MARKETING STRATEGIES OF MULTINATIONAL COMPANIES IN THE NIGERIAN OIL INDUSTRY: A CASE STUDY OF SELECTED MULTINATIONAL OIL COMPANIES:-

1. *SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA AND*
2. *MOBIL PRODUCING NIGERIA UNLIMITED.*

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DECLARATION

I hereby declare that this project report has been written by me, and that is a record of my own research work. All sources of information and where applicable, other writer's views have been duly acknowledge in the form of bibliography.

MOHAMMED USMAN ..... 26/7/99...

NAME OF STUDENT SIGANATURE AND DATE

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SUPERVISOR SIGNATURE AND DATE

D E D I C A T I O N

This piece of work is dedicated to:

My wife Hafsat
Our children

Nafisat
A'isha
Maryam
and
Nana Asma'u

Who had to bear with my absence at home, and my mother - Hajia Maryam (Adda) for her encouragement and prayers.

May the Almighty Allah bless you all... Amin.

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CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION:

"Multinational Companies", "Major Companies" or simply "Majors" are applied to those companies which, thanks to their control over a great proportion of world petroleum reserves and their increase financial, technical and commercial resources have played and continue to play, though not with the same exclusiveness as in the past, a prominent role in all phases of the petroleum industry. Since the agreement of 1928, these institutions have acted with an almost imparalled power and authority in all matters relating to the petroleum industry. The members of the group are:

1. Standard Oil of New Jersey, the most powerful of all, and which has been called the prototype of the international petroleum trust;

2. The Royal Dutch shell group;
3. British Petroleum Company.
4. Gulf Oil Corporation
5. Texaco Incorparation
6. Standard Oil Company of California, and
7. Mobil Oil Company.

An eighth company is generally added to the group, not because it has the same dimensions as the others, but rather because it participates in the joint operations of the other companies in a part of the Middle East. This is companies Francaise des petroles (CFP). Thus the major companies are of four nationalities: American, British, French, and Dutch.

In regards to Nigerian oil industry, two sets of reasons make the political aspects of Nigerian oil a subject of interest, the first relates to foreign investment- the presence of Foreign Oil Companies is to be found through out the country's oil history. The dependence of them covers all sectors of the oil industry.

Until April 1971, participation in the oil industry was exclusively in the hands of these foreign owned companies (NIGERIAN PETROLEUM LAW & PRACTICE: M.M. OLISA). Currently, the eight (8) giants of multinational oil companies in Nigeria who participate in downstream sector are:

1. Mobil
2. Agip
3. Elf
4. National
5. Texaco
6 Unipetrol
7. Total
8. A.P

While those who participate in up stream sector only include:

1. Shell Petroleum Development Company
2. Chevron Nigeria Ltd
3. Dubri Oil etc.

Petroleum has been found to be "the biggest item in world trade both by value and volume" (FRANKEL 1966). This raises questions of their role and impact on the economy.

The second reasons is related to the first and has to do with the central role of oil in Nigeria and its economy. In the early 1990's, petroleum production accounted for 25% of GNP, exports in oil for 95% of total export earnings and about 75% of total government revenue. As a matter of fact crude oil is the one source that provides immediate hope for the development of the rest of the economy.

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v. The importation of management and skilled labour followed by the gradual training of indigenous replacement of future local enterpreneurs, MNOCS have a fairly significant effect on a limited spectrum of Nigeria human resources.

the second vehicle for the transmission is though the existence of linkage effects, externalities contributed by the export sector to the rest of the domestic economy. These effects can be conveniently divided into two major categories those that operate through the market and those that do not. Market linkages include investment linkages and find demand linkages. The non market externalities consist of (2) sub-categories; technological linkage and socio-political linkages. All four ultimate linkage effect are related to a fifth, termed fiscal linkages.

Investment linkages include forward and backward linkages. There is limited opportunity from backward linkages because Nigerian services are of slightly greater use than Nigerian materials (although the mineral 'Baryte' is used by oil companies and is supplied by the solid mineral industry).

Final demand linkages are derived from the expenditure of income generated by the export industry. Technological linkages are caused by the entrance of non priced factors in non oil industry production function e.g The petroleum industries construction of roads and other social overhead capital plus its training of labour.

Socio-political externalities may bring about social and political reorganisations usually as a result of attempts to gain greater control over the benefits associated with export proceeds which might result from conflicts between industry owners and the host government, this could be adverse or positive.

Finally, fiscal linkage arises when the Nigerian government use the oil industry in undertaking recurrent or capital expenditures or in reducing tax bite on other sectors of the economy.

The nature of the industry vis-a-vis its marketing strategies have to be understood by the host countries (country) failure, which constitutes a problem alongside the enumerated micro and macro effects on the Nigerian oil industry.

1.3 PURPOSE OF THE STUDY.

This research work attempts mainly to asses the marketing strategies adoted and operated by multinational companies in the Nigerian oil industry.

It is the aim also of the work to test the relationship of these marketing strategies between the growth of the Nigerian economy and these international companies whether positive or nagetive.

In so doing, the study analysis the role of the Nigerian National Petroleum Corporation (NNPC), its involvement and arrangement with its foreign partners together with the benefits/losses enjoyed/suffered by both parties in relation to one anothem.

It is also hoped that this report or research work will serve as a useful refemence material on related topics and further reading.

1.4 SIGNIFICANCE OF THE STUDY

The study of Marketing strategies of multinational companies in the Nigerian oil industry: A case study of selected multinational oil companies:"

1. Shell and
2. Mobil.

Comes or at a time the Nigerian economy is going serious restructuring with the vagaries of world economic recession is very important.

First oil contributes 95% of total export earnings and about 75% of total government revenue. Which goes a long way to amplify its relerance to the Nigerian economy.

To DPR as a watchdog of the Nigerian oil industry it helps it to be careful in negotiating on behalf of government and to critically analyse and know the effects of such marketing strategies as engaged in by multinational companies.

To the companies themselves it serves as a guiding tool for its excesses which if not tailored may have a devastating effect on them in case the host (Nigeria) decides to pluck out its operating right as a result of negative marketing strategies.

To the readers it serves as an additional material for subsequent reference.

1.5 RESEARCH HYPOTHESIS

A statistical hypothesis is usually a statement about one or more population distribution and specifically about one or

more parametres of such population (Hays 1973)

According to (Osuala 1987) "A hypothesis is a conjuctural statement of the relationship between (2) or more variables.

In appraisal of the above, we have the Null hypothesis which is devoted by (Ho) and the alternative hypothesis (Hi), this hypothesis negates the Null hypothesis (Ho) and can be accepted when Ho is rejected.

1.6 SCOPE OF RESEARCH

The oil industry is quite broad in nature, its study therefore can not be exhaustively handled in a study such as a research project which this work is.

Because of its broad nature and the tendency to deviate, the researcher has tried to limit the study to especially the two (2) understudied multinational companies.

1. Shell Petroleum Development Companies and
2. Mobil Oil.

All mention of other multinational oil companies (MNOCS) will therefore be brief and/or in relation or comparison to the two- Shell and Mobil.

It will confine itself to the nature of marketing strategies engaged in and further consider the economic aspect of the study, all other information will be confined within this boundry. Various years have also been analysed but consentration is between 1938 to 1995.

1.7 RESEARCH METHODOLOGY

Applied research attempts to use existing knowledge as an aid to the solution of some given problem or set of problems.

The questionaire and the interview methods were also adopted in specific cases and the method of data collection includes both the primary and secondary sources of data collection.

A well structured questionaire was designed and administered on the management staff of both companies, to gather information relating to their marketing strategies and any other information that will help in the research work.

In respect to the secondary sources, the researcher used libraries to get information which was obtained in textbooks, journals and other periodicals that relate to the research topic. Ihis materials are fully acknowledged appropriately.

1.8 LIMITATIONS OF THE STUDY

A research work of this magnitude can not be without hitches of many kinds, it is evident therefore that among other limitations the researcher inetably encountered a number of handicaps. Ranking highest in the access to material not because they were limited and mostly available in places that required travelling continously over long and wide distances.

Secondly,the financial inadequacy hampered the depth to which the research would have reached to fully treat the topic fairly.

In seeking solutions to the mentioned problems, The researcher attempted in dealing with the problem in another way, by using goodwill of friends and relations to acquire such materials by

post/courier which has proven to be not so efficient, given the fact that these people in turn had to collect the data while pursuing their own interests.

On the other hand I had to juggle other aspects of schools work with research within areas in my reach. Given that this is a student research and is to be completed within a stipulated time,the aformentioned hitches tended to retard the researcher's progress.

It is also important to note that most of the data that could have supported the project and helped in a more though analysis and treatment of the work are sometimes classified, other times they are simply not available for this reason the researcher was forced to use some out dated figures, however,the figures so analysed have given an insight into whether the marketing strategies adopted by the two companies at one point or the other have being significant influence or effect both to the company or the Nigerian economy.

1.9 LIST OF ABBREVIATIONS

These are explained as used and relate to this work:

B - Barrel
BCF - Billion Cubic Feet
B/D - Barrels per day
BOP - Balance of payment
DPR - Department of Petroleum Resources
GDP - Gross Domestic product
GNP - Gross National Product
MB - Million Barrels
MB/D - Million Barrels per day
MCF - Million Cubic Feet
NGC - Nigerian Gas Corporation

NNOC	-	Nigerian National Oil Corporation.
NNPC	-	Nigerian National Petroleum Corporation.
PSC	-	Production Sharing Contract
TCF	-	Trillion Cubic Feet
TCM	-	Trillion Cubic Metres
API	-	American Petroleum Institute

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION:

The petroleum industry in Nigeria has undergone significant changes since oil was discovered in commercial quantity almost four decades or so ago. The sector has become the mainstay of the overall Nigerian economy, pivoting other sectors, and accounting for about 90% of the country's foreign exchange earnings, about 20% of the Gross Domestic product and about 85% of Federal Government collectable revenues. It is, therefore, not surprising that the industry has become very critical to the economic development of the country.1

The increasing importance of this sector to the national economy aroused Government's interest in the early stages of its development and Government eventually got involved in all the facets of the industry. As a result of change in economic policy in favour of market-oriented economy it is now governments desire to get private sector to actively participate in the petroleum industry.2

With a population of close to 90 million people, huge debt service commitments, industrial capacity under utilisation, huge development needs and a cash strapped economy, we certainly welcome both indigenous and the international capital investment and participation in the Nigerian petroleum sector.3 "We, as a nation, have little or no technical expertise, capital, and the skilled manpower required to maintain the momentum of development in this sector. Government, therefore, welcomes, with open arms, genuine investors in the petroleum industry".4

The Structural Adjustment Programme (SAP) which was introduced in 1986 is still very much in place although with minor policy adjustments which are regularly received to ensure that objectives of SAP are achieved. SAP emphasises diversification, deregulation, privatisation and market-oriented exchange rates and pricing.The recent repeal of Exchange Control Act 1962 and Indigenisation Decree has created favourable economic environment for potential investors now than at any other time.

Government, apart from creating an economically conducive environment, has introduced various fiscal incentives to encourage private participation in all the various sub-sectors of the petroleum industry.

To ensure continuing and orderly development of the petroleum industry, a petroleum policy has been put in place. The objectives of the policy include:5

- Increasing oil reserve base and producibility through vigorous exploration and ensuring judicious exploitation of the source;

- Allowing for private sector participation in all the facets of the industry through attractive fiscal measures;

- Acquiring reasonable market shares for the crude oil and its derivatives and achievement of domestic refining self-sufficiency;

- Expanding the utilisation of natural gas and

- Developing the large deposit of tar sands in the country.

With a view towards achieving these objectives the Nigerian National Petroleum Corporation (NNPC) became a commercial and intergrated oil company, presently with eight (8) wholly awned subsidiaries and three partially owned subsidiaries both in the upstream and downstream sectors of the industry.

2.2 PETROLEUM EXPLORATION AND DEVELOPMENT IN NIGERIA[6]

Oil prospecting began in Nigeria as far back as 1908 when a German company the Nigeria Bitumen Corporation stated exploration in the Araromi area of the present Ondo State. Their pioneering efforts, however, ended with the outbreak of the first world war in 1914.

In 1937, oil prospecting was resumed in Nigeria. Shell D' Arcy (the fore-runner of the present Shell Petroleum Development Company of Nigeria) was awarded the sole concessionary rights covering the whole teritory of Nigeria. Their activities were again interrupted by the second world war, but resumed in 1947.

It was not until 1956 therfore that oil was discovered in commercial quantiies at Oloibiri in the Niger Delta after several years of search and an investment of over N30 million. Shell started oil production and export from its Oloibiri field in 1958.

By 1961, other companies such as Mobil, Gulf, Agip, Safrap (now Elf), Tenneco and Amosea's (now Texaco/Chevron) had began exploration activities for oil in the onshore and off-shore areas of Nigeria. The exploration rights which had formaly been granted to Shell alone, was now extended to the new comers in line with the government policy of increasing the pace of exploration in the country.

Oil production and export from the Obibiri field was first started in 1958 by Shell at a production rate of 5,100 barrels of crude oil per day. The quantity doubled the following year,and crude oil exports from Nigeria rose to 2.0 million barrels per day in 1972 and reached a peak of 2.4 million barrels per day in 1979.

Nigeria attained the status of a major oil producer, ranking seventh in the world, by 1972. We have since grown to become the sixth largest oil producing country in the world.[7]

2.2.1 GOVERNMENT INVOLVEMENT IN THE OIL INDUSTRY AND THE BIRTH OF THE NNPC.[8]

The role of the government in the oil industry has gradually progressed from regulatory one, to direct involvement in oil exploration and exploitation. Initially, government interest was only limited to the collection of royalties and other dues offered it from the oil companies and making rudimentary laws to regulate the activities of the oil industry. This was partly due to the fact that oil was very insignificant to the economy before the late sixties and the relative lack of trained personnel and expertise.

