INTRODUCTION TO MARKETING

M. A. MAWOLI

THIS IS A PLACEHOLDER. IF YOU WANT TO HAVE AN ACTUAL STATEMENT HERE, YOU HAVE TO MAKE SOME CHOICES USING BOOK'S METADATA MODAL.

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TERTIARY EDUCATION TRUST FUND

Book Development Project

The Tertiary Education Trust Fund (TETFUND) has the mandate to establish and nurture the Higher Education Book Development Project in Nigeria. Book scarcity has reached a crisis proportion in the country as evident not only in the quantity of books available but also in the quality of locally produced books. Given the seriousness of the paucity of reading and learning materials in Nigeria's higher educational institutions, the TETFUND Book Development Project is designed to reactivate and nurture research and the publication of academic books and journals in hard and e-forms in Nigerian higher educational institutions, thereby empowering tertiary institutions in Nigeria to benefit from and contribute to knowledge production and nationally and globally. Advancements in science and technology, especially ICT, and the influence of globalization have profoundly transformed the context, from and the scope of knowledge production that Nigerian higher educational institutions should be assisted to fully participate in and contribute to the global system of generating and disseminating knowledge. The uniqueness of the present intervention lies in the fact that through it, TETFund will assist Nigerian higher educational institutions to restore and sustain the capacity for academic publishing.

The promotion of indigenous authorship and the resuscitation of local publishing of books are critical instruments in addressing the dearth of textbooks, including basic test and specialized textbooks in various disciplines in Nigeria's higher educational institutions. Restoring the culture of indigenous authorship and the production of indigenous books would ensure the availability of books that address local needs and reflect familiar realities and experiences.

The book production component is one of the three areas of intervention of the TETFund Book project. The others are the revitalization of academic publishing and the support of academic journals. This first phase of the book production intervention is directed at the production of peer-reviewed basic textbooks written by Nigerian academics for universities, polytechnics and colleges of education and specialized books in various subject areas as well as the publication of books of high quality PhD theses from Nigerian Universities that have successfully gone through a rigorous assessment process. This would contribute to solving the problem of paucity of books in Nigeria's higher educational institutions.

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Dedication

To my family:

- Fatima Yakubu Akuki
- Aisha Abubakar Mawoli
- Abdulhamid Abubakar Mawoli

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Forewords

Marketing is one of the most important and critical functions of the field of Business Administration and by far the most popular. It is one of the basic functions of marketing – identifying consumer needs – that informs the formation of business organizations, invariably to meet the identified needs. Hence, a thorough understanding of marketing functions and effective design and implementation of strategies are key to the survival of any business organization. This is so because it is the marketing function that converts the organization's offerings into sales and invariably profit.

M.A. Mawoli, through this book titled 'Introduction to Marketing' is making a significant contribution to easy and proper understanding of the subject matter. The text is highly technical and written in a very simple language. Its illustrations and conceptualizations are purely indigenous, thereby making it reader-friendly material for the average student, practitioner, and consultant.

Students of Marketing, Business Administration, and related fields at undergraduate, postgraduate, and professional levels as well as practitioners and consultants will find this book an indispensable reference point.

Dr. Abdulkadir, D.S. *(ACII)*

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Preface

Marketing remains one of the key functions of profit seeking organizations. Business organizations produce goods or services for consumers with the hope of making sales and earning desired profits. To achieve these goals, especially in the competitive, dynamic, turbulent, and complex business environment of the 21st century, firms need to identify their target market or consumers and determine their needs through marketing research before embarking on the production of goods and services. Subsequently, they must price, distribute, and promote their products effectively to satisfy consumers' needs, and consequently realize profits. Noting that companies' existing consumers and customers can be snatched away by competitors, firms nowadays strive to establish strong and lasting relationships with their existing customers to make them (the customers) loyal, that is, immune to competitors' marketing offers.

This book, titled *Introduction to Marketing*, explains how managers of business organizations as well as marketers can achieve the primary tasks of identifying a target market, developing a product, pricing, distributing, and promoting the product effectively. The book is so titled because it encompasses introductory and fundamental aspects of marketing. *Introduction to marketing,* otherwise titled Elements of Marketing or Principles of Marketing, is a prerequisite course for students pursuing a diploma or degree certificate in Business Administration, Management, Marketing, Purchasing and Supply, Accounting or related fields in the polytechnics or universities.

The book contains thirteen chapters, which were developed by the National Universities Commission's (NUC) course outline/content for Elements of Marketing. Above all, the book is an essential guide for students, practitioners, consultants, managers, and lecturers in a developing economy like Nigeria.

However, hardly can any textbook exhaust all discussions on a given subject matter. This book – *introduction to Marketing* – is not an exception. The author intends to expand and enrich the chapters in the subsequent editions. Hence, the author welcomes constructive criticisms and observations about the book. The author also intends to add more relevant chapters as the curriculum for Element of Marketing is reviewed by the NUC.

All errors and inaccuracies contained in the book are purely the authors.

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I would like to use this opportunity to thank my parents for enrolling me in schools from childhood, and for discharging their parental responsibilities of supporting me financially, morally, spiritually, and otherwise throughout my study. I also thank the entire members of my family for their support and encouragement, especially Sister Hassana and Sister Rakiya.

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Finally, I am also appreciative of all that I have learned as a marketing student at Bayero University, Kano under Prof. Bamidele A. Adepoju and Dr. Haliru Mukhtar; and Usmanu Danfodiyo University under Prof. M.M. Maishanu, Prof. M. Bashir, and Prof. Y.U. Dantama. Marketing scholars such as Phillip Kotler, Gary Armstrong, Kevin Lane Keller, William Stanton, Jerome McCarthy, and others are highly acknowledged. All authors whose works were consulted while writing the book are appropriately acknowledged in the bibliography.

CHAPTER ONE

MEANING AND RELEVANCE OF MARKETING

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define marketing;
2. Explain the marketing process;
3. State the relevance of marketing;
4. Identify and explain the roles of marketing;
5. Describe different forms of marketing organizational structure; and
6. Describe fields or areas of specialization in marketing.

WHAT IS MARKETING?

Several definitions of marketing abound in the literature. The *Chartered Institute of Marketing* defines marketing as the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

Kotler and Armstrong (2006:25) define marketing as "the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in turn." In another definition by the American Marketing Association [AMA] (2004), marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

Yet, marketing can be defined as a managerial and organizational function and a set of processes for planning, identifying and satisfying consumers' needs through offering of products or services accompanied with appropriate price, distribution and communication that lead to the organization and other stakeholders' goal realization.

THE MARKETING PROCESS

Marketing is a process. The process involves understanding customer needs, designing customer-driven market strategy, constructing a marketing program that delivers superior value, building profitable customer relationship and creating satisfaction, and capturing value from customers to create profit. This process is depicted in Figure 1.1.

