A CRITICAL ANALYSIS OF THE MARKETING STRATEGIES OF NORTHERN NIGERIA FLOUR MILLS LTD. KANO.

BY

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

DEPARTMENT OF BUSINESS ADMINISTRATION
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Z A R I A

OCTOBER. 1987

DECLARATION

I, hereby declare that this project is a product of my research findings and that I am responsible for any errors committed and/or ommissions. All articles used have been acknowledged accordingly in the references.

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C E R T I F I C A T I O N

This project entitled "A CRITICAL ANALYSIS OF THE MARKETING STRATEGIES OF NORTHERN NIGERIA FLOUR MILLS LTD KANO." by PRISCILLA JUWAH meets the regulations governing the award of the degree of MASTERS IN BUSINESS ADMINISTRATION (MBA) of AHMADU BELLO UNIVERSITY, and is approved for its contribution to knowledge and literary presentation.

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D E D I C A T I O N

Dedicated to my most beloved and ever caring mother, MRS. JOSEPHINE AINA JUWAH.

A C K N O W L E D G E M E N T

I am grateful to the numerous people who have in one way or the other assisted me in this research work.

This project would not have been completed without the help and scholarly suggestions of my Supervisors Mr. A. B. Akpan and Mr. John Ayuba, I am most grateful.

My thanks and appreciation also goes to Mr. T. A. Oyeleke the Financial Director of Northern Nigeria Flour Mills for his kind assistance and cooperation in giving me valuable information about the company.

I am also grateful to Hajia Bimpe Olufeagba for her friendly guidance throughout the programme.

I feel grately indebted for the immense contributions in terms of financial, material and moral support rendered to me by my parents and in particular Mr. P. VandeBecck.

My younger Sister, Miriam Juwah deserves a special mention for her love and support during my academic years. To my friends too numerous to mention for their encouragement.

Finally, my thanks goes to Mrs. D. Akinwande who carefully typed my scripts.

God bless you all.

Priscilla Juwah.

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A B S T R A C T

The marketing strategy adopted by any firm has a fundamental effect on the performance of that firm.

This study investigated the extent to which the performance of Northern Nigeria Flour Mill Ltd. has been influenced by the strategy It has adopted in the past five years. Use was made of both primary (through questionnaires) and secondary (published reports data obtained from the company.

It was found that, the effective performance of the company has indicated by the profitability ratios namely,

i. Gross Profit Margin Ratio
ii. Net Profit Margin Ratio and
iii. Earning Power Ratio, over the period covered (1962 - 86).

This performance has been due mainly to the following strategies adopted by the firm.

1. Product Strategies:-

The firm uses several product strategies to communicate their product offerings to the consumers. They insistantly improve their packing and branding of their products. Also more product lines were

introduced to trade up their existing products.

ii. Pricing Strategies.

Their pricing policy has been mainly determined by (Productivity Prices and Incomes Board) the government and have used cost plus mark-up level determined by the company as a profit target.

iii. Promotion Strategies

Presently, their promotional activities has been very limited because of the adequate demand for their products. Evidence abundant, nevertheless, that more promotional efforts will be required to "fall in" more sales in the nearest future.

iv. Distribution Strategies

Their current distribution strategy is that of selective strategy and narrow distribution channels strategy as discovered from the analysis. Hence the company is presently able to meet the targeted sales from their current target market.

Based on the above, recommendations were made to enable the company cope with the foreseable contracting-demand for the company's product in the future.

The company has also been advised to place more emphasis on their marketing department as

increased performance in terms of sales to total assets cannot be achieved without strategic marketing developed and implemented and the marketing department well situated within the organinational structure of the company.

TABLE OF CONTENTS Page

Title Page i

Declaration ii

Certification iii

Acknowledgement v

Abstract vi

Table of Contents ix

List of Tables xi

List of Figures xii

CHAPTER I

I N T R O D U C T I O N

1.1 Introduction 1

1.2 Definition of Terms 5

1.3 Objective of Study 11

1.4 Scope and Limitation of Study. 12

1.5 Methodology 12

CHAPTER II

LITERATURE REVIEW 15

2.1 Evolution of Marketing 15

2.2 Marketing Strategy 19

2.3 Marketing Strategy Effectiveness 31

2.4 SAP and Marketing Strategies in Nigeria 39

CHAPTER III

3.1 Brief History of Northern Nigeria Flour Mills Ltd Kano.... 46

3.2 The Place of the Marketing Department in the Organisational Structure 37

3.3 The Marketing Strategy of Northern Nigerian Flour Mills Kano 51

Table Contents Contd.

Page

3.4 Performance Indicators in Northern Nigeria Flour Mills... 61

3.5 Relating Marketing Strategy to Performance of the Northern Nigeria Flour Mills 67

CHAPTER IV

CONCLUSIONS AND RECOMMENDATIONS.

4.1 Summary of Major Conclusions 70

4.2 Recommendations 74

REFERENCES. 77

LIST OF TABLES

Table	Title	Page
3.1	Gross Profit Margin Ratio	61
3.2	Net Profit Margin Ratio	62
3.3	Total Assets Turnover Ratio	64
3.4	Earning Power Ratio	66

LIST OF FIGURES

Figure	Title	Page
3.1	Organization Structure of Northern Nigeria Flour Mills Ltd. Kano.	49
3.2	Distribution Channels of Northern Nigeria Flour Mills Ltd Kano.	58

CHAPTER I

1.1 Introduction

To enhance the position of a company, the effective marketer must take cognisance of the macro environment and "develop marketing strategies to respond to it progressively and productivity."[1]

Marketing strategy is the fundamental marketing logic by which the business unit intends to achieve its marketing objectives. It consists of a coordinated set of decisions on

(i) target markets
(ii) marketing mix and
(iii) marketing expenditure level.

It is obvious then, that the task of marketing strategy is to identify the various market segments making up the aggregate market, as they differ in their preferences, response to marketing efforts and profitability, thereby giving the company the opportunity to allocate its effort and energy to those market segments. It can serve best from a competitive point of view. And to develop a cost-effective marketing mix for each target market that it pursues.

Effective strategic market planning is based on two important analytical ingredients.

(i) market opportunity has to be done and the company's capability to take advantage of this opportunity has to be assessed.

(ii) The behaviour of cost has to be understood.

Strategic market planning is a natural growth of organisational evolution in deversified firms and increased concern for allocation of limited resources in cash constrained environment. The central concept of strategic market planning is that each business must be strategically defined to take maximum advantage of such opportunities and that missions must be assigned consistent with the differences among them.

The planning of marketing strategy must be based on information and net guess work. The need for information is therefore a very basic one.

Non-price competition, such as branding, advertising and sales promotions are marketing tools which require information for effective usage. Hence both the consumer and the tools of marketing must be properly researched.

Of course, it would be ridiculous to imply that all the marketing information required could be

provided by marketing research. This notion is clearly incorrect.

The process of strategic marketing is a dynamic one. As markets come, new opportunities continually presents themselves resisting opportunity decline. Thus one must plan in order to anticipate such opportunities and to assemble ahead of time, the resources and skills required to take advantage of them.

Strategic marketing planning is a systematic method for the effective and efficient management of change in the organisation. It includes determining where the company is to go as well as how it is to get there. It involves the setting of objectives and goals and the formulation and selection of alternate strategies and courses of action to reach them.

Management of most companies have increasingly paid detailed attention in recent years to strategic marketing in order to ensure the firms growth, profitability and viability. This is so, because strategic marketing is seen as a tool for coping with the increasing risk and uncertainty present in the firms business environment.

The adoption of marketing strategy has become increasingly important because as every profesional manager is probably aware, environmental survellence has become a necessary component of the strategic planning process, as a result of the accelerating pace of change in the firms economic, social, legal, political, technological and competitive environment and thus identification of opportunities and risks in these environmental factors can signifcantly alter expected operating results and business forecasts.

The attainment of efficiency and effectiveness through strategic marketing stem from the important roles of strategic marketing as a planning tool which entails regular measurement of program towards objectives and goals. It identifies and analyses opportunities, strengths, weakness problems and threats and sets priorities for capitalising on or overcoming them so that company resources will be put to the best uses.

The Northern Nigerian Flour Mills (Ltd. Kano) adoption of strategic marketing will thus be viewed from the following perspectives:-

(1) How the company performs in recent, years with regards to sales; profits and market shares.

(ii) The current position of the company to see whether it gains, looses or hold steady sales, profits and share of market.

(iii) The short and long run marketing objectives of the company and

(iv) The present strategies the company has,to attain the objectives.

1.2 Definition of Terms

(i) What is a Market? Before defining marketing we should be sure that we know what a market is. According to Victor Buell (1985 Pg.18), "A market represents the aggregate demand of the buyers and potential buyers for a product or service over a specific period of time."[2] Philip Kotler (1980 Pg. 21), defined market as "the set of all actual and potential buyers of a product."[3]

For the purpose of this study the later definition will be adopted.

(ii) Marketing:- There seem to be as many definitions of marketing as there are books on the subject. Marketing commonly is defined in economic, legal or managerial terms.