By 1971, a year after the Nigerian civil war, oil had started becoming more important to the economy. To strenthen and establish government control in the industry therefore the Nigerian National

Oil Corporation (NNOC) was established by Decree in 1971, as integrated oil company. It was also in that year, that Nigeria joined the organisation of Petroleum Exporting Countries (OPEC) as the 11th member country. The NNOC had responsibility for both upstream and downstream activities in the industry.

As a result of all these developments, government had aquired a new stature and so decided on active participation in the industry's activities. It was believed that if government had more say in the running of the oil industry, it would achieve its goals of rapid industrial and commercial development of the country. Government therefore aquired 33½% equity interest in the Nigerian Agip Oil Company (NAOC) in 1971 and 35% in Elf.

Meanwhile, the ministry of petroleum resources whose functions were mainly regulatory was also running concurrently with the NNOC. It was not until 1st April, 1977, that a merger between the NNOC and the ministry of petroleum resources created the Nigerian National Petroleum Corporation (NNPC). NNPC combined the commercial functions of the former NNOC (namely exploration, production, transportation, processing of oil, refining, marketing of crude oil and its refined products) with the regulatory functions of the former ministry of petroleum Resources. There regulatory functions are still vested in the Department of Petroleum Resources (DPR), formerly an independent arm of the NNPC, (the Petroleum Inspectorate). The DPR is also responsible for carrying out research in connection with petroleum or anything derived from it and promoting activities for the purpose of turning to good account the results of such research.

2.3 AREAS OF INVESTMENT OPPORTUNITIES IN THE PETROLEUM SUB-SECTOR.[9]

Presently, the NNPC intends to increase crude oil reserve base from its present level of 205 billion barrels (BB) to 25 billion barrels and productivity from 1.9 mbd to 2.5 mbd by 1999. Government has therefore, put in place an attractive and liberal incentive package for investors in exploration and development.

A memorandum of understanding (MOU) was signed with the various oil companies operating in Nigeria. The MOU guarantees a profit margin of $2.30/bbl for companies that meet targets in

terms of reserve additionss. Performance above set targets attract a margin of $2.50/bb/. Differentiated tax credits are also introduced in the MOU which also has flexibility to compensate for investment risks in a volatile market. The current MOU has been in existence since 1991 and is expected to be reviewed to allow for further favourable investment atmosphere for investors.

All these are done in order to continue to attract continous inflow of private capital investment in the petroleum industry. Government, with its dwindling resources for which other sectors are competing, cannot continue to maintain its past level of capital injections. Private participation in exploration, development and production is therefore being encouraged to inject more capital, internalise the technology in the country and spread the risk of operation.

Indigenous enterpreneurs are also being encouraged to actively participate in the upstream sector of the industry. New blocks were made available to many Nigerian companies in the past and some of them have even struck oil in commercial quantities. Some of these companies would like to involve foreign partnership for technical and financial back-up.

With the increasing financial burden of the JV cash calls, emphasis is now being shifted to production sharing contracts (PSC). The PSC which is more equitable ensures that risks are balanced between the partners.

The offshore zone is very prolific because of its ecologic formation, low seabed, and relatively calm environment. This, of course, guarantees lower exploration costs than many other off shore zones like the North Sea which is very deep, and hostile. Government will continue to make more blocks available for exploration, in this zone to interested parties as has been the case in the past. A lot of investment apportunities also exist for service companies which produce specialized services to the oil industry in Nigeria. The specialized services include seismic surveys, data acquisition, processing and interpretation, wire logging and core analysis.

2.4 THE DISTRIBUTION OF CONCESSIONS IN NIGERIA.

A. The Autonomous concession selection of Shell - BP:-

The Shell-d'Arcy Petroleum Development company of Nigeria, an afficiate of the mineral OIl Companies Shell Petroleum Company and British Petroleum Company, acquired the first mineral oil concession from the English colonial government in 1938. It was negotiated as an oil exploration licence for the entire mainland Nigeria, which comprised 357,000 sq.m.10

Geographical and geophysical investigations in the following years, interrupted by the second worl war from 1941 until the middle of 1946, showed that the most favourable oil-yielding structures lay in the region of the Southern Nigerian sedimentary basin.

In 1951 therefore Shell-BP, limited their oil exploration licence to a 58,000 sq.m area in Southern Nigeria which streched from the eastern boarder of Benin Republic over the Niger Delta to the Portion of the Cameroons at the time under British dominion. In 1955 and 1957 further restrictions of concession territory occured as a result of findings from deep well drilling. From the reduced concession area of 1951 Shell-BP close on January 19, 1955, a surface area of approximately 23,600sq.m. contaning together 20 oil prospecting licences. The licence area was therefore reduced to a bare 40,000 sq.m.

After the expiration of the prospecting licences, the duration of which was limited by law to a maximum of 5 years, there followed the most recent site selection of Shell-BP when on January 1, 1960 and on January 1, 1962, 46 oil mining leases were obtained over an area of 15,000 sq.m.

Unaffected by competitors the Shell-Bp Petroleum Development company of Nigeria was able to select at their leisure until 1962, 15,000 sq.m. of the 357,000 sq.m. concession area obtained in 1938. In the areas it chose were located the best geological indications for the formation of crude oil deposit sites.

The opportunity of exercising an autonomous strategy throughout two decades in the real of concession politics brought about the result that this company today possesses the optional concession sites in the country.

Its monopolistic position in the past with respect to licence selection affords Shell-Bp both now and in the future a position of dominance in the development of the Nigeria Mineral oil industry.[11]

The extremely promising results of the investigatory work of Shell-Bp evoked a display of interest in the Nigerian crude oil economy by other mineral oil companies. These newcomers were able to obtain concessions in those areas only which the original licensee, Shell-Bp, had abandoned.[12]

B. Mobil Exploration Nigeria Ltd.

The first company which took part in the search for crude oil in Nigeria after Shell-Bp was Mobil Exploration Nigeria Ltd, an affliate of the American Socony-Mobil Oil Company. In 1955 this company obtained an exploration licence encompassing 281,782 sq.m. for all of the abandoned Shell-Bp territory of the Nothern Region, including that portion of the British Cameroons administrated by the Northern Region. Two years later there followed a concentration of the concession upon a 12,700 sq.m. area in the sediment basin of Sokoto in the Northwestern part of the country.[13] In 1957 Mobil obtained still another oil exploration licence of about 4,000 sq.m. in the Western Region. This area streched from the western border of Nigeria along the coast to roughly east of Lagos[14]. The Company returned both concessions to the government after the expiration of the licensing contract on March 1, 1961, because their geological and geophysical investigations as well as three deep wells drilled in the Western Region had no promising results.[15]

Since Shell-Bp converted only a third of the surface of their oil prospecting licence area into oil mining leases in 1960 and 1962[16] it became possible for the newcomers to share in the oil prospecting of promosing areas of Southern Nigeria.

Although the granting of a prospecting licence was contingent upon a single premimum payment of ₦500,000 per concession block, on December 1, 1961 Shell-Bp obtained four lots and Gulf Oil, Mobil Oil and American overseas petroleum Ltd two lots each.[17]

Production conditions in the crude oil fields of Nigeria are extremely varied. The natural gas to crude oil ratio varies between 73 cu.m per barrel in Elelaiwa. Because of the high gas content characteristic of the crude oil fields of Nigeria, which amounts to a combined average of 260 cu.m per barrel, the crude oil itself erupts without assistance from great depths because of the high pressure of the oil deposits and the gas pressure of the oil. On the other hand, additional costs mount since the gas must be separated from the crude oil in several stages by gas separators. According to the method used in Nigeria, the gas is separated from the crude oil first in a high pressure separator at 175 psig and finally in a low pressure separator at 50 psig.[18]

Crude oil types produced in Nigeria vary considerably according to their place of origin. The gravity of crude oil, measured in AP, grades[19] ranges from light crude oil with 46° API in Afam to heavy crude oil with 23° API in Oloibiri. On the average, however, the crude oil is of about medium weight with a gravity of 34° API.

The chemical analysis of a crude oil assay of Bomu oilfield, yielded a relatively high proportion, 63.4% of medium and heavy oils. Crude oil in the Imo River field contains no motor gasoline type material, so that distillation begins first in the kerosene range.[20] Characteristic of all Nigerian crude oils is the low sulphur content, which amounts to an average of 0.1%. Moreover, it is basiccally paraffinic and consistently waxy.

The remaining components are for the most part heavy hydrocarbons, in which ethane and propane predominante. The proportion of inert gases (nitrogen, carbon dioxide) on which would reduce the calorific value of the gases, is negligibly low.[21] The heating value of the oilfield gas is in no field less than 950 British Thermal Units per cubic foot[22] (1,000 B. Th.u.(British Therminal Unit)=252 kcal). Because of the low sulphur content the gases can be directly ignited in gas turbines without refining. It is nevertheless known that dry gases predominate.

2.5 THE MULTINATIONAL (OIL) CORPORATION

The volume of direct private investment has increased greatly over the past two/three decades. Descriptive terms for the organisation of this form of investment have also proliferated, among the most popularly used are; Multinational Enterprises (MNE) or corporation (MNC), and international Business Firm, as a group, they are simply called 'The Multinationals'.[23]

These firms are large commercial organisations which operate, produce, or provide services in several countries usually centralised in one country which confers upon the parent firm or headquarters, its nationality.[24]

Specifically therefore, the multinational oil corporation is one which has extensive overseas strictly oil-based operations, exploitation, production or marketing subsidiary to a present located elsewhere on the globe. So it is basically the same and differs only in respect to activity (area) of specialization.

The most important aspect of their structure has always been their extensive vertical integration especially the integration of the upstream activities (exploration and crude oil production with the downstream part of the oil industry refining and distribution) each company having a different degree of balance between its production and refining operations. The companies are also integrated horizontally at all levels across national boundries.

Until 1960 there were only seven major oil companies which were Exxon; British Petroleum, Royal Dutch/Shell; Standard Oil of California (now chevron), Texaco, Gulf and Mobil with so few serious rivals, Oligopolistic behaviour on the part of the companies was natural and inevitable. Each knew a great deal about the activities of the other; for instance, the crude oil produced by the operating companies in many of the importing and exportig countries was jointly planned by the shareholding major companies. They were also engaged extensively in joint marketing operations in various parts of the world.[25]

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Initially, fixed royalties per barrel of oil were paid to the host government, this was superceded by an income tax equal to 50% of the profits attributed to crude. However the price of crude (the so-called) posted price used to measure revenues was set by these multinationals.[26]

The 1950's brought about the increasingly economic and political dependence on oil revenues by oil exporting countries. Resentment over the total control by the companies intensified with accompanying strain between companies and governments. However their dominance over the markets for oil was such that there seemed no serious possibility that host governments world be able to sell the oil which was produced even if they did try to influence or interfere with the companies control. In any case most of the countries did not posses the skills to run the industry. Tension and pressure mounted over the decade with the companies making occassional and reluctant concessions to government demands.

As the decade drew to a close the major NNOC'S began to find ways to effectively discount the delivered price as they competed for market. This was attributed to the fact that the market for oil continued to expand rapidly but not so fast as the the capacity to produce (this imbalance was caused by successive effect of the Iranian conflict; the Korean mar and closure of the Suez Canal). In addition, supplies from other source increased.

Faced with falling market prices for oil and oil product, which reduced the effective value of crude oil, the companies sought to reduce the per-barrel taxes paid to the government of the oil producing companies by reducing the posted (tax) prices of crude. The result was the formation in 1960 by Iraq, Iran, Kuwait, Saudi Arabia and Venezuela of the OPEC (organization of Petroleum Exporting Countries) with the immediate objective of protecting the posted price and thus tax revenues of host governments. The foundation was hence laid for a fundamental change in the structure of control of the international oil industry and the (role of the) MNOCS.[28]

Control over important aspect of the industry was shipping from the company and for nearly a decade, OPEC was to play an important role with the companies respecting pricing and concession terms. Although it failed to raise posted prices, it did succeed in preventing further deterioration. Members gained an increasing understanding of the industry and methods of operation of the companies.

In 1965, 1970 and 1971 new producing countries came to the markets with their oil in the hands of these, MNOCS and became OPEC members. This is not to say crude oil activities did not take place till then, these years are in relation to their OPEC participation. These countries are: Libya, Algeria and Nigeria respectively.

Although the dominance of the major MNOCS was weakening and their freedom of action never total, it became increasingly constrained because of the necessity of taking account of OPEC on a variety of issues, there was still no decisive domination of their vertically integrated power. However the old structure was unstable because the very success of the industry and the large revenues flowing to government, created a psychological atmosphere in the OPEC countries predisposing them to challange the MNOCS.

A major problem of control still persisted and it was one related to marketing. How could they sell oil and how could they acquire reliable markets in the face of the persuative dominace of the companies. Both Iran and Iraq had learnt lesson from very bad consequences in their attemps to curb the power of the companies, Algeria had its difficulties with France and so on.

By 1968, OPEC was in a positive to formulate its longer run policies. Concession terms were to be revised according to changing circumstances, governments were to control posted (income tax) prices and members were to obtain equity participation in the producing companies to operate directly through state owned corporations in exploration and production. All excepts the last two had been achieved before 1973.[29]

In the meantime, the companies had to make adjustments to new restrictions on their freedom to lift price oil. In response to the much increased real price of oil, the governments of the importing countries took measures to encourage conservation of oil. At the same time exploration for and production of oil outside OPEC territories were encouraged. The demand for OPEC oil fell drastically in the following decade.

During 1973/74 and 1982/83, the exporting countries struggled to manage their industries inspite of their inexperience in the market. OPEC faced difficulties in organising a coherent management of its own actions in agreeing on policies to control shortrun events and long-term strategy because of variations of conditions between the countries. This together with the fall in demand hurt some countries more than others.

Overall the OPEC take-over did not result simply in a change of ownership, it brought about a fundamental and revolutionary structural change. Whereas previously, host governments had been primarily tax gatherers, while the MNOCS were producers and marketers of the governments since 1973, slowly became active participants in the market and the world's main sellers of crude oil. The oil exporting countries had moreover insisted on their right to change the terms of long term sales contracts they made to reduce significantly the security of supply at stable prices previously provided for buyers.

