STRATEGIES FOR EFFECTIVE MARKETING OF PETROLEUM PRODUCTS

A CASE STUDY OF UNIPETROL NIGERIA PLC.,

BY

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DECLARATION

I hereby declare that this thesis has been written by me under the close supervision of Mal. Ibrahim F. Okeji and that it is a record of my own research work at the Ahmadu Bello University. It has not been accepted in any previous application for a higher degree.

All sources of information have been specially acknowledged in the reference section.

A. W. Abdulrahman

1997.

Certification

This project report titled strategies for effective marketing of Petroleum Products. A case study of Unipetrol Nig. PLC., by Abubakar Wachiko Abdulrahman meets the regulations governing the award of the degree of master of Business Administration (MBA) of Ahmadu Bello University and is approved for its contribution to knowledge and literary presentation.

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Dedication

This project is dedicated to my parents - the late Mahmud K. Abdulrahman and Hajiya Fatima Kaka - Wodu who brought me to this world by the Grace of Almighty Allah.

ACKNOWLEDGEMENTS

My gratitude first and foremost goes to Almighty Allah for giving me the good health, the strength and the energy to undertake this course.

I am also grateful to members of my nuclear family Amina, Hajara, Hauwa, Mahmud and Aisha for their encouragement, support, patience and understanding during my weekend absences.

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Lastly I am grateful to the management of UNIPETROL NIGERIA PLC., for giving me the permission to undertake this course and allowing me free access to all the information, facts and figures that I required for this project.

ABSTRACT

This work has taken a look at marketing generally and particularly at marketing strategies as it affects the Marketing of Petroleum Products by UNIPETROL NIGERIA PLC.

The five strategies being presently adopted by the Company in its Marketing efforts are also highlighted and discussed.

Finally, for the reader to appreciate UNIPETROL'S contribution to Nigeria's Economic Development, an effort is made to look at the functions of the various departments within it as well as a brief history of the Company

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CHAPTER ONE

1.1 INTRODUCTION

Marketing stated in simple terms involves all the processes that are necessary to ensure that consumer needs and wants are kept satisfied always at a cost.

According to Rachman "Marketing is the function that involves itself with the management of the flow of goods and services from the producer to the ultimate consumer". To accomplish this, marketing reeks down more or less into several activities. These activities include:

(i) Collecting marketing information.
(ii) Developing marketing plans.
(iii) Determining the product mix.
(iv) Communication activities.
(v) Engaging in the management of physical activities.

Marketing that is done haphazardly cannot help any company. The use of strategies if properly implemented can help a company to achieve its goals effectively.

Today's marketing managers are faced with unprecedented challenges and opportunities. No longer can marketers operate in an increasingly competitive market place by relying only on providing what the consumer wants and or relying on the product life cycle to guide product decisions.

Marketing in today's turbulent business environment requires a higher level of sophistication and sensitivity. Fortunately marketing

managers have at their disposal the necessary resources to meet and overcome these challenges and also valuable, reliable, and applicable theories of marketing practice are being refined for eventual use by the marketing practitioners.

In the past, marketing, has been dominated by the consumer-orientation. Based on the valuable marketing concept, the consumer orientation, exhorted marketers to ascertain consumer needs before attempting to produce and market goods and services.

Presently, there is a clear split from the consumer orientation to the strategic orientation. The strategic orientation emphasizes that effective marketers must be aware of the needs of the consumers as well as being able to take cognisance of the challenges posed by competitors in the market place. Thus, marketers must somehow create a distinct competitive advantage in the market in order to assure long-run survivability. To come out with such a competitive advantage, marketers must evaluate their strengths, weaknesses, opportunities and threats (SWOT Analysis).

Marketing strategy must be created to accomplish marketing goals. In this sense marketing strategy goes hand-in-hand with marketing goals and objectives. It is the role or duty of marketing management to establish goals and to create the strategy necessary to accomplish these goals.

Therefore, if the accomplishment of the firms goals is the desired end of marketing activity, then strategies are the means for achieving that end. A strategy is a long term commitment of resources to achieve a specified goal in a competitive environment.

It is important to establish marketing strategies in order to accomplish corporate goals and objectives.

It is equally important to monitor and evaluate these marketing strategies once they are established.

For a marketing strategy to be successful, Seymon Tilles has suggested that the following criteria need be present:

(i) Internal Consistency: Compatibility must exist between marketing objectives and marketing strategies.

(ii) External Consistency: Relationship of marketing strategy to variables outside and beyond the control of the firm.

(iii) Resource Limitations/Capabilities: Strategy must be consistent with the capability of the firm to finance the appropriate product - service mix.

(iv) Time Frame: It must be placed within a time frame. By doing this it forces management to consciously consider and document the effort required to undertake new marketing programmes.

(v) Degree or Risk: Risk inherent must be considered on the basis of the absolute resources that have to be committed and proportion of the firms resources that must be allocated to the marketing programme.

However, different strategies are used to achieve different objectives, depending upon the purpose for which they are meant.

Marketing strategies are those that are concerned with selecting and analysing a target market and creating and maintaining an appropriate marketing mix. A marketing strategy is developed through and is the resulting strategic market plan. Through this process organisations can develop marketing strategies that when properly implemented and controlled will contribute to achieving the organisations overall goals.

To develop a marketing strategy all aspect of the organisation that interface with the market place must be considered. Usually several marketing strategies are used simultaneously in an effort to achieve the firms marketing objectives.

A marketing strategy encompasses:

(i) Defining and analysing a target market.

(ii) Creating and maintaining a marketing mix.

The strategy should outline or develop a blue print for making decisions about:

(i) Procurement: Purchasing, ordering, contracting, assembling, clearing and forwarding, storage and standardization.

(ii) Distribution: Salesmanship, channels of distribution, roles of middlemen, advertising and sales promotion.

(iii) Marketing Research: Gathering and analysing market information pertaining to:

(a) The Product: Uses, substitute, quality, market preference.

(b) The Consumer: Market prospect, distribution income, taste, preference, age, sex etc.

(c) The Market: Prices, Size, Degree of Competition etc.

These decision variables should be blended to serve the target market.

1.2 OBJECTIVE OF THE STUDY

Being a case study the basic objective of this research is to ascertain and examine the state of art as it exists in relation to the application of the marketing strategies in Unipetrol Nigeria PLC.

The other objectives of this study are:

(i) To highlight ways of marketing of Petroleum Products in Nigeria for effective geographical coverage and hence reducing Petroleum scarcity.

(ii) To determine factors that has made it possible for Unipetrol Nigeria PLC to operate profitably despite the uncertainties that surround the Nigeria Oil Industry.

(iii) To determine the extent to which marketing strategies of Unipetrol Nigeria PLC., has contributed in reducing the fuel scarcity in Nigeria.

In order to achieve the above objectives, an effort has been made to collect information on the following:

- The existence and sophistication of the marketing information system in the Company.

- Approach and procedure used by the company in planning its marketing function.

- Determination of the policies and strategies in respect of the various elements of the marketing mix.

1.3 SIGNIFICANCE OF THE STUDY

This study is of vital importance to Unipetrol Nigeria PLC. and other Oil Marketing Companies and the Country in general.

This study will be useful in developing an effective marketing strategy that would provide adequate geographical coverage in the marketing of Petroleum Products.