Philip Kotler (1980 Pg. 19) defined it as "human activity directed at satisfying needs and wants through exchange processes.[4] On the other hand, marketing has been defined as "a total system of business activities designed to plan, price, promote, and distribute want-satisfying goods/ services to present and potential customers"[5] (William J. Stanton 1981 Pg. 4).

For the course of this study the earlier definition will be accepted.

(iii) Strategy.

"Strategy" a term borrowed from the military has crept into common usage almost everywhere. It is derived from the Greek word 'Strategos' meaning a general.

William and Jauch (1984 Pg. 8), defined 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 basic objectives of the enterprise are achieved through proper execution by the organisation."[6]

K. R. Andrews (1971 Pg.) defined corporate strategy as "the pattern of major objects purpose or both and essential policies and plans for achieving those goals stated in such a way as to define what business the company is in or it is to be."[7]

According to Chandler (19 62 Pg), strategy is defined as "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary to carry out these goals."[8]

Anthony R. N. (1965 Pg.), also defined it as "resulting from the process of deciding an objectives of the organization on changes in these objectives, on the resources used to attain these objectives, on its policies that are to govern the acquisition, use, and disposition of these resources."[9]

"Strategy refers to the formulation of basic organizational missions, purposes, and objectives, policies and program strategies to achieve them; and the methods needed to assure that strategies are implemented to achieve organisational ends" (George A. Steiner & John B. Miner 1977 Pg.7).[10]

This last definition will be adapted for the purpose of this research.

(iv) Marketing Strategy.

Victor Buell (1985 Pg.188), assertained that marketing strategies are "major plans (or methods) for achieving major objectives or goals. While

tactics are plans or methods devised to implement the strategies."[11]

Philip Kotler (1980 Pg. 88), rightly put it as "a set of objectives, policies and rules that guide overtime the firms marketing effort - its level, mix, and allocation - partly independently and partly in response to changing environmental and competitive conditions."[12]

According to P. Murphy and B. Enis (1985 Pg.8), Marketing Strategy focuses explicity on the quest for long-run competitive and consumer advantage."[13]

Philip Kotler's definition will be used throughout the course of this study.

(v) Marketing Mix.

According to P. Kotler 1980 Pg.88), "Marketing mix is the set of controllable variables and their levels that the firm uses to influence the target market."[14] Any variable under the control of the firm that can influence the level of customer response is a marketing mix variable.

Various attempts have been made to develop a list of basic marketing variable. McCarthy popularized a four-factor classification called the 4Ps viz (i) Product

(ii) Prices

(iii) Place

(iv) Promotion

i. Product: (Philip Kotler 1980 Pg.88) "A product is anything that can be offered to a market for attention, acquisition, use, or consumption, it includesphysical objects, services, personalities, places, organisation, and ideas."[15]

Victor Buell (1985 Pg. 23), defined it as "a marketer's offering as perceived by the market."[16]

Most organisation market more than one product. A group of related products is called a "product line."

ii. Price:- Price is the amount we pay in exchange for a product. Price is the only element in the marketing mix that creats sales revenue, the others are cost.

According to Kirtz D. L. & Boone Louis (19 Pg. 320) "Pricing is the exchange value of a good or service and the value of an item is what it can be exchanged for in the market place."[17]

iii. Place:- Most of the time our mass distribution system provides us with the products we want at the time and place we want them. Distribution involves the physical distribution and middlemen, who makes it possible for what a firm produces to reach the desired target market at a convenience.

"Channel of distribution also known as marketing channel has been defined as a path traced in the direct or indirect transfer of title to a product as it moves from a producer to ultimate consumers or users."[18]

iv. Promotion: William J. Stanton (1981 Pg.30), assertained that, "promotion is the ingredient used to inform and persuade the market regarding a company's products. Advertising, personal selling, and sales promotion are the major promotional activities."[19]

v. Target Market: Patrick E. Murphy & B. Enis (1985 Pg. 210) defined target market as "a segment at which a marketing organisation aims at a specific marketing strategy."[20]

vi. Market Segment: "A market segment is a group of people with homogeneous needs - for which an organization might provide a product" (P. Murphy et al 1985 Pg. 197).[21]

vii. Market Segmentation.

According to Philip Kotler 1980 Pg. 195) "Market segmentation is the subdividing of a market into district subsets of customers, where any subset may conceivably be selected as a target market to be reached with a distinct marketing mix."[22]

Patrick E. Murphy at al (1985 Pg. 198), assertained that "Market segmentation as the process of breaking down the total hetrogeneous market (environment) into smaller, more homogeneous groups with similar needs that the organisation can successfully satisfy."[23]

The former definition will be used for the purpose of this study.

1.3. Objective of Study

The general objective of this study is to make a critical analysis of the marketing strategies of Northern Nigeria Flour Mills Limited Kano and make recommendations where necessary.

Specifically however, the objectives that this research is design to meet are to:-

i. examine the strategies persued by the mill in respect of its product, price, promotion and distribution

ii. find how the market is currently being satisfied through distribution.

iii. find out the length of their strategy period

iv. find the level of involvement in management levels.

v. find out types of experts involved in the formulation of the strategies.

1.4 Scope and Limitation of Study

This study focuses on critical analysis of marketing strategies of the Northern Nigeria Flour Mills Limited Kano. In respect of their products, price, promotion and distribution.

Also in this study a random sample of dealer and end users will be interviewed. Dealers have fixed date of collection within the month to collect their allocations.

Where necessary reference will be made to Nigerian Flour Mills Apapa Lagos, since the Kano Mills grew out of it.

1.5 Methodology

1.5.1 This research dewells mainly on secondary data but primary sources in the form of interviews will suppliment this effort.

The interview questions will concern the formulation of marketing strategies, the level of management involvement and length of strategy period. Also questions will be asked on the following strategies, pricing, product, promotion and distribution. And finally their position on backward intergration now that wheat which is their main raw material has been banned.

Secondary sources. The study will make copious use of relevant literature. Such as texts, annuals, news letters, marketing journals, published works that are related to marketing strategy in Nigeria and official records kept by the organisation.

This methodology is hinged on the fact that it is a case study of one organisation. Questions on Business definition, mission definition, formulation of functional strategy etc. will be addressed to the top management of the organisation who, it is believed, are responsible for strategic market decisions.

1.5.2 Method of data Analysis:

The critical analysis of the marketing strategies of Northern Nigeria Flour Mills will be carried in two main forms. Attempts will be made to qualitatively

assess the position of the company in terms of their short and long run objectives. This assessment will be done by examining the present strategies of the company aimed at achieving their goals.

These strategies include:-

i. the company's pricing strategy
ii. the company's product strategy
iii. the company's promotional strategy
iv. the company's distribution strategy.

Emphasis will be placed on marketing - their present level of performance with the standards set, to see whether the company has been effectively applying their strategic marketing efforts.

Secondly, the study will uncover through quantitative means the growth rates in terms of profits, sales and expenditures to assertain their level of performance. Also some financial ratios such as their profitability ratios and coverage ratio will be calculated as measure of their performance.

Finally, a comparison will be made between the adequacy of their present strategies vis a vis their achievement in terms of both short and long run objectives.

CHAPTER II

LITERATURE REVIEW

2.1 Evolution of Marketing.

Some people date marketing as beginning with earliest man and call it the worlds oldest profession. Some even say marketing predates Man [24] (Kotler 1980: Pg.6). Others argue that marketing began when mankind first engaged in exchange of goods i.e. barter. Barter evolved into the art of selling and received high expression in very early civilization.

Peter Drucker, (1973:62), thinks that "Marketing was invented in Japan around 1650 by the first member of the Mitsui family to settle in Tokyo as a merchant and to open what might be called the first department store."[25] He suggests that marketing did not appear in the west until the middle nineteenth century at the International Havester Company.

Marketing has not always, held a central role in business organisations. During the developing phases of an industrialized society, the forces of production concentrate on supply of the basic and relatively homogenous needs of a population having limited discretionary income. As the techniques of mass production bring down product costs and workers income go up, demand increases for both quantity and

variety of goods, competition for markets grows as capital availability encourages the establishment of new companies. As consumer discretionary income grows, markets begin to segment. New markets appear, and consumers begin to demand services, education, travel and other manifestations of more affluent societies.

It is in the later stages of these development that marketing assumes the form in which we know it today. According to V. Buell 1985:5, "If we look at roughly the last century of United States history we can see three periods of business orientation, each adapted to a stage of economic and social development. These periods can be described as production orientation, sales orientation and market orientation. Currently we are in a fourth period - market combined with societal orientation." 26

A Brief History of The Development of The Marketing Concept.

i. Production Orientation.

Companies were essentially production-oriented from the later part of the 19th Century to about 1920. Emphasis, then, was on filling the demand for basic commodities. A typical family had little discretionary income and there was little demand for products not associated with filling these family requirements.

Demand usually was supplied by the producers perception of consumers needs. Product design and product line were heavily influenced by manufacturing considerations. Management's attention was primarily directed towards improving production methods, increasing output and lowering costs.

ii. Sales Orientation. The period of sales orientation covered roughly the years from 1920 to 1950 with the exception of the Great Depresion years. This period was characterised by a gradual rise in discretionary income, emerging demand for differentiated products, increasing competition and expansion of distribution channels. Although product decisions continued to be dominated by what the production department wanted to make, the role of sales became very important. With production department capable of turning out increasing quanties of goods through experience effect company success began to turn on the ability of the sales force to move inventories.

iii. Market Orientation.