However the MNOCS still play a dominant role (all the more perhaps because their home companies happen also to be the major consumers and political and economic world leaders) but the national oil companies and exporting countries have more participation but are no longer in position to control market prices. The OPEC governments still announce their official prices and agree not to undercut them but the obligation was honoured more in breach than in observance. Technical and technological expertise even though expanding in these countries remain dominant with the MNOCS (in Nigeria dominance is magnified also in the financial sense i.e. capital-wise).

2.5.1 THE ROLE OF THE MNOCS IN NIGERIA

The MNOCs in Nigeria are powerful organisations by virture of their integrated management, their control over large resources, their influence on the market, their role as employers, their role in the transfer of technology and their role as agents of development. Because they control and distribute large resources, their power is both economic and political.

Even though the scope of this work is economical it can not be treated without looking at the political effect since the Federal Government issues laws for the operation of oil in the country.

The MNOCS are political in a narrower sense since they depend for thier successful operation, on legislation and policies which allow the movement of capital, goods, services and personnel across national boarders to achieve their goals, they will act as pressure and interest groups both in national and international forums.

In Nigeria, as a developing country, the government faces the loss of jobs due to the import of technology intensive rather than labour intensive industries, the other is the development of a labour aristocracy' of highly paid workers which presses for separate interests that frequently do not coincide with those of the labour force at large. The oil companies however, deny that any 'export of jobs' has occured and point to their contribution to development, employment and training.

A third argument is centered around the transfer of technology, skills and management know how, MNOCS are often described as the most efficient vehicles for the transfer of these factors. Yet critics claim that it is precisely the completeness of these transfers, precluding the development of indigenous domestic sources of technology which is the problem. The appropriateness of highly capital-intensive technology, typical of these MNOCS in a country marked by under-development and under-employment is questionable.

2.6 THE EFFECT OF MULTINATIONAL OIL CORPORATIONS ON THE NIGERIAN ECONOMY.

The effect of multinational oil corporations on the Nigerian economy is communicated through oil revenues from petroleum production to the petroleum industries and then to the remainder of the economy. This happens directly through attraction or creation of factors of production and indirectly through linkage effect.[30]

Because the Nigerian petroleum industry is foreign dependent, international institutional aspect are brought into play. Domestically the operation of each MNOC in Nigeria is constrained and heavily influenced by its dealings with three (3) institutions; its parent office, the NNPC and Nigerian government and the remainder of the industry. In all three cases, the most important issue at stake is the industry's financial arrangements with the Nigerian government, the importance of which is two-fold. The level at which oil production is taxed has a direct bearing, first, on the economical and psychological rationale behind head office decisions regarding production level for Nigeria and second, on the actual amounts of revenue that the government receives as a result of oil production. Both those factors are instrumental in determining the scope of oil's impact on the remainder of the Nigerian economy.[31]

Direct effects- include the creation of factors of production; payment to the Nigerian government (tax revenues) leading to potential domestic public savings, export earnings, private foreign capital inflows which provided foreign exchange in amounts significant in excess of oil industry current account requirements thereby contributing a significant portion of total amount of foreign exchange available for use by non-oil sectors of the economy. Also, through its initial importation of management and skilled labour followed by the gradual training of indigenous replacement of future local enterpreneurs, MNOCS have a fairly significant effect on a limited spectrum of Nigerian human resources.[32]

The second vehicle for the transmmission is through the existence of linkage effects, externalities contributed by the export sector to the rest of the domestic economy. These effects, can be conveniently divided into two major categories those that operate through the market and those that do not. Market linkages include investment linkages and final demand linkages. The non market externalities consist of two (2) sub-categories; technological linkage and socio-political linkages. All four ultimate linkage effects are related to fifth termed fiscal linkages.[33]

Investment linkages include forward and backward linkages. There is limited opportunity from backward linkages because Nigerian services are of slightly greater use than Nigerian materials, (although the mineral 'Baryte' as used by oil companies is supplied by the solid mineral industry).

Final demand linkages are derived from the expenditure of income generated by the export industry.

Technological linkages are caused by the entrance of non priced factors in non oil industry production function e.g. the petroleum industries construction of roads and other social overhead capital pluse its training of labour.

Socio-political externalities may bring about social and political re-organisation usually as a result of attempts to gain greater control over the benefits associated with export proceeds which might result from conflict between industry owners and the host government. This could be advers or positive.

Finally, fiscal linkage arises when the Nigerian government uses the oil industry in undertaking recurrent or capital expenditures or in reducing tax bite on other sectors of the economy.

2.7 CRUDE OIL MARKETING SERVICES IN NIGERIA.

The first exportation of oil from Nigeria occured in 1958. As most of the multinational oil companies operating in the country had 100% equity in their operation up till 1973, there was no active government participation in the marketing of crude oil until then.

Prior to 1973, all Nigerian crude oil was marketed by the oil producing companies through their integrated system using transfer prices.[34]

Governments interest in the oil industry was handled by a member of government departments including the Hydrocarbon section in 1963 and the Department of Petroleum in the Ministry of Mines and Power in 1970. Although the Nigerian National Oil Corporation (NNOC), the fore runner to the Nigerian National Petroleum Corporation (NNPC), was formed in 1971 primarily to market Nigerian crude oil, government's direct involvement in the marketing of oil did begin until 1973. That was when the government started having its own equity crude which it would market directly following its acquisition of participation interest in the operations of the oil companies.[35]

The government initially sold back the bulk of its participation oil to the foreign oil operating companies through a buy-back arrangement. Under this arrangement the government sold back 50% of its equity crude oil to other companies at a concessionary price to help cushion the effects of its participation and to enable the companies meet previous long term comitments. It sold another 25% of its oil to the companies as option oil. The remaining 25% was sold to third-party customers, that is, those buyers with no concession or stake in the country.[36]

The buy-back arrangement with the producing companies terminated in December 1975 giving way to a formal sales agreement between the NNOC and the various producing companies operating in the country.[37]

Essentially, the buy-back agreement in all OPEC countries was meant as an interim arrangement to assure the oil producing contries some access to government crude oil hitherto controlled and disposed of by the companies and partly to enable government and its agency gradually develop the frame work for international oil sales. The NNPC therefore had to develop avenues other than through the international majors for disposing its crude oil. Hence, NNOC entered with sales agreement effective September 1973 with two independent oil companies Gelsenberg (a German Company) and Tenneco (an American Oil Company). The total sale of 40,000 b/d to these two companies represented the first successful efforts

in direct marketing of government crude to third party buyers.[38]

The second attempt at direct marketing took place during the last quarter of 1973 which coincided with the energy crisis brought on by the Arab-isachi war. The scramble to purchase Nigerian crude oil brought as many as 113 foreign companies in a purchase bid. However, the four successful companies having initialled their contracts on December 23, 1973, failed to sign the contracts in January 1974 when invited to do so an grounds that the $22.60 per barrel price was higher than what they could live with.

The only new oil sale contract entered into during the oil crisis was with the Ghana government which started oil lithing in Nigera in February 1974. The 10,000 b/d contract on the basis of government-to-government sales arrangement was executed at the price of $22.60 per barrel. The contract opened the way for more government-to- government contracts as consumer governments in both the developed and developing nations besieged NNOC in the wake of oil shortage during the 1973 Arab oil embargo. The oil shortage of 1979 following the Iranian crisis also gave impetus to this procers of sales to independent oil buyers and governments of consumer countries.[39]

The cyclical market downturn of 1976-1978 showed the independent oil buyers as mere fair weather friends who beriege you when the trading margins are good but are the first to vanish at the slightest hint of a downfum.

Between 1976 and 1978, during the world economic recession that followed the 1973/74 four-fold oil price increase, about 65% of our direct sales went to the oil producing companies who had a stake in Nigeria.

There was a swing back to third-party customers and government-to-government sales during 1979 and 1980 when the oil market had improved substantially. Direct sales to the oil producing companies dropped from 65% in 1977 to 39% in 1980. Sales to third party customers and on government-to-government basis increased from 30% and 5% in 1977 to 43% and 18% respectively.[40]

The collapse of the market in 1986 again witnessed a shift back to the oil producing companies averaging about 61% of all sales while third party and government-to-government sales dropped to 28% respectively.

The culmination of the swings back and forth from independent third-party buyers, most of whom usually are traders to oil producing companies was the termination in early 1988 of all third party contracts when almost all such third parties had stopped lifting during unfavourable market conditions.

It was then decided by government to adopt a new sales strategy that would guarantee regular and secure outlets for the crude oil and a steady flow of revenue.

2.7.1 CURRENT CRITERIA FOR MARKETING NIGERIAS CRUDE OIL[41]

Consequently, it has been decided that Nigeria will now have only three (3) Channels as follows:

1. Through Joint Venture Oil Producing companies. These companies will continue to dispose of their share of crude oil produced under existing fiscal terms.

2. By direct sales of crude oil to refineries and their associated marketing outlets in which NNPC is processing acquisition of share. In this case, the acquisition of equity interest in the refineries will be conducted with due despatch. Such companies will apply for crude oil with detailed technical, financial and economical information on their facilities. NNPC reserves the right to call for further information to decide the suitability of such companies for Joint Venture investment.

3. By direct sales to indigenous and foreign exploration companies who are actively exploring for petroleum in any part of the country. To qualify for the purchase of crude oil, such companies must have acquired an oil prospecting license (OPL) and must have completed the minimum seismic data acquisition and exploratory drilling programme.

2.7.2 QUALIFICATIONS FOR THE PURCHASE OF CRUDE OIL[42]

To qualify for the purchase of Nigerian crude oil, such companies must have met the following requirements.

1. The company must be an oil producing company.
2. The company must have a refinery.
3. Such companies must have acquired an oil prospecting licence (OPL) and must have completed the minimum seismic data acquisition and exploratory drilling programme specified by the Ministry of Petroleum Resources.

2.7.3 EXPORTS AND MARKETING.

Since 1958, Shell BP Petroleum Development Company has been exporting Nigerian crude oil. The export value of this primary energy source increased annually and in 1966 reached 92 million. The proportion of crude oil in the total export of the country increased from 0.8% in 1958 to 33% in 1966.

The growth rate of crude oil exports which unlike the rest of the most important export products, was always positive and exceeded the rate of growth of the entire traditional domestic export commodities, see table 1.1 below.

TABLE 1.1

EXPORT OF PETROLEUM 1990-95, ₦ MILLION

YEAR	QUANTITY	VALUE ₦M	% CHANGE QUANTITY EXPORTED	% OF TOTAL EXPORTS
1990	548.2	106,626.5		97.0
1991	79,667.1	116,856.5	14,432%	96.2
1992	83,160.3	201,384.8	4.39%	97.9
1993	76,953.0	213,971.8	-8.07%	97.8
1994	79,143.3	200,936.1	2.85%	97.4
1995	84,424.7	728,265.3	6.67%	97.3

.../30

1. Growth Rate Computed
SOURCE: CBN REPORT

Oil companies lift 40% of Nigerian production, see tabe 1.2, This has recently amounted to about 750,000 b/d. This entitlement is either run through the companies our refinery systems or sold on the highly developed spot market in Nigerian crudes.

TABLE 1.2

EQUITY ENTITLEMENT OF NIGERIAN JOINT VENTURE PRODUCERS, AVERAGE BARRELS PER DAY 1989-91.[42]

	1989	1990	1991
NNPC	950,976	1,048,654	1,104,560
SHELL	271,470	278,222	288,150
CHEVRON	118,680	122,582	134,700
MOBIL	85,240	95,415	109,400
ELF	81 485	84,819	86,105
AGIP	71,665	75,635	72,125
PHILIPS	26,420	29,265	28,100
TEXACO	11,720	11,733	11,820
DUBRI*	N.A	908	N.A
PAN OCEAN	600	463	480
BRITISH GAS	225	272	420
SUN	75	91	140

DUBRI - is NIgerian owned, all others are foreign
SOURCE: PE, MARCH 1992, P.23; OPEC
ANNUAL STATISTICAL BULLETIN.

NNPCs 60% share has recently amounted to about 1.1 mbd. Of this total about 300,000 b/d is allocated to domestic refineries and the remaining 800,000 is allocated to term contracts (of which the majority of the holders are European customers). However the table 1.3 shows only 4 of these customers.[44]

TABLE 1.3

TERM CONTRACT CUSTOMERS OF NNPC CRUDE OIL AND DESTINATION AVERAGE BARRELS PER DAY 1991 - 92.

CUSTOMER	DESTINATION	DECEMBER 1991	APRIL 1992	JULY - JUNE 1993 - 1994
SHELL	WEST	30,000	30,000	
ELF	WEST	60,000	30,000	60,000
TEXACO	WEST	30,000	30,000	30,000
CHEVRON (HALCON CALSON)	NIGERIA	50,000	50,000	50,000

SOURCE: ARGUS, NIGERIA SUPPLEMENT, 1991,p18, 1993,p.6
PIW, SPECIAL SUPPLEMENT, CRUDE OIL CONTRACTS, 1992 p.3, p.7.

Since 1988 however, the offical policy line has been to sell Nigerian crudes to only three groups; equity producers/joint-venture partners; local or foreign companies exploring Nigeria (the foreign companies dominated this activity); and users willing to sell part of their refining or retail operations to NNPC.

In October 1993, new guidelines officially recognized large oil traders as acceptable term buyers. Conditions applicable to all buyers is a commitment to invest in the Nigerian economy. Failure to do so within 6 months would lead to loss of the contract. January 1994 issued a new list of term contract holders as of March 1994. Some of these newcomers however have not shown evidence of spending commitments (khan SA 1994).[45]

Sellers of Nigerian crude include to a large extent and percentage, equity producers who are the MNOCS and are the primary source of liquidity in Nigerian crude oil trade.

TABLE 1.4

PRODUCTION % DISTRIBUTIION

	% AGE		%
SHELL	56.4	TENNECO	0.5
GULF	16.6	NNPC	0.4
MOBIL	10.5		
AGIP	8.6	TOTAL %	
ELF	4.3	AGE	100%
TEXACO	2.2		
PAN OCEAN	0.4		

SOURCE: NNPC MONTHLY REPORTS NOVEMBER.1980.