This study will also help in suggesting ways that will help in reducing the cost of marketing and distribution of Petroleum Product and also the timely and effective distribution of Petroleum Products.

1.4 STATEMENT OF THE PROBLEM

Observation have shown that the problem of marketing of Petroleum Products is due to lack of executive personnel in the area of strategic marketing to participate in the finishing of the organisation's marketing strategies and policies as it relates to Petroleum Products. The problem has attracted the attention of the Federal Government and key players in the Oil Industry and hence the need to find solution to it.

The Research problem therefore is what are the strategies for marketing of Petroleum Products?

The various policies and strategies that would be studied include:

(i) Production Decisions Policies and Strategies.

(ii) Pricing Objectives and Strategies.

(iii) Decisions on the system of distribution channels used and other aspects of distributions.

(iv) Promotional activities and customer policy.

(v) The overall marketing mix of the Company.

The researcher shall address the above issues with particular reference to Unipetrol Nigeria PLC.,

1.5 SCOPE OF COVERAGE:

The Study covers the period 1993 to date, this period is significant for some reasons. The period has witnessed a lot of Petroleum scarcity caused by the political crisis and the intermittent collapse of the Nation's refineries. The period also witnessed a lot of administrative reforms in terms of social and economic policy packages as envisaged by the various government which affects directly or indirectly the operations of Oil Companies in Nigeria in general, and Unipetrol Nigeria PLC., in particular.

For Unipetrol Nigeria PLC., it witnessed the establishment of more modern service and filling stations to the existing ones and the

introduction of certain aggressive marketing strategies with the objective of increasing market share, coverage and volume at the same time.

The study covers refined Petroleum Product (PMS Petrol), Duel Purpose Kerosine (DPK), Aviation Turbine Kerosine (ATK), and Automotive Gas Oil (AGO) as well as lubricants and other accessories.

1.6 LIMITATION OF THE STUDY:

The topic of the research is to say the least very sensitive to the organisation, because it borders on the survival of the Company, hence the staff of the company will not be willing to allow the researcher access to some important documents of strategic concern.

Apart from the above there is a dearth of literature on strategic marketing, there is also a limitation of both time and money. It should also be stated here that since it is only a case study one cannot generalize on the basis of findings based on this research.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION:

The ultimate goal of every organisation is to ensure that it survives. To do this it sets for itself goals and objectives which it hopes to attain. These goals vary depending upon the organisation; it may be board or narrow goals. However, it is generally agreed with every organisation, whether profit oriented or not to justify its existence on the attainment of these goals.

Marketing policies and strategies refer to those marketing activities that guide the organisation towards attaining marketing objectives and goals.

A definition and meaning of marketing, strategic marketing planning are therefore necessary in order to help readers to understand fully what the two terms mean.

2.2 WHAT IS MARKETING?

Marketing encompasses the activities of assessing public wants, tailoring and packaging a product to satisfy those wants, pricing and distributing, and encompassing its purchase by informing the potential buyers of its availability, marketing relates to all the activities that take place whenever goods and services are bought and sold.

Thus, in a broader term marketing may be defined as a process that, within societal constraints, attempt to establish satisfying exchange relationship between people and organisation with diverse requirements and people or organisation that seek to satisfy these requirements.

Mordern (1987) defines marketing as "an activities directed at satisfying customer needs and wants through exchange transactions in the market.

The United Kingdom Institute of Marketing's definition is that "Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

Philip Kotler (1980) asserts that various definition of marketing have appeared through time. "It has been described by one person or another as a business activities, as a group of related business activities; as a trade phenomenon, as a frame of mind; as a coordinate integrated function in policy marketing; as a sense of business purpose; as an economic process; as the process of exchanging or transferring of ownership of products; as a process of concentration; equalization; and dispensation as the creation of time, place and possession utilities; as a process of demand and supply adjustment and many other thing".

Each of the above definition only provide a useful and partial perspective or to what marketing is Kotler summarized the definition of marketing as human activity directed at satisfying needs and wants through exchange process.

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The importance of marketing have been described in various words. Stantz in his work fundamentals of marketing wrote "Aggressive

marketing policies and practice have been largely responsible for the high material standard of living in America. Today through mass low cost marketing we enjoy products which were once considered luxurious and which are still so classified in many foreign countries.

Sir Churchil in his own view argued in favour of marketing as follows "Advertising furnishes the consuming power of men. It creates wants for a better standard of living. It sets up before a man goal of better home, better clothing, better food for himself and his family. It snares individual exertion and greater production. It brings together in fertile union those things which otherwise we would not have met".

Kotler (1980) summarised the various position of scholar by maintaining that "Marketing makes a vital contribution to advancement and satisfaction of human and wants. The capacity of organisations to survive and prosper depends on their ability to continuously create value for target markets in a dynamic environment characterized by changing human needs and wants.

Some scholars even argued that the application of marketing and marketing strategies goes beyond its primary role in selling products in the market. According to Rachman (1974) "candidates for public office are relying more on developing what can be called a marketing strategy to bring to the voter their platform in the most favourable manner. Most campaigns use some of the tools of marketing such a advertising and promotions. In addition, candidates at all levels are concerned with the voter (consumer) and gain much of their knowledge about the voters through commissioned polls. Polls have been playing a major role in campaign planning, and actually influence the decision of many potential candidates to run

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Some authors disagree with the view that marketing plays an important role in economy. For instance R. R. Gist in his book "Marketing and Society" (1971) criticize marketing based on the following points:

(i) Marketing is Unproductive: This concept has developed from making a comparison with the production division of manufacturing. Production by definition changes the form of goods, from perhaps a raw material to a finished product. This of course strikes one as productive work in the sense that it changes the character of the goods.

(ii) Marketing Costs are Excessive: As noted previously marketing costs can be a considerable fraction of the total cost of a product. This criticism is difficult to answer in the sense that if one accepts the precise that marketing does provide needed services and performs needed economic functions as noted previously, then the issue becomes one of determining whether or not these functions are performed efficiently or not.

(iii) Marketing creates products that people do not need: When one examines the myriad of products that the consumer is presented with, one can easily arrive at this view. One could well wonder why the public needs to be presented with perhaps 10 different brands of products, when one meeting government standards could easily do.

2.3 WHAT IS A STRATEGY?

The word "strategy" is generally being used by different people in different manners. It is often used frequently just like the word marketing. The word strategy is freely being used in both casual and serious business conversation.

The word strategy is derived from the ancient Greek word "Strategic" which means "the art of the general". It is concerned with the key decisions required to reach an objective or set of objectives. However, strategies are now used to reflect the broad overall concepts of an enterprise operation. They often denote a general programme of action and an implied deployment of emphasis and resources to attain comprehensive objectives.

However, R. N. Anthony (1965) defines strategies as resulting from "the process of deciding on objectives, and on the resources based to attain these objectives, and on the policies that are to govern the acquisition, use and disposition of these resources".

A. D. Chandler (1962) defines strategy as "the determination of the basic long term goals and objectives of an enterprises and the adoption of courses of action and the allocation of resources necessary to carry out these goals".

G. A. Steiner and J. B. Miner (1977) define strategy as "the forgoing of Company missions, setting objectives for the organisation in the light of external and internal forces, formulating specific policies and strategy to achieve objectives and assuming their proper implementation so that the basic purposes and objective of their organisation will be achieved".