This covered the years from about 1950 to 1970, this period was characterized by a continuing shift in business emphasis to understanding and reacting to changing markets. The dramatic rise in consumer discretionary income following the World War II created demand for new product and services. Mass ownership of automobiles provided mobility and

encouraged development of suburbs, new shopping parttern and changes in distribution methods. And as such, markets became more segmented and complex. Product life cycles were shortened. With these conditions, production people were no longer in a position to determine accurately what would sell. Selling skills were not sufficient any more to overcome the problems created when products were not attuned to a more discriminant market demand. In order to provide a better fit between market demand and company offerings and to provide for better coordination of marketing activities, companies reorganized assigned increased responsibilities to the marketing department.

Marketing took on the role of analyzing markets and interpreting the needs, wants and preferences of these markets to the engineering research and research and development and manufacturing departments. More sophisticated approaches were developed to fulfill the traditional marketing roles of product promotion and the management of distribution channels. Thus, the role of marketing in pricing increased.

Finally, the marketing department became the focal point for the development of corporate strategies needed to adjust to market changes.

iv. Societal Orientation.

When management adopted the marketing concept, little did they foresee the environmental problems or changes in society's values that could raise question about the market orientation philosophy. In terms of our knowledge about pollution, finiteness of raw materials, and the apparent inability of our economic system to eliminate poverty, some people questioned whether what is good for the individual consumer is also good for the society. National policy and business policy is tempering concern for the consumer with concern for society as a whole.

Marketing policies attuned to serving the market as the market wants to be served has continued to represent morden company policy. But we are also seeing market-orientation decisions modified by societal concern, as a result of both law and responsible management policies.

2.2. Marketing Strategy.

All organisations, particularly in developing countries, there is the need for an effective system of marketing their products in other to achieve their objectives for which they have been established.

Whatever the nature of demand for a company's product, a strategic marketing of the products including the name of the organisation is required to maintain

the highly needed customer or societal patronage. There is thus, the high demand on marketing executives of today to think more strategically in their market management.

What then is marketing strategy? According to Kotler (1980:272),"A 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."[27] From the above, the objective of marketing strategy is clear, that, it is aimed at the processes of achieving the organisational goals and objectives.

As rightly put by V. Buell (1985 : 194) "Strategy sometimes is described as the internal (company) response to the external environment."[28] That is, it is the totality of all efforts internally designed by organisations to convert external opportunities to advantage and to eliminate or reduce the effect of external threat to the company.

According to Buell (1985:191), strategic planning has evolved over the years. Strategic planning adaptation was hastened by changes in the market and business environment.[29] During the 1950s and 1960s most well managed companies enjoyed substantial growth in sales and profits as their market share expanded and as increasingly affluent consumers were willing to buy new products and pay more for the

improved products and services. In the 1970s environmental changes became apparent and slowed the growth rates of even the best managed companies. The following factors - slower population and economic growth, changing consumer attitudes towards consumption, rapid inflation and the higher costs for environmental protection measures, have caused business management to re-examine its traditional approaches to growth.

The strategic market planning concept has proved useful in meeting these new conditions, in that it emphasizes both realistic appraisal of present and probably future conditions and creative thinking about alternate means of attaining corporate objectives. Marketing strategy appears to offer advantages to many companies faced with slower growth markets, maturing product life cycles, and customers resistant to higher prices and products without significant differentiation.

Strategic market planning in no way precludes the need for shorter-range tactical planning. In established industries, success comes to companies with the best product, pricing, distribution and promotional plans and to those that are the most skillful in their implimentation. A marketing strategy with high priority, is effective in penetration of existing markets. Both kinds of planning are needed in an uncertain business climate. "One study of ninety-nine companies found that marketing strategy was recieving

more thoughtful attention than ever before and that a sizeable majority of the executives surveyed were working to formalize the linkage between their short-term marketing plans and their future intentions."[30]

According to Abell and Hammond (1979:9) "A strategic market plan may be thought as involving four sets of related decisions:"[31]

(i) Defining the business:- Organisations must determine, who are the customers to be served, which needs are to be satisfied and the ways that will be employed to meet these needs.

The organisation also have to find out if there are significant recognisable differences in the customers that may warrant segmentation.

(ii) Determining the Mission of the business - what are the performance expectations in terms of sales growth, market share, return on investment, net income and cash. This requires market opportunities and company capabilities as well as a regard for overal corporate objectives.

(iii) Formulating functional Strategies:- Manufacturing, research and development, service, personnel and physical distribution (etc.), strategies can only be formulated in detail after the business has been defined and its mission determined and

(iv) Finally, budgeting. Here is the determination of resource allocations and budgets for carrying out the plans. It is also at this stage that specific financial decisions are made and proforma income statements, balance sheets and cashflow statements are projected.

Effective strategic market planning is based on two important analytical ingridents, first, market opportunity and second the behaviour of costs.[32]

According to Cundiff and Still (1971: 564), "a company's overall marketing strategy consists of the competititive posture it assumes in the market place."[32] This may be either defensive or aggresive, deepending on how firmly established in the market is the company's products and the nature of the environment in which the organisation operates. A dynamic environment demands more from a marketing manager in terms of accurate forecast of future situations and decisive judgement on observable market characteristics.

According to Kollat et al. (1972:32), "Marketing is perhaps the most dynamic complicated and challenging function of business. Indeed, more and more businessmen are recognizing that marketing success is a pivotal determinant of corporate success."[33]

The output of strategic management is the development of corporate objectives and the strategies for the total enterprises which includes, the indentification of the firms mission, its specific objectives, and its

strategies for achieving these objectives. Marketing strategies provide linkage between the strategic plan and specific marketing programs. Marketing strategy should be consistent with, and contribute to the achievement of the objectives specified in the strategic plan and provide an integrative focus and direction for all marketing activities. A master mar eting strategy usually includes marketing objectives the specification of specific market targets, a general marketing strategy and in some instances marketing policies.

Eugene Kelley (1972:80) assertained that "strategy' in the broadest sense, is a dynamic action-oriented blueprint to accomplish 'company mission' 'business goals' and functional objectives."[34] The two important components of marketing strategy are:-

i. a definition of market targets including the types of customers the firm wishes to reach, and

ii. 'Composition of a marketing mix.' Market targets delinate the specific objectives established after the assessment of marketing opportunity and the determination of the corporate mission and marketing objectives while marketing mix is the combination of manpower and other resources and imputs needed in marketing programs

to fulfill objectives and plans in the market place. An integrated marketing strategy rests on a management philosophy that is based on planning.

For a successful marketing efforts, a company's marketing strategy will have to take several factors into account, including:-

i. the company's competitive size and position in the market.

ii. the company's resources, objectives, and policies.

iii. the competitor's marketing strategies

iv. the target markets buying behaviour

v. the study of the product lifecycle and

vi. the character of the economy.[35]

1. Company's Competitive Size and Position In The Market.

The marketing strategies that can be adopted by a company depend on the company's competitive size and position in the market. Basically, there are four categories of position a company can fall into in the market.

i. Market leader

ii. Market challenger

iii. Market follower

iv. Market Nicher.

The type of strategies to adopt in managing the various aspects of the company's operations depends to a very large extent, on the position the company finds itself in the market.

In almost every industry there is a firm that is acknowledged as the market leader. This firm has the largest market share in the relevant product market. It usually leads the other firms in price changes, new-products introductions, distribution coverage, and promotional intensity. The leader may or may not be admired or respected, but other firms, will acknowledge its dominance. The leader is an orientation point for competitors, a company to either challenge, imitate or avoid.

Thus, a leader must maintain a constant vigilance. It's marketing executives must be highly skilled in applying marketing strategies that are multifunctionally dimensional. For instance, a market leader can expand its total market by -

i. Introducing New Users. Every product has the potential of attracting buyers that are unaware of the product or resisting it due to its price, failure to supply certain features or take some forms. Manufactures or take some forms. Manufactures can search for new uses from three groups, for example.

-Trying to convince women who do not use perfume to use perfume by a perfume manufacturer (market, penetration strategy).

-Convincing men to start using perfume (New Market Strategy) and selling perfume in other countries (geographical expansion strategy).

ii. New Uses. Discovering and promoting new uses for a product is another way of expanding ones market. For example, Vaseline petrolleum jelly is currently being advertised showing its different uses - hairdressing, nappy rash treatment, skin ointment etc.

iii. More Usage. Yet another market expansion strategy is to convince people to use more of the product per use occasion. Manufacturers of Selsun Blue Shampoo indicates on the direction that two applications of the Shampoo instead of one reduces dandruff. This will lead to increase in sales.

II. Market-Challenger Strategies.

When a firm occupies second, third or fourth position in an industry, it is known as runner-up or trailing firms. Though smaller than the market leaders, they may be quite large in their own capacity. They can adapt two postures. They may

attack the leaders to gain more market share (market challangers) or be content to be market followers.

Market challengers can gain market share in three ways:-

(i) Direct Attack Strategy

(ii) Back door strategy

(iii) Guppy Strategy.