TABLE 1.5

SHELL CRUDE OIL PRODUCTION BY PRODUCING VENTURE 1966 - 91, THOUSAND B/D.

YEAR	SHELL/BP	TOTAL
1966	366.6	417.6
1967	264.3	319.1
1968	43.0	141.3
1969	354.1	540.3
1970	790.3	1,083.1
1971	1,107.7	1531.2

SOURCE: OPEC ANNUAL STATISTICAL BULLETIN AND PE.

TABLE 1.5 CONT.

YEAR	SHELL/NNPC	TOTAL
1972	1,207.0	1,815.7
1973	1,293.8	2,054.3
1974	1,398.5	2,255.5
1975	1,118.4	1,783.2
1976	1,234.8	2,066.8
1977	1,211.7	2,085.1
1978	1,086.0	1,897.0
1979	1,316.0	2,302.0

	SHELL/NNPC	
1980	1167.0	2,085.0
1981	740.0	1,439.6
1982	655.0	1,287.0
1983	619.6	1,235.5
1984	698.0	1,388.0
1985	747.8	1,498.9
1986	708.4	1,466.6
1987	651.7	1,323.0
1988	700.0	1,400.0
1989	904.9	1,716.3
1990	927.4	1,812.0
1991	960.5	1,893.1

SOURCE: OPEC ANNUAL STATISTICAL BULLETIN AND PE.

The main source of liquidity are in the Forcados, Bonny light and Bonny medium types of crude oil of which Shell is the major producer.

TABLE 1.6

SHARE OF TOTAL REPORTED TRADE ON NIGERIAN CRUDE BY TYPE
1986 - 1991%

	1986	1987	1988	1989	1990	1991
BONNY LIGHT	21.8	7.8	21.8	21.1	20.6	18.1
BONNY MEDIUM	20.0	23.2	9.6	13.2	10.3	11.4
FORCADOS	40.0	30.7	41.8	44.6	35.6	34.4

SOURCE: CALCULATED FROM PETROLEUM ARGUS DATA BASE BY HORNNELL AND MABRO P. 258.

Nigerian crude oil production, allocation to domestic refineries and crude oil export state (including that trade on the export market) are all dominated by Shells Forcados and Bonny. These accounted for about 50% of total production in 1990.

The main export market for Nigerian crudes are the united states of America (USA) and western Europe, the former 47% of total exports in 1997 and the later 45%. The four major U.S importers of Nigerian crude (Shell,BP, Sun, Chevron), accounted for about 70% of US imports (1987-1989) and in 1990-91 about 80%. Of these 7. 3 are importers as well as equity producers and hold term contracts of these 3, Shell is the largest equity producer in the country and hall of its Nigerian production goes to its US refineries. It also has access to a further 30,000 b/d term contract (see table 1.3). In 1991, crude oil exports accounted for 85% of production (average production 1991 being 1.6 mb/d).

TABLE 1.7

NIGERIAN CRUDE OIL EXPORTS BY DESTINATION 1980, 1989-1992
THOUSAND B/D.

DESTINATION	1980	1981	1982	1983	1984	1985	1987
USA	553	398	357	209	154	223	530
LATIN AMERICA	455	253	110	96	89	215	18
W/EUROPE	893	493	482	608	791	832	430
AFRICA	40	42	25	18	41	44	64
FAR EAST ASIA	20	26				1	
TOTAL	1,960	1,228	1,003	935	1,095	1,333	1,065

DESTINATION	1989	1990	1991	1992
USA contd.	803	786	701	701
LATIN AMERICA	25	25	40	45
W/EUROPE	567	613	730	691
AFRICA	70	75	80	80
FAR EAST ASIA		1		10
TOTAL	1,526	1,550	1,610	1,585

2.7.4 CRUDE OIL SALES

In Nigeria, there is no law restricting exports of crude oil and natural gas to those quantities that are surplus to the immediate or foreseable needs of the country. The rule used to be that producers must contribute specified quantities of crude oil to meet the needs of local refineries. The producers were relieved of that deregulation as from 1982.[46]

As a matter of policy, Nigerian National Petroleum Corporation deals directly with bonafide oil companies, buyers or other governments who seek to purchase Nigerian crude oil but not through agents, sponsors, commission agents, brollers or similar middlemen.

A company intending to purchase Nigerian crude oil from the Nigerian National Petroleum Corporation may apply at anytime to the corporation on the company's official headed paper indicating its intention to buy a specified quantity or quantities of certain grade or grades of Nigerian crude oil. The application must be accompanied by the most recent audited accounts or the annual reports of the company for three consecutive years, and other information about the company and its corporate activities. This enables the corporation to assess the status of the applicant. After investigation of the applicant, he is prequalified if the corporation is satisfied that:

(a) The company is a bonafide oil company;
(b) The company owns a refinery or has a proven access to a refinery in the form of valid and existing contract with a refinery or a refining time;

(c) The company has an annual sales turnover of a certain minimum level.

(d) The net worth or shareholders equity is not less than a certain minimum level and

(e) The company must have a minimum of twenty employees.[47]

OFFICIAL SELLING PRICE

The official selling price is fixed quarterly. The usual procedure that is followed before fixing the official selling price is that the Ministerial conference of the organisation of petroleum exporting countries agree to a general price framework or the representatives of African producers of light crude oil that is, Algeria, Libya and Nigeria meet and agree on an assessment of international crude oil market. Based on the price framework or the assessment, the price per barrel of Nigerian crude oil is approved by the Head of State on the recommendation of the ministers of petroleum resources. The price so approved is the official selling price.

DURATION

The duration of the contract is negotiable but most contracts for the sale and pruchase of Nigeria crude oil are for a duration of either one or two years. The contract provides that it shall continue thereafter until terminated by either party giving to the other at last ninety days notice in writing to that effect. Accordingly, the contract is said to be evergreen.[48]

TERMINATION

The contract terminates automatically on the expiration of a "phase-out" period. In other words, if the buyer fails to accept the price notified by the seller for any period or quarter the contract shall terminate after a "phase out" period of three months commencing from the date of buyer notification of such phase-out to the seller.

PRICE DETERMINATION

The contract specifies the base fuee on board price per barrel of the grade and characteristics (e.g. API) of the crude oil sold under the contract. If the API of any grade of crude oil for delivery differs from the one stated in the contract, the applicable base price is increased or decreased in accordance with the rates specified in the contract. The rates apply only to the calendar quarter in which the contract is made. The price per barrel payable by the buyers, expressed in U.S dollars per barrel fuee on board Nigerian Laording Port is the official selling price. The buyer is notified of the official selling price prior to the begining of each calendar quarter.

Net back valuation of crude oil is a method of determining the selling price or value of a given volume of crude oil refined in a given location. After deducting the refining costs, fueight charge, insurance and ocean loss from the total value of products derived from the crude oil refined, the amount remaining is the net back value of the volume of the crude oil originally

delivered for refining. The concept of net back valuation of crude oil satisfies two purposes.[49]

(a) It guarantees to the buyer some level of profit margin and

(b) for the buyer, it facilitates quicker sale of his crude oil and helps him to know the value of his crude oil in relation to his cost of production in order to know whether to sell or not to sell.

DELIVERY

Crude oil is sold and delivered Free on Board Nigerian deep water terminals. Delivery commences not later than 45 days from the date of the contracts failing which, the corporation may terminate the contract. When the corporation accepts the buyers vessel nomination, loading commences and is matched by officials of the Department of Customs and Excise of the Ministry of Finance, the Petroleum Inspectorate and the commercial Division of the corporation. The officials of the Department of Customs and Excise issue inward and outward clearance of all export tankers and inspects the export licence issued by the Ministry of Commerce for a stated quantity of crude oil export for the calendar quarter in question. No loading will be permitted unless the officials of the Department of Customs and Excise are satisfied with the export licence. The same officials keep a record of the quantity of grade of crude oil loaded into the tanker. Officials of the petroleum inspectorate have the responsibility for the measurement of crude oil from the storage tanks at the export terminal before any loading can commence. Shipping documents are thereafter sent to the head office of the corporation for documentation and invoicing.

LOADING CONDITIONS AND DEMURRAGE[50]

The total lay-time allowed for loading is thirty-six (36) running hours for a full cargo and pro-rata hours for part cargo with a minimum pay-time of eighteen hours.

Pay-time begins to run from six hours after the notice of reachness has been tendered by the masters of the tankers to the Terminal Operator of the vessel's reactness to load, berth or no berth and ends thirty-six hours thereafter. Loading is deed to have completed upon disconnection of loading hoses. There are provisions in the contract to exclude the times spent for specified activities such as cleaning of tanks, delays of the vessel in reaching its berth caused by conditions not reasonably within the control of the corporation or its agents and delays to vessel caused by the corporations failure to load where the buyers has not fulfilled a relevant condition of the contract and other factors. The corporation is liable for demurrage under specified conditions of the contract.

TAXES,DUES AND CHARGES

All harbour due and other port dues, taxes, charges and dues levied at the loading terminals are to be paid by the buyer on all Free On Board sales.

TRANSFER OF PROPERTY AND RISK.

Title to any quantity of crude oil sold Free On Board under the contract passes to the buyer when the oil passes the tankers permanent hose-connection at the loading terminal. All loop, damage or risk thereafter is on the buyer.

TERMINATION[51]

The corporation may terminate the contract by notice in writing to the buyer that effect in the event that:

(a) The buyer's financial reliability becomes unsatisfactory to the corporation or

(b) The buyer becomes delinquent in any payment to the corporation

(c) The buyer is in breach of contract in any respect considered material by the corporation.

In addition, either party may terminate the contract by giving the other not less than ninety days notice in writing.

BUY-BACK ARRANGEMENT AND "THIRD PARTY CONTRACT"

The so called buy-back arrangement is a variation of a provision of the early petroleum joint venture contract whereby the foreign-owned oil company undertook to market the host country's share of the crude oil produced by the company as operator from the concession area. Such share is popularly refered to as "equity crude". The foreign owned company had to account to the host country for the proceeds of sale of the equity crude less marketing costs. The arrangement was necessary because the host country had no facilities and outlets for marketing its equity crude under the buy-back arrangement and the foreign owned oil company was given the option to buy such equity crude.

The buy-back arrangement was adopted in Nigeria from 1973 to 1975 when it was phased out. As from 1976, a uniform form of contract applied to all sales of Nigerian equity crude whether to the producing company or to "Third Party" buyers. Third party contract is a popular term to describe crude oil sales contract where the buyer is a foreign company that does not carry out petroleum operations in Nigeria.

SPOT SALES AND BARTER DEALS

The Nigerian National Petroleum Corporation sells crude oil on the basis of long tern and not spot sales. Spot sales normally refer to single cargo sales.

The corporation, as a matter of policy does not barter Nigerian crude oil for any type of goods or services. For more mention, much controversy has raged within and outside Nigeria over limited number of counter trade agreements involving the Nigerian National Petroleum Corporation as well as over similar arrangements by some members of the Organisation for Petroleum Exporting Countries. From all indications it appears that counter trade will not be a permanent feature of international crude oil trade.

2.7.5 EFFECTS OF REFINING CRUDE OIL IN NIGERIA

The discoveries in Southern Nigeria made by Shell BP and other MNOCs such as Mobil with sharply increasing oil consumption in the country called for the construction of a domestic refinery.

Before 1965 Nigeria was compelled to import the entire requirement of the country for processed oil Table 1.8 shows the value of oil production imported increasing from 1956 to 1964. The proportion of imports of refined oil products to the total imported of Nigerian increased during the same period from 4.8% to 7.6%. The change in 1965 was due to structural changes in supplying of oil products to the country with the begining of crude oil refining at the end of 1965. But in 1966 the largest part of imputs of petroleum derivatives was reprocessed by domestic refining, the import requirement of oil products decreassed to 3.5 million.

TABLE 1.8

THE POSITION OF OIL PRODUCTS IN COMMODITY IMPORT OF NIGERIA 1956-1966 MILLION £N:*

YEAR	1956	1957	1958	1959	1960	1961	1961
Total import of commodities	152.7	152.5	116.3	178.4	215.9	222.5	203.2
Import of oil products	7.3	8.2	8.9	10.3	11.2	13.3	13.1
proportion of oil products on total imports of Nigeria	4.8	5.4	5.4	5.8	5.2	6.0	6.4

CONT.

YEAR	1963	1964	1965	1966
	207.5	253.8	275.3	256.3
	15.2	19.3	17.1	3.5

*£N: Nigerian pound then in use.
SOURCE: Personal information communicated by the Nigerian oil exploration companies (L.H. Schatzi).

The development of industries for the substitution of imports is one of the principal reasons for the increasing importance of imports of capital goods. On the other hand they contribute to the stabilisation of import demand of Nigeria in consumer goods.

NOTE: Import has increased since early (1997) due to fuel scarcity and shortages.

2.7.6 INFLUENCE ON BALANCE OF PAYMENTS

(a) GENERAL DEVELOPMENT OF NIGERIA BOP:

Two different developmental phases can be seen in the balance of payments of Nigeria since World War II. The period until 1954 was characterised by a surplus in the trade account associated with a steady increase in foreign assets, while between 1954-64 a marked deficit in the trade account led to a steady decline in foreign assets. After ten years of persistent, Nigerian balance of payments moved again into surplus in 1965.

The causes of the deficit in the visible trade balance between 1954 to 1964 are based in the sharp use of import of goods in contrast to exports of the deterioration of the Nigerian terms of trade. The fact that the imports of good and services far exceeded goods exported characterized the developing country of Nigeria a young debtor nation.

(b) CONTRIBUTION OF OIL EXPLORATION AND PRODUCTION TO TRADE AND CAPITAL TRANSACTION.

The contribution of the Nigerian oil industry i.e. from oil exploration and production, to the balance of payment of Nigeria (1963 - 66) is analysed in table 1.9 below:

TABLE 1.9

CONTRIBUTION OF OIL EXPLORATION AND PRODUCTION TO THE NIGERIAN BALANCE OF PAYMENTS* 1963 - 1966 IN MILL. £N.