Figure 1.1: Market Process

1. **Understanding customer needs, wants and demands:** Consumers always have *needs* and *wants* waiting to be satisfied or that are insufficiently satisfied. *Needs* refers to basic requirements of life such as food, water, shelter, and clothing. Lack of these basic human requirements can cause starvation, sickness and death. These basic human needs exit naturally; they are not created by marketers. The duty of a marketer is to identify consumer needs and satisfy them.

Wants refers to personal desires of life such as blue shirt, jeep car, colour television, telephone, wallet, duplex apartment, etc. Individual wants are shaped by the environmental factors: culture, economic, demographic, psychological and political forces. Lack of *wants* can only cause dissatisfaction but not sickness and death. *Needs* is general (i.e. what everybody requires) while *wants* is specific (what an individual requires). Unlike basic human needs, marketers can create *wants.* Marketers can also identify the existing wants of consumers and satisfy them.

Demand, by definition, is the ability and willingness of consumers to purchase specified number of goods and services at a specified time, period and place. When consumer needs and wants are translated to purchases, *demand* is said to have taken place. Put differently, needs and wants backed by purchasing power (i.e. the ability of the consumers to pay for their needs and wants) is referred to as *demand* in marketing. Level of economic development, employment rate and general income influence consumers' effective demand. Thus, marketers must pay serious attention to these economic variables.

2. **Designing customer-driven market strategy:** Marketing management calls for the application of arts and science in realizing marketing objectives on one hand, and entrepreneurial or company's objectives on the other hand. *Marketing strategy* is one way of doing marketing scientifically. Strategy is a means to an end. It specifies exactly how marketing goals can be achieved despite the firms' limited resources amidst high competition. Thus, marketing strategy raises and provides answers to three basic questions:

i. What is our target market?
ii. How can we serve our chosen target market better than the competitors can?
iii. Do we have the resources to serve the target market better?

In providing answers to the raised questions, marketing managers must segment the total market, target one or more segments, and position their product in the minds of the consumers as one providing *added value.*

3. **Constructing a marketing program that delivers superior value:** At this level, the marketer needs to transform the marketing strategy into action plan by designing and implementing the company's marketing mix program. To beat competition, a firm's offerings must provide superior value, otherwise called *added value.* This is achievable when a company's offering attains *point-of-parity (POP)* and *point-of-difference (POD).* POPs are product attributes and performances that consumers associate with most

competing or substitute brands (i.e. a company and its competitors' brands); in other words, the minimal attributes and benefits consumers expect from a given product irrespective of the producer. Consumers perceive these associations as prerequisites in every product for it to worth purchasing. Simply put, POP is the consumers' "zone or range of tolerance and acceptance."

PODs are product attributes and benefits that consumers associate with a particular brand and which is absent in competing brands. In other words, PODs are products that consumers view as having unique attributes and provide distinct benefits compared to its substitutes. These distinct attributes, performance and benefits are the ones that offer *added or superior value* to customers. By providing superior value, the company has gained *a competitive advantage.*

4. **Building profitable customer relationship and creating customer satisfaction/delight:** The essence of understanding and identifying consumer needs and wants, designing customer-driven market strategy, and delivering superior values is to *build strong and lasting relationships with profitable customers.*

Customer Relationship Management (CRM) has gained considerable attention in recent times. This is because studies have shown that it is costlier to attract new customers than to keep current profitable customers. In other words, it is cheaper and profitable to retain existing customers than to attract new ones. Kotler and Armstrong (2006) define CRM as:

the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. It deals with all aspect of acquiring, keeping and growing customers.

Payne and Frow (2005) itemize the following practices underpinning CRM:

i. the intelligent use of technology, data and analytic methods to acquire customer knowledge;

ii. the transmission of this knowledge to those managers and employees making decisions about customers;

iii. the use of this knowledge by managers and employees to select and target customers for marketing purposes; and

iv. creating connections across departments to support collaboration and generate *new customer value.*

It is important to note that new customer values create customer satisfaction. By customer satisfaction, we mean the positive difference between *customer perception* and *expectation* regarding a particular product. If perception (or product performance) falls short of expectations, the customer is dissatisfied. And if the perception (or product performance) equals the expectations, the customer is satisfied. However, if customer perception (or product performance) exceeds expectations, the customer is highly satisfied or delighted.

Satisfaction is the outcome of a product/service evaluation by customers, implying that service has to be consumed before it can be assessed. It is also important to stress that consumers usually configure *expectation* before they actually purchase a product. However, *perception* is the after-purchase consumer construct. A big poser here is "how do consumers form their expectation even before purchasing and consuming the product/service?" Consumers form expectations through various means: from past buying experiences, friends and associates' advice, and marketers and competitors' information/promotion and promises.

5. Capturing value from customers to create profit and customer equity

Business and non-business organizations have clearly stated objectives to be achieved. Business organizations often pursue profit maximization, market share leadership, and shareholders wealth maximizations goals among others. It is at this stage of the marketing process that these objectives are realized.

In the first four steps, the firm incurs cost in creating *value* to customers. At this stage, the firm captures value in return from customers through current and future sales, market share and profit.

IMPORTANCE OF MARKETING

Marketing is important to firms, customers and economy in the following ways:

1. Marketing helps companies identify segment markets to serve (through segmentation and targeting).
2. Marketing helps a company in identifying customers' needs (through marketing research).
3. Marketing ensures satisfaction of customer needs (by producing products that meet or exceed consumer needs and expectations).
4. Marketing facilitates effective movement of goods from the producer to the consumers (through effective distribution).
5. Marketing generates revenue for firms (through sales).
6. Marketing creates product awareness to customers (through Integrated Marketing Communication).
7. Marketing provides employment to marketing experts (through personal selling, distribution, marketing research, promotion, and product development).
8. Marketing estimates future demands for a company's product (through market forecasting).
9. Marketing empowers consumers through product innovation, price discounts, trade discounts, rebates, premiums, and competition, etc.
10. Marketing enhances consumers' welfare (through *societal marketing*).

11. Marketing safeguards consumers' rights (through consumerism).
12. Marketing protects the environment (through *green/ environmental marketing*).
13. Marketing principles are applied in solving societal problems through social marketing.

ROLES OF MARKETING

Marketing roles bother on how to structure a marketing organization in order to attain optimum company performance. Marketing roles can be broadly analyzed and understood using two approaches - the function approach and process approach.

1. **The functional approach:** This is the traditional approach that explains the role of marketing in an organization. By this approach, all organizations are to recognize marketing as a department with reserved responsibilities to plan, direct, coordinate and control all marketing activities relating to needs identification, product development, pricing, distribution, promotion, customer relationship management, and customer complain management.