The Market challenger seeking an advantage vis a vis competition have several strategies to adapt.

i. Price discount Strategy. This is the major attack strategy for challengers means offering buyers a product of comparable quality to the leaders at lower price. For this strategy to work, some assumptions must be satisfied.

- the challenger must be able to convince buyers that its products/services are of comparable quality to the leaders.
- the buyers must be sensitive to the price difference and feel comfortable about turning their back and existing suppliers.

As rightly put by Philip Kotler (1980: 283) "substantial promotional spending, however, is usually not a sensible strategy unless the challenger's product or advertising message exhibits some superiority over competitors."

Therefore a market challenger has little success in relying on only one strategy in improving its market share. It therefore has to design a total strategy that will improve its position overtime.

III. Market-Follower Strategies.

Some smaller companies may choose not to attack the market leader. This challenge is not taken lightly by the leader. If the challengers strategy is lower prices, improved services, additional product variants, the leaders can withstand all these and defuse the attack. Therefore the challenger has to be careful in attacking the leader. Unless a low market challenger launch is a preemptive strike by a substantial product innovation or distribution break through. The challenger normally settles for a follower rather than a challenger.

Most companies do not steal each others customers but they present similar offers and values to buyers by copying, the leader. Thus market shares remain highly stable.

IV. Market-Niche Strategies

Smaller firms attempt to occupy market niches that they can serve effectively through specialization. Smaller division of larger companies are also interested in market niching.

An ideal market niche has the following characteristics:-

-the nich is of sufficient size and purchasing power to be profitable
-the niche has growth potential
-the niche has been by passed or neglected by major competitors.
-the firm has supeior competencies to serve the niche effectively.
-the firm can defend its position against an attacking major because of the goodwill it has built up.

Specialization is the key idea in market niching. There are ten specialist role open to a market nicher.

A knowledge of buying behaviour helps in targeting our marketing offer to be able to satisfy the consumer.

> "It is imperative that the marketing executive know who his customers are and that he be aware of their changing wants and needs. Planners must be anticipators of the future who consider the changing

> environment, the changing behaviour of customers and the effects of these changes upon the present and future."[37]

There is also need for a knowledge of the stages of the product life cycle for effective strategic marketing. The type of strategy to be applied at a particular time depends upon the nature of the product and the stage of its life cycle. The different stages are, when the product is introduced, growth, maturity and finally, the product declines. According to Kelly 1972:87), "Effective product strategy usually requires the integration of new products with existing products and with the marketing and manufacturing capabilities of the firm."[38]

2.3. Marketing Strategy Effectiveness

According to Bonama (1984:69), Present Top Management do not nedd answers to questions about strategy but increased attention to marketing practice to the synoposts of good marketing management that direct clever strategies towards successful market place results.

> "It is a lot easier to think up clear marketing strategies than to make it work under company competitors and customers constraints."[39]

Marketing strategy and implimentation affect each other. While strategy obviously affects actions, execution also affects marketing strategies especially

over time. It is not hard to diagnose marketing implementation problems and to distinguish between them from strategy short falls, despite the fuzzy boundary between strategy and execution. Poor implimentation can disguise good strategy.

When strategy is inappropriate and implementation poor, implementation short comings may mask problems with the strategy, not only is failure the probable result, but such features will be especially intractable because of the difficulty in identifying the cause of the problem.

When strategy is appropriate but implimentation is poor or vice versa, diagnosis becomes trucky. "Poor marketing execution, may cause management to doubt even sound strategies because they are masked by implementation inadequacies."[40] Poor execution hampers confirmation of the strategy's rightness and can provoke unnecessary change. When strategy is inappropriate and execution excellent, management usually wind up with time, recognise and fix its strategic mistakes. It is hard to predict the result of inappropriate strategy coupled with good execution.

Two points that could help managers diagnose marketing strategy implementation are:-

(i) Poor execution tends to mask both the appropriateness and

(ii) The inappropriateness of strategy.

Therefore when unsure of the causes of poor marketing performance, managers should look at marketing practices before marketing strategic adjustments.

Good practice in marketing could emerge from strong sense of identity and of direction in marketing policies.

Customers should continuously be appealed to including the trade distributors in novel unusual ways. Customer concern is an integral part of the culture and is always prominent in the theme of the best implementers. Special care should be taken to see that end users also profit in terms of the true value of money they spend.

Management should be able to and willing to substitute its own skill for short-coming informal structure.

Finally, the importance of executives should deminate the importance of the execution structure. That is to say that marketing (and other) executives are top management and should be treated with the latitude as deemed fit. Top exeuctives in any company should encourage their follwers to challenge and question them because it is not always possible for those at the top to be right. Management should concentrate on one or two marketing functions that

fosters and matures into a competitive distinction through expertise.

Therefore, good implementation is not a guarantee of good market place results. There is just too much luck, competitive jockeying and down right customer perverseness involved to hope for that sort of predictive accuracy.

For any organisation to be able to know the effectiveness of its marketing strategy (after implementation) it must conduct a marketing audit.

"A marketing audit is a comprehensive, systematic, independent, and periodic examination of a company's or business units - marketing environments, objectives, strategies and activities with a view of determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance."[41]

(Denis Tootelian et al (ed) 1980:460).

According to him, a complete marketing audit should cover the question of the effectiveness of the marketing and sales organisation as well as the quality of interaction between marketing and the key management functions such as manufacturing, finance, purchasing, and research and development. At hard times a firms marketing organisations, must

be revised to achieve greater effectiveness within the firm and the market place. Firms without product management systems should consider introducing them, and firms with these systems may want to drop them and try product teams instead. Some companies would want to redefine the role concept of a product manager from being a promotional manager. There is also the issue whether the decision making responsibility should be moved up from the brand level to the product level. The firm should also address itself to the perennial question of making the organisation more market-responsive including the possibility of replacing product dimensions with market-centered dimensions. Lastly, the sales organisations do not often fully understand marketing and as such the sales men should be trained and such achieve greater marketing effectiveness.

For marketing strategy to be effective the organisation should audit the company's marketing strategy to see if it is well-postured in the light of the opportunities and problems facing the company. "The starting point for marketing strategy audit is the corporate goals and objectives."[42] The auditor may find the objectives to be poorly stated but inappropriate given the company's resources and opportunities. For example a company had set a growth objective for a particular product line at 15%. But the total market showed no growth and competition was

fierce. In this case the [illegible] auditor would
the basic sales growth objectives for that system
line, and proposed that the [illegible] product line be
reconsidered for a maintenance or harvest objective
at first and that the company should look for pro-
in other product lines. He would want to find out
whether the management has chosen the best plan
to achieve a growth even if the growth objectives
warranted.

The marketing audit also aims to examine
various systems being used in obtaining marketing
other information, planning, control the marketing
operation for greater effectiveness. Here, the focus
is not the firm's marketing [illegible] or organization
per se but the procedures [illegible] new or the
following systems:-

i. Sales forecasting
ii. Sales and market potential.
iii. Marketing planning
iv. Marketing control
v. Inventory control
vi. Order processing
vii. Physical distribution
viii. New product development and testing
ix. Product pricing.

The marketing audit reveals, if marketing is being carried on without adequate system of planning, implementation and control.

Marketing audit also includes an effort to examine key accounting data to determine whether the firm is making real profits and what, if any marketing cost could be trimmed. Marketing cost accounting principle seeks to measure the marginal profit contribution of different products, end user segments, marketing channels, and sales territories. Zero-based budgeting is another tool used for investigating and improving marketing productivity.

In marketing function audit, the work done up to this stage might begin to stress on certain key marketing functions which are performing poorly, for example, sales force problem that go very deep or the auditor might observe that the advertising budgets are prepared in an arbitrary fashion and such things as advertising themes, media, and timing are not evaluated for their effectiveness.

From the foregoing, it becomes pertinent to notify management of the desirability of carrying out marketing audit to test marketing strategy effectiveness.

According to Dennis Tootelian et al (1980:464), for any marketing strategy to be effective, it must

be able to provide answers to the following questions:-

i. Are the corporate objectives clearly stated and do they lead logically to the marketing objectives?

ii. Are the marketing objectives stated in a clear form to guide marketing planning and subsequent performance measurement?

iii. Are the marketing objectives appropriate, given the company's competitive position, resources, and opportunities? Is the appropriate strategic objective to build, hold, harvest, or terminate this business?[43]

The above questionsdeserve serious attention in the formulation of effective marketing strategies because the marketing objectives are the core elements that determine which strategy will be feasible.

iv. What is the core marketing strategy for achieving the objectives? Is it a sound marketing strategy?

v. Are enough resources budgeted to accomplish the marketing objectives?

vi. Are the marketing resources allocated optimally to prime market segments territories and products of the organisation?

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vii. Are the marketing resources allocated optimally to the major elements of the marketing mix ie product quality, service, sales force, price, advertising, promotion and distribution?

2.4 The Structural Adjustment Programme (SAP) and Marketing Strategies In Nigeria.

The government's overdependent on oil as a major source of foreign exchange earning and subsequent neglect for other viable options like agriculture contributed to unfavourable economic situation in Nigeria.