	1963	1964	1965	1966
Payments to Government	5.0	12.3	13.4	18.7
other local payments	+9.8	+13.5	+23.2	33.3
Gross contribution to Nig. Economy	14.8	25.8	36.6	52.0
local proceeds	-0.5	-0.7	-1.0	-8.6
Net contribution to Balance of payments	14.3	25.1	35.6	43.4
Proceeds from Export sales	20.1	32.0	68.1	91.9
Reimbursement of Harbour Dues paid in Nigeria on behalf of the shippers	+0.6	+1.0	+2.0	+2.4
cost of material acquired abroad (C.I.F)	-4.2	-11.7	-13.5	-19.5
Variation in materials in transit and in Export Debtors	-0.2	n	-2.2	-1.0
Cost of acquisition abroad of sundry services	-6.4	-12.3	-22.2	-38.5
Variation in overseas cash and current Account Balance	+1.9	+13.9	-1.3	+5.9
Dividents, interest, Branch profits Remittedl				-19.4
Capital and long Term Receivablel	+2.5	+2.2	+4.7	+21.6
Net contribution to balance of payments	14.3	25.1	35.6	43.4

* Personal information communicated by the Nigerian oil exploration companies, and by the Central Bank of Nigeria; September,1967, Lagos.

The net contribution to BOP grew in the period under investigation from£N 14.3 million to£N43.4 million per annum.

2.8 IMPACT OF THE PETROLEUM INDUSTRY ON THE ECONOMY:

Inspite of the wastage and resource mismanagement of the resulting revenues that often characterise our development efforts, although not by industry, oil has continued to give Nigeria a measure of economic independence denied to most third world countries and has to a very large extent been a big factor in forging National Unity. Oil transformed the government's revenue position and increased the tempo of economic and social activities generally. Before 1970, Nigeria was a predominantly agravian economy. The economy which grew at about 1.1 percent annually depended on exploration of primary agriculture produce consisting of cocoa, palm oil, groundnut, cotton and timber for foreign exchange earnings and capital formation.52

The dramatic rise of petroleum prices in 1973/74 and 1979 transformed Nigeria from an agrarian into a typical oil exporting economy. Huge incomes from petroleum afforded government the capacity to undertake massive and gigantic programmes of infrastructure investment in transport, communication, education and heavy industries like iron and steel plants.53

Crude oil export provided major support for the balance of government revenue while expenditure and investment in the petroleum industry constituted a major stimulus to overall national economic activity. The impact of petroleum mill be better appreciated by considering the relative figures of our National Development plans bearing in mind that oil revenue expectation served as the most important element in the national development efforts. In the second development plans, the government budgeted a planned expenditure of N3 billion.54

Third National Plan was estimated to cost N30 billion, and this was later reviewed upwards leading to actual disbursement of N43.3 billion. The fourth National Plan was based on the assumption that Nigeria's oil production has stabilised at about 2.1 million

barrels per day and exports at about 1.9mbd. It was thought that with price at $40 per barrel and with the prospect of its increasing it would not be impossible to realise an expenditure of ₦82.0 billion between 1981 and 1983 with the government shares of ₦70.5 billion.

Export of goods and services grew over the same period from 2.5 billion in 1973 to 13.5 billion in 1980, with petroleum accounting for no less than 95 percent share in any year. As a result of the increased foreign exchange earnings, imports increased from 1.8 billion in 1973 to 13.8 billion in 1981. Nigeria recorded a very healthy balance of payments position until 1982. The net external reserves of the Nation stood at 3.5 billion in 1974 increasing to 3.5 billion in 1978. However, the government then embarked upon a number of economic measures which restored the Nigerian external revenue to 5.13 billion in 1980, although this figure fell to about 1 billion at the end of 1983.55

The development of basic infrastructure for economic and social development recorded impressive performance traceable to the impact of petroleum. Modern highways were constructed throughout the country, new seaport complexes were developed to ease port congestion, airports and telecommunication facilities were greatly financed. Electricity supply was accorded a very high priority and the state electricity boards were established to supplement NEPA. Social services got a boost. Education, health and housing were among the priorities of the various state and Federal government. New universities were established and "crash programmes" by which thousands of Nigerians were trained overseas in technical fields were launched. In the field of health, more hospitals and clinics were opened. Immunization, health education, child health and family planning programmes were all promoted by government.

The Nigerian economy became and is still totally dependent on oil. Petroleum export increased its share of total export from 45% in 1969 to 98.6% in 1982.56

Oil has continuously been used at three levels in the Federal government's development policies.

(a) As a continuous source of finance for projects and policies that will continue to unite the country.

(b) As a source of energy and power for a united nation.

(c) As a cource of raw material for industries in West, East and Northern parts of the country.

Both collectively and individually, the oil companies and NNPC have been making significant contributions to the development of those areas that contribute to National unity.

2.9 THE CONCEPT OF MARKETING STRATEGY:

Marketing has been given many definitions, according to Willian. J. stanton (1971) "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying goods and services". 57

Nigeria as a developing country is yet to imbibe scientific marketing practice because of our state of development, much is characterised by political and economic instability as well as socio-economic instability as well as socio-cultural problems. As a result, marketing has not been accorded its full importance in every sector of the economy. However there are quite some significant changes in the marketing process in Nigeria. Many organisations that were not awere of the importance of marketing are awakening to the reality that marketing is fundamental to any organisation, be it profit or non-profit.

The role of marketing in any economy cannot be over emphasized, the process involves the distribution of goods from their points of production to the point of consumption and the whole system should be managed and controlled for efficiency and effectiveness. This is a fundermental requirement of marketing whether in a developed economy or in a developing economy like Nigeria. The equation of demand and supply which is the basis for the distribution process is central to marketing and economic geographing,

(dealing with locations) usually where there is a spatial seperation of supply and demand and the management of the process may close this spatial gap in marketing (John A. Parson 1979). 58

Marketing therefore is a fundamental economic function which mediates supply and demand as well as production and consumption.

The world 'strategy' is derived from a Latinwork "strategues" used in military which meand "the art of a general". The word strategy is generally being used by different people in different manners such as political strategy, football strategy and so on.

Strategy is the means an organisation uses to achieve its objective in a competitive business environment. A strategy is not just a plan, but is a plan that unifies the operation of a given organisation and it ties all its parts and efforts together towards achieving the desired targets.

Glueck and Joach (1984)[59] see strategy as a unified comprehensive and intergrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basis objectives of the enterprise are achieved through execution by the organisation.

Schandel and Hofer (1978)[60] defined strategy as "the fundamental pattern of present and planned resources development and environmental interactions that indicate how the organisation will achieve its objectives".

Accordingly, schandel and Hofer (1978)[61] state that strategy formulation processs involves seven steps which are:

1. Identification
2. Environmental Analysis
3. Resources Analysis
4. Gap Analysis
5. Strategy Alternatives
6. Strategy Evaluation and
7. Strategy Choice.

A strategy is therefore concerned with the long term survival

and growth of an organisation, it involves the choice of objectives to search for opportunities and the identification of the opportunities most feasible given the existing resources.

According to Philp Kotler (1988)[62] marketing strategy is "a consistent, appropriate and feasible set of principles through which a particular company hopes to achieve its long run customers and profit objectives in a particular competitive environment."

Therefore, the purpose of strategy is to determine and communicate through a system of major objectives and policies of what kind of enterprises envisaged.

2.9.1 THE MARKETING MIX STRATEGY:

According to Bush and Houston (1985)[63], "marketing management has developed much more specific resources to achieve its objects. The resources are usually called the marketing mix or the firms marketing decisions variables."

The marketing mix concept was developed by Professor Neil Borden of Harvard University. The list of elements in the marketing can be very long, therefore, marketing mix is generally thought of in terms of four major decisions variables.

Philip Kotler (1988)[64], defined marketing mix as the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. The elements of the mix are the controllable variables that marketing combines in varying degrees to enable them make a unique offer to consumers.

A marketer's objective is to create marketing mix that provides greater satisfaction than those of the competitors do. He also went on to say that the key to building the best marketing mix is knowing the desires of the people to be served.

2.9.2 PRODUCT STRATEGY:

Marketing managers first and foremost need to be concerned with product strategies in combination with the other elements

of the marketing mix strategies.

According to E.D. Bamgboye [65], 'product is a set of tangible and intangible attribute, including packaging, colour, price, manufacturers and retailers services which the buyer accepts as offering want satisfaction."

He further explained that regarding a product as a bundle of attributes means certain implications for a marketing executive. First it means that accurate information must be provided about;

(i) the buyers perception of the product
(ii) the perception of the different elements of the market concerning the product
(iii) the perception of the product by non-buyers of the product
(iv) the perception of the competitors product by both buyers and non-buyers.

He further said "A product is important in marketing for a number of reasons; (i) in making marketing decisions because decisions associated with it are the basic ingredients for the total marketing mix because all elements of marketing mix, price place and promotion are about how to promote, price and distribute the product. Therefore it is important that all other marketing mix decisions must be intergrated with those of the products."[66]

E. D. Bamgboye, says that "the progress made by a successful product in terms of its sales from time to time of its market launch to that of removal from the market is known as the product life cycle. [67]

Kotler [68], is with the opinion that the concept of the product life cycle remains useful in that it reminds us of three important phenomena;

(1) products have limited time
(2) products profits tend to follow a predictable course through the life cycle. No profit at introductory stage, tends to increase substantially in the growth stage, stabilize and then decline at maturity stage and disappear

in the decline state.

(3) Products required different marketing (as well as production and financial) strategies in each stage. That is management must be prepared to shift the relative levels of emphasis given to price, advertisement and product improvement during the different stages of the product life.

2.9.3 PROMOTIONAL STRATEGIES:

Intrinsic in marketing strategies are promotional strategies used to persuade consumers to buy the product.

According to Stanley (1968)[69], "Consumers must be made aware of products and their want satisfying qualities before any purchase can take place." Expantiating furhter, he stated that "advertising can expand the general market for a product and bring about mass consumption, mass marketing and mass production". [70]

Additionally, Levitt (1973)[71], examines the claims of awareness, that "products of a known company are likely to get favourable first class hearing and adoption." Normally one will envisage that if products of a company are not brought to the knowledge of the public, there is bound to be a vast awareness of product by the consumers and this in turn creates an unfavourable market for the products.

In a lecture delivered by Yemi Okunmuyide on the subject "the strategy for effective advertising of consumer products,"[72] He enumerated the basis of strategy for an effective advertising on the target consumers, which are:

(1) Those who have not use any brand in our product class
(2) those who have used brands in our product class
(3) those who realise our brand with a competitive product
(4) those who replace our brand with itself.

It is very clear that the strategy for an effective advertising will vary from one category to the other in alignment with the respective marketing strategy. If the marketing strategy

is not right, the advertising strategy will be ineffective.

Sales promotion can be used to achieve a number of marketing objectives which were summarised in a recent article in the "Quarlterly Review of Marketing" (1983)[73]

- To get wider distribution of a product.
- To influence stock levels which may be too high or too low.
- To reduce sales peak and troughs and maintain economic production.
- To cushion the effect of a price increase.
- Create new interest in an effort to improve results from store display.

According to Patrick Maname (1968)[74], the primary goal of any promotion strategy should be to help the organisation achieve its marketing goals more specifically it will often be the case that the promotion goals will be to use that blend of promotional devices which will achieve the maximum degree of influence in the targeted market segment at a minimum cost.

He also went on to say that any promotion as a marketing stategy should contribute to the marketing process through;

(a) Being appropriate to the product and market segment which has been identified and is being targeted.
(b) Helping position the product in the desired location in the segment.
(c) Being appropriate to the means of distribution chosen.
(d) Being appropriate to the resources which the organisation has.

2.9.4 PRICING STRATEGIES:

Another important marketing strategy factor is pricing strategies. According to Baver (1988), while a price is a very flexible marketing tool, it is also very visible to both customers and competitors alike, to the extent that the distinguished economist Fellener, described is as "the blunt instrument of competition" similarly, Wertz and Eyrich (1970) described price as "the single most important instrument of competition is market economy".

However, in deciding what price should be placed on a product a number of factors have to be put into consideration. Wertz and Eyrich (1970) said that "firms have their unique pricing objective but in general it is clear that pricing objectives are but a means to an end and therefore should be synonymous to the objectives of the firm. Pricing objectives should be clearly stated because they have a direct effect on the pricing policies of the firm and price determination methods which are employed." [75]

There are six steps in the strategic pricing process, they are;

(1) Select target market:- Here, the firm determines the constitution of the market if the prices it sets to serve. Are they price sensitive or not.

(2) Study consumer behaviour:- Market research should be designed to reflect a picture of the target market and the characteristic behaviour.

(3) Identify competition:- Investigation should be carried out to know the pattern of pricing, promotion and other marketing strategies currently in practice by operating in the same market environment.

(4) Assign price a role in marketing:- This is done after due consideration of the other non-price marketing strategies. The firm here derives a number of units that could be sold at various price levels. Competitive reaction of other firms to the prices and any strategies also anticipated.

2.9.5 DISTRIBUTIVE SYSTEM:

Viewed from the marketing system as a whole, distribution

performs certain basic functions. According to Guirdham M.[76], spatial gaps between sellers and buyers are closed by distribution, likewise temporal gaps by storage are also closed by distribution." Alderson [77], identified three basic functions of the distribution system. They are;

(1) The functions of sorting (the collection together of large quantities of similar goods and including complementary products and services).
(2) Allocation (the division of goods into acceptable quantities and sizes of and gathering various products and services together so that they meet requirements of customers.

The following are examples of the different channel levels that exists;

(1) Producer to consumer or industrial user
(2) Producer to retailer to consumer
(3) Manufacturer - Agent - Wholesaler - Retailer - Consumers.

Bucklin (1966)[78], defines a channel of distribution as a set of institutions which perform all the activities (functions) utilized to move a product and its title from production to consumption" one can really say that the distribution channels means the route which a product passes through from the producer to the ultimate consumer.

