

# **STRATEGIES FOR MARKETING BOOKS IN NIGERIA:**

*A Case Study of the Ahmadu Bello University (ABU)  
Bookshop **Limited Zaria** and Kola Bookshop Enterprises Limited Zaria.*

**BY**

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***MBA/ADMIN/6843/1992 - 93***

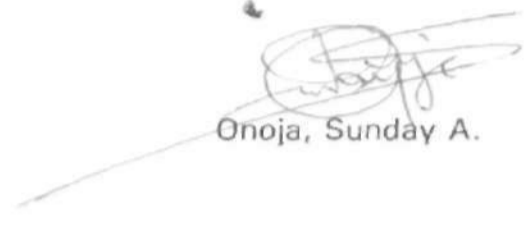
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Department of Business Administration,  
Faculty of Administration  
Ahmadu Bello University, Zaria.

**July, 1998.**

DECLARATION

I declare that the entire project has been my research work apart from the references, journals, seminar papers, relevant literatures. I bear responsibility for research, interpretations expressed in the project.




Onoja, Sunday A.

DEDICATION


This project is dedicated to my son, Joshua Ojonugwa Onoja-Reuben and my wife Grace Ojonide Onoja.


**CERTIFICATION**


This is to certify that this project is an original work undertaken by Onoja A.S. G92BAP7205 in fulfilment of the requirements and regulation governing the award of the Degree of Masters of Business Administration (MBA) of Ahmadu Bello University (ABU) Zaria, and hence is approved for its contribution to the body of knowledge and literary presentation.

  
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## TABLE OF CONTENTS

Title Page	Page
Declaration: ... ..	ii
Dedication ... ..	iii
Certification ... ..	iv
Acknowledgement ... ..	v
Table of Contents ... ..	vii
List of Tables ... ..	ix
List of Figures ... ..	x
Abstract ... ..	xi
 <b>CHAPTER ONE:</b>	
1.1 Introduction ... ..	1
1.2 Statement of Problem and Objectives of the Study ... ..	2
1.3 Justification for the study ... ..	3
1.4 Scope and Limitation of the Study ... ..	3
1.5 Methodology... ..	4
1.6 Definition of terms used in the study ... ..	4
 <b>CHAPTER TWO: LITERATURE REVIEW</b>	
2.1 Introduction ... ..	8
2.2 Definition of terms ... ..	9
2.3 Marketing Strategies ... ..	14
2.4 Product Strategy ... ..	25
2.5 Product Portfolio ... ..	36
2.6 Pricing Strategy ... ..	41
2.7 Distribution Strategy ... ..	46
2.8 Sales Promotion Strategy... ..	51
 <b>CHAPTER THREE: HISTORICAL BACKGROUND OF A.B.U. BOOKSHOPS LTD. AND KOLA BOOKSHOP LTD.</b>	
3.1 Introduction ... ..	63
3.2 ABU Bookshop (Nig.) Limited ... ..	63
3.3 Organisational Charts ABU Bookshop Limited ... ..	64i
3.4 Management Functions ABU Bookshop... ..	65
3.5 Staffing ABU Bookshop Limited ... ..	67
3.6 Aims and Objectives of Establishing ABU Bookshop Limited ... ..	67
3.7 Financial Performance ABU Bookshop Limited ... ..	67
3.8 Table 1 Annual Operating Results of ABU Bookshop Limited (1987-1900) ... ..	68
3.9 The Kola Bookshop Enterprises Limited ... ..	68
3.10 Organisational Chart of Kola Book Shop Limited ... ..	70

3.11	Staffing at Kola Bookshop Limited	...	...	...	71
3.12	Financial Performance of Kola Bookshop Ent. Ltd.	....	...	...	71

**CHAPTER FOUR: DATA ANALYSIS**

4.1	Introduction	...	...	...	73
4.2	Product Strategy	...	...	...	73
4.3	Pricing Strategy	...	...	...	75
4.4	Promotion Strategy	...	...	...	75
4.5	Distribution Strategy	...	...	...	76
4.6	Organisational Chart	...	...	...	76
4.7	Table 3.8 Page 68 Performance Analysis	...	...	...	77
4.8	Smuggling and Pirating	...	...	...	78
4.9	Marketing Concept...	...	...	...	78

**CHAPTER FIVE: CONCLUSION AND RECOMMENDATION**

5.1	Introduction	...	...	...	80
5.2	Conclusion	...	...	...	80
5.3	Recommendation	...	...	...	81
	Bibliography	...	...	...	84-87
	Questionnaire	...	...	...	88-92

## LIST OF TABLES

Table	Description	Page
3.8	Annual Operating Results of ABU Bookshop Limited (1987-1990)	

## LIST OF FIGURES

Figure Description	Page
2.1 Hypothetical Market Structure ... ..	19
2.2 Sales and Profit Life Cycle ... ..	26
2.3 Four Introductory Market Strategies ... ..	27
2.4 Rejuvenation Strategies ... ..	35
2.5 Product Categories in the product Portfolio ... ..	38
3.3 ABU Bookshop Limited Organisations Chart ... ..	64i
3.10 Kola Bookshop Enterprises Limited Organisational Chart ... ..	70

**ABSTRACT**

This study is concerned with Marketing Strategies of books in Nigeria, "A Case study of the Ahmadu Bello University, (ABU), Zaria Bookshop Limited and Kola Bookshop Enterprises Limited Zaria. The study examines the use of marketing strategies and takes a thorough and critical analysis of how the two bookshops apply marketing strategies to increase sales volume and profitability.

The study goes further to examine the relationship between the bookshops and publishers with a view to ascertaining how they complement each other in applying marketing strategies. It also examines such variables as inventory control, personnel and organisational structure of the bookshops to determine how effectively these have contributed to the business performance.

Recommendations have been made as to how the bookshops can improve their performance through the application of marketing strategies.

# CHAPTER ONE

## 1.1 INTRODUCTION

*In the separate studies conducted by the Centre for Management and Welton Solomon and Association, marketing was found to be the most neglected managerial function in Nigeria.<sup>1</sup> These studies confirmed an earlier study by Drucker "that Marketing was the least developed and the most backward part of the economic system."<sup>2</sup> There is no doubt that development efforts can be frustrated by lack of linkage process between the points where goods are produced and where they are consumed especially where management fail to appreciate efficient marketing strategy.*

*It is evident from the state of affairs in this country that those charged with the responsibilities of distribution lack this appreciation. An efficient marketing strategy is very essential for the rapid growth of an economy as it is concerned with production and distribution with emphasis on maximisation of the consumer's satisfaction through the purchase of goods/services at a price which is profitable to him and the producer.*

*Marketing itself involves "all those human activities by which goods and services flow from the producer to the ultimate consumer."<sup>3</sup>The marketing sector is very large in Nigeria because a large proportion of labour force is engaged in distributive trade.*

*But the marketing strategy is generally not efficient resulting in high prices of goods and services. When marketing strategy is efficient, cost will be reduced and this will increase profit margin. An efficient marketing strategy makes it easy to bring goods to the door-step of consumers through promotion and consumer education.*

*A full realisation of the benefits of efficient marketing strategy is essential for economic development. In other words it is only through efficient marketing strategy that the*

benefits of the resources of a given country can be equitably enjoyed by the community in a free enterprises economy. Formation of government marketing agencies and institutions is not the cure for a faulty marketing strategy. Knowledge and skill in marketing science is a pre-requisite for the success of a free enterprise economy. Consequently, this study is directed at investigating the marketing strategies in the book industry in Nigeria. The Ahmadu Bello University (ABU), Zaria Bookshop and Kola Bookshop Limited Zaria have been selected as a case study for comparative purpose.

(ii) **Review of Chapters:**

This study will examine the marketing strategies of books in Nigeria. Chapter one states and explains definition of terms, statement of problem and objectives, justification for the study, scope and limitation of the study and methodology used for gathering data for the study. Chapter two reviews literature by eminent scholars on development of marketing and other marketing strategies. Chapter three traces the historical background of the ABU and Kola Bookshops Limited, their organisational structures and business performance. Chapter four deals with the data analysis of the researcher's findings and finally chapter five offers some concluding recommendations.

**1.2 STATEMENT OF PROBLEM AND OBJECTIVE OF THE STUDY**

Successive government economic policies have continued to affect business performance in every aspect of the Nigerian economy, including the books industries. So much that production of goods and services have been on the decline. Most firms have been producing below normal production capacity while some due to the harsh economic

environment have been forced to fold up.

This phenomenon has not spared the book industry. But, unbelievably, preliminary investigations reveals that despite public cry of book scarcity and decline in published books, publishers and book sellers have continued to record excess book stock in the warehouse and inventory.

The objective of this study therefore, is to find out what has been responsible for the excess book stocking. Whether this is due to marketing problems, and if so, what appropriate marketing strategy(s) should be applied to tackle and overcome the problems.

### **1.3 JUSTIFICATION FOR THE STUDY:**

The research study findings will be useful to Ahmadu Bello University, Kola Bookshops Limited, book sellers and publishers in selecting appropriate marketing strategies to promote and stimulate increased demand for sale of books.

Another justification for the study is that, when books remain in stock for too long unsold, they are always a victim of government policy changes, which at times render some of them obsolete and outdated. For instance, the abolition of advanced level course in favour of the ordinary level (6-3-3-4) has adversely affected demand for A-level text books. thus an early disposal of stocks using appropriate marketing strategies would minimise the impact.

### **1.4 SCOPE AND LIMITATION OF THE STUDY**

The scope of study is "Strategies for marketing books in Nigeria, A case study of Ahmadu Bello University and Kola Bookshop Limited in Zaria."

The choice of the two bookshops was necessitated by proximity, because in the present

harsh economic condition cost of travelling outside Zaria, especially to far away towns to carry out the study, is enormous and in beyond the researcher's economic means. Since the study is not founded by an external grant from the researcher's meager resource.

The time allowed to complete this project is limited to arrange for visits to other bookshops outside Zaria. Other limitation encountered was restricted access to records and in some cases inadequate records kept. The limitation have made it difficult getting required data and information necessary for the study.

### **1.5 METHODOLOGY**

This study was extended to some book publishers in Zaria such as the University Press Limited, Ahmadu Bello University (ABU), Press Limited and Longman Press Limited.

The researcher paid several visits to ABU and Kola bookshops Limited and interviewed some staff there while some were most questionnaires. In the case of the ABU Bookshop Limited, the researcher was able to browse through many records from than in Kola Bookshop Limited.

In carrying out this study, therefore, primary and secondary methods were used for gathering data.

### **1.6 DEFINITION OF TERMS IN THE STUDY**

Just like any other discipline. Business Management have not it's own terminology(s) which are expressed and used by people in the Business Management. These words are not often understood by non-business people, hence some of such terms are defined here.

**Market:** Marketing has been defined as people with needs to satisfy, money to spend and willing to spend it.

**Market Segment:** Market segment means categorization of customer into groups according to their particular requirements so that appropriate approaches, in terms of selling services and pricing policies could be established for each of the segment in order to meet their different needs.

**Market Segmentation:** This has been defined as involving a process of dividing a market into smaller more homogenous market.

**Target Markets:** The marketers can identify these segments and set targets by taking into consideration the characteristics of potential customers in these segments and attempt to meet their requirements or needs.

**Selling:** This has been defined as the personal or impersonal process or assisting and/or persuading a prospective customer to buy a commodity or a service or to act favourable upon an idea that has commercial significance to the seller.

**Marketing:** This has been defined as the performance of business activities that attract the flow of goods and services to the consumer and user.

**Marketing Mix:** This has been defined as the apportionment of effort, the combination, the designing, and the integration of the elements of marketing into a programme of "mix" which on the basis of an appraisal of the market forces, will best achieve the objectives of an enterprises at a given time.