In an attempt to combat this situation, the Federal Government came up with a package of economic restructuring strategies under the Structural Ajustment Programme (SAP).

The structural adjustment programme emerged as self-imposed economic measures aimed at restructuring the nation's battered economy.

Marketing as the nerve centre of business activities has been affected by this programme.

One of the reasons for SAP is that, factories were producing below capacity and some had closed down. Imported and manufactured goods were in short

supply and agricultural products were very difficult to come by. Due to the foreign exchange [illegible] manufacturers could not obtain raw materials for good. Some of them were therefore, forced to use local substitudes, many of which were not good enough. Manufacturing subsidiaries suffered [illegible]. No warrants were given, as marketing men believe that consumers begging for good do not deserve warranty facilities.

The era also witnessed a high rate of [illegible] both by the commercial houses and individual consumers. Commercial houses hoarded for speculative [illegible] while individuals hoarded because they had [illegible] confidence in the economy as they were [illegible] when the next consignment of goods will arrive.

According to Clanrewaju (1987:11),

> "Marketing research, diving this period was not totally neglected, many companies with significant market shares did not reduce their normal expenditure in marketing information activities while others with low shares hardly bothered about it, since they always sold whatever, they had to offer the market. This group relied heavily on intuition and guess work, while cutting costs to increase profit-margin.[44]

Furthermore, promotion on the one hand received a lot of attention during the period. Many [illegible] companies participated in international trade fairs, pharmaceutical sales men were found in [illegible] Onitsha and within Lagos, introducing new [illegible]

to potential customers, massive press and electronic advertisement and the recent innovation the NTA sponsorship programmes, have since been adopted. For example, the New Masquerade is [illegible] by Co-operative and Commerce Bank and the New Village Headmaster by Lever Brothers Nig. Ltd. [illegible] to mention a few.

It was in the light of these that the government introduced the structural adjustment programme. The specific objectives, according to Chu Okongwu (Minister for Finance) 1987:5, are:-

i. to restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and on imports.

ii. to achieve fiscal and balance of payments viability over the medium.

iii. to lay the basis for a sustainable non-inflationary or minimal inflationary growth and lastly

iv. to lessen the dominance of the public investments in the public sector, improve the sector's efficiency and diversify the growth potential of the non-oil sector."[15]

To enhance the practicability of these policies, the government also established the Second-tier Foreign Exchange Market (SFEM) - an instrument aimed at regulating the value of Naira against other international currencies.

The Structural Adjustment Programme has had implications for marketing strategy design and implementation. According to Okongwu (1987:5)

> "A major noticeable impact of the SAP has been the boost to exports as a result of the alteration of relative prices via exchange rate adjustment, which has made our exports more competitive as well as the various export incentive scheme including 100 per cent retention of proceed. However, exporters are required to repatriate their export proceeds into their Domicilary Accounts and such funds shall be used only for eligible transactions. More striking is the 'capital amnesty' granted by this administration in the SFEM Decree with regard to previous flight of capital."47

Nigerians are becoming more export oriented. The obrogation of import licence issue, has put a stop to trade regulations. It therefore gives equal trading opportunities to both locally-sourced and import-dependent industries. Firms that can produce enough for export, stand a better chance of directly utilizing their hard-earned foreign currencies in bringing some other imported

goods. The implication of this on strategic marketing is that, there will be more products and as such competiting the locally produced one. Price will fall because of the high influx of foreign products, sales promotions and advertisement will be high to educate consumers and retain brand loyalty and lastly there will be increase in distribution channels.

With the SFEM, capacity, utilisation is gradually improving, supply of commodities is gradually matching with their demand, and the practice of marketing is once again coming into being.

Sales promotion activities especially, price cut and price discount is becoming the order of the day in automobile industries (for example PAN), department stores etc. Manufacturers' are more actively involved in advertising activities (especially the soft drink industries - ANIMAL KINGDOM COMPETITION FOR SPRITE). Salesmen are already being fully utilized in the face of rigorous competition. Foreign goods also are recently being seen in the market competing with locally-made ones.

The galloping exchange rates are constituting a threat to an aspect of marketing practices as they complicate product pricing with regards to stock valuation. Also of importance to marketing, is the

SFEM influenced high costs of production, especially in import-reliant industries.

This automatically leads to soaring-high prices of goods and consequently, sharp decline in aggregate demand. It is strongly believed that if adequate care is not taken, other manufacturers will join the prevailing trend of selling below advertised prices like we already have in the case of detergents.

Apart from the effects of these policies on demand and prices, it is also having a major impact on the distribution system. For any business to attract effective distribution network, it has to provide enough incentives in the name of profit or make-up. It is noted, these days of SFEM that many middlemen remain with their manufacturers in order to maintain goodwill, otherwise, the business is not worth it.

In the area of export marketing, there seems to be a lot of potentialities for companies with the necessary resources to cope with its requirements. The export of agricultural products like cocoa, stand better chances of earning foreign exchange but adequate care needs to be taken so that it is not done at the expense of local industries using these products.

Many companies have started implementing backward integration strategy. This is true of companies with substantial agricultural inputs. Some of them are Lever Brothers Nig. Ltd. cultivating 2,000 hecters of land for tea production at Mambila in Gongola State, Northern Nigerian Flour Mills is buying up all the wheat cultivated by Kano State and presently cultivating maize in Niger State. Nigerian Breweries Ltd. has cultimated eight hecters of land at Gbakoji near Bida.

The use of computer for planning and control is gradually increasing in many industries in Nigeria for example Commercial and Merchant banks and the oil industries. There shall came when the computer will be used as a competitive advantage in industries in the country.

The establishment of a petro-chemical industry will bring about a great change in the industries and economic life of this country. Apart from the drastic decline in the importation of petroleum products, the country will experience a high accelerated rate of industrial development.

It is patinent to note that, the success of these projects will at the end boost marketing practices in Nigeria towards effective achievement of our objectives and goals.

CHAPTER III

3.1 Brief History of Northern Nigeria Flour Mills Kano.

The company was incorporated in 1971 with the aim of manufacturing and marketing of wheat flour. Precisely it was established at the request of the government primarily to encourage the growth of, and to serve as a ready market for wheat grown in Northern Nigeria, (though, the company imports wheat to augument the local supplies).

Due to its good performance, the company was listed on the Nigerian Stock Exchange in 1978.

A lot of expansion programmes have been going on since its inception, in terms of expansion of the manufacturing capacity to meet the increasing market opportunities. But recently, the Federal Government ban on wheat importation which will commence by January 1988 has diverted the attention of the company from expansion to conversion of its wheat machineries/mills, to maize mills/machineries also a corn mills was completed and commissioned in 1985. This is done in order to beat the Federal Government deadline and more importantly remain in business. This is not an easy task but the company is determined to survive going by its current strategies of backward intergration i.e the sourcing

of its raw materials locally by growing maize and wheat.

The company's ownership/equity participation is as follows:-

i)	Flour Mill Nigeria Ltd	40%
ii)	Kano State Investment & Properties Ltd.	15.4%
iii)	Other Nigeria Citizens & Associations	44.6%

The objectives of Northern Nigeria Flour Mills are to:-

(i) manufacture and market flour in Nigeria.

(ii) maximise shareholders equity

(iii) maximise its market share.

3.2 The Place of the Marketing Department In The Organisational Structure.

Since this write-up is concerned with the marketing strategy of Northern Nigeria Flour Mills, the organisational structure of the company will be viewed from the marketing department perspective, and as such emphasis will be place on the functions of this department. Although other departments within the company's organisational structure will

be mentioned, they will not be discussed in detail.