According to Fox and Wheatly, six characteristics must be considered as marketer strategies when selecting what channel to use.

These characteristics known as the "six Cs" are;

- Consumers
- Commodity
- Competitors
- Channel members
- And Community forces.

According to McCarthy[79], there are three degrees of market exposure that may be ideal, namely;

- Intensive distribution
- Selective distribution and
- Exclusive distribution

Another consideration is consumer service because the aim of the distribution system is to deliver the product to the consumer as soon as possible after the order has been placed. However, it must be noted that high consumer service level simply means high cost.

In summary, marketing strategies plays a vital role in an organisation hence it is said to be a tactical tool that is used to achieve the organisation's set objectives one must consider product strategies, promotion strategies, distribution strategies and price strategies.

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CHAPTER THREE
RESEARCH METHODOLOGY

3.1 INTRODUCTION

Chapter three (3)discusses the procedure adopted in this research work in general. Different types of data collection techniques are available in practice, however, for the purpose of this research, the questionaire technique is selected. The administration of the qestionare is also discussed and finally the method of data analysis selected for this research is fully examined.

3.2 THE RESEARCH DESIGN

A research work of this nature could have been carried out using a survey or documentary investigation, however, the case study approach is used for a number of reasons. The case study method or approach tends to reveal the truth about a particular group of people or group of firms in an industry.

Also, it is believed that any generalization made will be applicable to all multinational oil companies operating within the Nigerian economic setting, given that the stratified nature of the country was taken into consideration, and the transient nature of the economy considered.

Again, the cost and time involved is minimal when compared to the time needed for a survey method, the survey method is not only costly but also time consuming.

The entire work is set out in five (5) chapters. Chapter one (1) is the introductory chapter and gives background information to the work. It discusses the statement of the problem, the purpose, significance, research hypothesis, scope, research methodology and limitations of the study.

Chapter two (2) deals exhaustively with the topic as it reviews the related literature to the topic. It covers areas such as the role of multinational oil companies in Nigeria, the (MNOC's) influence of MNOCS and the influence of International

legislature, the financing of multinational oil corporation, the development of Nigerian crude oil, the Petroleum Joint Venture, the marketing strategies and so on.

Chapter three (3) is the research methodology adopted for the study. It centres on the research design, the sample selection, the sample used, the method of data collection and the method of data analysis. It also gives the historical background of the two firms chosen for study.

Chapter four (4) is on presentation of data and the findings and also tests the hypothesis as used in the research work.

Chapter five (5) draws up the summary on the work, it also gives the conclusion and recommendation. The chapter or work concludes with bibliography and appendix.

3.3 SAMPLE SELECTION

Though there are many oil companies (multinationals) in the oil industry in Nigeria, for this research work, special attention is focussed on;

1. Shell Petroleum Development Company and
2. Mobil Oil.

The choice of this two (2) multinational oil companies was as a result of the percentage of patronage enjoyed by the companies. This made it easier a little bit for the researcher to administer his questionaire during the working hours commendable.

Also the companies provide a range of service which are similar to those offered by any other multinational oil company operating in the country.

Another reason is that the organisations operate within the legal and economic framework of the same society as do other firms in the industry.

In addition the two multinational oil companies sampled in this research can be of any serious generalization in respect

to the petroleum industry in Nigeria.

3.4 METHOD OF DATA COLLECTION

There are basically two (2) sources of data collection, these are;

1. Primary data and
2. secondary data.

The primay data is the information which if being collected for the first time by one of the following methods;

1. Interview
2. Questionaire
3. Observations and
4. Experimentation.

For the purpose of this research, the researcher adopted the questionaire method.

PRIMARY SOURCE OF DATA:

This source of data was employed in the project in order to find out the affectiveness and feasibility and acceptability of marketing strategies adopted by multinational oil companies operating on Nigerian soil.

The researcher made use of the following instrument;

1. Questionaire and
2. Personal interview.

1. QUESTIONAIRE:

A well structured questionaire was designed containing a number of reasonable questions on the marketing strategies of multinational oil companies in the Nigerian oil industry. The questions simply required the respondents to tick the answers they considered appropriate in their opinion as such options were given to them.

The researcher used the optioning method so that the respondents will not loose interest in answering the questions.

A set of questionaire was designed and administered on the management staff of the two (2) under studied oil companies, 1. Shell and 2. Mobil oil, and the questionaire is attached to the appendix at the end of this work.

This was to clarify issues and to give room for wide spread of samples.

2. PERSONAL INTERVIEW:

Personal interview in the form of discussions was used as a supplementary method of data collection under the primary and secondary data source.

Since much of the information obtained through varbal discussions was relevant, personal interview was also used in forming the chapter on literature review and part used in the data analysis and interpretation as well as the recommendation.

3.5 METHOD OF DATA ANALYSIS FOR THE RESEARCH:

The entire data collected by the researcher through the questionaire, personal interviews, and documentary methods have been properly analysed and intempretation and conclusion drawn from it.

The researcher has used the tabular format of presentation of information and has used percentage to review the information and allow for comparisons. This is covered under chapter four (4) Data analysis and presentation.

A total number of thirty (30) copies of the questionaire were administered on the staff of the two multinational oil companies; Shell development company and Mobil Oil.

However, only twenty five (25) copies were returned and the analysis is based on the 25 only.

3.6 HISTORICAL BACKGROUND OF THE TWO (2) FIRMS:

1. MOBIL OIL NIGERIA LIMILTED (MONL):

"We are poised for a giant stride into the future. The company intends to meet the challenges of tomorrow with total commitment to total quality." (Mobils message for the new decade).

Mobil Oil was incorporated in Nigeria in 1955, but Mobil's history in Nigeria goes back to the first part of this century. As early as 1907 its predecessor firm, the Socony Vacuum Oil Company began rendering an unbroken service to the community, through the sale of "Sunflower" kerosine.

Today Mobil Oil Nigeria Limited markets a wide range of products. Currently, the company has over 200 retail outlets in all parts of the country, and has manufacturing facilities at its Apapa terminal complex, Malu Road, Lagos. Mobil Oil Nigeria Limited (MONL) supplies automotive fuels and lubricants to several state governments, major road contractors and leading industries such as cement and textile factories, MONL is also the major manufacturer of insecticide and currently leads the market. The terminal complex encompasses a modern plastic plant with annual capacity of 10 million units, aerosol insecticide plant with annual capacity of 25 million cans; lube oil blending plant with an annual capacity of 300 thousand barrels and distilled water plant with annual capacity of 73 thousand litres.

In october 1978, MNOL became a public quated company with 40% of its shares sold to the Nigerian public and 60% retained by Mobil Oil Corporation of Fairfax, Virginia, U.S.A. AS a result of the recent rights issue, the company now has an authorized share capital of 142,000,000 ordinary shares of 50 kobo each of which 131,125,550 ordinary shares are issued and fully paid up.

The company's organisation is divided into seven main areas;

1. Sales
2. Operations and Manufacturing
3. Finance and Services

4. Administration
5. Legal
6. Public Relations and
7. Planning.

These units work together to carry out a single function, the sale and distribution of Mobil's products.

CORPORATE STRUCTURE AND BUSINESS:

The company was incorporated as a private limited liability company in 1955. It was formed principally for the marketing of petroleum products.

The company became a public limited liability company in 1978 and its share capital is listed on the Nigerian Stock Exchange.

The issued share capital is held 60% by Mobil Oil Corporation, Fairfax U.S.A; and 40% by Nigerian Citizens.

All the fuels which the company sells are purchased from the Nigerian National Petroleum Corporation, while lubricants are either blended locally or purchased from associated companies.

FUTURE DEVELOPMENT:

With the completion of Maroko office, MONL is now embarking on the development of the adjacent 4.3 acre site of a 52 unit high quality residential complex called "Mobil Court". This development will further strengthen the asset base of the company, project its earnings against inflation and the declining value of the Naira, and provide substantial rental income. MONL is already preparing a pre-lease marketing strategy for this development.

The company is exploring opportunities for export oriented and import substitution projects such as the development of a petroleum jelly plant. Despite persuing these opportunities, the company ensures that its core business remains in proper focus.

RESEARCH AND DEVELOPMENT (R & D):

Research and Development plays a key role in Mobil's continuing

effort to introduce new products and improve further the quality of existing products. MONL is currently undertaking research into a number of new products for both the commercial and retail markets, and hope to bring some of these to the market within the near future.

An equally important aspect of R & D work is identifying and developing locally sourced raw materials as substitutes for imported items. In this area we are studying the possibility of sourcing locally additional raw materials for insecticide and petroleum jelly, both of which already have a high local content. The company plans to use as feedstock petrochemicals from the NNPC Eleme plant to manufacture locally a number of products currently imported.

CONTRIBUTIONS AND CHARITABLE GIFTS:

Mobil made contributions and donations of over 1 million naira during 1997. Apart from outright charitable contributions, Mobil also sponsored sporting activities and granted scholarships to university students. Mobil aspires to be a good corporate citizen, willing to accept its social responsiblities to the nation. It is MONL's plan to continue these activities in 1998 and beyond.

EMPLOYMENT AND EMPLOYEES:

Safety, health and welfare. Mobil demonstrates its employees through the company's safety awareness programmes. Employees based in areas of operation, such as the manufacturing plant at Apapa, must follow rigorous safety regulations and undergo frequent training.

Additionally, the company runs a free modern clinic at the Apapa terminal for its staff and their dependants, with facilities to deal with most emergencies. The clinic is manned by a Doctor and two experienced staff Nurses. Mobil also utilises a clinic at its head office operated by the sister company, Mobil Producing Nigeria Unlimited.

Apart from operating a non-contributory pension scheme, Mobil also operates an Employee Saving Plan. Under this plan, all employees contribute 10% of their basic salaries while the company contributes 7.5%. This is to ensure that employees leave the company with a substantial amount of savings to enhance their retirement benefits.

EMPLOYEE INVOLVEMENT:

The company through the use of "Management Forums" provide employees with information about matters concerning them as employees, and economic factors affecting the performance of Mobil. The company also discusses with representatives of the employees' unions before taking decisions that affect the employees as a whole.

TRANINING AND DEVELOPMENT:

MONL has fully implemented the new Mobil concept of performance management system which is intended to prepare managers for the challenges of the 1990's and beyond.

A total of 125 managers and supervisors attended management training and leadership courses which emphasised the importance of team work and improves communications. 85 employees have also attended computer literacy courses.

In order to improve the safety awareness of personnel and their emergency preparedness, employees continue to receive fire fighting training.

Employment of disabled persons:- It is the company's policy to consider disabled persons for employment if acdemically and medically qualified.

TECHNICAL MANAGEMENT AGREEMENT:

The company (MONL) has a technical management agreement with its parent company, Mobil Oil corporation. The terms of the agreement include the provision of expert assistance in the areas of technical, marketing and research.

RETAIL OUTLET CHAIN:

With over 200 stations in its retail chain, MONL's retail outlet strategy focuses on quality, reliability service and convinience.

Most stations have a Mobil Mart where customers can select from a wide range of competitively priced food, drinks, groceries, auto accessories, and household goods. With the mart, Mobil now provides a one-stop station, where motorist can fill their tanks and service their cars as well as do the shopping.

ENVIRONMENTAL PROTECTION:

As a responsible corporate citizen, Mobil is helping to protect the environment:

(i) Disaster Preparedness Exercise:- In July 1990 Mobil conducted a simulated major disaster exercise at the Apapa complex. This was to test in a realistic manner existing disaster preparedness plans, to ensure that any real-life emergency would be handled as effectively as possible. Actively participative with Mobil in the exercise were the Federal Fire Service, the Nigerian Navy, the Nigerian Ports Authority and other oil marketing companies.

(ii) Inspection and Safety Reviews:- Preventive measures to avoid environmental damage include a nationwide programme launched in 1990 to test all service station underground storage tanks and to replace those over 15 years old. This is disigned to prevent groundwater pollution. A complementary site assessment programme has also been initiated to identify potential environmental and safety problems at all Mobil locations, including proposed new site

(iii) Waste Disposal:- A waste management programme has been introduced to identify the different types of waste produced from Mobil's various operations.

Due to growing concern over indiscriminate dumping of used engine oil, Mobil is developing a programme to collect and dispose of used oil in an environmentally acceptable manner.

(iv)Fuel Transportation Safety:- Concerned with the deterioration of road transportation, MONL has embarked on an extensive programme to work with transporters to ensure all trucks carrying Mobil products meet adequate standards for safety. In the key area of fuel unloading, rather than rely on the equipment provided by the transporters, Mobil is supplying all stations with their own hoses and couplings. This is a new development in Nigeria, and will substantially reduce the change of fire during fuel deliveries.

(v) Industrial Hygiene:- Assuring a healthy work environment for employees is a major concern of Mobil. In July,1990 an industrial health review was performed at Apapa by experts from Mobil Oil Corporation, Fairfax, Environmental and Safety Department. Their findings confirmed that Mobil is complying fully with all industrial health requirements, and that employees are not exposed to hazardous materials or workig practices.

CHARITABLE CONTRIBUTIONS:

MONL donated over ₦100,000to charities during 1990 for example. Amongst the worthy recipients of educational material, bedding, uniforms, orthopaedic aids and essential equipment were;

- The Sabol Ear Centre, an Ibadan institute which caters for the welfare of deaf children.
- The Torry Home for handicapped and mentally retarded children in Kano.

- The Compassion Home for handicapped children, Port Harcourt.
- The Remand Home for abandoned children in Idi-Araba, Lagos.

ATHLETICS:

Over the years MONL has regularly contributed towards the development of society through sponsorship of worthwhile public events.

As recently as August 24-26,1990, in collaboration with her sister company Mobil Producing Nigeria, Mobil sponsored the first ever Nigerian/Mobil Track and Field Championships at the National Stadium Surulere. More than 600 Nigerian athletes participated, including famous foreign-based athletes as Chidi Imo, Mary Onyali and Henry Amike.

The championship served as a qualifying meet for the African Athletics Chanpionships, sponsorred by Mobil Corporation, which was held in Cairo on October 3-6, 1990.