**Product:** This is defined as anything that can be offered to a market for attention acquisition or consumption. It includes physical objects, services,

personalities, places, organisations and ideas.

**Price:** This is defined as value expressed in terms of naira and kobo or any other monetary medium of exchange such as dollars and cents, pound sterling.

**Promotion:** This is defined as any payment for communications whereby the company informs, persuades or reminds potential customer about itself, its products or its services.

**Distribution:** The idea of distribution entails moving the product from the factory to a convenient location, from where it can be easy for the consumer or buyer to see the product, analyse it and eventually exchange it for monetary value.

**Marketing Strategy:** This is defined as a managerial process of analysing market opportunities and choosing marketing positions, programmes and controls that create and support viable business that serves the company's purpose and objectives.

**Channel of Distribution:** This is defined as the various marketing institutions through which goods are transferred to the ultimate consumers and/or Users.

**Physical Distribution:** This is an aspect of a channel of distribution that lays emphasis on the transportation of the goods from the producer to the middle-men to retailers and/or consumer/users.

**Advertising:** This is essentially a means of spreading information, through various media, e.g. magazines, newspapers, television, radio broadcast and posters.

**Personal Selling:** This has been defined as a direct, oral promotional communication

between representatives or marketer organisations and current or prospective customers.

**Marketing Concept:** The marketing concept is the philosophy of the business or attitude of management which maintains that the focal point of the entire is the consumer. This refers to all the variables under the firms control that can affect the level of demand. The variables her are products, prices, place or distribution and promotion.

#### **REFERENCES**

1. Nigerian Journal of Business Management Fred Atoki, Publishing Company Limited, September/October 1979. Vol. 1 No. 4 Page 153.
2. Ibid
3. Michael J. Baker, Marketing: an Introductory Text (1982; pg.4) The Macmillian Press Limited.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1 INTRODUCTION

This chapter reviews literature on marketing. This includes definition of terms, products, marketing strategies, elements of marketing mix, price, promotion, advertising, physical distribution, marketing management, marketing research and marketing concept.

### 2.2 DEFINITION OF TERMS

- i. **Market:** In marketing the term market has many usages. According to William J. Stanton (1981) "Market is defined as people with needs to satisfy, money to spend, and willingness to spend it"<sup>1</sup> Philip Kotler (1980) defined market as "the set of all actual and potential buyers of a product".<sup>2</sup>
  
- ii. **Target Market:** Successful marketing is generally marked by skillful matching of the firm's product or services against a particular appropriate or relevant market. Thus according to William T Ryan (1981) "The idea of target market is based on the concept of market segmentation - the thought that any market with divergent demands (heterogenous) will consist of a number of smaller markets. The markets can identify these segments and set up targets by taking into consideration the characteristics of the potential customers in these segments and attempt to meet their needs".<sup>3</sup>
  
- iii. **Market Segments:** The aim of developing segments within a firm's market is to categorize customer groups according to their particular requirements so that

appropriate approaches in terms of selling, services and pricing policies could be established for each of the segment in order to meet their different requirements.

- iv. **Market Segmentation:** "By making use of this concept, marketers approach their customers as a number of separate groups, each with a special reason for the way in which it buys and uses a product."<sup>4</sup>

Aaker and Day (1983) defines market segmentation as the development and pursuit of marketing programmes directed at sub-groups of segments of the population that the organisation could possibly serve."<sup>5</sup>

In line with the above definitions Eugene J. Kelley (1972) defines market segmentation as involving a process of dividing a large market into smaller more heterogenous market."<sup>6</sup>

- v. **Selling:** It is extremely difficult to define selling since it is an ordinary daily affair. However, the American Marketing Association defines selling as the personal or impersonal process of assisting and/or persuading a prospective customer to buy a commodity or a service or to act favourably upon an idea that has commercial significance to the seller."<sup>7</sup>

Wingate and Nolan (1976) defined selling as "the process of assisting and/or persuading a prospective customer to buy a beneficial product or services or to act upon an idea that has business significance to the seller."<sup>8</sup>

- vi. **Marketing:** Before the modern marketing concept was introduced, marketing was taken as distribution as there was limited promotional activity. The factory was

concerned on how to increase output that demand for them will provide the market. Modern marketing definitions and practice have reverted the assertion. Michael J. Baker (1982) defined marketing as "the performance of business activities that direct the flow of goods and services to the consumer or user."<sup>9</sup> William G. Nickels (1970) defined marketing as "those activities performed by individuals or organisations either profit or non profit, that enables facilitate and encourage exchange to the satisfaction of both parties."<sup>10</sup>

- vii. **Marketing Management:** A recent concept in marketing, marketing management is defined by Philip Kotler (1980) as "the analysis, planning implementation an control of programmes designed to create, build and maintain mutually beneficial exchange and relationships with target market for the purpose of achieving organisational objectives. It relies on a disciplined analysis of the needs, wants, perceptions and preference of target and intermediary markets as the basis for effective product design, pricing, communication and distribution."<sup>11</sup>
- viii. **Marketing Mix:** According to Michael J. Baker (1981) the idea of a mix of marketing was conceived by Professor Neil Bordon of the Harvard Business School as "a schematic plan to guide analysis of marketing problems through utilisation of:-
- (a) A list of the important forces emanating from the market which bear upon the marketing operations of an enterprise.
  - (b) A list of the elements (procedures and policies) of a marketing programmes."

He went on to say that "The marketing mix refers to the apportionment of effort, the combination, the designing and the integration of the elements of marketing into a program of "mix" which on the basis of a appraisal of the market forces, will best achieve the objectives of the enterprise at a given time.<sup>12</sup>

Supporting the above definition, Ronald B. Marks (1981) defined marketing mix as involving four basic element vis-a-vis, "product, distribution, pricing and promotion."<sup>13</sup>

Professor K. Jerome McCarthy called these elements the 4P's of marketing mix.

Kenneth E. Runyon (1982) defined marketing mix as some combination of product, place, promotion and price. In addition, he added a fifth P - Planning to emphasize that an effective marketing does not happen by chance: it is a thoughtfully designed undertaking.<sup>14</sup>

a. **Product:** The term product has been defined in the context of physical attributes and functions. Jon G. Udel et al (1981) defines "a product as a bundle of potential satisfactions produced by nature and industry, to be sold in the market place."<sup>15</sup>

Philip Kotler (1980) defined a product as "anything that can be offered to a market for attention, acquisition, use or consumption": it includes physical objects, services, personalities, places, organisations and ideas.<sup>16</sup>

b. **Price:** For quite a long time economists have considered price as a predominant component of marketing strategy. Donalds S. Watson (1972) gave a simple meaning of price as money value per physical unit e.g. ten cents per pound.<sup>17</sup>

W. J. Stanton (1981) defined price as value expressed in terms of dollars and cents or any other monetary medium of exchange.<sup>18</sup>

E. Runyon (1982) expressed that the term is used to describe how objectives are to be accomplished. Thus strategy statements communicate the principles used in selecting and/or utilising various marketing strategies, media strategy, product strategy, copy strategy and so forth.<sup>24</sup> According to W. F. Gluek (1980), strategy is a unified comprehensive and integrated plan relating the strategic advantages of the firm to the challenges of the environment. It is designed to ensure that the basic objectives of the enterprises are achieved.<sup>24</sup>

Richard Vancil of Harvard University (1976) defined the concept of strategy as follows:- "The strategy of an organisation, is a conceptualisation expressed or implied by the organisation's leader of (1) the long term objectives or purposes of the organisation (2) the broad constraints and policies, either self imposed by the leader or accepted by him from his superiors, that currently restrict the scope of the organisations activities and (3) the current set of plans and near term goals that have been adopted in the expectation of contributing to the achievement of the organisation's objectives."<sup>25</sup>

- x. **Marketing Strategy:** Philip Kotler (1980) defined marketing strategy as "a managerial process of analysing market opportunities and choosing marketing position, programmes and controls that create and support viable business that serve the company's purpose and objectives."<sup>26</sup>

In agreement with the above definition, Joseph C. Seibert (1973) emphasised that marketing strategy is concerned with the marketing mix. A given goal may be reached by various routes." using various combination of the

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marketing mix, the marketing manager then comes out with a programme of action known as the strategy.<sup>27</sup>

## **2.3 MARKETING STRATEGIES**

### **Development of Marketing**

The precise period that the concept of marketing was first conceived can not be determined. Some people argues that is one of the oldest profession.<sup>28</sup> While others are of the opinion that marketing began when mankind first engaged in barter trading. Little or no exchange takes place as societies and families are self sufficient in all their basic needs as such there was no marketing during that period. As the society began to grow the ideas of economic exchange began to improve and hence the need for division of labour and specialisation. Consequently the need to adopt marketing concept began to creep in.

Peter Drucker (1973) thinks that marketing was invented in Japan around 1650 by the first member of the Mitsui family to settle in Tokyo as a merchant and to open what might be called the first department store. Drucker then suggests that marketing appeared in the west around the 19th century at the international Harvester Company through Cyrus H. McCormick (1809-1884).<sup>29</sup>

Since then marketing activities and institutions have been described throughout recorded history. According to Russ and Kirkpatrick (1962). "The code of Hammurabi, developed and recorded between 1795 and 1750b.C. regulated among other things pricing practices and other aspects of the business transactions in ancient Babylon. It apparently formed the basis of laws affecting marketing in many other ancient cultures".<sup>30</sup>

i. **Buyer's Orientation**

Up to 1795, marketing was simply involving producing and distributing goods. In the early mid 1800's sellers had a single primary goal to maximise production so as to keep pace with demand. That meant there was little or no marketing activity on the part of the producers. The role of marketing was relegated to price bargains with potential buyers and at times to distribution issues.

Philip Kotler (1980) referred to Buyer's orientation as the production concept and went on to explain - "The production concept as a management orientation that assumes that consumers will favour those products which is available and affordable, and that therefore the major task of management is to pursue improved production and distribution efficiency."<sup>31</sup>

ii. **Seller's Orientation**

In the late 1800's however, production processes were improved and this led to the growth of businesses into large entities. By 1990, mass production had been achieved in certain industries, notably steel and automobile. As a result of this development, it became necessary for producers to achieve large volumes of sales in order to minimise the unit cost of production. Thus organizations were forced to raise their ability up to a level that matched with their capacity. According to W. J. Stanton (1981), two significant organisational changes occur during the seller's orientation stage. First all marketing activities such as advertising and marketing called a sales manager or vice president of sales. Second, activities such as sales training and sales analysis, formerly performed by other departments, now are handled in the sales department.<sup>32</sup>

iii. **Marketing Orientation:**

The great depression and World War II disrupted the sellers orientation due to a drastic fall in the demand of the products - which forced some firms out of business. After the world war II there was a rise in the demand for specific product and this organisations adopting the sellers orientation concept started to adopt an entirely new concept- the market orientation or marketing concept.