In our different endeavours, we have heard the word strategy being used for example, people talk of management strategy, military strategy, football, political strategy, armed robbery strategy,

religious strategy, reading strategy and a host of other functional areas of life in which the word strategy is often used. From the various ways in which the word strategy is used above, it connotes a mean to an end on how a predetermined goal can be achieved. As a mean to an end, a strategy is not just any plan, but is a plan programme that unified the operation of an organisation and it tries all parts and their efforts together toward achieving desired targets.

Strategies are perceived streams of decisions that are more or less integrated and actions as solutions flow to solve problems for the overall benefit of the organisation.

The purpose of strategies is to determine and communicate through a system of major objectives and policies, a picture of what kind of enterprise is envisioned. Strategies show a unified direction and imply a deployment of emphasis and resources. They do not attempt to outline exactly how the enterprises is to accomplish its objectives. (This is the task of policies and other supporting programmes), but they are a useful framework for guiding enterprises action and thinking.

It can therefore be seen that various definitions of strategy have been offered by various authors. However, all the definitions tend to agree that strategy includes schemes, courses of action, and manoeuvre for achieving a target, goal and objective.

Corporate strategies are therefore the schemes which management hopes to deploy in order to move the organisation from its present position to arrive at its target goal by the end of a specified period, recognising

that during the intervening period, a mass of changes are going to take place. Defined more technically, a strategy is a long-term commitment of resources to achieve specified objectives in a competitive environment.

Now that we have known what marketing and strategy both mean, we are in a position to bring the terms together as marketing strategy.

2.4 WHAT IS MARKETING STRATEGY?

A marketing strategy is a new positive move toward satisfying both present and future needs and wants of consumers (ultimate or Industrial), thereby placing your organisation in an advantageous position against your competitors even in a competitive environment. Marketing strategies can simply be described as basic approaches to the development of marketing activities which are directed at satisfying the consumer, by so doing achieving quick sales volume and increased profits. They are approaches used for tapping marketing opportunities in a competitive marketing environment.

Marketing managers who are responsible for developing and implementing marketing strategies, must at all times consider both controllable and uncontrollable factors that may militate for or against marketing plans. The controllable factors in this case comprises of the marketing mix elements (or the 4 Ps) such as possible, price, promotion and place, as well as other factors within the organisation. While on the other hand, the uncontrollable factors are those outside the organisation but present in the environment in which the organisation operates, these are; political, economic, cultural, technology,

social, plus other factors outside that can affect the operation of the business. By the uncontrollable nature of the external environmental factors, means that the business cannot change them, though an attempt can be made to influence their direction of turbulence, hence, creating opportunities that businesses with proper sensing can recognise and tap. Otherwise businesses as they manipulate their controllable factors, have to adapt to the environment at all times.

2.5. DEVELOPING MARKETING STRATEGIES

The marketing concept which is a managerial philosophy that started early 1950 has brought in a lot of changes and sophistication in the activities of marketing. Before the introduction of the marketing concept, marketing was production oriented. The market then was the king while the consumer was the servant.

With the introduction of the marketing concept, emphasis shifted from production to consumer oriented. Meaning that the consumer is the king. The marketing concept which is seen as a new business philosophy further states that sales managers must shift from an internal company prospecting to the customers viewpoints. This means that sales managers must know first needs to be served before determining which product or service can best satisfy them.

In an attempt to develop marketing strategies, the following philosophical marketing strategies must be used as the foundation on which other strategic moves can be built on. These emanate from the marketing concepts as follows.

(i) All Company's planning, policies and operating procedures must be consumer oriented.

(ii) The decision as to what product or service to be made available and how, must be gotten from consumer.

(iii) Marketers on a continuous basis must have a good knowledge of their customers to know their behaviour as it relates to the questions normally asked using what, when, where, why and how.

(iv) Marketers must endeavour to use effective means of communication in the application of sales promotion, personal selling, advertisement and possibly publicity.

(v) The customer must be made to realise that he is the most important person to the company by the type of treatment given to him as a person physically, through orders and even on the phone.

(vi) Marketing managers must realise that they depend on their customers to make sales and generate profit, as such customers must be made to have confidence on them also.

(vii) Customers must never be treated as if they are obstacles to the progress of the business but instead they should be made to feel that the business exists to serve them.

(viii) Marketers must develop the spirit that they are not doing a favour by serving their customers, but that customers are doing them a favour by giving them the opportunity to serve them.

(x) All markets must understand that a customer takes priority over everything else.

To develop marketing strategies, there is need to have information about the environment, competition, market characteristics i.e. supply and demand, the customer etc. Information in these areas do not come by managers realising on their swinging chairs, but through a conscious effort of going out to search and this will entail spending money, time and energy. Marketing research is a marketing activity that provides marketing managers with information for decision making and developing strategies. Modern marketing theory holds that the key to any business' success is, the ability to make timely and appropriate adaptations to a complex and ever changing environment with effective marketing strategies.

2.6. GUIDE ON DEVELOPING STRATEGIES:

Any strategy to be developed must consist of the following components:

(i) A definition of the desired future of scope of activities of the company must be clearly stated.

(ii) A statement of the competitive advantage of the company must by the use of the strategy be given.

(iii) A statement of the objectives to be achieved.

(iv) A statement of how resources required to implement the strategy will be allocated.

2.7. MARKETING STRATEGIES IN COMPETITIVE ENVIRONMENT

The present competitive environment is making top management think and act strategically. In this regard, top management of most organisations today are putting increased pressure on marketing executives to ensure that all strategic moves are consumer oriented, that is, keeping the consumers satisfied at all times.

Philip Kotler defines a marketing strategy as "a consistent, appropriate, and feasible set of principles through which a particular company hopes to achieve its long run customer and profit objectives in a particular competitive environment".

There are three important issues that have to be clarified in relation to the choice and use of a strategy at any given time.

First, the nature of competitive environment in which the company exists needs identification. This is necessary because each company faces different types of competitive environment at different times.

Secondly, the strategy appropriateness to the environment and the company in terms of suitability and benefit must be ascertained.

Thirdly, its feasibility with regards to the company's ability to execute the strategy in terms of human and material requirements.

Finally, consistency as it relates to the extent to which the chosen strategy can be in use for a reasonable period of time for the achievement of the stated benefits.

Generally, a company's marketing strategy will have to take the following factors into consideration:

(i) The Company's competitive size and position in the markets.

(ii) The Company's resources, objectives and policies.

(iii) The Company's marketing strategies.

(iv) The Company's target market's buying behaviour.

(v) The Company's stage of product life cycle.

(vi) The Characteristics of the economy.

Theoretically in a competitive marketing environment, marketing managers use different strategies depending on the provision their product or products are occupying in the market. It is important to note here that a strategy may be used for one or more products at a time.

In a typical market, firms occupy positions such as a market leader, market challenger, market follower and market nichers.

A MARKET LEADER STRATEGIES.

A market leader is a company with the largest market share in the sales of a product. To maintain dominance in a competitive situation, the company may pursue one or more of these three major strategies.

(i) Finding ways to cause the total market to grow larger.

(ii) To protect the current share of the market by using offensive and defensive strategies.

(iii) To expand the current market share further.

These major strategies are usually broken down into sub-strategies. To expand the total market, a dominant company may attempt to do so in three ways:

(a) By attracting new users to the product class, using market penetrating strategy or new market strategy or geographical expansion strategy.