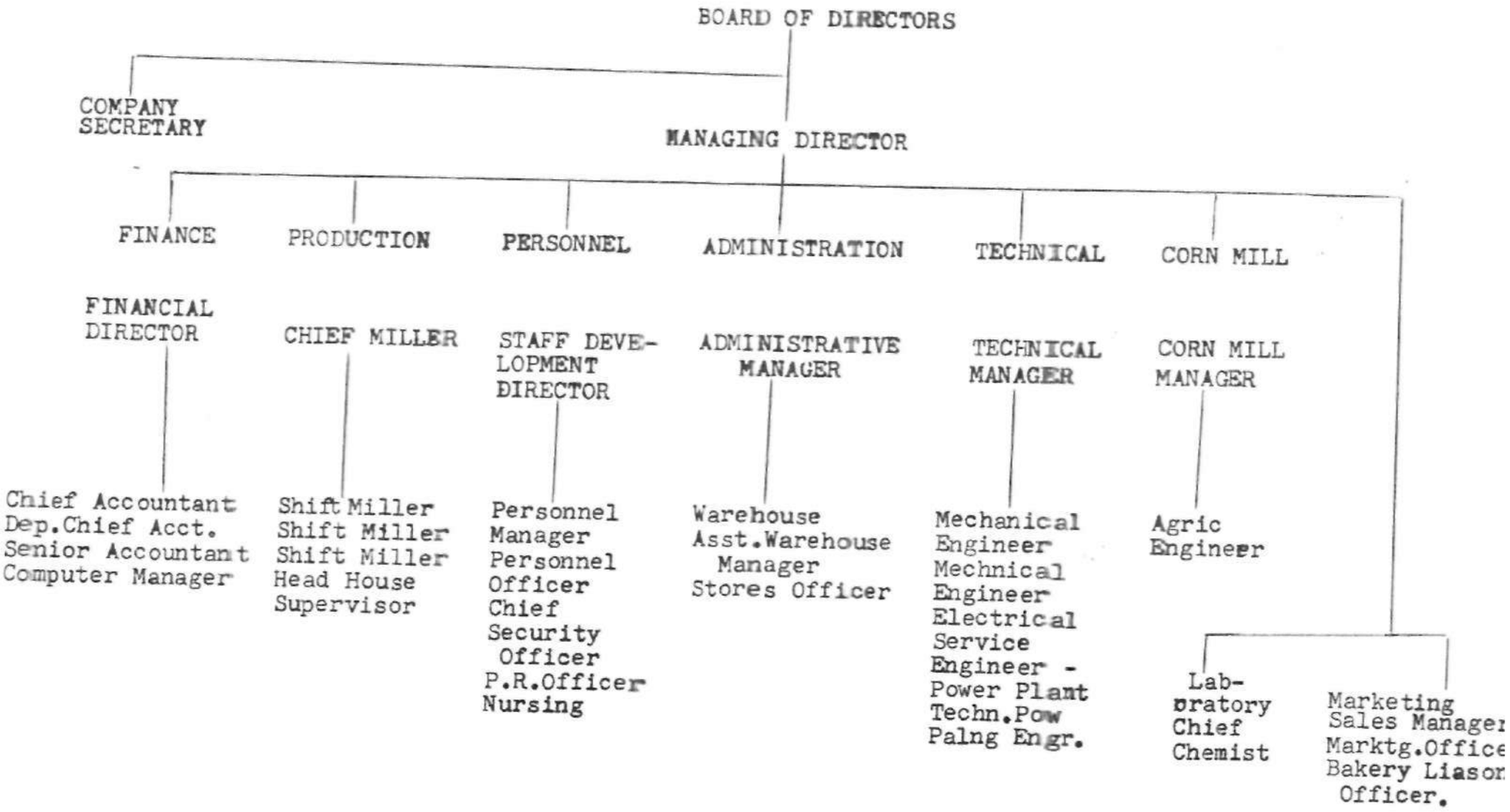
From the organisational structure, the marketing department, with the sales manager as the Head of Department is saddled with the responsibility of marketing the company's products. Also, the marketing department in collaboration with the laboratory department make sure that the quality of the flour and other products produced by the production department conform with the company's standards and above all, meet the taste and wants of the customers.

Immediate subordinate to the sales manager is the marketing officer, who oversees the activities of the bakery liason officers who deals directly with the customer/consumers of the company especially the bakery companies.

The marketing department also advices the top management on the goings on in the market with regards to prices and change in consumers taste. In other words, the company relies heavily on the marketing department situation report (by the marketing research officers) about the flour market and their products in the formulation of its policies and strategies.

The assessment/appointment of the company's distributors are the duties of the sales manager but with the overall decision approved by the Managing Director.

Figure 3.1 ORGANISATIONAL STRUCTURE OF NORTHERN NIGERIA FLOUR MILLS LTD. KANO.



Due to the nature of the company's products (consumer/perishable goods), the company deals directly with distributors (dealers) and Bakery owners at the same time. Sales allocation are made to the dealers as well as bakers depending on the quantity of flour/semovita produced.

The company's marketing department also has a marketing tesearch unit that collects analyse and store information about how the company's product is performing vis-a-vis that of its competitors. Through the information gathered, the company usually makes some adjustment to correct any shortfall that may arise from time to time.

Administratively, the company has the Managing Director as its Chief Executive. He oversees the day to day running of the organization and report directly to the board of directors. The company secretary serve as a link between the managing director and the board of directors.

From all indications, the company's organisation structure takes the form of line and staff arrangement. That is with a company secfetary and other functional managers, such as the financial director, chief millier, corn mill manager, administrative manager and technical manager.

3.3 The Marketing Strategy of Northern Nigeria Flour Mills Kano.

"The bases of effective marketing are identifying, changing consumption requirements and managing organisational efforts required to supply ideas, goods and services to consumer."[48]

Marketing strategy as it were has been defined as "a set of objectives policies and rules that guide time the firms marketing efforts - its level, mix and allocation - partly independently and partly in response to changing environmental and competitive conditions."[49] Thus marketing strategy have several aspects namely:-

i. Product Strategy
ii. Pricing strategy
iii. Promotional strategy and lastly
iv. Distribution strategy.

The Northern Nigerian Flour Mills marketing strategy will be viewed from the perspectives above.

Formulation of marketing strategy in the company involves the Managing Director and heads of Divisions viz. Finance, Marketing, and Production. The length of strategy period is four years.

i. Product Strategy.

Product strategy involves decisions on, packaging, branding and development of new products. It also considers the satisfaction of all consumers in relation to their products.

Northern Nigerian Flour Mills, produces consumer goods and market the following products.

i. Golden Penny Flour
ii. Semovita
iii. Whole Wheat Flour
iv. Wheat offals, all these have wheat as their raw material. Other products are
v. Masa Flour
vi. Masa Vita and
vii. Corn Offals, these are made from maize/corn.

These products are classified into (i) main products viz - Golden Penny Flour, Semovita, whole wheat flour, Masavita, and Masa flour and (ii) by-products- wheat offals and corn offals. These products are related /unrelated in the sence that some are got from wheat and others are from corn. They also serve as raw materials to other companies such as bakers, confectionaries, buiscuit and macaroni manufacturers.

Product Quality:-

The company realises the importance of product quality and ensures that all its products meet its required standard. This is done by testing every batch produced in the laboratory. Tests such as bakery, moisture content and ash tests are conducted. The Golden Penny Flour contains some quality of bran which is of a high nutritious value and as such for healthy living.

Product Service:-

The company conducts and sponsor seminars for bakers, housewives and end users where experiments on the use of their products are demonstrated.
Product garantee:- Since products are tested before packaging, there are thus, garanteed to yeild good results when baked with or cooked.

Packaging:-

Packaging is an important part of the total product. It is a general group of activities in product planning that involves designing and producing the container/wrapper for a product. It is closely related to branding and labelling. Apart from helping identification of a product, it provides physical protection and also promotes the product.

The packaging objectives of Northern Nigerian Flour Mills are :-

i. Protection against heat, damp etc.
ii. Economy - trying to avoid waste.
iii. Indentification and differentiation of the product and as such allows repeat purchase.
iv. Convenience in handling and transportation.

Wheat offals, Golden Penny Flour and Semovita are packed in bags of 100kg, 50 kg and 20kg respectively. Package size decision is based on the consuming unit i.e. bakers, manufacturers and large households.

Branding:-

"A brand is a name, term, sign, symbol, or design or a combination of them, that is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors."[50]

A brand name is "that part of a brand which can be vocalised - the utterable."[51]

A good brand name should be short, simple and easy to spell, remember, pronouncable in only one way should not be offensive or negative. It should have spelling suggestions to suggest product

qualities. e.g. Masavita (from maize and contains vitamins). Brand names like Masaflour Wheat/ Corn offals and Semovita speak for themselves.

The company has five product lines presently and does not foresee extending the lines in the near future instead have diverted to backward integration.

There has been no product replacement as all the products have been selling and yet to reach their declining stage. To ensure that each dealer/ Baker gets his/her allocation, they have been assigned dates within the month which to collect their supplies. The dealers make payment either by cash or bank eller (paid into the company's account) to accounts department and collect from the warehouse. This system affords proper control of payment/distribution and also apreventive measure against fraud and use of company receivables.

The selection of dealers/bakers is based on interview and inspection of business premises upon application. The company covers the following market area, Kano, Kaduna, Katsina, Plateau, Sokoto Bauchi, Niger and some parts of Borno states as a mass marketing strategy to maintain and gain market share, thereby achieving profitability. The company has limited number of dealers and operate a selective distribution system. They do not own

warehouses outside mills, all dealers/bakers come to the mill for supplies.

Raw materials are transported from Apapa quay by rail (wagons) and big trucks.

ii. Pricing Strategy:-

"Pricing is the exchange value of good or service, and the value of an item is what it can be exchanged for in the market place."[52] Marketers have the initiative for proposing prices and they can differentiate their products in the eyes of the buyer. Company objectives, product/market factors, distribution channels, promotional strategies and cost considerations influence pricing. External influences include, competition, economic climate and legislation and governmental pressures.

Pricing strategy of Northern Nigeria Flour Mills is influenced mainly by governments (Productivity Prices and Incomes Board) and economic climate.

The company's pricing objectives are:-

(i) Maximization of profit

(ii) Achievement of target return on investment.

(iii) Maintain and improve market share

(iv) Cover costs.

The finance department gives a break down of the cost and the marketing department finds out through market research,what the market can absorb.

(iii) Distribution Strategy:-

Marketing executives have for long focussed their attention on physical distribution and the logistics of getting goods to the buyers. Distribution is concerned with the various activities necessary to transfer goods from the producer to the consumer. Distribution consists of both channel and physical distribution.