According to Philip Kotler (1980), the marketing concept is a managerial orientation that holds that the key task of the organisation is to determine the needs and wants of target markets and to adapt the organisations to delivering the desired satisfactions more effectively and efficiently than its competitors.<sup>33</sup>

Marketing did not appear in the academic or business scene until early 1900's in America. In 1905 W.E. Kreusi taught a course at the University of Pennsylvania entitled the marketing of products. In 1910 Ralph Staff Butler offered a course entitled marketing methods at the University of Winsconsin.<sup>34</sup> Marketing appeared in the business scene in the early twentieth century when Curtis Publishing Company established the first marketing research department in 1911. Some then marketing concept spread to all businesses as a necessary impetus for development and survival. Non-product organisations such as hospitals, collages, museums etc are adopting the concept.

iv. **Socially Oriented Marketing**

The growing discontent among consumers due to changes in our socio-economic and cultural goals during the 1960s has let to the rise of a popular social

movement called 'consumerism'. W. J. Stanton (1981) defined consumerism as the actions of individuals and organisations (consumer, government and business) responding to consumer dissatisfaction in exchange relationships.<sup>35</sup>

Drucker (1971) considers consumerism to be evidence of this: "That after twenty years of marketing rhetoric, consumerism could become a powerful popular movement proves that not much marketing has been practiced. Consumerism is the shame of marketing."<sup>36</sup>

Consumerism accused marketing of promoting excessive materialism, a preoccupation with consumption. And because of the hopes it raised and the distance it helps to create between producers or seller and buyer, marketing is said to create a feeling of frustration and inadequacy. Moreover marketing has been accused of placing deceptive advertising by portraying goods or services that may not be beneficial to the consumer as essentially useful.

As a result of this growing discontent among consumers, business today is quite sensitive to the side effects of its actions. In the past the responsibility of business was limited to production and selling but businesses of nowadays are responding to the effect of their action on the society and these has led to the call for a new concepts to replace the marketing concepts. Among the proposals according Dawson (1969) include "The human concept, the intelligent consumption concept and the ecological imperative concept,"<sup>37</sup> all of which propose a socially responsible business. Keith and Blomstrom (1975) defined social responsibility as actions that protect and improve the welfare of society along with its own interests.<sup>38</sup>

According to W.J. Stanton (1981) a socially oriented marketing includes the development of a marketing programmes to plan, price, promote and distribute products and services to satisfy consumer's wants. But we must also consider the

social consequences of this marketing programme.<sup>39</sup>

Kotler (1980) defined the new concept as the societal marketing concept which according to him is a management orientation that holds the key task of the organisation is to determine the needs and wants of target markets and to adapt the organisation to delivering the desired satisfactions more effectively and efficiently than its competitors in a way that preserves or enhances the consumer's and society's well being.<sup>40</sup>

### **Marketing Strategies**

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

The market place and the economic environment are continually changing. Customer's needs and wants change everyday, competitors are increasing and their mode of satisfying consumers is consistently improved. Technological innovations are greatly improved. As a result of these, marketers need to develop strategies aimed at achieving the objective of the organisation. Quoting Victor Buel (1985). P. Juwah defined strategy as 'the internal (company) response to the external environment.'<sup>41</sup> Perhaps a more comprehensive definition of marketing strategy is that provided by Philip Kotler (1981). a "marketing strategy is a consistent, appropriate and feasible set of principles through which a particular company hopes to achieve its long run customer and profit objectives in a particular competitive environment."<sup>42</sup>

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

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

- i. The company's competitive size and position in the market.
- ii. The company's resources, objectives and policies.
- iii. The competitors marketing strategies
- iv. The target market's buying behaviour
- v. The stage of the product life cycle and
- vi. The character of the economy.<sup>43</sup>

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

#### The Company's Competitive and Position in the Market

A firm may choose its own strategy depending on its competitive size and position in the market. In every industry there is bound to be a leader, who control the greatest share of the market. Followed by the next stronger firm in the industry commonly referred to the market challenger. The market follower is the next strong competitor following the market

challenger and then lastly the market nichers as shown in the figure below:

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

Figure 2.1 Hypothetical Market Structure.<sup>44</sup>

#### Market Leader Strategies:

A specialist in strategic management, Ms Woo outlined some advantages enjoyed by

market leaders over their competitors. They seem to have all the advantages; big economies of scale, lowest cost production and strongest bargaining position with customers and suppliers.<sup>45</sup>

Market leader as depicted in figure 2.1 controlled 40% of the market and is certainly the firm with largest market share in the industry. Market leader usually leads other firms in the industry in major product and market decision. All major marketing decision are normally dependent on the market leader's action.

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

1. **Innovations Strategy:**

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

2. **Fortification Strategy:**

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

3. **Confrontation Strategy:**

This strategy is applicable when the market leader has one aggressive competitor whose

actions require quick and direct response. Using this strategy the market leader can engage in massive promotional war with the aggressive competitor.

#### 4. Harassment Strategy

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

Market leaders can also try to grow through expansion of their market share. According to the well publicized profit impact of strategies (PIMS) studies, profitability (measured by pretax B01) rises with market share.

This meant that firms should not only strive for market dominance but must also try to control higher market share. This strategy should be employed with more caution particularly by firms with share of over 50 percent. This is because market share expansion by these firms may be both expensive and risky. Their position may better be enhanced by building market size rather than market share.

The first reason for self restraint has to do with the possibility of provoking antitrust action.<sup>46</sup> The second reason is economic. "Despite the usually strong correlation between market share and profitability, clearly the benefits of dominance are not universally enjoyed."<sup>47</sup> To support her assertion. Garolyn Woo studies the experience of 12 market share leaders - businesses not companies. She contrasted the results of 41 low performing leaders (which had pretax ROIs of less than 10% with 71 high performing ball wethers (Pretax return exceeding 40%)

Her conclusion was as follows: "Obviously market share leadership is far from a sure indicator of superior performance, market share has not given this group of businesses

attractive returns. While appealing and sometimes heroic, the effect to attain share dominance must therefore not be applauded without reservation. The expected benefits, often implicitly related to market share, must be evaluated against the nature of the environment. Objective defined mainly by market share points are not always relevant in profitable performance.<sup>48</sup> Any increase in the total market share of the industry is usually more advantages to the market leader. Hence the market leader can adopt one of the following strategies in order to expand the total market. 4

i. **New Users**

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

(a) **Market Penetration Strategy**

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

(b) **New-Market Strategy:**

The market leader can expand into as entirely new segment of the market.

For instance if the company is concentrated on the female market, it can

expand into the male market as well.

(c) **Geographical Expansion Strategy:**

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

ii. **New Uses**

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

iii. **More Usage:**

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

**Market Challenger Strategy**

Following Market leaders are market challengers controlling about 30% of the market.

They are firms with an objectives of gaining more market shares. These firms can adopt one of the following three strategies in order to achieve the main objective.

1. **Direct Attack Strategy:**

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

2. **Backdoor Strategy**

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

### 3. Guppy Strategy:

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

### Market Follower Strategy:

Market followers are firms that are content with their market share. They do not engage in any form of competitive war instead they try to maintain their position. Market challengers unable to better off would settle in following the leader rather than attacking it.

Market followers are quite common in homogenous products such as steel, fertilizers, and chemicals. In this type of industry, product differentiation and image differentiation are quite low: service equality is often comparable: price sensitivity runs high market share in this industry tend to be stable because firms offer similar products at uniform price normally reflecting the market leader's activities.

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

### Market-Nicher Strategy

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

competitors.

Since they are specialists, their strategies are narrowed along market, customer, product or marketing mix line.

#### 2.4 PRODUCT STRATEGY

Udell and Laceriak (1981) defined product development as "the creation and adjusting products to satisfying consumer demands, management should realise that it is primarily in the business of providing satisfaction". People spend their money to attain satisfaction, not the specific technical characteristics of the item being purchases.<sup>49</sup>

It is for this reason that marketing research into product strategies in relation to satisfying the needs and wants of consumers becomes so important. In fact the survival of any business is dependent on how effective its strategies (product strategies inclusive) are. There are five stages in the product life cycle successful products normally go through the stages of introduction, growth, maturity and decline. Some potentially successful products may suffer an early demise because of a marketing mistake while an old product that reached the decline stage may be remunerated.

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

Figure 2 portrays the product life cycle. It is however, arbitrary to determine the starting point or end of a product life cycle.<sup>50</sup>

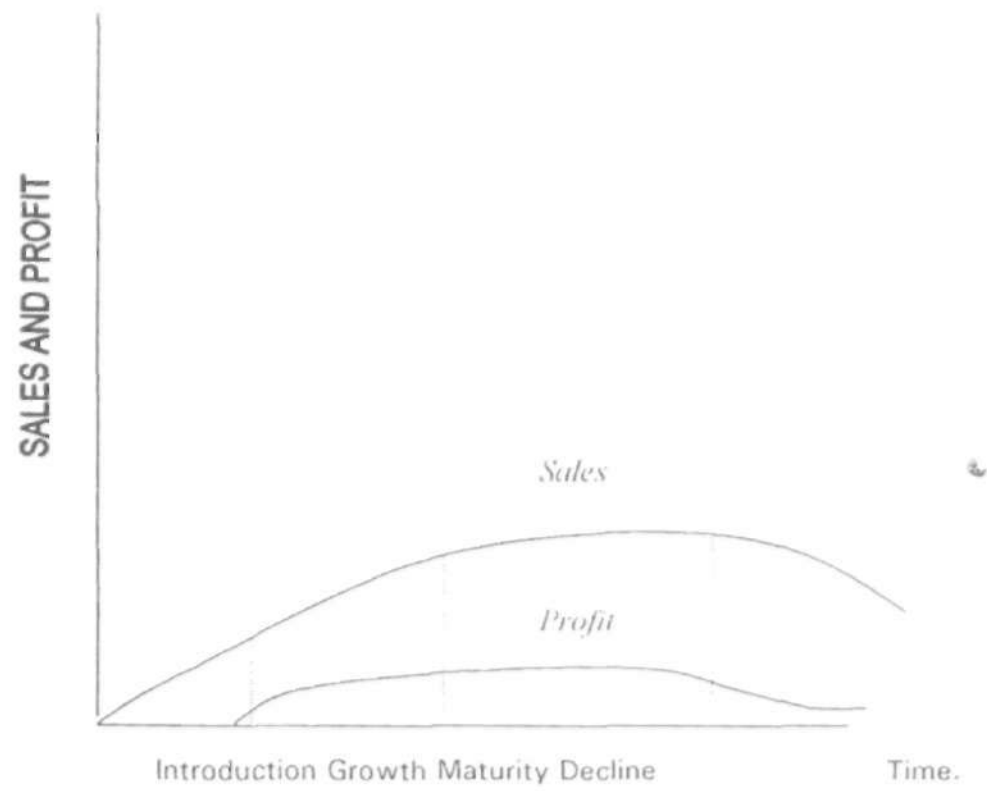


Figure: 2.2 Sales & Profit Life Cycle  
 SOURCE: Kotler (1990) Page 290

**INTRODUCTION STAGE:**

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

During this stage profit is normally low or non-existent due to low sales and heavy

distribution and promotion expenses. There are few competitors who produce basic version of the product.

Four basic strategies are available at this stage and they are related to price and promotion. For the purpose of this study, we shall employ the setting of high or low level of price and promotion in arriving of our product strategy.<sup>51</sup>

		PROMOTION	
		High	Low
Price	High	Rapid Skimming Strategy	Slow Skimming Strategy
	Low	Rapid Penetration Strategy	Slow Penetration Strategy

Figure 2.3 Four Introductory Marketing Strategies  
Source: Kotler (1980 Page 293)

i. **Rapid Skimming Strategy:**

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

The strategy makes sense under the following assumptions:

- a. A large part of the potential market is aware of the product.
- b. Those who become aware of the product are eager to have it and are able to absorb the price.
- c. Due to fierce competitions, the firm want to create brand preference

ii. **Rapid Penetration Strategy:**

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

- a. The market is large in size
- b. The market is relatively unaware of the product.
- b. Most buyers are price sensitive
- d. There is strong potential competition and
- e. The company's unit manufacturing costs fall with the scale of production and accumulated manufacturing experience.

iii. **Slow Penetration Strategy**

This strategy consists of launching the new product with a price an low level of promotion. The low price will encourage the markets rapid acceptance of the product at the sometime, the company keeps its promotion costs down in order to realise more net profit.