Benefits

a. It enhances efficiency.

b. It improves organizational capabilities.

c. It encourages specialization and its attendant advantages.

Criticisms

a. Overspecialization in the marketing area and knowing little or nothing about the important activities of other functional areas.

b. Lack of effective coordination between marketing and other functional areas.

c. Regular occurrence of Inter-functional conflicts.

d. The tendency for functional myopia (the feeling that one department plays less important role in an organization).

2. **The process approach:** This is the modern approach that explains the role of marketing in an organization. The approach suggests that while it is necessary for all organizations to have a marketing department, it is equally essential for the marketing knowledge, skills, orientations and values to be dispersed to employees in other departments. This approach ensures that all departments in the organization value customer, share information about customers, and engage in activities designed to meet customer needs.

Benefits

a. It minimizes inter-functional or departmental conflicts.

b. It facilitates greater customer satisfaction.

c. It enhances effective coordination and integration of marketing activities between marketing and other departments.

d. It is effective in attracting more customers to do business with a company.

Criticisms

a. It diffuses the role and responsibilities of a marketing departments and marketers.

b. It may cause 'outsourcing" of marketing activities to independent firms.

c. It may cause reduction in the number of resources allocated to marketing departments.

d. Many marketing departments have also been downsized and staff retrenched following the adoption of this approach.

MARKETING ORGANIZATION STRUCTURE (MOS)

MOS is a diagram showing the units within a marketing organization, the relationship among the units, the management levels, the communication channels, the roles of each unit, the immediate subordinates and superiors.

Types of MOS

The typologies of MOS are functional MOS, process MOS, Product MOS, Regional MOS, and Matrix MOS.

1. **Functional MOS**: This is the traditional and commonest type of MOS. A typical manufacturing firm or service outlet is divided into functional areas such as marketing, production, finance, and personnel departments. Start-ups that are yet to expand and have numerous branches often adopt functional MOS. Figure 1.2 shows the functional market organizational structures.

Figure 1.2: Function Format

2. **Process MOS**: A firm that is purely involved in providing marketing services usually adopts the process structure. The process MOS facilitates division of the overall marketing job into specialized areas such as research and development, product development, pricing, distribution and promotion activities or departments. Figure 1.3 shows a process MOS.

Figure 1.3: Process Format

3. **Product MOS**: In this case, a company that produces variety of products may structure or organize the company based on product types. That is, departments will bear product names as depicted in Figure 1.4. This framework greatly enhanced product knowledge and expertise.

Figure 1.4: Product Format

4. **Regional MOS:** Companies which have expanded and established offices in different geographical areas or regions use regional MOS by simply duplicating the functional, product or process structure. However, each regional branch may modify its product in accordance with the needs of the local consumers. Figure 1.5 illustrates regional MOS.

Figure 1.5: Regional Format

5. **Matrix MOS:** This is a combination of at least two types of MOS described above. For example, a company that produces three products – product 'A', product 'B' and product 'C' – may create pricing department, distribution and sales department for each product department as demonstrated in Figure 1.6. below.

Figure 1.6: Matrix Format

IMPORTANCE/ROLES OF MARKETING ORGANIZATION STRUCTURE

MOS is of great significance to the organization, its employees and other stakeholders in the following ways:

1. It gives a vivid picture about the size of the organization – small enterprise, medium enterprise or large enterprise.
2. It reveals the target markets of the company.
3. It shows whether an organization produces goods or offers services.
4. It shows the specialized functions (e.g. departments) in an organization.
5. It reveals the varieties of products the company offers to the market.
6. It shows the relationship between the departments in an organization.
7. It shows the degree of centralization and/or decentralization of activities in an organization.
8. It shows the pattern of communication flow in an organization.
9. It shows line of authority and responsibilities in an organization.

BASIC CONCEPTS OF MARKETING

There are some recurrent concepts and terms in marketing that deserve clarification:

1. **Needs**: Basic requirements or necessities of life such as food, shelter and clothing. The essence of marketing is to understand and satisfy consumer needs.
2. **Wants**: Consumers' desire and preferences after basic needs have been satisfied. Examples are blue jeans, Mercedes car, business-class flight, and golden wrist watch. The essence of marketing is to create wants (raise the test and expectations of the customers) and strives to satisfy them.
3. **Demand**: The willingness and ability of consumers to purchase a particular commodity at a given price, quantity, time and place. Marketers use historical data to forecast future demand.

4. **Consumer**: One who **uses** a company's product.

5. **Customer**: One who **buys** a company's product.

6. **Market**: A group of buyers/consumers.

7. **Industry**: A group of sellers/suppliers/companies/firms producing and selling similar commodity.

8. **Satisfaction**: When a company's product performance meets or exceeds customer expectations.

9. **Profit**: Excess of sales revenue over cost of production (TR -TC).

10. **Segment**: A group of consumers with similar needs

11. **Marketing concept**: A philosophy that "marketing efforts and activities should be aimed at satisfying customers' needs at a profit".

12. **Marketing mix**: A set of controllable tools or elements used by marketers to satisfy customer needs. They are popularly referred to as the 4Ps – product, price, place and promotion.

13. **Exchange**: Marketers give out product and collect money in return.

AREAS OF SPECIALIZATION IN MARKETING

Marketing discipline is very wide in scope, necessitating specialization in any of the following areas:

i. **Industrial marketing:** A field of marketing that applies marketing principles in selling goods (raw materials, bye-products, and finished goods) among business enterprises. It is also called Business-to Business (B2B) marketing.

ii. **Service marketing:** This field of marketing deals with how intangible goods like health care, transportation, education, telecommunication, hotel, saloon, financial, and legal services can be effectively created, priced, distributed and promoted to the target consumers at a profit.

iii. **Consumer behavior:** This area of marketing is concerned with the study of why and how consumers buy, use and dispose of goods and services to satisfy needs.

iv. **International Marketing:** The study of how marketing principles can be applied by companies doing business in more than one country. Is it necessary to differentiate or adapt a company's marketing offer in different national market despite differences in the culture, consumer income, and laws?

v. **Political Marketing:** This is the study of how to apply marketing principles to present a political party and its candidate for election (i.e. the product) to the voters (i.e. the target market or consumers), and communicate to the voters about the party manifesto (i.e. promotion) in order to attracts their votes (i.e. prices) and win election (i.e. realize profit).

vi. **Social Marketing:** The use of marketing principles by individuals or groups to provide social goods or services (e.g. free or subsidized health services) to the public. As a tool, social marketing can influence human behavior in a sustainable and cost-effective way.

vii. **Green Marketing:** This is also called environmental or ecological marketing. This field of marketing lays emphasis on adopting marketing practices that protect and promote environmental core values. For example, a company that uses production systems that minimize gas emission and pollution as well as appropriate packaging may be considered as being environmentally friendly.