2. SHELL PETROLEUM DEVELOPMENT COMPANY NIGERIA:

The Royal Dutch/Shell Group of companies has grown out of an alliance made in 1907 between Royal Dutch Petroleum Company and the "Shell" Transport and Trading Company Plc by which the two companies agreed to merge thier interest on a 60:40 basis while keeping seperate indentities. Today the title describes a group of companies engaged in the oil, natural gas, chemicals, coal and metals business throughout the greater part of the world.

SHELL PETROLEUM DEVELOPMENT COMPANY NIGERIA:

With its headquarters in Lagos, Shell operational area covers a large part of southern Nigeria including the swampy and populous Niger Delta. It is split into two divisions, the boundry roughly following River Niger. The Eastern,

division is based on Port Harcourt and the Western division on Warri. Operations are carried out over terrain varying from firm ground through swamp and extend into the shallow waters off the coast.

SPDC currently has 82 fields on stream, mostly producing through natural flow with other using gas lift and operates terminals at Forcados and Bonny. However, as well as new areas on shore, the company has also applied for exploration acreage further off shore in the Bight of Benin in water depths of between 200 and 1,000 metres.

NATIONAL OIL AND CHEMICAL MARKETING PLC:

National Oil and Chemical Marketing Plc is a leading marketer of petroleum and chemical products. Prior to its incorporation in July,1975, the company operated in Nigeria as Shell D'arcy (1927); and later metamorphosed into oil storage company of Apapa OSCA (1938); Shell company of West Africa (1952), Shell nigeria Limited (1968), National Oil and Chemical Marketing Company Limited (1975), and National Oil and Chemical Marketing Plc in 1989.

PRODUCTS:

Products marketed by the company include motor gasoline, automotive gas and fuel oils, domestic kerosine, jet fuels, aviation gasoline and lubricants, automotive and industrial lubricants oils and greases, bitument and colos products for road construction and building industry, bunker fuels and marine lubricants, industrial chemicals, polymers, domestic consumer products - flytol disinfectant, shelltox, teepol liquid detergent and dona x-B brake fluid. To ensure its products and services get to every nook and corner of Nigeria, National oil has about 280 retail outlet which market fuels and automotive lubricants. National Oil remains the major marketer of aviation fuel with its pressure in all airports/ airfields in the country.

The company has a well defined policy of health, safety and environment which is practised by not only its employees but all employees within the Royal Dutch Shell Group of Companies which has 40% equity participation in the company. The other shareholders are NNPC which hold 40% on behalf of the Federal Government of Nigeria, and the Nigerian public and institutional investors that hold the remaining 20%.

TRAINING AND RECRUITMENT:

The company employs nearly 5,000 staff directly, and indirectly through contracting companies, has another 18,000 people on its books. That number was forecasted to rise to around 25,000 between 1992 and 1993 as operations expanded. For example in the seismic alone, the company has eight thousand crews working year round, with around 700 people in each crew.

SPDC's programme of "Nigerianization" has reached the point where 79 percent of total staff including 70 percent of top management are Nigerians. It is infact very much of Nigerian Company, but one which uses the resources of a massive multinational group to the advantage of itself and the country in which it operates (Shell World April,1991).

The general manger for administration Emeka Achebe stated that it was a fundamental personnel policy development to train Nigerian staff to take over positions of responsibility and the company has reached a point where they are sending Nigerian staff overseas to take up senior managemenmt positions in other operating companies and are expanding their training role at sub-regional level for small companies. As at the end of 1990 they had more than 60 staff on cross postings in upstream companies around the world and in research and the number was expected to increase to 80 by 1992 (Shell world magazine, April,1991).

SAFETY AND HEALTH:

To improve safety performance, an 'Enhanced SAfety Management' programme was introduced within Shell exploration and production companies in 1984. It contains a number of essential features designed to ensure the programmes effectiveness. Among these are:

- Visible management commitment to safety.
- Safety to be a line management responsibility.
- Well understood high safety standards.
- Realise safety targets and objectives.
- Effective safety training.
- Audits of safety standards and practices.
- Thorough reputing, investigation and follow up of injuries and incidents, and
- effective motivation and communication.

Responsibility for health and safety lies with all those who deal on a day-to-day basis with the business of exploring for and producing oil and gas.

- The company's medical services has established a high standard of industrial, primary and secondary health-care for both employees and their entitled dependants.

Shell Nigeria operates three hospitals, one each of the operating divisions at Warri and Port-Harcourt and a third at the Freeman House Headquarters at Marina, Lagos.

All the three hospitals are well equipped with modern facilities for electrocardiogram (ECO), all laboratory investigations and with automatic X-Ray machines.

The hospitals at Port-Harcourt and Warri also provide support and medical advices for small clinics at the companies fields bases at Forcados, Bonny, Ughelli, Egbenna production centres and a variety of drilling locations.

SAFETY AND THE ENVIRONMENT:

In the case of new activities, innovative techniques such as low intrussion siesmic surveying and advanced drilling technologies have been adopted to lassen their impact in existing operations, the main issues are;

- disposal of water produced with oil or gas
- utilisation of associated gas produced with oil,
- discharges of contaminated drilling waste,
- management of other industrial waste

The starting point of all waste management is to reduce waste at source, as this can yield both economic and environmental benefits.

Efforts are also being focussed on quality, the aquatic environment, erosion, flooding and what appropriate, socio-economic considerations.

Initial environmental impact assessment (EIA) in 1986-87 included a detailed ecological study by a group from the University of Wageningen in Netherlands. As it transpired, the results were crucial in securing fanancing from the IFC, a World Bank affiliate.

A formal EIA is now an integral part of the planning of all new Shell exploration and production activities.

Once an oil or gas field reaches the end of its economic life, companies must return the land to its original state.

COMMITMENT AND COMMUNITY:

Shells community extension programmes are wide ranging and cover a smathe of agricultural projects, including the provisions of pest and disease resistant planning materials to more than 20,000 farmers and the construction of five cassava to Gari factories.

The community development schemes aim directly at improving the lot of small farmers, who make up 70% of Nigeria's population and contribute between 80% and 90% of natural food production.

Roads both for the company's operations and the use of the community are provided by the company. They also give scholarships, classroom furniture and buildings at primary and secondary level as well as support for higher education and also to medical care through the supply of equipment for local clinics.

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION:

This chapter deals with the data presentation and analysis of information obtained from various sources. The analysis is based on the questionaires returned. Thrity (30) well structured questionaires were administered on 30 staff of both companies;

1. Shell Petroleum Development Company and
2. Mobil Oil.

Out of the thirty (30) questionaires only twenty-five (25) were returned and the analysis is solely based on the 25 returned questionaires.

4.2 PRESENTATION AND ANALYSIS:

The presentation and analysis is based on 25 returned questionaires. The presentation is made in Tabular format and the analysis carried out using percentages.

Below is the presentation:

Table I.

DOES YOUR ORGANISATION HAVE A FORMAL MARKETING DEPARTMENT?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
YES	25	100
NO	-	-
TOTAL	25	100

Sources: Fieldwork.

From Table 1 above it can be seen that all the companies (Shell and Mobil) have formal marketing departments in their organisations. All the twenty-five (25) respondents agree that the organisations have formal marketing departments. This represents 100% of the respondents.

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Table 2.
WHAT ARE THE FUNCTIONS OF THE MARKETING DEPARTMENT?

RESPONSE	NO. OF RESPONSDENTS	(%)
Sales promotion	-	-
Marketing research	-	-
Advises on product development	-	-
All of the above	25	100
TOTAL	25	100

Source: Fieldwork.

Information in Table 2 above reveals that the function of marketing are well understood by both organisations. These function include sales promotion, marketing research, and advising the production department on customers product requirements. All the 25 respondents representing 100 percent agree to this view.

Table 3.
WHAT MARKETING STRATEGIES DO YOU ADOPT TO STAY IN BUSINESS?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Product development	-	-
Price reduction	-	-
Provision of credit facilities	-	-
Community development	-	-
All of the above	25	100
TOTAL	25	100

Source: Field work.

Table 3 above reveals the fact that, since there are many multinational companies in oil exploration in Nigeria, for any to stand the competitive nature of the market, the organisation must engage in all marketing and extra-marketing activities (strategies) to have the peoples' confidence, and stay

in business. These strategies include product development, price reduction, provision of credit facilities and community development. Infact all the 25 respondents representing 100% are of this opinion.

Table 4.
WHO IN YOUR ORGANISATION IS RESPONSIBLE FOR NEW PRODUCT DEVELOPMENT?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Production department	5	20
Marketing Research dept.	1	4
Top management	9	36
All of the above.	10	40
TOTAL	25	100

Source: Field work.

Information in table 4 above shows many views or opinions about who is responsible for new product development. 10 respondents representing 40% of those interviewed are of the opinion that the responsibility for new product development affects all the departments of the organisation. To them after the marketing department report on new customer demands; the production, marketing, research and development sit to take an encompassing decision regarding the new product.

However, 9 out of the 25 respondents representing 36% of the total population believed the responsibility rest with top management. 5 respondents representing 20% agree the responsibility is that of production department. 1 respondent which is 4% sees the responsibility for new product development as that of the marketing research department.

Table 5.
WHEN DO YOU INTRODUCE NEW PRODUCTS INTO THE MARKET?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Annually	-	-
Semi Annually	-	-
Quarterly	-	-
Monthly	-	-
As situation Demands	5	20
All of the above	20	80
TOTAL	25	100

Source: Field work.

Table 5 shows that 20 respondents which is 80 percent of the sample population agree that the introduction of new products varies, depending on what type of the new technology in the oil industry. However because of the cost involved in the introduction of new products; products are brought into the market annually, semi annually, quarterly monthly and so on, depending on demand trends.

5 respondents representing 20% of the respondents agree that the new products are introduced as the situation demands, which is just the same with the other 20 respondents.

Table 6.
ARE YOU A LEADER OR FOLLOWER IN THE OIL INDUSTRY?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Leader	20	80
Follower	-	-
Challenger	5	20
Nitcher	-	-
TOTAL	25	100

Source: Field work.

Table 6 above shows that out of the 25 people interviewed 20 of them representing 80% agree that their organisation is a leader in the oil industry in Nigeria. However, information from the literature review and the figures and oil fields presently acquired by all oil companies show that shell has the leadership.

Shell's contribution to the general economic growth and job creation is higher than any other oil firm. 5 respondents representing 20% of the interviews agree that Mobil is a market challenger, after Shell which is true.

TABLE 7

HOW DO YOU COME OUT WITH THE IDEAS FOR YOUR NEW PRODUCTS.?

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
from customers	-	-
sales force	-	-
competitors	-	-
company's management	-	-
All of the above	25	100
TOTAL	25	100

Source: Fieldwork

From table 7 it is revealed that ideas for new products are received from customers, the salesforce, competitors, and company's management - All the 25 respondents interviewed are of the same ideas. This represents 100% of the responses received.

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Further inquiry showed that this is important because the market is competitive and one has to look up to any opportunity to stay afloat.

TABLE 8.

WHAT ARE THE PROBLEMS YOUR ORGANISATION FACES WITH NEW PRODUCT DEVELOPMENT. ?

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
Planning	-	-
Financing	-	-
Technological	-	-
Manpower	-	-
All of the above	25	100
TOTAL	25	100

Source: Fieldwork

Table 8 above shows that the problems of new-product development range from planning, financing, technological and manpower problems or issues. And this affects both firms covered during the study. i.e (Shell and Mobil). All 25 respondents representing 100% agree their problems are encountered towards new product development.

TABLE 9

WHAT FACTORS DETERMINE YOUR PRICES ?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Government	-	-
Market demand	-	-
Cost of prod.	-	-
All of the above	25	100
TOTAL	25	100

Source: Fieldwork

The determination of price of petroleum products is affected by many factors, ranging from government influence, market demand, cost of production. 25 respondents representing 100% are of this opinion.

However verbal interview further revealed that since petroleum products serve as the major tool for economic shift of goods and services, market demand does not play a role in price determination.

According to personal interview, to avoid price skyrocketing, government fixes prices of products like petrol and diesel.

Generally, however, after determining the cost of production a little percentage amount of interest is fixed to allow for cost coverage.

TABLE 10.

HOW DO YOU PROMOTE YOUR PRODUCTS/SERVICES ?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Advertising	-	-
Personal selling	-	-
Sales promotion	-	-
All of the above	25	100
TOTAL	25	100

Source: Fieldwork

Table 10 shows that all the promotional tools (Advertising, personal selling and sales promotion) are applied by both companies in carrying out their products/service promotion. All the 25 respondents representing 100% agree they use all the promotools.

TABLE 11

HOW WOULD YOU CLASSIFY YOUR CONCERN FOR SAFETY ?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Total	25	100
Moderate	-	-
Casual	-	-
All of the above	-	-
TOTAL	25	100

SOURCE: Fieldwork

Table 11 shows that both firms Shell/Mobil are committed to 'Total' concern for safety in their operation. All the 25 respondents interviewed share this opinion. This represents 100% response.

TABLE 12

IN YOUR OWN OPINION, ARE YOU SATISFIED WITH THE PRESENT PERFORMANCE OF YOUR COMPANY ?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Satisfied	3	12
Not satisfied	22	88
Indifferent	-	-
TOTAL	25	100

SOURCE: Fieldwork.

the information in table 12 above reveals that 3 out of the 25 people interviewed which represents 12% of the total number interviewed are satisfied with the present performance of their organisation.

However 22 people out of the 25 representing 88% are not yet satisfied with the present performance of their establishment. Mobil oil for instant says that is the reason they have adopted the approach of Total Quality Management (TQM) that is doing the right thing, the right time, the first time always - their message " We are poised for a giant stride into the future. The company intendeds to meet the challenges of tomorrow with total committment to total quality" (Mobil's message for the new decade).

Shell too intends to continue as a market leader and as such is not yet satisfied and is always looking for all ways to forge ahead.