The company firmly believes that market demands is highly price elastic but minimally promotion elastic. This strategy makes sense if:

- a. The market is large
- b. The market is highly aware of the product
- c. The market is price sensitive and
- d. There is some potential competitors

iv. Slow Skimming Strategy

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

- a. The market is relatively limited in size
- b. Most of the market is aware of the product
- c. Those who want the product are prepared to pay a high price
- d. There is little threat of potential competition

GROWTH STAGE

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

At this stage potential competitors who have been watching developments during stage (i) jump into fray, the first ones to get in are generally those with an exceptionally effective used apple policy' Some enter the market with certain copies of the originator's product. Others make functional and design improvements. And at this point product and brand differentiations begins to develop.<sup>52</sup>

As more competitors join the market, the fight for consumer's patronage to the originating firm poses an entirely new problem - that of trying to gain consumer patronage of his brand instead of educating consumers about the product. This development ultimately leads to some important changes in marketing strategies and methods.

During this stage the firm tries to sustain market growth as long as possible. This can

be accomplished through any of the following strategies.

- a. The firm undertakes to improve product quality and add new features and models
- b. It vigorously searches out new market segments to enter.
- c. It keeps its eyes open to new distribution channels to gain additional product exposure.
- d. It shifts some advertising copy from building product awareness to trying to bring about product acceptance and purchase.
- e. It decides when the time is right to lower prices to attract the next layer of price sensitive buyers into the market.

### **MATURITY STAGE**

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

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

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

#### **1. Market Modification**

Using this strategy, the product manager first looks for opportunities to find new buyers

for the product. Then he identifies new markets and market segments that have not yet tried the product and later look for ways to simulate increased usage of the product among present customers.

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

## 2. Product Modification:

Managers can also improve its sales by making attractive changes in its products characteristics which in turn will attract new users or more usage from current users.

The following strategies can be employed in order to modify the product:

- i. Quality improvement strategy aims at increasing the functional performance of the product such aspects as its durability, reliability, speed and taste. PZ industries re-launched its new product elephants blue detergents using this strategy. However this strategy is more effective when (a) the product is capable of quality improvement (b) buyers believe the claims about improved quality and (c) a sufficient number of buyers are highly responsive to improved quality.
- ii. Feature improvement strategy aims at adding new features that expand the product's versatility, safety or convenience. For example manufacturers of vaseline petroleum jelly now pack in plastic which is safer than the old bottles.

John B. Stewaryt (1959) outlines five advantages flowing from a strategy of feature improvement:

1. The development of new functional features is one of the most effective means of building a company image of progressiveness and leadership.
2. Functional features are an extremely flexible competitive tool because they can be adopted quickly, dropped quickly and often can be made optional at very little expense.
3. Functional features allow the company to gain intense preference of pre-selected market segmentation.
4. Functional features often bring the innovating company free publicity.
5. Functional features generate a great amount of sales force and distributor's enthusiasm.<sup>53</sup>

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

- iii. **Styles Improvement Strategy:** aims at increasing the aesthetic appeal of the product in contrast to functional appeal. The periodic introduction of new car models amounts to style competition rather than quality or feature competition. The outstanding advantages of a style strategy is that each firm may achieve a unique market identity and secure some durable share of the market on the basis of that identification. Yet styling competition brings a number of problems, first, it is difficult to predict whether people and which people will like a new style. Second style changes usually mean

discontinuing the old style and the company risks losing some of the customers who liked the old style.

### 3 Market Mix Modification

As a final strategy in the maturity stage, the product manager should consider altering one form of the marketing mix variables in order to stimulate sales. First he can cut prices in order to attract new traders and competitor's customers.

Second is to launch an effective advertising campaign in order to attract customer's attention and interest. Another method is through aggressive promotion such as trade deals, cents off, gifts and contests. Like style a strategy, the main short-coming of marketing mix modification is the fact that it is easily imitated. This means the firm may not gain as much as expected.

### DECLINE STAGE

This stage is characterized by decline in demand and therefore as decline in sales. A product at this stage is very expensive to maintain due to the decline in the demand and the higher unit cost of production.

At this stage, management must decide whether to retain the product or not. To retain the product, sales force will spend more and more time and attention on the product than an active one. Furthermore retaining a product at this stage may spoil the image of the company because it does not compare favourably with newer products.

Some firms are frightened into early withdrawals while other firms may decide to stay in the market up to the end. The firm that remain may enjoy a temporary sales increase as competitor's customers shift to their product. Three strategies can also be adopted by a

firm deciding to stay in the market.

1. **Continuation Strategy:** is a case whereby the firm continues with the high marketing strategy: same market segments, channels, pricing and promotion. The produce simply continues to decline until it is eventually phased out.
2. **Concentration Strategy:** In which case it concentrates its resources only in the strongest markets and channels while phasing out its efforts elsewhere.
3. **Harvesting Strategy:** using this strategy, the company reduces its expenses sharply to increase its current profits, knowing this will accelerate the rate of sales decline and ultimate demise of the product. In some situations, hard core loyalty may remain strong enough to allow marketing the product at a greatly reduced level of promotion and at the old or even higher price, either of which will mean good profits.

Lawrence J. Stybel (1982) concluded that product managers should not plan their marketing strategy boundly around the classic product life cycle. rather they need to realise that a number of product life cycle patterns have been found and that marketing strategy should be both a response to and an effective agent on the cycle.<sup>14</sup>

#### **PRODUCT REJUVENATION STRATEGIES**

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

An outstanding contribution to this issues are the product rejuvenation strategies proposed by William Lazer et al (1984). According to the four product rejuvenation strategies can be used in the decline stage of a product life cycle and these are:

recapture, redesign, refocus and recast (as depicted in figure 2.4 below)<sup>55</sup>

Lazer and his friend explained that while developing rejuvenation strategies, firms may choose to offer the same product, a modified version, to previous and present users or to a different users - either those who have never used the product or who were peripheral users.

**ABANDONED/DECLINING PRODUCT**

	Unmodified	Modified
Previous/Present Users	Recapture	Redesign
New/Different Users	Refocus	Recast

Figure 2.4 Rejuvenation Strategies

**Recapture**

This strategy minimise manufacturing charges and cost by marketing all or declining product to present users, without making product alterations.

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

**Redesign:**

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

### Refocus

The refocus strategy is used in marketing abandoned or declining products to new or peripheral purchasers. The objective is to capitalise on product characteristics that might appeal to those who have had little, if any experience with the product, although they may be familiar with the name. These potential users are characterized as 'delayed' emulators.

product endorsements by prior users who have credibility with those emulators can legitimate and enhance the rejuvenate's appeal.

### Recast

Recasting involves marketing a modified product to new peripheral customers. Although this calls for both product and market adjustments previous experience in marketing an abandoned or declining products to former customers provides the basis for re-launching modified product version. A recast strategy can often be used successfully in international markets where both customers and product requirements may vary from those of the home country. Kerosine heaters for example have long been manufactured and used in Japan where there is fuel shortage Japanese manufactured heater are now marketed in energy conscious United States, after meeting the US safety standards.

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

## **2.5 PRODUCT PORTFOLIO**

A firm may have many products serving similar markets with widely differing potentials.

While some of these products will be strong relating to competitors others may be weak.

Some products may need cash to finance growth or competitive battles, while others may be generating more cash than they need. Somehow the organisation must deploy its limited financial resources among these products so as to achieve the best performance possible.<sup>56</sup>

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

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

Quoting Bruce Henderson Abell and Hammond (1978) aptly noted that a multi division company without an overall strategy is not even as good as the sum of its parts. It is merely a portfolio of non-liquid non-tradeable investment, which has added overhead and constraints. Such closed and investment properly sell at a discount from the sum of the parts."

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

competitor.

Abell and Hammond explained further that the differences in growth potential relative market share and hence cash flow potential, - unique to each product determine which product represent investment opportunities, which should supply investment funds, and which should be candidates for elimination from the portfolio. The objectives is to get the best overall performance from the portfolio while keeping cash flow in balance.<sup>57</sup>

Growth share matrix is the most important model used in the analysis of a firm's product portfolio. The matrix proposes that the organisation should be managed as a portfolio of businesses giving each a clearly defined strategy. The growth share matrix is used to evaluate business strategy in multi-industry firms. Where a large array of business demand advanced techniques in selection and management.<sup>58</sup>

The first step in forming the growth share matrix is to identify the distinct businesses, markets segments or product lines which make up the organisation. The second step is to distribute the business units identified in step one into a metric position in the four quadrants (as described in figure 2.5 below) based on market growth potential and market share relative to competitors.

		MARKET SHARE (Cash Generation)	
		High	Low
High Growth Rate (Cash Use) Low	High	Stars	Question Mark
	Low	Cash Cows	Dogs

Figure 2.5 Product Categories in the product portfolio chart.  
Source: Abdl & Hammond (1979 page 178)

### **Stars**

These are products with high growth rate and high market share and are commonly referred to as 'stars'. They generate lots of cash and are frequently in balance on not cash flow and can be self sustaining in growth terms. The aim of business in this category is to grow faster in sales and profit than competitors. Business resources should therefore be allocated into this segment in order to maintain its competitive position.

### **Cash Cows:**

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

Because these business are already in strong competitive position, the strategy is to invest only enough to maintain your present market while using the competitive advantage to build cash flow for use in higher - growth areas.<sup>58</sup>

### **Dogs:**

These are low goods and low market share products and are commonly referred to as the 'dogs'. The low market share places the business in this segment at a competitive advantage and with low growth rate it suggests a low probability for improvement. The cash required for investment in the business just to maintain competitive position though low frequently exceeds that generated. Thus they are likely to absorb large amount of cash. The strategy here is to maximise short-term cash flow which including cost cutting, divestment or liquidation.

**Question Mark:**

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

According to Buzzell (1975) the use of the growth share matrix as a management tool permits management to array all of the business on one graph called a product portfolio chart.<sup>60</sup> This chart is based upon the relationship between market share and profitability and provide management with the tools necessary in deciding the kind of strategy to be adopted in each category. For example dominance is the major strategic objectives in high growth market.

Therefore the first goal in portfolio strategy should be to maintain position in the cash cows, but to guard against the temptation to re-invest in them excessively. The cash generated by the cash cows should be invested in the stars so as to consolidate position in them. Any surplus remaining can be used to fund a selected number of question marks to dominance. Those which are not funded should be divested either by sale or liquidation overtime. Occasionally, it is possible to restore a dog to viability by a creative business segmentation strategy, rationalizing and specializing the business into a small niche which it can dominate. if this is impossible, the only prospect is to manage it for cash, cutting of all investment.

## 2.6 PRICING STRATEGY

The success of any marketing strategy is likely to depend on the appropriate prices of the product. A highly inflated price for example may scare customers away and thereby reducing the amount of revenue that would have been gained. In order to ensure its growth and profitability, a firm should charge an appropriate price for its products - given both the profits required and the marketing strategy being adopted. Price according to Marvin A. Jolson (1978) is the stimulator that converts the procrastination of buyers into cupidity, that suggests value, that generates risk, that encourages the expenditure of search and travel costs by the prospective purchaser. Accordingly, it is one of the most effective communicators in the marketing mix. Price, the backbone of the economist's demand theory, a major element in formulating competitive strategies, a continuous source of channel conflict and the variable most easily quantified by marketing model building.<sup>61</sup>

Musselman and Hughes (1981) rightly defined price as the exchange value of a product or service or service. It is the amount a buyer is willing to pay for a good or service. It can also be the value a seller is asking on items he or she is offering for sale. As a general rule, the point at which supply and demand curves intersect determine the price for a specific good.<sup>62</sup>

From these definitions, it is obvious that product and pricing policies are inseparable and that price cannot be established in isolation of all other marketing strategies. Despite its importance, pricing strategy has been relegated to a minor role in relation to other marketing strategies. For example in studying the functional areas most vital to the marketing success of 200 producers of industrial and consumer goods. Udell found that

pricing ranked sixth in frequency behind product research and development, sales research and planning, sales force management, advertising and sales promotion and product service.