The process of distributing goods/services from the producer to the final buyer is an essential part of marketing, therefore the manufacturer must consider the interest of buyers and middlemen before making decisions on marketing channels.

Dealers are considered by Northern Nigeria Flour Mills as extention of their own sales and marketing organization because if there were no middlemen, their own sales department would have to perform all the function of middlemen.

Due to the perishable nature of their products, they are sold through shorter channels. Moreover, the market for their product is very large hence they use one layer of middlemen.

DISTRIBUTION CHANNELS OF NORTHERN NIGERIAN FLOUR MILLS. FIGURE 3.2

i.	Mills Warehouse	Dealers	Consuers/ Endusers
ii.	Mills Warehouse	Bakers for Marketing Brand	Consumers
iii.	Mills Warehouse	Super Markets (Retailers)	Consumers
iv.	Mills	Biscuits/Macroni Manufacturers	Consumers.

The reputation of the company and of its products are highly considered by the management hence the short marketing channel to check product adultration.

iv. Promotional Strategy:-

"Promotion consists of messages sent by the manufacturer to his target market to inform prospective buyers (including intermediaries) about his products and persuade them to buy it, to develop positive attitudes towards his product and company and to induce other changes in people's thinking and behaviour that benefit him."[53] Effective promotion therefore is an essential ingredient in marketing strategy. It involves activities like, advertising, personal selling, sales promotion and publicity.

Advertising consists of all activities involved in presenting to a nonpersonal, oral or visual openly sponsored message, regarding a product, service or an idea which is paid for. Messages are transmitted to large numbers of potential receivers. Northern Nigeria Flour Mills uses a wide choice of media in advertising their products namely, Radio, Television, Newspapers and bill boards.

Radio is prefered, because it is used by many people, cover greater geographical area and has low cost.

The advertising strategy especially of a new products is educating consumers on the use of the products. Sales promotion is done by sponsoring Seminars, demonstrations on TVs and giving free samples to people. They do not use advertising agencies but go straight to the media houses. Advertising decisions is based on cost-benefit analysis. The decision on how much to spend on advertisement rests with top management who act on the recommendations of the marketing personnel. Advertising is done intermittently. The criteria for determining success is - demand on products.

Promotions are not only limited to persuading consumers alone, but the company tries to communicate with other parties in its bid to improve the corporate image of the company and to have the confidence of external parties which may include dealers, employees, company shareholders or the government.

3.4 Performance Indicators in Northern Nigerian Flour Mills.

Here attempt is made to analyse the performance of the Northern Nigerian Flour Mills via ratio analysis (i.e profitability, turnover and earning power ratios) of the company over a period of five years (1982 - 1986). The figures used are obtained from the annual report and accounts of the company within the period. (See appendix A)

3.4.1 Profitability Ratios.

Two measures of profitability have been calculated and used to measure the profitability performance of the company. These are:-

(i) The Gross Profit Margin - defined as gross profit over sales.

(ii) The Net Profit Margin - defined as Net profit after taxes over sales.

Table 3.1 Gross Profit Margin Ratio

Year	Gross ₦'000 Profit	₦.000 Sales	Gross Profit Margin Percentage
1982	1827	81,382	2.2%
1983	12,824	105,642	12.1%
1984	10,635	90,904	11.7%
1985	13,842	103,999	13.3%
1986	11,504	92,830	12.4%

Table 3.2

Net Profit Margin Ratio

YEAR	NET PROFIT '000	SALES '000	NET PROFIT Ratio %
1982	154	81,382	0.2%
1983	4973	105,642	4.7%
1984	5931	90,904	6.5%
1985	7747	103,999	7.4%
1986	4508	92,830	4.9%

Looking at Table 3.1 above, it will be seen that there is no steady growth rate in the Gross Profit Margin of the company. The ratio which reflects the efficiency with which management produces each unit of product shows that, there is no consistent proportionality between the selling price of the company's products and their cost of goods sold over the years.

While the increase in gross profit margin ratio between 1982/83 and 1984/85 (i.e 9.9% and 1.6% respectively) can be explained by high selling prices and lower cost of goods sold, the decrease in 1985/86 can explained as due to low selling prices as relative to cost of goods sold "Despite using overhead costs

and low production, our selling prices were controlled by the Productivity, Prices and Incomes Board..... .....both production and sales volume were lower than expected. Turnover fell by 10.77% while profit after tax decreased to ₦4.5 million."[54].

From table 3.2 above, there is a consistent increase in the Net Profit Margin ratio between 1982 and 1985. This ratio indicates management's efficiency in manufacturing, administering and selling the product. It is a measure of the production, administrative and marketing departments efficiency in the organisation. The ratio also measures the firm's capacity to withstand adverse economic conditions, such as falling sales prices, rising costs of production or declining demand for the company's product.

But the level of this Net Profit Margin in Northern Nigerian Flour Mills which stands between 2.2% and 13.3% can be said to be generally low, moreso that the ratio fell from 7.4 to 4.9 per per cent in 1985/1986.

Generally therefore, the profitability performance of the company has been very satisfactory particularly, if a comparism is made with the industry average of Gross Profit Margin and Net Profit Margin ratios. By joint analysis of the two tables above it can be said that the stagnation in the changes in

Gross Profit Margin ratio along with in the Net Profit Margin ratio suggests that selling prices of their products been rising over the years and cost of goods too.

3.4.2 Turnover Ratio.

Another measure of the overall performance of the Northern Nigeria Flour Mills is the total assets turnover. The total assets turnover is the ratio of sales to total assets. Table 3.3 below shows the total asset turnover for Northern Nigeria Flour Mills for the period 1982 to 1986.

Table 3.3

Total Assets Turnover Ratio, Sales/Total Assets.

Year	Sales	Total Assets	Total Assets Turnover Ratio.
1982	81,382	26,019	3.13 Times
1983	105,642	32,452	3.26 Times
1984	90,904	40,351	2.25 Times
1985	103,999	44,971	2.31 Times
1986	92,830	52,358	1.77 Times

From the table, it can be seen that apart from 1982/1983 and 1984/85 that the company recieved an increase in their total asset turnover ratio other years show a reduction. This trend shows that the company's ability to generate sales from all financial resources committed to the firm is decreasing. Less revenue is generated from equal investment in assets over the period.

3.4.3 Earning Power Ratio.

This ratio measures the firm's operating efficiency. It is a combined measure of the company's net profit margin and the investment turnover. This ratio is defined as the Net Profit After Taxes over the capital employed (i.e growth).

The trend of this ratio in Northern Nigeria Flour Mills is given in Table 3.4 below.

Table 3.4

Earning Power Ratio = EAT/
Capital Employed.

Year	EAT N'000	Capital N'000 Employed	Earning Power Ratio %
1982	154	14415	1.07%
1983	4973	15566	31.9%
1984	5931	17888	33.16%
1985	7747	21039	36.82%
1986	4508	23642	19.07%

From the above table and apart from the decrease in 1985/86, there is an increase in the ratio. Showing that the capital employed by the firm is used with greater efficiency i.e more sales are coming out of the same investment. Although the sharp decrease from 36.82% in 1985 to 19.07% in 1986 points to a greater danger in the future that the company might not be able to generate enough sales from capital employed in the business.

Judging from the three ratios analysed above. It is clear that the company is improving in performance relative to itself since there are no

industry ratios to make a comparison, in terms of profitability as measured by the net profit margin ratio, Gross Profit Margin ratio and the Earnging power ratio over the periods covered. But it must be noted that despite the little improvements achieved yearly in terms of profitability, the rate at which the company's current investment in assets to sales is decreasing as measured by the turnover ratio. (See table 3.3 above).

The cause of this decline in the sales to assets ratio, is thus the focus of the next section.

3.5 Relating Marketing Strategy to Performance Of Northern Nigeria Flour Mills.

As identified by our analysis above, the Northern Nigeria Flour Mills performance in terms of sales generation, left much to be desired.

Although the company is fairing well in terms of profitability from investments when assessed on its individual merits. It might be found otherwise when compared with firms in the same industry.

The stagnation in the turnover ratio can be explained by the inadequacy of the application of strategic marketing in the organisation.

For the company to achieve an increasing performance in terms of sales to total assets, efforts must be made to integrate their marketing efforts with strategic market planning. Their is

need to identify the stage of their product's life cycle and the nature of the products in terms of sales generation, so that appropriate marketing strategies can be developed to enhance their effectiveness in the use of resources.

All aspects of the company's operations requires strategic marketing. Their products, distributions, promotion and pricing of the products demands careful analysis so that adequate measures can be taken to make them effective.

Another important aspect of this strategic marketing in relation to the performance of the company, is that of marketing opportunity analysis. The present situation in the company as it is generally in the Nigerian Economy, where there is presently a general fall in the aggregate demand for goods/services,calls for a reappraisal of the company's marketing strategies and the adequate positioning of the marketing department to face environmental challenges and its adverse effects, in terms of the fall in the level of sales relative to total assets of the company. The marketing executives need to be able to scan the environment properly to identify the opportunities and threat embeded therein and do an internal self assessment to see if the company will be able to take advantage of the opportunities and minimise the effects of threats.