(b) By discovering and promoting new uses for the product through research effort.

(c) By convincing people who are customers and users of the product for different occasions.

Protecting market share through good offensive and defensive strategies, the dominant firm can practice one of the following four strategies.

(A) **INNOVATION STRATEGY:**

Not being contented with present product or services but attempt to lead the Industry in new product ideas, customer services, distribution, cost cutting etc. In short the leader continuously creates new customer values to discourage competitors.

(B) **FORTIFICATION STRATEGY:**

The dominant firm in this case attempts to offer reasonable prices in relation to the perceived value of its offer to that of competitors and form to satisfy consumer preferences.

(C) **CONFRONTATION STRATEGY:**

This is normally done by waging promotional war i.e. engaging in massive promotional expenditure that competitors cannot match. This can take the form of better deals to trade price war etc.

(D) **HARASSMENT STRATEGY:**

This is achievable by the dominant firm through threat and pressure on major suppliers and distributors against competitors. It uses salesmen against competitors. Sometimes the leading firm may attempt to hire away excellent executives of an aggressive firm to curtail its aggressive activities. All the dominant firm can restrain its competitors through legal devices or lobby through legislation to get a law established that would be favourable to its competitors than itself.

EXPANDING MARKET SHARE:

Market leaders do try to grow through further expansion of their market share. This is because the studies by profit impact of market strategies (PIMS) indicated that profitability rises with market share. This studies established that, the average ROI for firms with under 10% market share was 9%. While on the average, a difference of 10% points in market share is accompanied by a difference of about 5% point in ROI.

This findings have made firms realize that they should not only strive for market dominant but to push their market share higher. Achieving a higher market share will increase their profits. Companies must know here that pursuing market share expansion can be both expensive and very risky, because competitors are not going to fold their hands watching their share of market diminishing, they would definitely fight back.

(B) A MARKET CHALLENGER STRATEGIES:

A market challenger is a firm which is occupying the second position in the sales of a product.

The market challenger can attempt to gain market share in three ways.

(a) By a direct - attack strategy (or generally called lead on strategy) in which the challenger tries to offer prices, better packages and effective advertisement campaign.

(b) By using back door strategy (enter or blindside). The challenger runs around the leader and never into it.

(c) By a guppy strategy of attacking smaller competitors rather than the leader in an attempt to gain market share more or equal to that of the market leader.

General, market challengers firm use strategies such as:

(a) Price Discount
(b) Offering Cheap Quality Goods.
(c) Prestige Goods.
(d) Product Proliferation.
(e) Product Innovation.
(f) Improved Services.

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(C) A MARKET - FOLLOWER STRATEGIES:

A market - follower is a firm that occupies the third position in the sales of a product. A market follower as the name connotes, does try to copy what the market leader and challenger are doing

in terms of prices charged, services offered, promotional strategies used and so on. This does not mean that market followers do not have strategies. In most cases they do attempt to hold on to current customers and win more if possible. They always try to identify areas by which they can achieve distinctive advantages e.g. in areas such as location, services, financing etc.

They are always ready to enter new markets and they do so by keeping their cost of manufacturing low and product quality and services high. Being a follower does not mean passivity or being certain copy of the leader. The followers do define what they need do to grow, but avoid any action that would create intense complication and relation.

(D) A MARKET NICHER STRATEGIES:

A market nicher is the firm that occupies the fourth position in terms of market share. Nichers have the least share of the market. These are smaller firms that attempt to find and occupy market nichers that can be served effectively through specialisation, and that major firms (Leaders, Challenger and Followers) are likely to overlook such major business areas.

2.8. MARKETING MIX STRATEGIES:

The marketing strategy is concerned with the development of a marketing mix. The firm is concerned with successfully matching its market offerings with market requirements.

The basic elements of the mix are:

- Product.
- Price.

- Distribution or Place.
- Promotion.

The marketing mix is the mixture of controllable marketing variable (4 Ps) that the firm uses to pursue the sought level of sales in the target market.

These variables should be "fine tuned' so that they are cost effective in reaching the marketing objectives. Marketers should try to stimulates sales through modifying one or more marketing - mix elements. Every marketing strategy must have a marketing mix as well as target market in which it would be applied.

Given the importance of the marketing mix in strategic market planning, a discussion of each of the variables in the marketing mix would be most helpful.

(a) **PRODUCT:**

A product is everything that one receives in an exchange, it is a complex of tangible and intangible attributes including functional, social and psychological utilities or benefits. A product can be an idea, a service, a good or any combination of these three.

When buyers purchase a product they are actually buying the benefits and satisfaction they think the product will provide.

Products fall into one of two categories. Products purchased to satisfy personal and family needs are consumer products. Those bought for use in a firm's operation or to make other products are Industrial Products.

Consumers buy products to satisfy their personal wants, while industrial buyers seek to satisfy the goals of their organisations.

Consumer Products can be classified into:

- Convenience Products.
- Shopping Products.
- Speciality Products.

Industrial Products are classified into:

- Raw Materials.
- Major Equipment.
- Accessory Equipment.
- Component Parts.
- Process Materials.
- Supplies.
- Industrial Services.

PRODUCT MIX:

A product mix is full list of all products offered for sale by a company. The structure of the product mix has dimensions of both breadth and depth. The breadth is measured by the number of product lines carried; its depth by the assortment of sizes, colour, and models offered within each product line.

PRODUCT LINE:

This is a related group of product in a product mix. A broad group of product intended for essentially similar uses and processing reasonably similar physical characteristics.

PRODUCT STRATEGIES:

To provide product that satisfy people in a firm's target market, a marketer must develop, alter and maintain an effective product mix. Seldom can the same product mix be effective for long. In some cases a firm needs to alter its product mix to adjust to competition.

1. PRODUCT MODIFICATION:

This strategy involves changing one or more of a product's characteristics or features. It is mostly employed in the maturity stage of the product life cycle to give a brand a competitive advantage.

Product moditification can take any of the following forms:

QUALITY MODIFICATIONS:

These are changes that relates to a product dependability and durability and are usually executed by alteration in the materials or production process employed.

FUNCTIONAL MODIFICATIONS:

These are changes that affect a products versatility, effectiveness, convenience or safety.

STYLE MODIFICATIONS:

These changes are directed at changing the sensory appeal of a product by altering its taste, texture, sound, smell or visual characteristics.

2. PRODUCTION DELETION STRATEGY:

To maintain an effective product mix, a firm has to get rid of some product as a product cannot definitely continue to satisfy a target

market customers. A weak product costs the firm financially. Too much time and resources are spent trying to revive it, and this reduces the time and resources available for modifying other products or developing new ones.

3. PRODUCT DEVELOPMENT STRATEGY:

Another strategy which an organisation could adopt is to develop a new product altogether. However developing and introducing new product is frequently expensive and risky. Lack of research has been cited as the leading cause of new product failure.

Although new product development is risky, failure to introduce new products can also be risky as competition may do so and capture the market.

Steps involved in new product development are:

(i) Idea Generation.
(ii) Screening of Ideas.
(iii) Business Analysis.
(iv) Product Development.
(v) Test Marketing.
(vi) Commercialization.

PRODUCT - LINE STRATEGIES:

Several major product - line strategies are used by organizations in marketing their products.