Other areas of marketing specialization are global marketing, domestic marketing, education marketing, and retail marketing, etc.

SELF-ASSESSMENT QUESTIONS

1. (a) Define marketing. (b) Identify and explain the salient features of a good marketing definition.
2. Why do you choose to study marketing?
3. Discuss the extent to which marketing is relevant to: (a) customers (b) consumers (c) company, and (d) society.
4. Marketing, as a management function, is often described as a process. Discuss.
5. Identify and explain the five types of marketing organization structure.
6. Indicate one area of marketing that you may choose to specialize on and give justifications.

CHAPTER TWO

MARKETING EVOLUTION AND ORIENTATIONS

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Identify and explain the stages in the historical development of marketing;
2. Explain the term "marketing orientation";
3. List and explain types of marketing orientation.

HISTORICAL DEVELOPMENT OF MARKETING

Before marketing developed into a discipline that is studied and practiced, it passed through eight evolutionary stages: simple trade era, production era, selling era, marketing era, societal marketing era, relationship marketing era, and social/mobile marketing era.

1. Simple Trade Era

This period covers pre-barter and barter period. During pre-barter period (subsistence economy), people produced all things they needed by themselves: food, clothing and housing. There was ***no exchange*** of goods among people, and so ***no trade***. As the society moves away from subsistence economy to early barter economy, exchange of one good with another good started taking place among people and ***trade*** originated. In the later part of barter economy, the society began to recognize the importance of division of labour, thus people continued to concentrate more on the production of goods and services in which they are exceptionally good at. The first consequence is that each member in a community specialized in the production of just one or few items out of many items he/she needed. The second consequence is that each individual over produced what he/she specialized in thereby enabling him/her to exchange the surplus goods with other goods which he/she needed but could not produce. Trade became more acceptable and sophisticated, and the foundation for a new discipline – marketing, was laid. This era lasted till early 19^{th} century.

2. Production Era

This era started during industrial revolution in early nineteenth century. The era witnessed invention of production machineries and improved methods of production that facilitated mass production of goods by firms located in Europe. This era also witnessed the introduction of money especially in Africa and Asia to overcome the problems of barter; this contributed in simplifying and boosting trade among people.

At the beginning of industrial revolution, industrialization was skewed to few countries in Europe while most parts of the world remained unindustrialized and dependent on industrialized nations for manufactured goods. This caused demand for manufactured products to exceed their total supply. Secondly, most countries of the world had large population whose demand for manufactured products exceeded the demand for total supply or production by the few existing firms. Thus, firms concentrated in the production of any commodity they desired in large quantity without any regard for consumer preference because there was a ready market for most products with little or no competition. This era lasted till 1930's.

3. Sales Era

From 1930 and beyond, the number of manufacturing firms increased tremendously in Europe, America and some parts of Asia such as Japan, and coupled with better factory machineries and methods of production, total production of manufactured products exceeded the demand for them. However, the worldwide recession of 1930's which reduced peoples' purchasing power contributed to a general fall in the demand for goods and services. The world war of 1940's worsen the economic crisis. To overcome these challenges, companies started emphasizing on ***how to find buyers and sell their products to them.*** Companies created "Sales Department" and recruited sales people to do the job of finding buyers and selling to them. During this period, local intermediaries also emerged as distinct line of business to help producers sell their increased output. This era lasted till 1950's.

4. Marketing Era

The features of "sales era" deepened after 1950 and companies decided to establish one best way of satisfying consumers in order to sell optimally and beat competition. Thus, companies started emphasizing on producing goods ***according to consumers needs*** which is a divorce from the old practice where goods were produced based on the producers' discretion and in the end a lot of resources are deployed in finding buyers to sell products to the consumers. This led to the establishment of marketing department in various profit seeking organizations to handle product conception, pricing, distribution and promotion. This era is still in play, but many argued that it ended in 1970's.

5. The Societal Marketing Era

Societal marketing era is an off-shoot of the marketing era. Unlike the marketing era where companies concentrated their efforts in identifying and satisfying consumer needs, the societal marketing first gauge the needs of stakeholders before designing, producing, packaging, pricing, distributing and promoting a product to the target market so that it benefits the consumers and also improves the society's general welfare. That is, companies should try to build in social or ethical consideration into their product and other marketing practices. In addition, the societal marketing era tries to balance the pursuit of business profits with consumer desires and society's best interest. Societal marketing also enjoined companies to strive and satisfy consumers' short-term needs as well as cater for the long-run welfare of the consumers. This era is still in play to a large extent.

6. The Relationship Marketing Era

This era was driven by advancement in information and communication technologies between 1990 to early 2000's. This era re-focused marketing goals at building long-term, mutually beneficial relationship with the customers. That is, the era ushers in a new marketing philosophy that no two customers are totally the same in terms of needs, and therefore, advocates for one-to-one marketing, otherwise called customization and personalization. Data on individual customers' past purchases are captured, stored and used to serve customer in future or real-time purchases.

7. **The Social-Mobile Marketing Era**

There is a paradigm shift from relationship marketing to a new marketing culture – the social-mobile marketing era. This era subsumes and incorporates the theories of the relationship marketing era, but it differs in the sense that it focuses on the real-time connections and social exchanges based on relationships driven by the consumers. Here, businesses are connected 24/7 to current, future and potential consumers in real-time or concurrently.

MARKETING ORIENTATIONS

There is always *one best way* to produce and market a product. The market conditions prescribe the *one best way* to market a product, thus making producers operating in the same industry but targeting different markets to hold different market orientations, and producers operating in different industry but serving the same market to also hold different market orientation.

An orientation, in the marketing context, relates to the perception or attitude a firm holds towards its product or service, essentially concerning consumers and end-users. Marketing orientation, otherwise called "concepts of marketing", refers to the producers and marketers' philosophy on *what to do* to meet marketing goals. What can the producer do to satisfy the conflicting needs of the stakeholders – customers' needs, company profit and societal problems at large?

Seven forms of marketing orientation exist. These are:

i. Production concept;
ii. Product concept;
iii. Selling concept;
iv. Marketing/customer concept;
v. Organization concept;
vi. Societal marketing concept; and
vii. Holistic marketing concept.

PRODUCTION CONCEPT

Philosophy	Consumers will buy products that are affordable and available.
Strategy	Company focuses on mass production and distribution efficiency.

Market	Monopoly or oligopoly market.
Criticism	Company may not bother about consumer satisfaction.

PRODUCT CONCEPT

Philosophy	Consumers will buy products that have superior quality, higher performance and innovative features.
Strategy	Company focuses on continuous product improvement and innovation.
Conditions	Suitable for markets where *supply of goods* exceeds their *demand.*
Market	Competitive market.
Criticism	Quality products are often expensive and not affordable to low income consumers.