Pricing strategy according to Kotler (1980) is the task of defining the price range and price movement through time that would support the sales and profit objectives and marketing positioning of the product in the target market.<sup>63</sup>

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

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

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

According to Udell and Laczniak (1981), management must set its goals before adopting a price so that the strategy will focus on the expected goal. Management can use one of

the following strategies in setting a price for its product.<sup>64</sup>

**1. Cost Plus Pricing**

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

**2. Competitive Pricing**

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

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

However, some competitors may adopt a strategy of pricing above or below the prevailing competitive price. Pricing above most other products is possible if the product enjoys a favourable brand patronage by consumers. Most people believe that price is an indication of quality. Hence the higher the price, the better the quality. Based on this notion, some companies price above the going market price to suggest a better quality. This strategy is normally effective in a situation where it is difficult to judge the quality of the products. On the other hand retailers may price their brand below the price of a well known brand in order to induce purchases. This strategy is more effective when the cost of production by the competing firm is lower than that of the competitor.

### 3. Value Oriented Pricing

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

### 4. Pricing Legal Constraint

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

### 5. New Product Pricing:

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

A producer introducing a new product has several alternative pricing strategy from which is select.

- i. **Skimming the Market:** In a situation whereby the cost of developing a new product has been substantial, management may feel that a high price is necessary in order to recover those cost before competing products are

developed by rivals and introduced with a high price.

- ii. **Sliding Down the Demand Curve:** This is a pricing strategy that attempts to successively tap various layers of demand or segments of the market. In this case the product is initially introduced with high price with the intention of reducing the price as soon as the upper segment of the market has been saturated.
- iii. **Pre-emptive Pricing:** Using this strategy, the firm may price the product at or below cost of production in order to discourage competitors from coming in. The goal of their strategy is to discourage competition by making the product unattractive while reaping the gains in the long run.
- iv. **Penetration Pricing:** A firm pursuing this strategy may enter the market with low price in order to attract a large number of potential buyers. There are several advantages associated with this strategy and they are:
  1. By introducing the product at a low price brand loyalty may be established among many buyers.
  2. The price should appeal to most segments of the potential market, thereby maximizing sales.
  3. Competitors may be discouraged from entering the market.
  4. If there are economics of scale in production or distribution, appealing to the largest possible market should help to minimise cost and enhance profit.

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

time profitable for the company.

## 2.7 DISTRIBUTION STRATEGY

Distribution strategy is one aspect of marketing strategy that is more appropriately called channel of distribution. Traditionally, channel of distribution is viewed as the sequence of firms involved in moving a product from the producers to the end users. Richard M. Clewett defined channel of distribution as the pipeline through which a product flows on its way to the consumer. The manufacturer put his product into the pipelines or marketing channel, and various marketing people move it along to the consumer at the other end of the channel.<sup>65</sup>

John A. Howard (1957) states that "marketing channels are the combination of agencies through which the seller, who is often though not necessarily the manufacturer, markets his product to the ultimate user."<sup>66</sup>

Wroe Alderson (1957) sees marketing channels as consisting intermediary sellers who intervene between the original source of supply and the ultimate consumer.<sup>67</sup>

Paul D. Converse et al view trade channels as consisting of the middlemen who move goods from producers to consumers and that we usually think of the channel as being made up of those merchants who own the goods and of those agent middlemen who effect sales.<sup>68</sup>

A wide variety of interpretations is available in the literature on the issue of what constitutes a channel of distribution. However, the channel can be classified as direct, as in the case where the manufacturer sells directly to the ultimate consumer or it may contain one or more institutional middlemen. Some of the middlemen assume risks of ownership, some perform various marketing functions such as advertising. While others

may perform non marketing or facilitating functions such as transporting and warehousing. In essence, Managements are concerned with providing an orderly flow of raw materials to the firm and of finished goods in the market place, which includes the management of finished goods inventories and the movement of goods to customer locations.

The committee on definition of the American Marketing Association defines 'middlemen' as follows: A business concern that specialises in performing operations or rendering services directly involved in the purchase and or sale of goods, the process of the flow from producers to consumer.

Based on the above definition, all business concern that play a role or roles in the marketing channel are classified as middlemen and they include wholesalers, retailers, agents, brokers, commission merchants and Jobbers.

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

1. **Zero Level Channel Strategy**

This is a situation whereby the title of the product moves from producer to consumer and hence it is a 'one stage' channel because there is a single channel from the producer to ultimate consumer. This strategy is effective with industrial goods where technical advises are desirable. Sellers such as IBM uses this strategy.

2. **Two Stage Strategy**

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

consumer.

3. **Three Stage Strategy:**

In many other instances the producer may utilise both a wholesaler and a retailer thereby forming a 'three-stage' channel of distribution with three transactions involved in the flow of title. This strategy is commonly adopted by many consumer products such as auto-parts tools and garden equipment.

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

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

5. **Channel Multiplicity Strategy:**

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

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

**Intensive Distribution:**

Using intensive distribution many wholesalers and retail middlemen will be needed in order

to saturate a market with the product. Advertising responsibility falls on the producers since the main objective here is to maximise the opportunity for sales as such retailers will not be interested in advertising because there are plenty retailers selling the same product as well.

#### Selective Distribution

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

#### Exclusive Distribution

Using this strategy, a producer will grant distribution rights in any given area or market to only one wholesaler or retailer. For an exclusive distribution strategy to be effective, the product involved must usually be a specialty good or a highly differentiated shopping good; in other words the kind of product certain purchasers will seek out. Under this strategy, the retailer receives the benefit of exclusive distribution of a particular product brand and ideally, the manufacturer receives exceptions in selling efforts in the territory with a minimum investment in the number of distribution outlets. Thus, the retailer can afford to push the product aggressively because he alone reaps the gain of these efforts.

#### WARE HOUSING:

No channel of distribution can work well if goods are not in the right place, at the right time - this is essentially what makes warehousing an important element in physical distribution. John G. Udell (1981) rightly described physical distribution as including those activities involved with the movement and storage of goods.<sup>69</sup>

The fact that efficient production requires a continuous and uninterrupted production operations made it necessary for the producer or middlemen to maintain warehouses in strategic locations in order to accommodate finished inventories before they are sold to the ultimate consumers. It is therefore important for the warehouses to be located near or in centres of demand so as to facilitate customer service. Furthermore, because it is not possible to perfectly synchronize production with market demand, the inventories held at warehouses act as buffers to variations between production and sales.

John Udell (1981) defined warehouses as "a basis in the channel of distribution which enables products to be moved in efficient quantities (such as car or truck load) to a resting point within reasonable access to the final customer." He went on to explain that because the volume of production and customer demand can never be perfectly matched, the inventories held at warehouses also serve as a buffer between differences in the rates of output and sales.

Warehouses can either be privately owned (or leased) or they can be public facilities that are rented. Public and leased warehouses can be distributed from owned facilities by the substantial amount of capital investment that the latter required.

In general however, private warehousing is desirable when a firm needs flexibility in the design of warehouse facilities, wishes to maintain control over the operation of its warehouses that has special storage and handling requirements and has a relatively constant, high volume of goods moving through these facilities into large metropolitan areas. In contrast, public warehousing is desirable for those firms that wish to free themselves from the problem of private operation and thereby opt professional warehouse

management, public warehousing also permits great flexibility in the location of a firm's inventory which is desirable if the firm is selling in areas of uncertain; limited or seasonal market demand. Flexibility in warehousing location is also preferable in regions where rate of relationships between different transport modes are subjects to significant change.

Finally public warehousing assist firms in obtaining lower freight rates by consolidating the small shipments of various clients into care load lots as well as by receiving pooled car shipments form companies at car or truck-load rates and then distributing the contents of these shipments to different clients located in its services area.

Ronald B. Marks concluded that distribution strategy basically involved choosing the channels of distribution through which goods and services reach the customer. Any sequence of marketing institutions from producer to final user including any number of middlemen is called a channel of distribution.<sup>70</sup>

## **2.8 SALES PROMOTION STRATEGY**

The idea of sales promotion has gained enormous importance in recent years, the need for sales promotion arises because there are multiple of products, all trying to satisfy the same needs/wants of the consumer hence it becomes very necessary for the producers to differentiate their products and stimulate sales through various promotional strategies available.

The basic aim, if any of promotional strategy is to increase sales. Ronald B. Marks (1980) explained that promotional strategy refers to the marketing mix element of promotion.

These promotional mix are personal selling and non personal selling (including advertising, sales promotion and public relations).<sup>71</sup> He went on to explain that advertising is one of the most significant element of promotional mix since they usually account for

the bulk of a firm's promotional expenditures.

Maurice I. Mandell (1984) defined sales promotion strategy as those sales activities that belong neither to personal selling or to advertising but are necessary in coordinating them making them effective, such as displays, shows and expositions, demonstrations and other non-current selling efforts not in the ordinary routine.<sup>72</sup>

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

Certainly, the definition of sales promotion in business circle is infinite, regardless of the terminology used in the definition, sales promotion, essentially aims at increasing either short term or long term sales level and this could be achieved at either the retailer or wholesaler level. What is important however, is to design how these objectives are to be achieved. This is basically what promotional strategy is all about. Stanley (1982) explained further that promotion strategy lays down the broad principles by which a company hopes to achieve its objectives. The objectives of a company indicate where it wants to be; the strategy sets forth the way it is to get there.<sup>73</sup> He then recommended two major distinction in promotion strategy as 'push' and 'pull' strategies. This distinction is based upon the relative emphasis placed on mass promotion (primarily advertised) as compared with that of personal promotion mainly personal selling).

#### 1. Push Strategy

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

The degree of personal selling depends largely on the nature of the product, if a consumer perceives a product to be specialty good, he will be willing to purchase only a particular brand. Because of this willingness, exclusive and limited distribution is necessary. Specially such as departmental stores may be sued to distribute such product. If on the other hand the product is an unsought product/service like insurance, they require strong persuasive techniques in order to convince a consumer for a trial of the product. Sometimes personal and direct selling (main order) are required because the consumer may feel that the product is not absolutely necessary.

Michael J. Baker (1981) added that the function of personal selling is to provide the specific inputs which advertising or non-personal selling cannot offer at the individual level. He went on to say that advertising and personal selling are complimentary activities and that their relative importance will vary depending upon the nature of the product and the buying behaviour associated with it.<sup>74</sup> Based on this explanation, a manufacturer of a new product must inform the potential customer of a new product and its positive characteristics. Because of its new states, the wholesaler and retailer must also be told on the attributes of the new product. This involves personal selling at the intermediary level. Wholesalers may be convinced to put up special displays and to conduct special forms of sales promotion to introduce the new product.<sup>75</sup>

In absolute terms personal selling is the most expensive method of push strategy through which the producer establishes contact with the potential consumer. This is because the product is forced through the marketing channel. Relatively however, it is often the least expensive method owing to the higher conversion factor achieved by direct selling vis-a-vis the use of middlemen or other promotional efforts. It is important therefore, to solidly decide whether a firm should employ its own sales force, how big it should be and how

it should deploy it on maximum effect.

Push strategies are usually used in selling industrial goods as well as consumer products that require personal selling effort for this strategy to be successful the producer must:

- a. Have a high quality product with unique product features and talking points for the sales force.
- b. Have a relatively high priced product and
- c. Provide sufficient economic incentives to both middlemen and their sales representatives.<sup>76</sup>

When using push strategy the role of advertising become minor. This is due to the fact that the combination of high middlemen margins and heavy personal selling expenditure leaves little for advertising. However, small advertising is useful in order to create brand recognition or secure prospect leads for sales personnel.