TABLE 13

WHAT WOULD YOU SAY ARE THE MAJOR COMPLAINTS FROM YOUR CUSTOMERS ?
?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Quality of products	-	-
Quality of service	2	08
Product shortages	8	32
All of the above	15	60
Others (specify)	-	-
TOTAL	25	100

SOURCE: Fieldwork

From table 13; 15 respondents out of the 25 interviewed representing 60% of the responses received believe they receive major complaints from customers which range from quality of products, quality of services to product shortages.

8 respondents out of the 25 interviewed representing 32% are of the opinion or view that the major complaints they receive is related to product shortage; while 2 respondents representing 8% are of the opinion that the complaints are about quality of service.

TABLE 14

HOW DO YOU TRAIN YOUR STAFF ?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
On - the -job	-	-
Classroom	-	-
All of the above	25	100
Others (specify)	-	-
TOTAL	25	100

SOURCE: Fieldwork

Shell and Mobil oil; the two understudied multinational oil corporations engage in similar training methods for their staff. All the 25 staff interviewed representing 100% of responses agree that on-the-job, classroom and other training methods are adopted including foreign course. Shell presently has about 80 staff serving in other shell operations in other parts of the world to enable them have adequate expanse of knowledge and experience about the company.

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TABLE 15

WHAT SOCIAL ENGAGEMENTS DO YOU UNDERTAKE FOR THE BENEFITS OF THE COMMUNITIES WITHIN YOUR AREA OF OPERATION. ?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Provide employment	-	-
Health facilities	-	-
Build schools	-	-
Award scholarship	-	-
Build roads	-	-
Provide water	-	-
All of the above	25	100
-	-	-
TOTAL	25	100

SOURCE: Fieldwork.

Table 15 above shows the degree of involvement in terms of social responsibilities that the the oil companies undertake to improve the social life of the communities they operate within.

All the 25 respondents representing 100% of responses shows that they engage in areas such as providing employment, providing health facilities, building schools, awarding scholarship to students, building of roads and providing water.

TABLE 16

WHAT EFFECT DOES THE RIOTS FROM COMMUNITIES WITHIN YOUR AREA OF OPERATION HAVE ON YOUR PERFORMANCE. ?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Negative	25	100
Positive	-	-
None	-	-
TOTAL	25	100

SOURCE: Fieldwork.

Riots from oil communities affect oil companies adversely. All the 25 respondents representing 100% are of this opinion.

4.3 DISCUSSION OF FINDINGS

From the date analysed above, it can be understood that multinational oil companies in the country have formal marketing departments that carry out marketing functions on their behalf. Table 1 in the presentation shows a 100% acceptance from the two under-studied oil firms (Shell and Mobil).

Tables 2 and 3 shows that they all employ in similar marketing tools and strategies to stay in business. This is not surprising since they all engage in the production of identical products, which have the same market.

Futher research showed that almost all the multinational oil companies assemble all departments to discuss how to develop new product as the information in table 4 reveals.

Because customer taste and desires vary at each point in time and the advancement of technology keeps changing, the introduction of new products takes place anytime the situation demands.

This could be annually, semi-annually, quarterly and so on as shown in table 5.

Ideas for new products as indicated in table 7 is obtained from various sources including customers, salesforce, competitors, and sometimes from company management. This is quite a reasonable development since it enables the companies to be at alert to the changing needs of society. Moreso since the market is competitive, any little information is relevant.

New product development (innovasion) is quite a costly engagement in any organisation; this also is true of these oil companies. Infact in the case of oil production the technology is so costly and sensitive that, planning, financing, manpower and the nature of technology to employ became problems for the multinational oil companies as shown in table 8, Infact there is a 100% agreement.

Price of petroleum products is normally fixed by the federal government of Nigeria and there are times the government subsidises the prices especially petrol and diesel. This is done to avoid unnecessary increase as obtains with other products. However, with the incessant shortages prices are today increased by marketers of petroleum products.

All the promotional tools are employed by oil companies to promote their products as shown in table 10. Since the risk involved in oil exploration and development is very high, all oil companies engaged in exploration and oil (petroleum) processing take seriously the issue of safety. Shell and Mobil provide safety gadgets and strictly adhere to safety standards as prescribed by OPEC and other world requirements. Personnel directly involved are insured in case of accident.

Since the market is competitive all the firms in oil business are never ever satisfied with present outcomes, therefore they constantly look ahead for fresh advances.

Table 12 shows this data and still indicate through further inquiry that Total Quality Management (TQM) is now adopted by almost all companies.

Training of company staff is of great concern to all oil companies. Courses involve 'On - the - job' training and many other courses.

All oil companies engage in one form of social responsibility or the other. The activities include provision of employment, health facilities, building of schools, scholarship awards, road construction and other matters for the benefit of communities within areas of company operation, despite all the riots constantly experienced from these communities and occassional damages to company and personal property which run into millions of naira (the Ogoni riots cost Shell over 40,million naira to repair the company's damaged equipments).

From the information presented and discussed above it is clear that almost all multinational oil companies engage in similar methods of operation.

4.4 TEST OF HYPOTHESIS

HYPOTHESIS I

Ho: Multinational oil companies' marketing departments perform the same functions and adopt or employ similar strategies in carrying out their business.

Hi: Marketing departments of multinational oil companies do not perform the same functions and employ similar strategies in carrying out their business.

For the proof of the above hypothesis, questions 2 and 3 from the questionnaire (Appendix 1) will be used as tabulated in table 2 and 3 and reproduced below.

TABLE 2

WHAT ARE THE FUNCTIONS OF THE MARKETING DEPARTMENT ?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Sales promotion	-	-
Marketing research	-	-
Advises on product Development	-	-
All of the above	25	100
TOTAL	25	100

SOURCE: Fieldwork

TABLE 3

WHAT MARKETING STRATEGIES DO YOU ADOPT TO STAY IN BUSINESS?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Product dev.	-	-
Price reduction	-	-
Provision of Credit facilities	-	-
Community development	-	-
All of the above	25	100
TOTAL	25	100

SOURCE: Fieldwork

In proving the above hypothesis, it has been established from the findings that, marketing departments of multinational oil companies perform the same functions and employ similar strategies to stay in business or carry out their business.

In response to question 2 a careful examination of table 2 shows that there is a 100% agreement on the functions adopted by marketing departments; while question 3 as shown in table 3 indicates a 100% agreement on the strategies employed by the marketing departments of oil companies.

From the above, and in view of the findings and discussions of same, the Null hypothesis (Ho) is therefore accepted while the alternative hypothesis (Hi) is rejected.

HYPOTHESIS II

Ho: Riots in oil communities have a positive effect on multinational oil companies.

Hi: Riots in oil communities have a negative effect on multinational oil companies.

The response to question 19 of the questionnaire (Appendix 1) as tabulated in table 16 will be used in testing this hypothesis. Table 16 is reproduced below:

TABLE 16

WHAT EFFECT DOES THE RIOTS FROM COMMUNITIES WITHIN YOUR AREA OF OPERATION HAVE ON YOUR PERFORMANCE ?

RESPONSES	NO. OF RESPONDENTS	PERCENTAGE
Negative	25	100
Positive	-	-
None	-	-
TOTAL	25	100

SOURCE: Fieldwork

Riots from oil communities affect oil companies negatively. Based on the above findings, the Null hypothesis (Ho) is rejected, while the alternative hypothesis (Hi) is accepted.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY:

The Nigerian economy depends almost 95% on oil for its foreign exchange earnings. Petroleum products therefore play a critical role and multinational oil companies have the technological know-how and backing to see to the daily production of this economic nerve centre. The critical role is often seen each time there is breakdown on equipment or shortage of supply of petroleum products, either regionally or nationwide, almost every other sector of the economy comes to a stand still.

However and in view of the above it is necessary to know the marketing strategies employed by there multinationals, since Nigeria lacks the capabilities to wholely man this sector. The study was therefore designed to get all insight into the marketing strategies adopted by multinational oil companies in the Nigerian oil industry. Since it was impossible to conduct a census of all multinational oil companies in Nigerian Oil Industry, a case study of :

1. Shell Petroleum Development Company, and
2. Mobil Producing Nigeria Ultd; were carried out.

Chapter one gave a background of the Petroleum industry, Chapter two reviewed related literature. Chapter three gave the research design and historical background of the two firms, while chapter four was devoted to data analysis. Chapter five however presented the summary, conclussions and recommendation.

5.2 CONCLUSIONS

Several conclusions were made from the study. Generally the study revealed that multinational oil companies have to improve on their relationship with oil communities.

This position is confirmed by the number and gravity of destructions occationally experienced by this companies. Another area of vital concern in customer service complaint about quality of products, quality of service and shortages.

It was however found out that multinational oil companies adopt similar marketing strategies with other business organisations while at the sametime having their share of problems in areas like product manning and the maintenance of safety standards.

5.3 RECOMMENDATIONS

The researcher went ahead to make the following recommendations:

(1) Multinational oil companies should adopt adequate feasible marketing strategies to enable them improve on their performance.

(2) Management should listen to and heed to customer complaints. This is a major sign of service quality. Facilities such as suggestion boxes should be installed to collect customer reaction to service quality.

(3) Management should provide back up systems to avoid total closures as a result of primary equipment breakdown.

(4) Management should improve their relationship with oil communities by increasing the share of social amenities provided.

(5) Constant review of marketing strategies should be adhered to, to enable oil companies have an efficient operation and sales volume.

(6) More commitment should be shown towards workers safety in oil operating areas.

(7) Adequate monitoring teams should be introduced to constantly assist in market research and analysis.

(8) All shades and grades of workers should be involved in decision making or at leart their opinion should should be sought so that they can feel as part of the organisation.

(9) Marketing strategies should be the responsibility of the whole organisation. This calls for effective communication that leads to proper coordination within the organisation.

JOURNALS, ANNUALS, PERIODICALS, MAGAZINES

1. Central Bank of Nigeria Statistical Bulletin
2. Central Bank of Nigeria Economic and Finance Review
3. Bullion, Central Bank Publication
4. OPEC Bulletin
5. NNPC News Monthly Bulletin
6. Nigeria's Oil & Gas Annual
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11. NNPC (1996) Petrochemicals: Its Multiplier Effect on the Nations Economy.
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14. NNPC, The Nig. National Petroleum in the Nations Oil Industry.
15. NNPC, Memorandum of Understanding
16. NNPC, Nigerian Oil Industry Update
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21. Upstream Essential (Shell Briefing Services) 1994.
22. The Department of Petroleum Resources: The Regulatory arm of the oil industry.

APPENDIX 1.

QUESTIONNAIRE [FOR STAFF OF SHELL/MOBIL OIL]

INTRODUCTION: Please Tick the appropriate answer as provided in each question.

Name (optional): .....

Position: .....

1. Does your organisation have a formal marketing department?

   (a) Yes [ ]
   (b) No [ ]

2. What are the functions of the marketing department ?

   (a) Sales promotion [ ]
   (b) Marketing Research [ ]
   (c) Advices on product dev. [ ]
   (d) All of the above [ ]

3. Many MNOCS' are exploring Oil in Nigeria. What marketing strategies do you adopt to stay in business. ?

   (a) Product develoment [ ]
   (b) Price reduction [ ]
   (c) Provision of credit facilities [ ]
   (d) Community development [ ]
   (e) All of the above [ ]

4. Who in your organisation is responsibe for new product development ?

   (a) Production department
   (b) Marketing Research department
   (c) Top management
   (d) All of the above

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5 When do you normally introduce new products. ?

(a) Annually [ ]
(b) Semi annually [ ]
(c) Quarterly [ ]
(d) Monthly [ ]
(e) As situation demands [ ]
(f) All of the above [ ]

6. Are you a leader or follower in the oil industry. ?

(a) Leader [ ]
(b) Follower [ ]
(c) Challenger [ ]
(d) Nitcher [ ]

7. Is your organisation proactive or reactive in the oil industry in terms of product development. ?

(a) Proactive [ ]
(b) Reactive [ ]

8. How do you come out with the ideas for your new products.?

(a) From customers [ ]
(b) Salesforce [ ]
(c) Competitors [ ]
(d) Companys management [ ]
(e) All of the above [ ]

9. Do you follow the conventional steps of planing and developing a new product. ?

(a) Yes [ ]
(b) No [ ]

10. What are the problems your organisation faces with new product development. ?

(a) Planning [ ]
(b) Financing [ ]
(c) Technological [ ]
(d) Manpower
(e) All of the above

11. What factors determine your prices. ?
    (a) Government [ ]
    (b) Market demand [ ]
    (c) Cost of production [ ]
    (d) All of the above [ ]

12. How do you promote your products/services. ?
    (a) Advertising [ ]
    (b) Personal Selling [ ]
    (c) Sales Promotion [ ]
    (d) Any other (specify).....

13. Who are your major competitors. ?
    .....
    .....
    .....
    .....

14. How would you classify your concern for safety . ?
    (a) Total [ ]
    (b) Moderate [ ]
    (c) Casual [ ]
    (d) All of the above [ ]

15. In your own opinion, are you satisfied with the present performance of your company. ?
    (a) Satisfied [ ]
    (b) Not Satisfied [ ]
    (c) Indifference [ ]

16. If you are not satisfied what are your reason(s) ?
    .....
    .....
    .....
    .....

17. What would you say are the major complaints from your customers. ?
    (a) Quality of product [ ]
    (b) Quality of Service [ ]
    (c) Shortages [ ]
    (d) Any other (specify) .....

18. How do you train your staff.?

(a) On-the-Job [ ]
(b) Classroom [ ]
(c) Others (specify) .....
(d) All of the above [ ]

19. What do you do for the community within your area of operation. ?

(a) Employment [ ]
(b) Health facilities [ ]
(c) Build Schools [ ]
(d) Award Scholarship [ ]
(e) Build roads [ ]
(f) Provide water [ ]
(g) All of the above [ ]

19. What effect does the riots from communities within your area of operation have on your performance. ?

(a) Negative [ ]
(b) positive [ ]
(c) None [ ]

20. State how you cope with this riots. ?

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21. Any other comment on the oil industry in Nigeria.

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Thank you for your cooperation.

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