SELLING CONCEPT

Philosophy	Consumers will only buy enough of a company's product when the company embarks on mass or aggressive selling and promotional efforts.
Strategy	Company maintains Sales Department and hires professional sales people to find and convince buyers to purchase the company's product.
Conditions	§ Suitable for markets where *supply of goods* exceeds *demand.* § Also suitable for companies that are faced with overcapacity.
Market	Competitive market.
Criticism	§ Emphasis is laid on *selling what we make* rather than *making what the market wants.* § Emphasis is also on making *one time sales (i.e. sales transaction)* instead of creating repeated sales (*building long-term profitable customer relationship*).

MARKETING/CUSTOMER CONCEPT

Philosophy	Company should strive to produce goods and services that satisfy consumers' needs at a profit.
Strategy	§ Company must identify the needs of consumer before production. § Company should focus on *finding right product for her customer* rather than *finding right customer for her product.*
Conditions	Suitable for markets where *demand for goods* exceeds *supply.*
Market	Competitive market.

Criticism	Some organizations are too customer possessed leading to loss. Neglects *creative marketing*. (A creative marketer discovers and produces solution customers did not request for but to which they respond enthusiastically. At times, customers may not know what they want.) For example, 3M expresses her goal in a form of *creative marketing* as thus: our goal is to lead customers where they want to go before they know where they want to go."

ORGANIZATION CONCEPT

Philosophy	All the departments and employees in a given company have a primary function of satisfying consumer wants/needs
Strategy	§ Company trains all employees to be customer friendly. § Company requires all employees and departments to attract and keep customers.
Conditions	Suitable for markets where *supply* exceeds *demand*.
Market	Competitive market.
Criticism	§ Company employees may be too customer possessed leading to loss. § The job of marketing department is duplicated by other department leading to confusion and inefficiency.

SOCIETAL MARKETING CONCEPT

Philosophy	Company activities should not be limited to satisfying consumers' short-term needs, but extended to catering for the long-run welfare of the consumers.
Strategy	Company must satisfy consumers' immediate needs while at the same time maintaining and improving the societal well-being. In other words, firms should not undermine the quality of the society and its inhabitants in the process of producing goods and services to satisfy consumers' needs and when this is not avoidable, firms should be socially responsible for their action.
Conditions	Suitable for all companies producing goods and services.
Market	Monopoly, oligopoly, and competitive markets.
Criticism	Adopting societal marketing concepts is quite expensive.

HOLISTIC MARKETING CONCEPT

Philosophy	It holds that "everything matters in marketing." That is, all the marketing concepts discussed earlier are vital and must be integrated.
Strategy	· Company lays emphasis on *interactive marketing* rather than *transactional marketing*. Interactive marketing is otherwise called

relationship marketing.

· Company must ensure that all marketing activities or programs (e.g. product, price, place and promotion) are packaged and lunched as one. This is called **integrated marketing.**

· All management levels, departments and employees must have adequate marketing orientation so that they can dream customers, attract customers, serve customers and retain customers. This is called **internal marketing.**

· Company must be socially responsible. That is, they should carry out their marketing activities in a way that enhances stakeholders' and societal wellbeing in the long run. **This is called social responsibility marketing.**

Conditions	Suitable for all kinds of market.
Market	Suitable for all kinds of market.
Criticism	· It negates the principles of specialization. · Curbing societal problems is the sole responsibility of government; the responsibility of a business organization is to pay tax to the government. · Employees may be too customer possessed leading to loss. · The job of marketing department is duplicated by other departments leading to inefficiency.

SELF-ASSESSMENT QUESTIONS

1. Marketer 'A' defines marketing as the act of selling goods and services and making profit. Marketer 'B', who partially disagrees with Marketer A's definition, defines marketing as producing a qualitative product for consumers at a profit.

a. Describe marketers A and B's views of marketing.

b. Attempt a holistic definition of marketing.

c. Identify the salient features present in your own definition but absent in both Marketers A and Marketer B's definitions.

d. Change the marketing orientation of both Marketer 'A' and Marketer 'B' using the salient features identified in (iii) above.

2. Though the discipline of marketing evolved in the 20^{th} century, the foundation of marketing had been laid from time immemorial. Discuss.

3. As a marketer, what marketing orientation are you going to hold and implement in the following markets:

a. highly competitive market;

b. competitive market; and

b. monopoly market.

CHAPTER THREE

THE MARKETING SYSTEM

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define market;
2. Identify types of market;
3. Explain the marketing system;
4. Define a marketer;
5. Identify and explain what is/are marketed.

WHAT IS A MARKET?

Market has several definitions depending on the discipline as well as situation. The economists view market as a collection of buyer(s) and seller(s) for transacting a particular product. Put differently, a market is the coming together of buyers and sellers in a particular place or through mediums such as telephone and internet to exchange goods and services. In essence, a market can only exist if there are both buyers and sellers on one hand, and commodity to exchange. When any of these attributes (i.e. buyer, seller or commodity) is missing then there is no market.

However, Marketers view 'market' simply as buyers. Moreover, unlike the economists that regard market as a collection of *buyers* and *sellers*, marketers define the two concepts (i.e. buyers and sellers) differently. They regard 'market' as *a collection of buyers* and 'industry' as *a collection of sellers or producers.*

Types of Market

There are four common types of market in marketing: consumer market, business market, global market and non-profit/government market.

1. **Consumer market:** This refers to a market where consumer goods such as toiletries, utensils, food and beverages, cosmetics, and clothing are sold, and consumer services such as barbing, hotel and tourism, transportation, communication, teaching, laundry, and health services are provided. Companies producing consumer goods usually target the final consumers with appropriate product, price, distribution and promotion. When a business organization manufactures and sells goods and services to the customers, it is called Business-to-Customer (B2C) market. For instance, if Dangote Sugar Company sells bags of sugar to households for direct consumption.

2. **Business/industrial market:** This refers to a market where business goods such as raw materials, factory or production technologies, office stationery, furniture and fittings and automobiles are traded. Business market also constitutes business buyers and sellers. *Business buyers* are business organizations that hire highly skilled and professional personnel that specialize in "purchasing and supply" to purchase goods on behalf of the

company for the purpose of making a product and reselling to the consumers at a profit. *Business sellers,* however, manufacture or stock business goods and sell to business organizations only. That is, business sellers target other business organization, hence the term Business-to-Business (B2B) marketing. For example, Dangote Cement Company in Nigeria may be involved in supplying cements to a construction company like Julius Berger or Power Works (PW). Another example is when a private university is engaged in training and developing banks' staff for a fee.