## 2. Pull Strategy

Pull strategy is a direct opposite of push strategy and is sometimes called an 'auction strategy' This strategy emphasis is in order to generate consumer demand so that the consumer will ask the retailer for the product, the retailer will ask the wholesaler and the wholesaler will in turn secure it from the producer. In this sense, the product is being pulled through the marketing channel by consumer demand generated by advertising.

Jeremy Bullmore, (1983) defined advertising simply as an available channel of communication. It is available at a price, to every one and allows people to make contact with one or more other people for an almost infinite number of different ends.

Advertisements are the messages that advertising carries in an attempt to achieve those

ends.<sup>77</sup>

- From the above definitions, advertising refers to all non-personal communication in measured media under clear sponsorship. This includes television, radio, print and outdoor media but does not include direct mail. Promotion on the other hand refers to all forms of sponsored communications apart from activities associated with personal selling. It thus includes trade shows, and exhibits, composing, sampling, premiums and trade allowances, sales and dealer incentives, demonstration activities, rebates, bonus packs, point of purchase materials and direct mail.

To the marketer one of the purpose of advertising is to make consumers less price sensitive. Presumably advertisement shifts a brand's sales response function by reducing the elasticity of price thereby increasing band's sales and justifying what may be enormous expenditures for advertising. This straight forward argument though reasonable on its face has been challenged as a misleading over-simplification by strategists (e.g Porter 1979) and economists (e.g. Ornstein 1977) who suggest that advertising can actually shift sales responses function to the wrong direction by making consumers more price sensitive rather than less. If so large advertisers are frustrating their own purpose. Furthermore, a firm may enter a cycle of raising an expenditure to combat declining sales - which unknown to management, accelerates the decline.<sup>78</sup>

Advertising is great. Even though it is one of the most interesting topics in marketing, it has not been without criticism. For example, James U McNeal (1981) discredited advertising as inviting, dumb, stupid, insulting, unethical, misleading deceptive, worthless, (in terms of influencing them) and severally disgusting.<sup>79</sup>

Good advertising to the consumer according to McNeal is mainly advertising that is

entertaining. The advertiser is no doubt pleased when his advertising entertains, but that is unlikely to be his goal. His main goal is to make sales.

Marketers must be alert after launching an advertisement campaign because it is very likely for competitors to retaliate aggressively. Gatignon asserts that advertising outlay by one firm can provoke competitors to retaliate by raising their own advertising budgets.

Such reaction increases the overall level of advertising in the industry, exposing consumers to more message by more firms, these messages not only cancel each other out but also might redirect the consumer's attention to prime variable that differentiates the advertiser's price.<sup>80</sup>

In short, advertisement war among competitors may heighten rather than depress price sensitivity among consumers. Such an effect is especially pronounced in oligopolies, where reaction is more likely than in diffuse industries.

### 3. Push-Pull Strategy

Most producers use a combination of push-pull strategy to sell their product, with the difference between firm being the ratio of push or pull. As the name suggests, sales force are used to push the products through the marketing channel, while at the same time an extensive consumer advertising programme is conducted. The strategy requires extensive promotion expenditures through the marketing channel, while at the same time an extensive consumer advertising program is conducted.

This strategy requires extensive promotion expenditures and is usually available only to the largest companies.

From the authors' definitions, one can conclude that the development of marketing strategy should begin with the examination of the desired goal. "The person or persons (group), otherwise called market target, for whom the product is intended, should influence the marketing content of the organisation.

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## CHAPTER THREE

### HISTORICAL BACK-GROUND OF AHMADU BELLO UNIVERSITY BOOKSHOPS LIMITED AND KOLA BOOKSHOP LIMITED

#### 3.1 INTRODUCTION

This chapter examines the historical back-ground of Ahmadu Bello University (ABU) Bookshop Limited and Kola Bookshop Limited. The chapter is divided into two sections. Section 'A' is for the Ahmadu Bello Bookshop while Section 'B' is for the Kola Bookshop Limited.

#### SECTION A

#### 3.2 THE ABU BOOKSHOP (NIG) LIMITED

##### i Nature of Business:

The ABU Bookshop Limited is a private company, incorporated into a Limited Liability Company on the 20th of August 1966, as a wholly owned company of Ahmadu Bello University.<sup>1</sup>

##### ii Share Capital

It has an authorised and paid up share capital of 27,000 ordinary shares of N1. each.<sup>2</sup>

##### iii The Object of the Bookshop

The company was established to among others:-

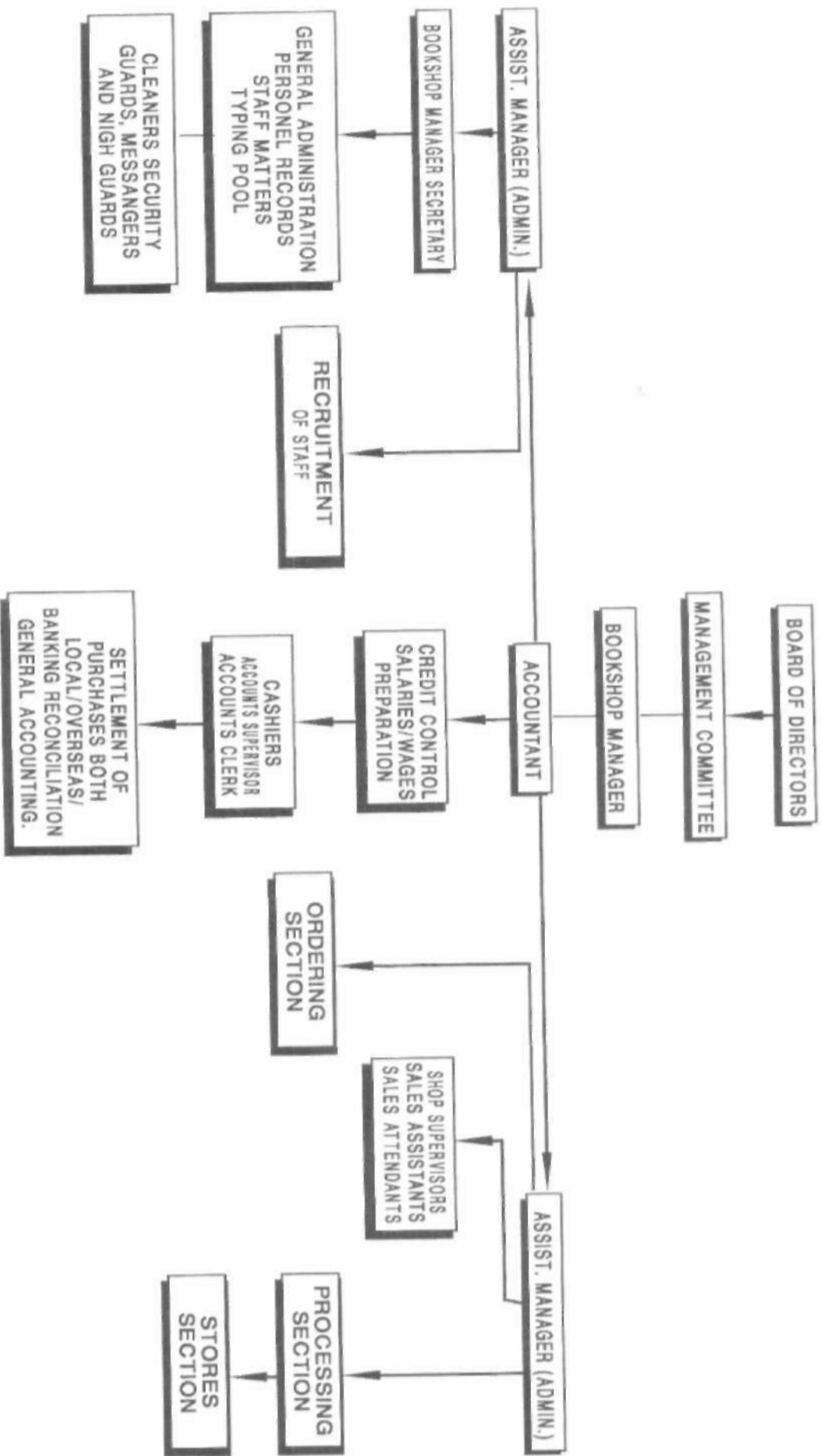
- a. Carry on the business of book sellers, publishers, magazines proprietors, stationeries, advertising agents for books, journals and other publications.
- b. To carry on any other business which seems to the company capable of being conveniently carried on in connection with the above or calculated

directly or indirectly to enhance the value or render more profitable any of the company's property.<sup>3</sup>

iv. **Business Location**

The Ahmadu Bello University Bookshop (Nig) Limited has its head office at ABU Main Campus Zaria, with branches at Kongo Campus. Institute of Administration and the College of education, Kano.

**3.3 AHMADU BELLO UNIVERSITY BOOKSHOP LIMITED ORGANISATION CHART**



SOURCES: Obtained from the Ahmadu Bello University Bookshop Records.

### 3.4 MANAGEMENT FUNCTIONS AT ABU BOOKSHOP LIMITED

- i. **Board of Governors:** This is made up of:
  - a. The Chairman and one other member appointed by the Ahmadu Bello University Council.
  - b. Two members are appointed by the Vice Chancellor.
  - c. Two members are co-opted by the Board
  - d. The Secretary to the company and
  - e. The Bookshop Manager.

The Board formulates the policy for the company.

- ii. **Management Committee:**

The Committee is appointed by the Board and is responsible to it (Board). The Committee oversees and monitors the day to day overall operations of the Bookshop. The Chairman of the Committee approves all payments and is a signatory to the accounts and cheques. The Committee is empowered to make decisions on behalf of the Board. The membership of the Committee are Directors, one of which is designated Chairman, the other two are the Bookshop Manager as member and the Secretary to the Committee.

- iii. **The Bookshop Manager:**

The manager is responsible to the Board through the management committee. Staff and administrative matters are channelled through him to the management committee. His duties include among others, carrying out Board Policy decision. Selection and acquisition of books for sale, preparing long and short term plans,

constantly liaising with departments and other services units, prepares the annual budgets, and reports on the activities of the Bookshop to the Board.

iv. **The Assistant Manager (Administration)**

The Assistant Manager is directly responsible to the Bookshop Manager on the day to day performance of his duties. His duties include amount others, assisting the Bookshop Manager in the supervision of the staff, preparing the annual budget, selection, recruitment and on the job training of staff. Ensuring efficient and judicious use of the finances and the property of the bookshops, and also to attend management committee meetings.

v. **Accountant:**

He is directly responsible to the Bookshop Manager on the day to day running of duties. His duties include among others, preparation of salaries, wages and other payments duly authorised by the management. Coordination stock accounts maintenance ledger cards for the units, staff and customers maintains cash book receipts and payments; and prepares bank reconciliation, trial balance and final accounts.

vi. **Assistant Manager (Sales)**

He is directly responsible to the Bookshop Manager on the day to day performance of his duties. His duties include among others; display and sales of goods in the Bookshop. Gathering sales information from ABU departments and other organizations and transmitting same to management, servicing order placed by

individuals. University departments and organising publicity and sales promotion.

Above explains the duties and responsibilities of key officer in the organisation.

Intermediate and Junior officers' duties are found too elaborous to be described.

### **3.5 STAFFING AT ABU BOOKSHOP LIMITED**

The company which at its foundation had five (5) staff, today has twenty six (26) staff, made up of three (3) senior staff, four (4) intermediate staff and nineteen (19) junior staff.

The Bookshop Manager has a master degree in Library Science. M.Sc (Lib. Science), the Accountant has HND (Accounts) while some of the staff members have professional qualification in relevant areas such as Book-selling, purchasing and supply salesmanship and West African School Certificate (WAEC).