1. **EXPANSION OF PRODUCT MIX:**

A firm may expand its product mix by increasing the number of lines and or the depth within a line. New lines may be related or unrelated to the present product. A company may expand in both breadth and depth.

2. **CONTRACTION OF PRODUCT MIX:**

This is done either by simplifying the assortment within a line or eliminating an entire line. This strategy is usually used to eliminate low - profit products and to get more profit from fewer products.

Developing product and product line to satisfy the ever changing desires of customers is a demanding job. This essentiality is what the product policy is all about. It involves developing the right product which can be put in the right place and sold with the right promotion and price.

Developing the "right" product is not easy, not only are consumers needs and attitudes changing, but competition continually makes current product obsolete. Most Companies therefore organize their production and marketing activities along product lines.

PACKAGING:

Packaging involves the development of a container and graphic design for a product. A package is a vital part of a product. It can make the product more versatile, safer or easier to use. A package influences customers attitudes towards a product, which in turn affects their purchase decision.

PACKAGING FUNCTIONS OR OBJECTIVES:

Effective packaging materials serve certain functions or packages are designed to achieve certain objectives.

1. PRODUCTION:

Packaging protects the product and maintain its functional form. This prevents product tempering, reducing damages etc.

2. CONVENIENCE:

The size or shape of a package may relate to the products storage, convenience of use or even replacement rate.

3. PROMOTION:

Packaging may promote a product by communicating its features, uses, benefits and image.

4. DIFFERENTIATION AND IDENTIFICATION:

On the basis of size, shapes and labour etc.

5. INFORMATION:

Packaging provides information which helps the customer to make a purchase decision.

PACKAGING CONSIDERATIONS:

1. COST:

Cost is a major consideration in the design of packages. Marketers should try to keep the cost of packaging as low as possible. Organisations should also try to determine through research just how much customers are willing to pay for packages.

2. **SINGLE OR MULTIPLE PACKS:**

Management should decide whether to package the product singly or in multiply units. Multiple packaging is likely to increase demand because it increases the amount of the product available at the point of consumption.

3. **CONTINUITY:**

Organisations should consider how much continuity among package design is desirable. A firm may decide that all packages are to be similar or are to include are major elements of the design.

4. **PROMOTIONAL RATE:**

The promotional rate of packages should be considered during designs. It can be used to attract customers and encourage them to examine the product. Size, Shape, Colour and graphics have to be considered in package design.

PACKAGE DESIGN:

When packaging is primarily protective, design decisions are technical and involve comparative strengths list of materials and shapes. When package is primarily a promotional device its elements must attract customer attention, hold their interest and build their desire to buy. Package colour, size and shape are all important promotional items so decisions on these elements should reflect the target markets segments preferences. Package design must also consider convenience in product handling.

The package size decisions evolves from the appraisal of several factors, but the most important are the consuming unit and the rate of consumption. Findings on the consumption unit and rate of consumption sometimes have to be modified. When habit strongly influence package size.

PACKAGE COST:

The protection needed to deliver the item to the user in good condition determines the package minimum cost, but consumer preference and convenience often make it advisable to exceed this minimum. When a package is aimed at achieving certain promotional goals, its cost is usually higher than if it is solely for protection.

BRANDING:

A brand is a name, term, symbol, design or a combination thereof, that identifies a seller's product and differentiates them from competitors products.

A brand name is that part of a brand which can be spoken including letters, words and numbers.

A brand name is often a product's only distinguishing characteristic. Without the brand name a firm could not identify its products. Brand names simplify shopping, guarantee quality and allow self-expression. The element of a brand that cannot be spoken, often a symbol or design, is called a brand mark.

A TRADE MARK is a legal designation indicating that the owner has exclusive use of a brand or part of a brand, and others are prohibited by law from using it.

A TRADE NAME is the legal name of an organisation, such as Unipetrol PLC.,

BENEFITS OF BRANDING:

Branding can provide benefits to both buyers and sellers.

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BUYERS OR CONSUMER BENEFITS:

(i) **AID IDENTIFICATION:**

Brands aids buyers by identifying specific products that they like and do not like. Without brands product selection would be done at random.

(ii) **EVALUATING QUALITY:**

Brands assist buyers in evaluating the quality of products. A brand symbolizes a certain quality level to a purchase, and the person allows that perception of quality to represent the quality of the item.

(iii) **PSYCHOLOGICAL REWARDS:**

Brands provide psychological reward that comes from owning a brand that symbolizes status.

SELLERS OR MANUFACTURERS BENEFIT:

(i) **FACILITIES:**

Repeat Purchasing: Buyers became loyal to a specific brand and will continue to purchase it.

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(ii) **PRODUCT INTRODUCTION:**

Branding aids an organisation in introducing a new product that carries the name of its existing products which buyers are already familiar with.

(iii) **FACILITIES PROMOTIONAL EFFORTS:**

Promotion of each branded product indirectly promotes all other products that are branded similarly.

(b) **PRICING:**

The price of a product or service is a major determinant of the market demand for the item. Price will affect the firms competitive position and its share of the market.

The word price is used to describe the money value of an item with money being used as the common denominator of value. Price is therefore value expressed in terms of Naira and Kobo or whatever the monetary medium being used. Prices are expressed in many forms like charges, fees, fares, rents or simply price.

Pricing of products calls for a careful decision because if the price is too high people will abandon the product and if it is too low people will under - rate its value. Prices are not just set anyhow, they are set to achieve a certain objectives or goal. It is a highly visible element in the marketing mix and is powerful strategic weapon for the marketer.

OBJECTIVES OF PRICING:

Pricing objectives should flow from and fit with company objectives. They should be explicitly stated because they have a direct effect on pricing policies and the price determination methods which are employed.

1. **ACHIEVE A TARGET RETURN:**

Seeking a target return is a common profit - oriented objective. This may be a certain percentage return on sales or on investment. Some companies try to maximize their profit in as short a time as possible by setting high prices (skimming). These are mostly ones that do not anticipate immediate competition but expect so in the future. Others just want to make quick profit and move on to other business.

2. Maintain or Improve Market Share:

In some companies the major pricing objective is to maintain or improve the market share such companies believe in long term profits and they produce in large quantities and set lower prices.

3. Stabilizer Prices:

The goal of stabilizing prices is often found in industries that have a price leader. Companies seeking stability in their prices tend to avoid price wars, even when demand is declining. The companies are willing to forego maximizing profit in time of prosperity or short supply to earn a reasonable profit in less prosperous periods.

4. Meet or Prevent Competition:

Some companies price their products to meet or prevent competition: Companies trying to prevent competition entering or capturing the market usually set low prices to discourage competition.

5. Maximization of Profit:

Profit maximization has been said to be the major objective of most corporations. So companies therefore set their prices to reflect or attain this goal.

PRICE STRATEGIES:

Marketers must consider three major factors in determining the prices that they charge for their products and services. Costs, demand and competition. Thus most pricing strategies tend to be their cost oriented, demand oriented or competition oriented.

The various price strategies include:

1. **LIFE - CYCLE PRICE STRATEGIES:**

   It is important to anticipate price changes as product move through the various stages of the life cycle. As a general pattern prices tend to be high early in the cycle and fall as demand increases. Knowing when to adjust price is the key to strategic pricing over the life - cycle.