Business market is the agglomeration of industries such as agriculture (forestry, poultry, fisheries, etc), mining, manufacturing, construction, transportation, communication, public utilities, tourism, banking, insurance, distribution and services. All business organizations have *derived demand.*

3. **Global markets:** A global market is market without boarders but with key players – buyers and sellers – and other characteristics of a market (product and money). Companies participating in global markets are usually called global firms. A global firm operates in many countries, source for resources (human, material and financial resources) from many countries, and uses a mixture of marketing-mix standardization and adaptation to suit each target market. Examples of global firms that operate in global market are Coca-Cola, DHL, Shell, Nokia, Procter and Gamble, Nescafe, Dell, GE, etc.

4. **Non-profit and government markets:** Like persons, non-profit and government organizations also produce consumer goods and services. In essence, they sell what they produce and buy what they consume. Non-profit organizations rely on donors to fund their activities and thus, lack financial strength to buy highly priced goods and services. Therefore, companies selling to non-profit organizations must price carefully. On the contrary, government organizations have the financial wherewithal to make purchase of all kinds usually through contract bids. Hence, companies selling to government organizations must price effectively to win competition.

THE MARKETING SYSTEM

A system refers to separate and independent units that are integrated together and function as one in order to achieve a common goal. Thus, a marketing system refers to independent marketing units that are integrated together and function as one to satisfy stakeholders' needs and aspirations. The independent units in a marketing system are buyers, sellers/producers, communication process (e.g. the media), and exchange process (e.g. the financial institutions). Practically, sellers gather information from buyers in order to identify their needs; they communicate to buyers about a product and its functions and performances. Sellers use media (newspaper, billboards, radio, television, and internet) to communicate effectively with the consumers.

Essentially, buyers and sellers engage in *exchange* during transaction. The seller parts with goods or services required by the buyer, while the buyer parts with money to take possession of goods and services and become legitimate owner of such goods. In essence, sellers require a good transportation network to move goods to the buyers or market. In the same vein, buyers require a good financial system to source for funds and pay for purchases made. A simple marketing system is depicted in Figure. 3.1.

Figure 3.1: A Marketing System

Who is a marketer?

Two questions that are often asked are "who markets?" and "who is a marketer?" Those that market goods, services and other marketing entities are called 'marketers.'

A marketer is a person who seeks response from prospects. Prospects could be consumers, customers, or public who have a particular need to satisfy. That is, an effective marketer should be able to draw the attention of the prospective consumer towards the product and ultimately to make him/her purchase it. Practically, a marketer should be able to make a customer look at what he wants him/her to look at, to make the customer see what he wants him/her to see, to make him/her listen or hear what he wants him/her to hear, to make him/her touch what he wants him/her to touch, to make him/her choose what he wants him/her to choose, and ultimately to make him/her buy what he wants him/her to buy.

What is marketed?

The things that are marketed are called 'marketing entities. These are:

i. **Goods:** Companies usually market tangible offerings that satisfy a need such as soap, car, clothes, etc.

ii. **Services**: Companies frequently market their intangible offerings such as health services, insurance services, transportation services, and financial services, etc.

iii. **Places:** Cities, states, regions, parks, and museum are marketed to attract tourists and investors for income generation.

iv. **Persons**: Individuals are 'brands' and can be marketed. E.g. sport stars, film stars, music starts, and Nobel price winners, etc. have marketing managers that help to effectively package, position and sell their clients' skills and professionalism to the prospective buyers.

v. **Organization:** Universities, hospitals and churches can be marketed just like product.

vi. **Experiences**: Beautiful experience such as 'dinning at Sheraton Hotel' or 'riding on an elephant at Yankari Park' can be marketed.

vii. **Ideas**: Ideas such as 'smokers are likely to die young' and 'AIDS is real' can be marketed to create change in behaviour. In fact, the root of every product is *idea.* Remember the popular advert "good product, good idea."

viii. **Events:** Events such as world cup, Olympics, food festival, pilgrimage at Mecca or Jerusalem can be marketed. A good example is Argungu Fishing Festival that takes place annually at Argungu in Kebbi State, Nigeria.

ix. **Properties:** Real property like housing estates can be marketed like goods and services. In addition, financial property such as stock and bonds require effective marketing for it to sell.

x. **Information:** Broadcasting and print media produce information required by people on daily basis. Information is often promoted in-house by the media producing the information or by media houses. Effective marketing of informative TV and radio programs will enhance effective sale of information.

SELF-ASSESSMENT QUESTIONS

1. Marketers make to market and market to make. Discuss.
2. a. What is a market?
   b. Who markets?
   c. Who is a marketer?
   d. What is/are marketed? (2010 Exam Question, IBBUL)
3. With a means of a suitable diagram, describe a marketing system.
4. List and explain major classifications of markets.

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CHAPTER FOUR

MARKETING ENVIRONMENT

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define marketing environment.
2. Identify and explain the internal marketing environmental factors.
3. Identify and explain the *external micro* marketing environmental factors.
4. Identify and explain the *external macro* marketing environmental factors.

MARKETING ENVIRONMENT DEFINED

Marketing organization can be likened to organisms. Like every other organism, marketing firms are created, they have life, they operate in an open environment, and thus depend on other organisms to survive while other organisms also depend on them in order to survive and exist.

Technically, marketing environment refers to anything living within or outside marketing firm, be it a person, institutions, natural or artificial forces, that is capable of influencing the marketing goals, decisions and activities in positive or negative manner.

CLASSIFICATION OF MARKETING ENVIRONMENT

Marketing environment can broadly be classified into two: internal marketing environment and external marketing environment.

THE INTERNAL MARKETING ENVIRONMENT

The internal marketing environment refers to all factors within the marketing firm that can influence the organization goals, decisions, and activities in a positive or negative manner. The marketing manager can control the internal environmental factors to a large extent. The internal marketing environmental factors include the company, management, resources, department, and union. These are explained below.

i. The company: What distinguish one company from others are basically the company's name, mission, goals, and products. The company's name (also called corporate brand) is a major enduring asset of an organization, and often outlast the company's specific products and facilities. Though it takes time to build a *corporate* band, careful analysis should be done in selecting business name.

The following guidelines should be followed when selecting the company's name. The brand name should be easy to pronounce, recognize and remember (the re-branding of First Inland Bank to FinBank in 2008 is a good example); it should suggest something about the product's benefits and features; it should not contradict the culture

(s) of the target market (e.g. Coco Cola was the first name suggested for Coca Cola but because it means 'anti muhammadin' in an Arabic dilect, the brand name was modified to meet the company's global target market); it should be capable of registration (e.g. the name should not be 100% similar to existing brands).