The calibre of staff employed brings better performance to the business activities of the company. As the company continues to grow and expand the staff enjoy promotion prospects.

### **3.6 AIMS AND OBJECTIVES OF ESTABLISHING ABU BOOKSHOP LIMITED**

The purpose of establishing the company as a wholly owned company of the Ahmadu Bello University is to generate internal revenue through the business activities of the company to supplement government grants.

### **3.7 FINANCIAL PERFORMANCE OF ABU BOOKSHOP LIMITED**

Upon commencement of its operations in 1966, the company experienced losses as is always the case with new companies. As its operations were expanding and its management efficiency improving ABU Bookshop Limited began to make profits, It's

turnover has grown from a little over N1 million in 1987 to N1.4 million in 1990.

### 3.8 ANNUAL OPERATING RESULTS OF ABU BOOKSHOPS LIMITED (1987 - 1990)

Table 1:

	1990 N	1989 N	1988 N	1987 N	+ increase - Decrease % Change
Turnover	1,400,612	1,346,868	1,095,074	1,161,825	+ 21
Cost of sales	1,048,655	1,165,345	923,578	916,232	+ 15
Gross Profits	351,957	181,523	171,496	245,959	+ 43
Gross Profit %	25%	13%	16%	21%	+ 4
Administrative & Distributive Expenses	264,210	209,072	167,603	202,981	+ 30
Depreciation	38,070	28,514	15,592	6,466	+ 488
Net Profit	115,481	44,805	11,190	45,309	+ 66

Source: Audited Accounts for 1987 - 1990 of the ABU Bookshop Limited<sup>5</sup>

The turnover increased by N234,878 (from N1,166,825 in 1987 to N1,400,612 in 1990).

Cost of sales increased by N132,423 (from N916,232 in 1987 to N1,048,655 in 1990).

Administration expenses increased by N61,229 (From N202,981 in 1987 to N264 in 1990). On percentage terms, turnover increased by 21%; cost of sales by 15% with an overall gross profit increase effect of 43%, while administrative expenses increase by 30%.

### 3.9 THE KOLA BOOKSHOP ENTERPRISES LIMITED

#### SECTION B

474594  
 Ahmadu Bello University,  
 Zaria, Nigeria.

The Kola Bookshop Limited is a sole trader business managed by Chief Kola and his family. The bookshop is a retail outlet for book publishers in Nigeria and abroad. It was established in 1982 at Zaria by Chief Kola.

Prior to establishing the bookshop, "Chief Kola was a professional tailor, sewing both Nigerian and English dresses."<sup>6</sup> He had a prosperous tailoring service. However, according to Chief Kola, he left tailoring service when he found that as he was advancing in age, he was becoming uncomfortable with the job. Before going into book selling, he had wanted to go into selling of motor spares parts but a friend advised him to go into book selling and that friend positively assisted him financially and materially towards establishing the bookshop enterprise.

i. **Share Capital:**

Chief Kola said that he could not remember how much capital fund he invested in the business, as he was not keeping records of it. However, according to him, he had landed property and some savings accounts with which he financed the business.

ii. **The Aims and Objectives of the Bookshop**

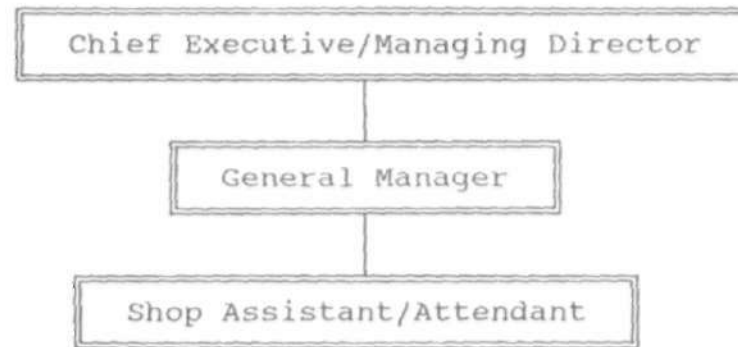
Chief Kola's aim of establishing the bookshop enterprise was to sell books in different titles and from there make money for the family welfare so as to improve their standard of living.

iii. **Business Location:**

The Kola Bookshop (Nig) Limited is situated at No.7 park Road, Zaria near the A.G. Leventis Stores. It is the only place of the business enterprise, as he has no other branches elsewhere. The bookshop is the next biggest bookshop in Zaria to the ABU Bookshop Limited.

### 3.10 ORGANISATIONAL CHART OF KOLA BOOKSHOP LIMITED

The management structure as gathered from Chief Kola is comprised of the Chief Executive Managing Director, General Manager and the Shop Assistant/Attendants.



Source: Gathered and Compiled by the Researcher

Chief Kola is the Chief Executive/Managing Director. He buys books into the Bookshops from Publishers and distributors and maintain constant contact with them on new titles. He takes overall decision on the business. Mrs Kola (his wife) is the General Manager. She supervises the bookshop and the shop assistants/attendance. She ensures that cash sales are receipted and lodged into the bank. She reports inventory situation of the books to the Managing Director especially those that needed replenishment when the re-order level is reached. The bookshop assistant/attendants are attached to book shelves, to assist customers in their purchase and to guide against shop lifting. They are also

responsible for the cleanliness of the shop and dusting of books on the shelves. The organisational structure of the enterprise has no marketing section because Chief Kola sees the whole process of book selling as marketing and could not see the need to have a separate marketing section.

The Kola Bookshop Enterprises is a family business being managed by Chief Kola, his wife and children and some close relations employed as shop attendants/assistants.

### **3.11 STAFFING AT KOLA BOOKSHOP ENTERPRISES LIMITED**

Chief Kola is not read beyond primary school level. Lack of higher education seems to be responsible for some of the lapses and inadequacies in the management of the business as will be pointed out in the next paragraph. Chief Kola however feels that the level of education of the managers is enough as the enterprise does not require highly qualified personnel. This may appear a satisfactory excuse, but one feels that by employing somebody of a higher qualification may pose a challenge to the spouses who themselves are not read highly enough.

### **3.12 FINANCIAL PERFORMANCE KOLA BOOKSHOP ENTERPRISES LIMITED**

According to Chief Kola they do not prepare any form of business accounts, such as income and expenditure accounts and they do not carry out stock taking of the books.

Hence, it was not possible to determine the financial performance. Chief Kola, however, informed the researcher that a member of the Kaduna State Inland Revenue Board comes annually to the bookshop and adds up the total sales and deducts from it total expenses for the year and assess excess income to taxation.

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## CHAPTER FOUR

### DATA ANALYSIS

#### 4.1 INTRODUCTION

This chapter analysis data gathered through interview and questionnaires and examines marketing strategies of the two bookshops. The strategies are namely, product strategy, pricing strategy, promotional strategy and distributional strategy. It also examines their respective organisational structure and marketing concept.

#### 4.2 PRODUCT STRATEGY:

The bookshops are not publishers but are distributing outlets. However, the research reveals that the responsibility for the marketing of books lies with publishers.

They are supposed to produce books that meet the needs of the market(s), and are expected to produce scholarly text books and journals, using good quality materials such as paper, ink, glue, and well bound books. As part of good quality, the book should be of an acceptable size, shape and of a good design and colour. The title of the book printing and binding are also added advantage. Packaging is not usually emphasized in a book but good and durable covers that facilitates handling is essential.

There should be even spread of ink in printing better collation of pages without a mix up and upside down pages; moderate trimming of pages without cutting of any part of the text.

#### 4.3 PRICING STRATEGY

The price that a company charges for a product is usually determined by competitive characteristics of the industry<sup>1</sup>. Pricing strategy according to Kotler (1980) is "the task

of defining the price range and price movement through time that would support the sales and profit objective and marketing positioning of the product in the largest market<sup>2</sup>.

The bookshops purchase two categories of goods for stock as follows:

- a. The firms own purchases of books and stationery and
- b. Books on sale or return brought in by the owners and sold according to owners mark-up price at an agreed commission to the bookshop.

Under category (a) the Bookshops fix the price of the wares by adding a percentage mark up to the purchase price to arrive at the selling price which is supposed to cover overhead cost and a margin for profit. The Accountant and the Sales Department in consultation with the Bookshop Manager fix the mark-up price.

However, in order to encourage early payment customers are usually allowed a cash discount which they are expected to settle accounts within a specific period, otherwise they will lose the discount. However, due to the difficulty of getting payment from customers which sometimes have to be written off as bad debt, credit sales have been suspended and sales are for cash. "Cash and Carry". Books ordered from abroad are priced at the exchange rate obtainable at the time of making the order by adding a percentage make-up to arrive at the selling price.

Pricing is not solely dependent on a mark-up but where stocks are of a flow moving or are becoming obsolete and outdated, they are sometimes disposed of at reduced prices below the purchase price. Where also books are no longer relevant to the need of the society as was the case of Moscow Publications due to collapse of Communism the ABU Bookshop sold some of the publications at 50% of their normal prices.

In the case of Category (b) Sale or return prices are fixed by the owners for sale at an agreed commission to the bookshops.

#### **4.4 PROMOTION STRATEGY**

Promotion is basically an exercise of information, persuasion and influence. It is a marketing tool used to get customers informed about a company's service and product. It is also used to educate on availability of new products and their use. Buzzel et al says, "promotion consists in brief of communicating through advertising, through the efforts of the company salesman, via catalogue exhibits and through various types of messages located at point of sales"<sup>3</sup>

Four elements of promotional mix are advertising, personal selling, sales promotion and publicity. The product or service offered will determine the promotional mix desired. For instance, sale of consumer goods will require advertising while sale of industrial goods will require personal selling. The popular promotional mix found used by the bookshops are advertising and sales promotion.

The ABU Bookshop Limited advertising strategy include among others bill boards, hand bills and posters. Posters are usually pasted at strategic placed in the University Campus, hand bills are distributed to customers, while bill boards are placed at the entrance gate of the bookshop for the customers information. Books are conspicuously placed on the shelves where they could catch the eyes of customers while going round to make purchases.

New books titles are displayed at shop windows.

As part of the advertising strategy, delivery vans for bookshop, bearing its name, address and logo, helps to advertise the wares. Sales promotion strategy used include; given calendars, diaries, memo pads, bearing its (Bookshop) name, address and logo, free of charge to customers. At the beginning of the academic session exhibitions and sales of

books are held in the bookshop and publishers are invited to attend and mount book stands for displaying of their publications. The ABU Bookshop participates in book exhibitions and fairs, such as the Library Boards book fair, thus drawing attention to the book titles. The bookshop manager had attended a seminar at Democratic Studies at Abuja, there displaying titles which were relevant to the Institution's need and purchases made for their members and for stock.

Promotions decision is taken by the management while actual promotion is carried out by the sales force.

#### **4.5 DISTRIBUTION STRATEGY**

The channels of distribution are the various marketing institutions through which goods are transferred to the ultimate customer and/or users. The need for a particular institution depends on the nature of the product(s) and markets. Such institutions include wholesalers, retailers and agents etc. For instance where a product is of a perishable nature they are distributed through shorter channels of distribution. <sup>4</sup>

Physical distribution though refers to the different channels available, but it lays more emphasis on transportation of goods from producer to middlemen and the type of transport required will depend on the product. Also required in the physical distribution network are warehouses. Depot and other suitable storage facilities and inventory control.

#### **4.6 ON ABU ORGANISATIONAL CHART**

On 3.3 page 64i, ABU Organisational Chart, the ABU Bookshop Limited has no marketing department but a sales department headed by the Assistant general manager <sup>5</sup>. Wingate

and Nolan (1976) defined selling as the process of assisting and or persuading a prospective customer to buy an idea that has business significance to the seller <sup>6</sup>. By the definition what the ABU Bookshop does mainly is on the counter sales of its wares, but sales is an aspect of the marketing research.

