federation should always research into there competitor's objectives, marketing strategy, pricing objectives and other marketing efforts with a view to superseding them.

Packaging: The Federation should discard the use of the plastic bottles which is what 85% of Yoghurt and milk producers in and around the Kaduna metropolis use to

package their own products. There is the need for the federation to differentiate its products for easy identification by its customers and consumers. The use of plastic cups with tight lids will aid in differentiating the product. This may be more expensive, but consumers are willing to pay for quality nowadays.

Labeling: The present labeling used can easily be copied by sub-standard dairy and dairy product producers. The label should be printed on the package itself and not on papers.

The Federation must continue to strengthen its promotional efforts towards gearing the minds of Nigerians into buying milk and milk products. The use of personal selling and media advertising should be especially encouraged.

The Federation should ensure that aggressive marketing that will make the Federation the market leader, and other competitors followers, is carried out.

The proposal to negotiate with farmers to supply milk at lower prices during the flush season should be accepted. This will make up for shortages likely to be incurred during the lean season.

Ensure that actions and plans are relevant and consistently executed in accordance with the corporate marketing strategy.

Cooling centres are capital intensive, it is therefore advisable that the Federation should retain its present system of renting cooling space. However, since the Food and Drug Organisation has objected to the use of its present cooling centre, one that meets the condition and health requirement of the organisation should be sought and used.

Because of the seasonality of the product, and thereby its marketing pattern (flush and lean season) it is recommended that price should vary during the flush season (lower prices) and during the lean season (higher prices).

The NLPD/'World Bank intervention should be modified. The Federation should be allowed to determine its marketing strategy and Policy to meet local competition and local market environment.

The Federation should try its best to meet the requirement of the Nigerian Food and Drug Organisation. The quality control department or unit will therefore need to be adequately equipped and involved.

5.3 CONCLUSION.

Marketing effectiveness is a complex issue. Marketing effectiveness analysis, attempts to show whether an organisation understands and practices marketing, and if so, how well ?

According to Philip Kothler, there is a difference between sales effectiveness and marketing effectiveness. In the case of sales effectiveness, emphasis is on short term success, and in the case of marketing effectiveness emphasis is on stable long term growth. It must be agreed though, that the difference as it exists is quite subtle and usually hard for executives to spell out.

The general focus of this study has been on marketing effectiveness and effective marketing of dairy products by the Federation

The Federation has been quite devoted to marketing its products effectively, there is still however a lot left to be desired. There is the need to hold that the key to

achieving organisational goals consists in determining the needs and wants of target markets, and delivering the desired satisfaction more effectively and efficiently than competitors. The objective of the Federation should be not to aim for profit as such but to achieve them as a by-product of doing the job well.

Every Marketer should identity and analyse opportunities, strengths, weaknesses and threats and set priorities for overcoming or utilising them in order that company resources are put to best use.

The Federation should adopt suggested recommendations and a combination of the marketing concept and other concepts to achieve this.

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