Mission statement of an organization states why the organization exists and what the organization does. Thus, a mission statement is expected to be an enduring statement of purpose that clearly distinguishes one business from related ones. Table 4.1 demonstrates two examples:

Table 4.1: Selected Mission Statements

BANK NAME	MISSION STATEMENT
United Bank for Africa (UBA)	To be a role model for African business by creating superior value for all our stakeholders, abiding by the utmost professional and ethical standards, and by building an enduring institution.
Fidelity Bank	To make financial services easy and accessible to our customers.

ii. The management team: This refers to a group of individuals that are assigned with the responsibility of piloting the affairs of an organization on a day-to-day basis. The success of every organization, small or big, depends on the quality of its management team. And the quality of a manager or management team is a reflection of the soundness and effectiveness of his/their decisions. Thus, the antecedents and inclinations of managers should be considered before they are employed because the overall performance of the marketing organization or department depends on their decision. This explains the reason why the managers of ailing organizations are often fired and replaced with managers that have succeeded in other companies.

iii. The resources: This refers to all human and material inputs of a marketing firm/department. Human resource has to do with the quality of the marketing employees. How knowledgeable and skillful are the marketing employees such as strategists, salespeople and agents? Are they up-to-date in terms of computer literacy? Are they highly motivated by the organization? A knowledgeable and motivated employee is likely to perform better than an employee that is not motivated.

Material resources refer to office paraphernalia, capital/equity and cash reserves. A company with very high equity can explore business opportunities faster than its competitors in the same industry. For example, after issuing initial public offer in March, 2008 DAAR Communication Plc (owners of AIT and Ray Power) was able to beef up her capital base which it invested in latest technologies and staff acquisition, training and development. The company was able to convert from analogue media to full digital media in 2008, being the first broadcasting media to beat 2011 deadline set for all media companies operating in Nigeria to convert to full digital broadcasting. This made DAAR Communication to be considered by FIFA to broadcast the 2009 Under 17 World Cup hosted by Nigeria.

iv. The employees and their unions: This refers to workers unions within the organization. How effective is the union and to what extent can the union's actions or inactions hamper the marketing organization or department's performance or damage its image? The marketing firm should at all time contain the actions of the worker's union through dialogue to avoid work stoppages through picketing and strike.

v. The departments: The marketing department and other functional areas within an organization such as research and development, production, personnel, and finance must work in harmony if marketing goals and that of the organization must be realized. The activities of any of these departments can affect marketing performance positively or negatively. For example, marketers can hardly sale a defective products produced by the production department. Thus, all the departments within an organization should be supportive of one another so as to create a synergy. When there is synergy, the whole is said to be greater than the sum of its parts (e.g. 2+3=10 or 2x5>2+5).

vi. The marketing mix: This refers to the 7Ps of marketing, namely product, price, place, promotion, people, physical evidence, and process. The 7Ps are set of tools employ by marketers to influence customer behavior.

THE EXTERNAL MARKETING ENVIRONMENT

The external marketing environment refers to all factors outside the marketing organization that can influence its goals, decisions, and activities in a positive or negative manner. The corporate manager cannot control external environmental factors but can adapt to them. The external marketing environmental factors can further be categorized into two groups: micro environment and macro environment.

i. Micro environment

The micro environment consists of factors that affect company marketing operations on day-to-day basis. Compare to macro environmental factors, marketing firms or departments interact regularly with the micro environmental factors. The micro environmental factors include the suppliers, customers, competitors, shareholders, creditors and local community. These are explained below.

a. Suppliers: This refers to business organizations from whom the company buys her raw materials for production, stationery for writing, and diesel for lightening, etc. Marketers must create and build good relationships with the suppliers. This is because supply or raw material shortages either through hoarding or strike can cause production stoppage in the short run and damage the company reputation in the long run.

b. Customers: People are in business because of consumers. With intense competition among businesses, customers have become kings and must always be treated as such. Thus, marketers' marketing efforts must be geared toward satisfying and building strong relationship with the consumers. Marketers should always bear in mind that a dissatisfied consumer may not only defect or switch to competitors' product, but he/she is likely to 'bad-mouth' or spray negative statements about the company that will further discourage many customers from buying the company's product.

Five types of customer markets exist. *The consumer market* is made up of individuals and households that buy goods and services for consumption. The *business market* is made up of companies that buy goods for further processing into final product. *The reseller market* is made up of wholesalers and retailers that purchase goods and services for resale at a profit. *The government market* consists of government agencies that buy goods and services to provide public service. The *international market* consists of individual, business, reseller, and government buyers in foreign countries. Marketers must watch each of these markets for opportunities.

c. **Competitors:** These are business organizations that produce and sell similar goods and services like a given company. Because of the close similarities in the goods or services produced, the companies use same supplier/inputs and target same customers. This generates competition among companies. To beat competition, marketers must seek competitive intelligence in order to gain competitive advantage. Competitive intelligence involves gathering adequate information about all competitors and consumers. The competitors' market share, pricing, promotion, product development, and distribution strategies should be analyzed by a rival company so as to counter attack with more effective or aggressive strategies. On the other hand, information about the needs, taste, preferences, sex, age, religion, and culture of the consumers, etc. can assist a company in tailoring its goods and services toward satisfying and delighting the consumers better than its competitors.

To mitigate the unfavourable effects of competition, especially by large corporations on the small companies, there is now a paradigm shift towards 'co-opetition'. By **co-opetition**, two or more companies doing business in the same industry cooperate and compete with each other simultaneously. That is, two or more independent companies usually form alliance and cooperate together in some identified business activities, but they still compete in other areas not covered by alliance. The advantages that accrue to companies that opt for co-opetition is usually greater than the benefits derived by companies that either embrace co-operation or competition strategies separately.

d. **Shareholders:** These are owners of a marketing firm or the organization in which a marketing department exists. Shareholders are basically interested in dividends, and capital gains from price appreciation in the stock market. When dividends are not declared, the shareholders may become uninterested in the company and will sell their shares in the stock market. This action will certainly cause prices of the company's stock to fall in the stock market thereby scaring away potential investors from investing in the company.

e. **Creditors:** These are business organizations that supply the company with goods on credit. It also comprises individuals and financial institutions that advance loans to a marketing firm. It is important for marketers to establish good relationships with their creditors by settling their debts as and when due. Failure of a marketing firm or department to meet her financial obligation may result in denial of credit facilities and even litigations.

f. **Local community:** This represents the marketing firm's immediate physical environment. Companies can damage the quality of their immediate environment through pollution; they can also cause other negative externalities such as cacophonies. All these can provoke the local community into taking actions that may not be in the good interest of the company. Thus, companies should be socially responsible by recruiting some of their employees from the local community, and sponsoring local community development projects. By being socially responsible, the local community will see the company as theirs and will be ready to protect it instead of attacking it.

ii. Macro environment

Macro environment can be described as the larger societal factors or forces that affect the marketing goals, decisions and activities. The larger macro environmental factors can shape business opportunities and pose threat to a marketing firm. It is of great importance to note that while the micro environmental actors can be identified, analyzed and interpreted for appropriate decision by all management levels, the macro environmental forces can only be adequately analyzed and interpreted for appropriate decision making by the top management. This is because changes in the macro environmental forces may require the alteration of the entire organization goals, and this is within the realm of top management.