2. **PRICE LEVEL STRATEGIES:**

   In an effort to adopt to the competitive environment, firms review the pricing structure of the industry to determine if various price levels exists. Though these may be generally accepted price levels, some firms may be pricing above that level and others below it. Therefore prices tend to be either at the market level, below the market level or above its market level.

PRICE LINING STRATEGIES:

When a firm wants to compete in all levels of the market it may develop a full line of products to offer at various price levels. The seller in so doing can appeal to different buyers who are interested in different merchandise.

4. **TARGET RETURN PRICE STRATEGY:**

   Costs are major factors in the determination of price here. It is

necessary to develop accurate estimate of both costs and demand since costs are different for each level of output. From this data, appropriate prices can be developed to correspond with desired return on investment.

DISCOUNTS:

Discounts relates to deduction from list prices. The deduction may be in the form of cash or some other concession. Discounts are also given as buying inducements. Types of discounts include:

1. QUANTITY DISCOUNTS:

Quantity discounts are deductions offered from list prices by sellers in order to encourage customers to buy in large amounts; or to concentrate their purchase with them. Quantity discounts may be cumulative or non-cumulative. In cumulative quantity discount reduction is on the total volume purchased while non-cumulative quantity discount applies to single large orders. Non-cumulative quantity discount is given in order to encourage customers to buy in large quantities at a time while cumulative quantity discount is given when you want to tie down the customer to you. They are usually associated with perishable goods where the seller wants customers to buy fresh supplies frequently.

2. CASH DISCOUNTS:

This is price reduction to buyers who pay their bills promptly. Cash discount help in improving the sellers liquidity and reducing credit collection costs and bad debt. An example of how it works is: "2/10, net 30" meaning that payment is due within thirty days but the buyer can deduct 2% from the cost by paying the bill within ten days.

3. **TRADE OR FUNCTIONAL DISCOUNTS:**

These are reductions from the list price offered to buyers in payment for marketing other discounts include:

- **Seasonal Discounts:** To encourage off-season buying. This allow the seller to maintain steadier production during the year.

- **Allowances:** Here you have trade-in-allowance, promotional allowance etc. Promotional allowances are given to customers as payment for performing part or all of the promotion function.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 RESEARCH OBJECTIVES

Being a case study the basic objectives of this research is to ascertain and examine the state of art as it exists in relation to the marketing strategies in Unipetrol Nigeria Plc.,

3.2 RESEARCH DESIGN:

This study tries to draw its materials from both intensive literature search as well as on the basis of the case method approach. Data based on the latter was obtained from Unipetrol Nigeria PLC.,

(I) RESEARCH INSTRUMENT:

The major research instrument that was used is the interview. For using the case study method an exhaustive interview schedule of the structured type was used. This was further supported by personal observations.

Information was not only collected at the company level but also from the concerned distributors and retailers.

Customers interviewed were selected randomly and included car owners, drivers and adults from various spheres of life and income groups.

(ii) **DATA COLLECTION:**

The data used was obtained from both primary and secondary sources. The primary data was collected mainly through the use of oral interviews and personal observations carried out during the research.

The secondary data was obtained from the guideline on marketing strategies, Annual Reports, and channel of distributions of the company.

Before designing the interview schedule, some time was spent in observing the activities of the company, its distributors and customers. Personal interviews were used for the company staff, distributors and customers. This study of their various activities, is so as to help in the proper design of the questions.

This progression from observations to interview helped to give ample insight into the major marketing activities of the company.

(iv) **DATA ANALYSIS:**

Most of the questions that were asked required straight forward or direct answers, therefore the problem of analysing the data was not encountered. To further make analysis easier, most of the strategies were outlined to make for easy answering. No generalization were made, especially in cases where vague answers were supplied. However as much as possible, attempt were made to cross-check the information before any generalizations or conclusions were made.

(v) **PRESENTATION:**

In the presentation, the research first introduces the reader to the theoretical aspect of the topic being discussed, so as to make him conversant with it or to be able to better appreciate the analysis before going on to analyse the impact of such strategy on the company.

Five general strategies and tactics have been identified as being used in the marketing of petroleum products.

(a) **THE DAILY PAYMENT SYSTEM:**

The most important strategy that propelled UNIPETROL NIGERIA PLC., from its previous 8th position in the Industry before 1988 to its present 4th position in the Industry is the DAILY PAYMENT SYSTEM. Under this SYSTEM, Dealers operating Company owned stations are made to pay initial deposits ranging from one (1) to three (3) Million Naira depending on the size of the station. These deposits do not earn any interest. Thereafter products are now consigned to the station on a daily basis. The Dealers sell these products and Sales Proceeds realized from these sales are paid to designated Bank Accounts of the Company on a daily basis nation wide.

This system has three advantages:

(i) It makes available a lot of cash to the Company thereby enhancing the cash flow position of the Company.

(ii) A lot of time that was hitherto wasted between when a Dealer finishes selling and goes to the Bank to make a fresh Bank draft for new product consignments is completed eliminated.

(iii) It makes for availability of products at the stations regularly and continuously since the Company has the Dealers Security Deposit which it can fall back on in case the Dealer defaults as far as payment to the Bank is concerned. The Sales Representatives therefore continue supplying products to the station once the stock starts running low without the Dealer placing order as long as they are satisfied with the Dealer's Daily payment pattern.

(b) **FIELD MARKETING SYSTEM:**

This system has training officers in every division and their activities is coordinated and headed by a Retail Sales Manager. Those personnel are to implement various tactics that are geared towards providing and improving excellent customer service in the company's retail outlets nationwide.

(c) **LUBRICANT MARKETING SYSTEM:**

This strategy is mainly aimed at promoting industrial lubricant sales and of recent a lubricant department was created to enhance this strategy.

(d) **WEST AFRICAN MARKETING STRATEGY:**

This strategy is mainly aimed at establishing Unipetrol Nigeria PLC., presence in some West African States as an additional revenue stream to the company. Already the company has offices and outlets in Ghana, To go and Sierra-Leone where the company has its own refinery. The following become apparent from the analysis of the interviews:

The company produce and market various types of products such as Grease, LPG, lubricants of various grades and chemicals. The customers of the company products are mainly corporate bodies as well as Industrial Customers, such as Textile Companies, Cement Companies and Public (Motorists).

The company's refined products prices are determined by the Federal Government of Nigeria, that of lubricants and petrochemicals are arrived at through the internal working of the company.

The Company uses three (3) channels of distribution for their products (Retail Outlets, Sundry Customers and Industrial Customers). However, retail outlet operators are given preferential treatment in the allocation of the products.

CHAPTER FOUR

4.1 BRIEF BACKGROUND OF UNIPETROL NIGERIA PLC.,

Unipetrol commenced operation in 1956 as ESSO West African Inc., a subsidiary of EXXON Corporate, engaged in the marketing or petroleum products. In 1969 the company name was Esso Standard Limited.

Unipetrol Nigeria Limited emerged from an agreement executed in December, 1976 between the Federal Military Government and Esso West Africa Inc., shareholders of Esso Standard Nigeria Limited for sale of Esso Standard Nigeria Limited. The Company's name was subsequently changed to Unipetrol Nigeria Limited by special resolution in December, 1976. The Company became Public Limited Liability Company by a special resolution passed at an Extraordinary General Meeting on 1st March, 1991.