Thus, with proper assessment of the companies strength and weakness vis-a-vis its competitors within the same dynamic environment, the company will be able to "fall in" enough sales from investments in assets and thereby make an adequate profit to meet the production,administrative and marketing expenses which are at an increase in the company.

CHAPTER IV

4.1 Summary of Major Conclusions.

The data analysis in the proceeding chapter revealed the following major conclusions on the performances of the marketing strategies of Northern Nigeria Flour Mills Ltd.

The Gross Profit Margin Ratio shows that there is no consistent proportionality between the selling price of the company's products and the cost of goods sold over the years. There are times when the company recieved high selling prices simultanously, with lower costs of goods solds and vice versa. This has been advanced in explaining the variability found in the growth rate of their gross profit margin.

Secondly, the consistent growth rate indicates the managements efficiency in administering and selling their products. It can be concluded that, currently, the company spends relatively little amount on marketing their product over the period i.e the marketing costs relative to sales generated have been on a constant rate over the period covered.

It was thus, generally, confirmed that, the profitability performance of the company has been very satisfactory, judging from the internal comparison of the company's profitability, ratios.

The turnover ratio analysis, revealed the downturn in the performance of the company in terms of sales to total assets. This shows that despite the consistent profit made by the company over the years,there is a clear case in the rate at which the company turns investment in assets to sales. Thus, the efficiency of many purchased assets in terms of profitability margin is decreasing.

The short falls was traced to inadequancy of strategic marketing to maintain high growth rate in profitability margin. Also the declined was traced to the selective distribution strategy which became insufficient to meet the rising demand for the company's products.

Thirdly, the place of the marketing department in the organisation has been found to be inadequate for efficient performance of the duties for which the environment has placed on the company.

The analysis also revealed that, enough marketing opportunity analysis is not being conducted by the company to identify more profitable potential

markets. This conclusion is reached taking cognisance of the present distribution strategies of the company and their unidentified target markets.

This study indicates that the following marketing strategy are in use by the company.

i. Product Strategy.

The firm uses several product strategies to market their products to the consumers. They have insistently improved their product quantity, packaging and a good brand name in communicating their products to their target market. New products from maize have been introduced so as to keep the company in business since the ban on imported wheat. Family brand name strategy is used so that the good-will attached to the older products follow suit.

ii. Pricing Strategy

One strategy which the company has pursued vigorously is the pricing policy. Although greatly influenced by the Productivity, Prices and Income Board. Demand has no effect on price setting in the company. Even when middlemen sho t-up their prices, the company still sold at the regulated price. Moreover,

the pricing policy of competitors do not influence theirs. The company uses cost plus markup as a profit target.

vi. Promotion Strategy.

The company was found to have little promotion strategy. Promotion was confined to mainly bill boards and radios. And the bill boards are not greatly mounted all over the Northern States.

v. Distribution Strategy.

The distribution system is selective and very short channels used, as such cutting back strategy. The company has a fairly good distribution system, they sell all their products and not much stock piling. This may be because their products are in great demand.

Another notable strategy which the company is now pursuing is that of backward integration hence, the large maize farms in Niger and Bauchi States.

Adopting marketing strategies for operational effectiveness in Northern Nigeria Flour Mills is generally weak. The company should improve specifically in areas utilising marketing resources and that of acting promptly and decisively on marketing development.

4.2 Recommendations.

Based on the above conclusions from the analysis, the following recommendations are hereby made for the improvement of Northern Nigeria Flour Mills marketing activities:-

i. One of the problems of Northern Nigeria Flour Mills is that of insufficient raw materials. The company should encourage farmers to grow more wheat and as such buy up their produce.

ii. Packaging should be improved, i.e. the bags should be sealed properly to avoid adultration.

iii. In order to increase turnover, some credit facilities should be given to financially sound dealers/bakers as their chance of defaulting is limited, if collection of recievables are organised. Credit days say, thirty to sixty days could be arranged. Dealers should be informed prior to price changes, so that they will be aware of the change and plan their cash flow properly.

iv. Advertisement mode of promotion should be pursued with greater vigour. Bill board advert should be increased and spread to other states capitals other than Kano. Intensive advertisement of new products is suggested and sales executives should visit outlets/dealers establishments for effective marketing of the new products (e.g. Masavita, Masa Flour etc.).

v. Training on baking and general marketing techniques should be periodically arranged for both dealers, bakers and the public.

vi. The company should sell to users so as to cut down and/or eliminate the middlemen margin.

vii. In the formulation of marketingsstrategies the only representative is the sales manager, it is strongly suggested that the company appoints or employs a marketing Director and/or Marketing Manager who will be at the top management level.

viii. In a manufacturing company like this, it is expected that the marketing department stands more influential than other

departments and should act on the basis of their market situation reports. It appears as if the marketing department is not given it's proper place judging from the organisational structure. It should therefore be moved up to be in line with other functional departments.

ix. Research and Development should form a very important part of the marketing department as there is the need to constantly monitor existing products and if any grain that has the same characteristics with wheat, growing in the country will be discovered.

x. It is pertinent to note that, it is the policy makers of any given country that dictate the pace and direction of any industrial development. Hence, the Federal Government's ban on importation of wheat can not be over emphasized and should beundertaken by the firm. This will go a long way in solving raw materials problem (i.e. availability and constant source of supply), this will return the company to producing full capacity,make more sales and turnover will improve.

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APPENDIX 'A'

NORTHERN NIGERIA FLOUR MILLS LIMITED

Five-Year Financial Summary

	1986	1985	1984	1983	1982
	N'000	N'000	N'000	N'000	N'000
FUNDS EMPLOYED:					
Share Capital	11,000	11,000	11,000	8,250	8,250
Revenue Reserve	10,934	8,873	5,526	5,880	3,877
Loans	—	44	740	1,436	2,288
Deferred Taxation	1,708	1,122	622	—	—
	23,642	21,039	17,888	15,566	14,415
EMPLOYMENT OF FUNDS					
Fixed Assets	19,169	18,777	18,420	15,676	14,828
Current Assets	33,189	26,194	21,931	16,776	11,191
Current Liabilities	(28,716)	(23,932)	(22,463)	(16,886)	(11,604)
	23,642	21,039	17,888	15,566	14,415
Intangible Assets	—	—	—	—	—
	23,642	21,039	17,888	15,566	14,415
TURNOVER, PROFITS, TAXATION AND DIVIDENDS					
Turnover	92,830	103,999	90,904	105,642	81,382
Profit before Taxation	11,504	13,842	10,635	12,824	1,827
Taxation	6,996	6,095	4,704	7,8511	1,673
Profit after Taxation	4,508	7,747	5,931	4,973	154
Extraordinary items	—	—	(15)	—	(54)
Dividends	2,200	4,400	3,529	2,970	—
Retained Profit	2,062	3,347	2,396	2,003	100
Earnings per Share	20.49k	35.21k	26.96k	22.60k	0.70k
Dividend per Share	10.00k	20.00k	16.00k	13.50k	—

NOTES:

1. Earnings and Dividends per Share are based on 22,000,000 Ordinary Shares of 50k each.

2. Earnings per share are based on Profit after Taxation and before Extraordinary items.

APPENDIX 'B'

STRUCTURED INTERVIEW QUESTIONS

1. Formulation of marketing strategy.

i. Who are those involved in the formulation of marketing strategy?

ii. What is the length of the strategy period?

iii. Are other functional heads involved in the formulation? If so which departments?.

2. Products

i. What are the different types of products produced.

ii. How do you classify them?

iii. To what extent have you adapted any of these products strategies.

i. Product quality

ii. Product simplification.

iii. Product Intergration.

3. Branding

i. What factors are considered when choosing your brand name?

ii. How frequent is a brand name changed?

iii. How many product lines do you have in the mill.

iv. Do you foresee extending the product lines to include other products or are the lines complete.

v. How related/unrelated are your products.

vi. Does the marketing department have influence on decisions regarding new product development.

4. Pricing

i. What are your pricing objectives

(a) To cover costs

(b) To create margin

(c) To undercut competitors

(d) To increase sales

(e) Any other

(Please state)

(you may tick more than one).

ii. What factors influence price setting in your company.

(a) Government regulation

(b) Competitive pricing

(c) Sales volume.

iii. Who or which department plays a major role in determing prices of your products.

(a) Marketing department

(b) Managing Director

(c) Production department

(d) Finance department.

5. Distribution

i. Who constitutes the bulk of your market?

ii. Do you sell directly to consumers or the intermediaries?

iii. How do you select your dealers?

iv. Are their numbers limited.

v. What are your channels of distribution.

vi. Which distribution system do you operate?

(a) Intensive

(b) Selective

(c) exclusive.

vii. Do you own or rent your warehouses?

viii. Where are they located?

ix. How are your products transported?

x. How do you get feedback from your dealers.

6. Advertising

i. Do you approach the media houses or use advertising agencies.

ii. How is your campaign strategy organized?

iii. Which of the media house(s) do you use for advertising your products.

iv. Do you feel a particular media house is more appropriate for your product. If so why?

v. How do you make a decision on your advertising expenditure?

vi. Is your advertisment concentrated to a particular period, intermittent or continuous.

vii. Do you achieve most of your advertising objectives?

viii. What criterion do you use for determining success?