The Ahmadu Bello University eleven faculties and over one hundred departments and some affiliated higher institutions in the Northern States, should set up a marketing department that should be conducting marketing research. The marketing research will provide useful information on consumers need and wants and on socio-economic and political environment, that are likely to affect demand of its books so that appropriate marketing strategies could be planned. As competition increases in the book selling industry, marketing research will also provide useful information on customers buying motives. The marketing department should be headed by a Marketing Manager.

#### **4.7 TABLE 3.8 PAGE 68 PERFORMANCE ANALYSIS**

On 3.8 Table 1, page 68, the net trading profit of N115,481 (1990) increased by 61% over the 1987 trading profits of N45,309. Cost of sales to turnover in 1990 is 75% which in monetary terms is 75k per N1 sales value. Leaving a balance of 25k and a contribution towards overhead cost and profit margin. A higher margin can be achieved by reducing cost of sales and increase turnover through increased promotional activities. Individual elements of cost should have been further examined for making recommendation on the appropriate marketing strategies to improve performance but this information was not available to the researcher.

#### **4.8 SMUGGLING AND PIRATING OF BOOKS**

According to the two Bookshops smuggling and pirating of books have little or no effect on them as the volume of such illegal books sales are few and are not constituting a threat to their market. They say, however, that piracy constitutes a threat to publishers because they (pirates reproduce books for sale).

#### **4.9 MARKETING CONCEPT**

Buzzel et al (1980) defined marketing concept as "a way of life in which all resources of an organisation are mobilized to create, stimulate and satisfy the customer at a profit. <sup>7</sup>. The two bookshops practice marketing concept by ensuring that books and Journals acquired are relevant to the needs and wants of students. The ABU Bookshop Limited in particular, in buying for stock and contracts, the departments and faculties recommends books and journals. They advertise to inform the public of their books stocks. The two bookshops ensure that books sold are of good quality materials and that shop attendants are available to assist customers when making purchases. Gifts such as diaries, calendars and pencils imprinted with the name of the bookshop are given to customers free of charge, as an incentive for them to make a repeat purchase to enhance sales volume and profits.

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4. Buzzel et al Op Cit (1980 Pg 479)
5. John W. Wingate and Carrol/A Nolan  
Fundamentals of selling, South Western  
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6. Buzzel et al Op Cit (1964 Page 8)

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATION

#### 5.1 INTRODUCTION

Following the proceeding data analysis highlighting the marketing strategies of the two bookshops, some conclusions and recommendations have been made that will stimulate demand and enhance sales volume and profitability.

#### 5.2 CONCLUSION

##### I. Product

The Bookshop are not publishers but are a channel of distribution for the publishers and writers. Hence, they are not involved in product development and book production.

##### II. Pricing

Pricing is an important element of marketing mix in any business organisation. It is an important marketing strategy being applied by the bookshops to increase market share and profit making. Pricing is charged as a percentage mar-up on the purchase price to arrive at the unit selling price of wares. Pricing is not always dependent on mark-up but sometimes in a cause of slow moving or obsolete and damaged stock items, they are disposed of at reduced prices.

##### III Promotion

This appears to be the most popular element of marketing mix applied by

both bookshops. This includes advertising messages through bill boards, hand bills and free gifts of memo pads, diaries and calendars to customers to stimulate demand and increase sales volume.

#### **IV. Distribution**

The bookshops use their motor vans to carry books from publishers and distributors to their premises. The ABU Bookshop Limited with branches in Kano and Kongo uses it's motor van to send goods to the branches.

### **5.3 RECOMMENDATION**

#### **I Product Strategy**

The Bookshops can provide useful information to publishers on the market needs and wants of the market and on the quality of books. Such information may include cover design, size and shape. Type of printing ink, quality of treads for binding and the need for early publication of manuscripts. These information will assist greatly in the selling of the books.

#### **II Pricing Strategy**

The blanket ban on credit sales to customers should be lifted. With good credit control system in place, the credit worthiness of each customer should be established and credit facility given to those found acceptable. This will further stimulate demand and enhance sales. A fairly longer period of credit sales with attractive discount will also encourage early settlement of accounts thereby reducing bad debt. Within the year, as may consider appropriate perhaps when

sales is dull and low, there should be price reduction to arouse demand.

### **III Promotion Strategy**

The ABU Bookshop should at the beginning of every academic session send the stock and price list of its books to departments and its other major customers, so that they can buy where the prices are lower.

They should intensify effort at attending seminars and trade fairs displaying book titles for current and potential customers. They should also continue to give free of charge calendars, memo pads and diaries to customers to encourage them making repeat purchase. They should have a packing bag with the name of the bookshop written on it and given free of charge to customers to carry their purchases.

The ABU Bookshops as the major book seller establishment in the University and especially in the Northern States, should at least once or twice in a year advertise on the television and in Newspaper medium of its various book titles and academic journals for public information. In the same vein, the Kola Bookshop should do the same thing as recommended above for ABU.

### **IV Distribution Channel Strategy**

Because of the major role the ABU Bookshop is playing at supplying books to higher institutions of learning in the Northern States, it should open branches at the Polytechnic and Colleges of Education so as to bring the books nearer to students and staff there. This will also be nearer to students in the upper classes of post primary schools within that environment.

**V Organizational Structure**

The sales department at the ABU Bookshop Ltd. should be upgraded to a marketing department to be headed by a marketing manager. The department should be responsible for carrying out full marketing services. Such as marketing research on the customers needs and wants in the book industry. The Department will provide a feed back on customers reactions on publications for improvement. The Kola Bookshop should have a sales section for its marketing which should be headed by a sales manager.

**VI Staffing**

Kola Bookshop Limited should appoint a qualified Accountant with B.Sc and HND Accounting with relevant experience for its accounts. He (the Accountant) will prepare the statement of income and expenditure for submission to the Board of Inland Revenue for taxation assessment. This will eliminate the present practice of assessing the company on tax based on incomplete records. The accountant will also be responsible for the inventory control and stock-taking. The inventory control will provide information on slow moving and obsolete stock items for management decision. This will minimise stock holding cost, which have always been a drain on business revenue.

Considering the above recommendations it is possible that well managed marketing strategy will help greatly to reduce wastage and excess stocking, stimulate demand, increase market shares, sales volume and profitability.

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## QUESTIONNAIRE

Could you please answer the questions below and return to me.  
Management of ABU & Kola Bookshop Limited

1. When was the bookshop established?
2. What were you doing before the formation?
3. What made you choose bookshop and not other trade?
4. Do you own or rent the bookshop premises?
5. Why did you choose the present location of the business?

Tick as appropriate

6. Do you have other retail outlets?
  - i. In Zaria
  - ii. Outside Zaria (indicate town)
7. How do you obtain books?
  - i. Direct from authors
  - ii. Direct from Publishers
  - iii. Through Intermediaries
8. What makes you buy from a particular source?
  - i. Proximity
  - ii. Publisher
  - iii. Distribution facility
  - iv. Quality
9. What guides your choice of books for stock?
  - i. At customers request
  - ii. At authors request
  - iii. At publishers request
  - iv. Others (specify)
10. What type of books do you stock?
  - i. Science
  - ii. Art
  - iii. Magazines
  - iv. Novels
  - v. Others (specify)
11. What other things apart from books do you stock?
  - i. Name them
  - ii. Please give reason

12. How often do you carry out stocktaking?
  - i. Monthly
  - ii. Quarterly
  - iii. Half Yearly
  - iv. Yearly
  
13. What is the policy towards dormant or slow moving books?
  - i. Sold at Reduced prices
  - ii. Donated out
  - iii. Remained in stock
  - iv. Other reasons (specify)
  
14. Who are your competitors?
  - i. Other book sellers
  - ii. Smugglers
  - iii. Foreigners
  
15. What is the effect of competitors on your organisation?
  - i. Threat
  - ii. Opportunity
  - iii. No effect
  
16. Who are your customers?
  - i. Educational Institutions
  - ii. Individual Buyers
  - iii. Others (specify)
  
17. Do you carry out market survey?
  - i. On price of competitors
  - ii. On type of books for stock
  - iii. On source supply
  - iv. Any other reason (specify)
  
18. What are your selling terms?
  - i. Cash Sales
  - ii. Credit Sales
  - iii. Cash Discount
  - iv. Quantity Discount
  
19. How do you fix the selling price?
  - i. A percentage on purchase price
  - ii. At the price fixed by the seller
  - iii. At the competitors price
  - iv. At the ongoing market price
  
20. Who fixes prices at retail outlets?
  - i. Main office
  - ii. Branch Supervisor

21. What elements of promotion mix do you use?
  - i. Advertising
  - ii. Sales Promotion
  - iii. Personal Selling
  - iv. Publicity
  
22. What form of advertising do you carry out?
  - i. Television medium
  - ii. Newspaper medium
  - iii. Posters
  - iv. Hand bill
  - v. Others (specify)
  - vi. None of the above
  
23. What is the object of displaying books on shelves?
  - i. To arouse interest of customers
  - ii. To inform customers of books available
  - iii. To inform on the latest books
  
24. How do you organise your book shelves?
  - i. On related books
  - ii. On unrelated books
  - iii. None of the above i.e any how?
  
25. What form does your purchase take?
  - i. Cash
  - ii. Credit
  - iii. Other (specify)
  
26. How do you finance the business?
  - i. Internally (profit earning)
  - ii. Externally (Loan Insurance)
  - iii. Others (specify)
  
27. How often do you bank your cash sales?
  - i. Daily
  - ii. Weekly
  
28. Do you think the business is doing well?  
If Yes, Why do you think so?
  
29. How is the business performance?
  - i. Low sales volume
  - ii. High sales volume
  - iii. Poor

30. What proportion of the sales goes on general expenses?
- i. 30%
  - ii. 50%
  - iii. 70%
  - iv. 90%
  - v. 100%
  - vi. Above 100%
31. What specific aspect of item(s) of the expenses takes the largest spending of sales?
- i. Rent
  - ii. Distribution
  - iii. Other (specify)
32. Presently are you happy with the business?
- i. Yes
  - ii. No
33. If your answer is No give reasons.
34. Are staff relations or not?
- i. Yes
  - ii. No
  - iii. mix of i. and ii. above
35. How many relations?
36. What are their educational qualifications?
- i. Primary
  - ii. Secondary
  - iii. Higher (NCE, HND, Degree etc)

#### QUESTIONNAIRE

Could you please answer the questions below and return to Kola Bookshop and ABU Bookshop Limited.

Customers to the ABU and Kola Bookshop

1. Why do you .....
  - i. Low price
  - ii. Availability of books
  - iii. Good human relations
  - iv. Proximity
  
- . How would you rate the bookshops on books availability?
  - i. Below Average
  - ii. Average
  - iii. Above average
  
- . Are you satisfied with their services?
  
- . What are your complaints on their service
  - i. Good
  - ii. Poor
  - iii. Fair
  
- . Could they do better if you ticked 4(ii) above  
Suggest area of improvement
  
- . Are you satisfied with the present arrangements of books on the shelves?
  - i. Yes
  - ii. No
  
- . Are you satisfied with the general neatness of the bookshop?
  - i. Yes
  - ii. No
  
- . What is your problem on pricing?
  - Moderate
  - High
  - Low
  
- . What makes you tick items on 8 above?
  
- . What in your opinion is the bad impression of the bookshop. Comment
  
11. What in your opinion is the good impression of the book shapes. Comment.
  
12. What suggestions do you have for better performance/improvement of the bookshop. Comment.

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