The Company is one of the major petroleum marketing Companies in Nigeria with a wide product range including Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Aviation Turbine Kerosine (ATK), Dual Purpose Kerosine (DPK), LPFO, Lubricant, Greases, Chemicals, Airfreshner and Bilumen. The Company Bilumen plants are located at Apapa and Port Harcourt while the Liquified Petroleum Gas and Lube Plants are located in Warri and Kaduna respectively. The Lube Plant in Kaduna is one of the modern plant of its kind in West Africa. The Company is the leader in bunkering activities and also a key marketer of Dual Purpose Kerosine. The Company owns a number of terminal deport facilities and more than 300 outlets all over Nigeria for storage and dispensing of refined Petroleum Products to serve the huge domestic market in Nigeria.

The Company is also involved in the development of downstream activities in National Gas Industry with a joint venture participating in foreign technical partner (Ukraine Oil and Gas Committee) and a Nigeria Oil and Gas Marketing Company (Champion Oil Limited).

4.2 INTERNATIONAL BUSINESS

The Company is also an exporter of Nigeria refined Petroleum Product on Commercial basis to USA, Europe and West and other part of Africa and also long term supplies agreement with most of the Countries in the sub-region.

4.3. DEVELOPMENT AND GROWTH

In December 1989 Unipetrol in conjunction with the Nigeria National Petroleum Corporation (NNPC) formed a joint venture company. Stallion Property and Development Company Limited for the development of properties in strategic locations.

Unipetrol holds 49% interest in Stallion while NNPC holds 51%. As at 31st December, 1990, Stallion Property has invested over =N= 70 Million Naira in the development of high rise office complex along Ajose-Adeogun Street, Victoria Island Lagos. It intends to undertake similar investment in other strategic locations throughout the country.

The Company in conjunction with private investors formed a joint venture company (TAB Nigeria Limited) for importation of automobile accessories such as Engine Serving Plants, Batteries, Headlamps, Food Mats, Tyres etc.

4.4. ORGANIZATIONAL SET - UP:

The write - up being about the marketing strategies Unipetrol Nigeria PLC., uses in marketing its products, the organisational structure of the company will be viewed from the perspective of the marketing department and hence emphasis will be on the functions of this department, although other departments within the Company's Organizational Structure will be mentioned.

In Unipetrol Nigeria PLC., the marketing department is headed by an Executive Director. Next to the Executive Director is the Marketing Manager who takes supportive responsibilities for all retail business matters. In the marketing department, the principle of decentralization of authority is fully applied. In other words Unipetrol Nigeria PLC., has six (6) regional offices headed by Divisional Managers who reports directly to the marketing managers. The offices are located in Lagos, Ibadan, Benin, Port Harcourt, Kaduna and Kano.

The Divisional Manager has under their portfolio Area Managers who report directly to them. Warehouse Supervisors, Lubricant Sales Engineer in charge of lubricant sales, Maintenance Supervisors, Cashiers, Accounts Clerks and Depot Supervisors who works directly with NNPC (PPMCC) depot in each area, all report to the Divisional Manager through their respective Sectional Heads.

Head Office personnel in Retail Marketing Department support service in form of opinion pool survey and rendering general professional advice. To a large extent, the divisional office administration has an expenditure limit up to =N= 100,000 (One Hundred Thousand Naira) at any given situation and he approves and pays all local loading.

4.4 MARKETING SYSTEM IN UNIPETROL NIGERIA PLC.,

The entire Unipetrol Nigeria PLC., Marketing Department is made up of three (3) departments:

(i) Retail Marketing Department.
(ii) Commercial Department.
(iii) Lubricant and Chemical Department.

The Retail Marketing Department takes responsibilities for the marketing of Unipetrol Nigeria PLC., Product through its retail outlet network nationwide. The retail outlet network (service stations) are classified into two major dealer owned Stations and Company owned Stations. Currently Unipetrol has 350 Stations in various parts of the Federation.

The Company markets the following products, throughout its retail outlets.

(i) Fuel (Diesel, Petrol and Kerosine)

(ii) Lubricant (XL Super, Unilube HD40, SM OR 40)

(iii) Merchandising Product (Items which are sourced and branded in Unipetrol logo from reputable international organizations.

Apart from the network of service stations as a form of reaching the customers, consumers, the company also operate through the peddlers which uses increasing the sales of Kerosine, the peddling

business is a form of increasing turnover through which Unipetrol scout for customers that possesses Ownership of trucks and buy Kerosine from Unipetrol Nigeria PLC., at an invoice price lower than the pump price. The main marketing strategy in this segment of the market is pricing. Unipetrol undertakes competitive pricing on a periodic basis to guarantee a fair market share. Unipetrol Nigeria PLC has no investment in this class of trade, except minor handling charges (cost), currently Unipetrol has in this category of business and thus, account for 5% of her total sales.

4.31. DEALER OWNED/DEVELOPMENT LOCATIONS.

These types of locations are built by individual businessmen but are allocated marketing equipment like pumps, underground tanks and Unipetrol logo to serve as memo of identifications. Under this category, the individual entrepreneur signs trade/dealership agreement with Unipetrol Nigeria PLC., which jointly promote the natural interest of both parties. All these business relationship are conducted strictly along the lines of dealership agreement.

The main feature of the agreement includes that, the dealer purchases a specific minimum quantity of each class of product as well as lubricant exclusively from Unipetrol Nigeria PLC., on a monthly basis subject to the sales potential of the service station and availability of product from NNPC as they enjoy monopoly of products supply. In this regard, violation of this agreement through sourcing of products from competitors (Mobil, Texaco, Africa Petroleum, Total, Agip, National) and other independent marketers will result in termination of the business relationship as Unipetrol's investment in the location will be withdraw.

Currently, Unipetrol Nigeria PLC., has 100 functional dealer-owned stations all over the Federation, this category of the retail operation account for 21.5% of the entire Unipetrol Nigeria PLC., business operation. Business relation under this category is on credit/cash basis. Dealers come with bankdraft equivalent in Naira of Products which may be fuel or lubricant they intend to buy/purchase.

The Federal Government regulates the open market selling price of all fuels, this means that each marketer is compelled to sell at a uniform selling price. In this regard, Unipetrol invoices its dealers owned outlets at the open market price and give commission on the volume purchased in the month under review.

In addition, Unipetrol Nigeria PLC., provides professional advice on all related marketing matters, secure operating license from Department of Petroleum Resources (DPR, NNPC), provide adequate and reliable maintenance need free of charge to ensure that the stations function as expected. In this category of business, the main marketing tools remain the provision of competitive dealers margin review so as to attract or retain the patronage of those class of trade. In other words, dealer margin in this regard is on an ongoing basis subject principally to changes in cost structure as determined by NNPC and what competitors offer similar category of business in their marketing system.

Another major marketing tool in this class of trade is constant monitoring of these dealers activities to ensure that they do not purchase fuel from independent marketers who invariably sell at a lower cost due to less overhead they carry when compared with major marketers of which Unipetrol is one.

The main purpose of this monitoring is to ensure that adequate return are realised from the stations, the monitoring process is done on a monthly basis through the use of its computer system by company what each of the service station (actual) with monthly objectives figure. In a case where there is wide negative variance between the objective and the actual and its investigated and discovered that it was not the inability of Unipetrol to supply product but that the dealer's flirt with competitors, such dealership agreement is automatically terminated.

Currently due to high cost of Petroleum Products and the commensurate low margins, these category of dealers enjoy 30 days credit limit or all the product purchase or same they are asked to pay 50% of their total supplies in advance. This system enhances the dealers liquidity and allows him priviledge to improve on his fuel purchase.

4.3.2. COMPANY OWNED DEVELOPMENT LOCATIONS

The same principle that governs the dealer owned outlets operators is also applicable to company owned outlets as described above, but with the following modification.

1. Dealers in this category are appointed on merit after paying the compulsory security deposit attract by the station, the minimum for any location is =N= 500,000.00.

2. Company developed locations are properties or investments of Unipetrol Nigeria PLC., and dealers appointed can be terminated. In some locations the land is owned by Unipetrol and in other

locations the station are built on leased piece of land. Agreement on lease are entered into with the respective landlords and are subjected to review at the expiration of current agreement. The Divisional Manager and Divisional Accountant has the head office approval to negotiate new rents with landlords and advice management appropriately.

(a) All investment funds for this type of locations are provided by Unipetrol.

(b) Dealership appointment is principally a prerogative of Unipetrol management.

(c) The dealers enjoy a monthly commission which is determined by monthly volume of sales of lubricants and fuels.

4.3.3. PEDDLERS:

This is another channel through which Unipetrol Nigeria PLC., achieve its target, the peddling activities is a system in which individuals possesses their own truck purposely to lift Kerosine alone for NNPC through Unipetrol. In other words Unipetrol Nigeria PLC., has no investment at all in this category of business. Unipetrol pay commission to this category of customers which is the highest among the marketers.

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4.3.4. AGENTS

The agents are referred to as Gallonage Stations or reselling points. This category of customer sell fuel and lubricants after obtaining necessary from NNPC Inspectorate.

The margin they enjoy is in line with what is applicable to the Unipetrol Operators. Unipetrol may provide tanks to these purely on economic basis. Unipetrol's major marketing tool in this regard is provision of equipment, while in the case of the peddlers, pricing (margin to peddlers) is the cardinal marketing strategy.

4.4. SUPPLY AND DISTRIBUTION

The Supply and Distribution Unit is headed by S & D Manager. This Department takes responsibilities for the conveyance of Fuel (Petrol, Diesel and Kerosine) and Lubricants (XL Super, Unilube, C340, Hydrowl etc) until recently when the Lubricant and Chemical Department is created to exclusively handle the product, distribution and marketing of lubricant form relevant sources to their specific destination, the Federal Government does not allow oil Companies to buy trucks or aim to haul Petroleum Product. Hence transporters are employed to render this services. The government fixes an elastic freight rate contingent on zones which all marketers are mandated to pay these transporters/ contractors. The zones are based on distance.

The Petroleum equalization fund concept takes care of all the funding arrangement in this matter for bridge products, each market is refunded from this Account and Fund Bridged Products are fuel moved from Southern depot to augment supplies in the Northern part of the country.

4.5 COMMERCIAL DEPARTMENT:

The Commercial Department in involved principally in marketing of Fuels (Diesel, Petrol and Kerosine) LPG and Lubricants to Industrial Customers.

The Industrial Customers normally operate on credit basis. In practice a preliminary investigation is conducted on the financial viability of each of them before approval is given for credit limit which must be redeemed on a monthly basis.

The Commercial Department has principally two (2) other operating units within it. These are Aviation Unit which specialises in the marketing of Aviation fuel to major airlines (Kabo Air, Nigeria Airways, Okaka Air, ADC and International Airlines) while the Bunkering Department sells bunker fuel, to ships for export.

CHAPTER FIVE

SUMMARY AND RECOMMENDATION

5.1 SUMMARY

The objective of this study among other things:

(i) Highlight ways of marketing Petroleum Products in Nigeria for effective geographical coverage.

(ii) Determine factors that have made it possible for Unipetrol Nigeria PLC., to operate profitably despite the uncertainties that surround the Nigeria Oil Industry.

The study shows that Unipetrol mission in the area of marketing has been total marketing network planning that is towards a systemic analysis, nationalisation and optimisation of the market investment chain for increased profitability and maximum return on capital employed.

The Company produces and markets the following product:

(i) Petroleum Products (PMS, AGO, & ATK).
(ii) Various grades of Lubricants.
(iii) Greases
(iv) Liquified Petroleum Gas (LPG) and
(v) Petrochemicals.

The buyers of the company's products are motorists as well as Industrial Customers, such as Textiles, Cement Companies, Airline etc.

The prices of the Company's refined product and lubricant are determined by the Federal Government of Nigeria and management respectively. In the case of lubricant provision of discount is normally made one high volume purchase.

The Company make use of three (3) channels of distribution in the marketing of its products. These are retail outlets (service stations), sun-dries customers and peddlers. the organisation of the company's sales force is decentralised system of sales administration with each sales area reporting to the Division Manager. There are five general strategies/ tactics the company uses in the marketing of Petroleum Products and Lubricants, these are:-

(i) The Daily Payment System.
(ii) Field Marketing System.
(iii) Lubricant Marketing System.
(iv) West Africa State Strategy and
(v) Servicing strategy.

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5.2 CONCLUSION

The major conclusion to be drawn from this study is that despite Unipetrol Nigeria PLC'S mission of total marketing network planning geared towards a systematic analysis, nationalisation and optimisation of its marketing investment chain for increased profitability, the company still operate as if it does not have any mission.

Government control of certain aspect of the Company's activities has made it difficult for the smooth functioning of the marketing department.

Absence of well spelt out criteria for measuring the effectiveness of some of the tactics the company presently used has also made it difficult for the tactics to achieve the desired objective.

Finally most of their strategies/tactics place emphasis elsewhere rather than on the following:

(i) Consumer market analysis which should be updated and formulated to the Head Office from all divisions from time to time.

(ii) Technical Service Support are not adequately provided and this factor alone increases the customer complains and

(iii) Seminar and training programmes are organised for Industrial Customers to educate them on the qualifies of the Company's Lubricant.

5.3 RECOMMENDATION

The Company should be a little more flexible in the application of some marketing policies. The marketing department should be allowed to use its discretion in determining what is best for the Company without interference from top management.

Management should allow the marketing department to use its initiative when it perceives the circumstances or situation to be different from that in which the same policies were used to achieve a certain objective. "Contingency" policies should be developed for implementation if the set policies fail to achieve the desired target or goal.

They should show how to respond to critical changes in factors that would affect the Company's decisions. Rigid adherence to laid down policies should therefore not be made binding upon the Company.

The Company should broaden the scope of its promotional activities. It should learn to take the initiative. It should not wait until its competitors have launched a promotional campaign before also doing so.

The marketing department should be more actively involved in designing campaigns rather than always having to rely on external agencies which might also be the ones used by its competitors.

Adequate compensation should be marked out for the Company's personnel to commensurate with what is obtainable in the Oil Industry.

A well developed and trained maintenance team should be formed to be paying regular visits to each and every retail outlet to augment the Divisional Maintenance Team efforts; they will be charged with the responsibility of making sure that all the station equipment are functional.

The personnel of the Company must be adequately trained, from marketing, to technical department irrespective of one's position, to give room for proper succession plan.

An effective promotional mix which includes advertising, sales promotion and personnel selling should be developed to educate consumers and Industrial Customers alike.

Finally, decentralisation of activities should be considered for easier decision making.

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