The macro environmental forces include political, economic, socio-cultural, technological, legal, ecological, natural, and demographic forces (PESTLEND). These factors are explained below.

a. **Political forces**: Political stability of a given country is very critical to the success of business enterprises. This is because frequent changes in government could mean inconsistencies in government policies, which can hamper organizations' long-term marketing goals. For example, the privatization and commercialization policies of Babangida's administration was discontinued by Abacha's administration between 1993 and 1998. The policy was reinvigorated by the Abdulsalami's regime and subsequently inherited by Obasanjo's democratic administration. The privatization exercise presented opportunity to some local companies to diversify or expand their businesses through friendly acquisition of state-owned-enterprises. To exemplify, Dangote Company diversify into cement production when it acquired Benue Cement Company Plc in 1990's. Ocean and Oil Nigerian Plc expanded her oil business when it acquired Unipetrol Nigeria Plc. However, the sale of one of the state owned petroleum refineries to Dangote groups in 2007 by Obasanjo's administration was revoked in the same year by Yar'Adua's administration. This spells how devastating change in government could be. Furthermore, foreign direct investment in Nigeria were adversely affected during Late President Yar'Adua's hospitalization in Saudi-Arabia for fears of change in government. Similarly, when the All Progressive Congress's candidate, General Muhammadu Buhari won presidential election and assume power in Nigeria in May 2015, new economic policies were introduced which affected some companies positively, and others negatively. Companies importing goods into the country were adversely affected due to withdrawal of waiver of import duties and banning importation of certain goods that could be produced in Nigeria. However, the allocation of 30 percent of the 2016 budget to capital project as against 10 percent under PDP government could create 20 percent more jobs for construction companies in the private sector and unemployed youths.

b. **Economic conditions/environment:** This refers to macro-economic variables such as tax rates, inflation rate, interest rates, employment levels, etc. Each of these variables could either present business opportunities or threat for marketing firms or companies' marketing department, thus the need for their continuous monitoring.

Economic cycles can also affect a firm's marketing activities positively or negatively. During economic boom, factors of production including labour are fully employed, hence consumers earn enough incomes to buy goods and services. The reverse is the case during recession.

c. **Socio-cultural environment:** Socio-cultural issues have to do with values, norms and beliefs that shape people's perceptions, behaviuor and decisions about the world in which they live. Culture can simply be described as a way of life of a group of people: how they dress, eat, greet, worship, welcome and celebrate the birth, mourn and bury the death, conduct marriage, etc. All these variables have a lot of implication for companies. First, the business name, product and general operations must be in consonance with the culture of the host community and target market. Second, is the fact that some cultural values, called core values, are static and not open to change, for example, getting married, burying the death, working, worshipping, etc. Hence, businesses must identify and adapt their products and services to the core values of their target markets.

d. **Technological environment:** Technology is fast changing. Many products we use today were not available few decades ago. Abubakar Tafawa Balewa did not use ATM to withdraw in banks in 60's, neither did Obafemi Awolowo use GSM cell phones to make calls in Nigeria or use internet to send mails to political and business associates in 80's. Companies that use latest technologies to carry out production are likely to produce better products, enjoy economies of scale, and thus gain competitive advantage above its competitors that stick to old and outdated technologies. Of importance to note is that new technologies create new markets, new business segments, and reduce production/operation cost. However, technology can push an existing successful business out of market. Remember how Micro-Soft Computers made the popular IBM Company unpopular. Also remember how AIT is making the popular NTA unpopular in Nigeria, and how MTN, Glo, and Zain have made the popular NITEL unpopular.

e. **Legal forces:** The legal forces are concerned with various laws that affect businesses. The law dictates how marketing activities can be conducted in a given country. Marketers must be conversant with the legal system as it affects marketing conducts and the entire company so as to avoid outright closure of their businesses and arrest of the marketers by the law enforcement agencies. There are several laws – consumer protection law, packaging and branding laws, promotion laws - put in place for marketers to abide by.

f. **Ecological forces**: Production and marketing activities have, overtime, affected the environment negatively in terms of environmental pollution (air, water, and land), ozone depletion, global warming, solid waste, and human diseases with their attendant consequences like flood, earthquakes, colossal death of sea and land animals, blockage of drainage or sewage systems, and lost of many lives to man-caused natural disasters and diseases such as cancer and diabetes. Therefore, ecological forces of marketing are concerned with how to protect man's environment through marketing activities and how not to allow marketing activities to destroy man's environment. In other words, the need to use new marketing strategies like phosphate free, sugar free, refillable bottles, recyclable packaging, ozone friendly, environmentally friendly/harmless, and green ingredients, etc. to either eliminate or minimize the negativities of marketing activities on the environment (atmosphere, land, sea, animals, and people). The alternative names for ecological forces are green forces/marketing and environmental marketing.

g. **Natural environment:** This refers to all natural resources in the oceans, atmosphere, and land. Some of these natural resources are renewable while many are non-renewable. Examples of the renewable resources are forest trees, fishes and agricultural raw materials. Resources such as air, oil, quarry, water, etc are non-renewable. It is a fact that the world natural resources are drying up because of man's action, mainly production activities. Large industries emit a lot of smoke into the atmosphere, reduce the quality of the air and destroy lives, cause global warming which is partly blamed for the shrinking of the world raining season and global food scarcity in 2007/2008. They also pollute the water and destroy the aquariums there by depriving the local communities' source of livelihood. A case at hand is the throwing of the people of Niger Delta into abject poverty because their land is destroyed by air and water pollution by Multinational oil companies.

In Nigeria, one of the booming businesses is the Pure or Packaged Water business, and the source of their water is mainly boreholes. Of great concern is that when many boreholes are drilled in a given area, they cause the drying up of underground water and subsequently deprive all well users with daily needed water. Some geologists attributed the collapse of many buildings in Nigeria to the drying up of the underground water. As an advisory note, it is important for companies to use non-renewable resources wisely. Companies can jointly sponsor *replacement projects* of the renewable resources for the benefit of the generations unborn. Concisely, marketers must imbibe the *societal marketing concept*.

h. Demographic forces: By definition, demography is the statistical study of human population and its distribution characteristics in terms of size, density, location, age, gender, race, religion, and occupation. The demographic forces are important to companies and their marketing units because they involve people who make up the market. Nigeria is the tenth most populated country in the world, and first in Africa. Perhaps this is the reason behind the rush by the Newly Developed Countries (NDC) such as China, Taiwan, India, and other tiger nations into the Nigerian market. Since Nigeria population is estimated to be growing at 3 million persons per annum, it means that the Nigerian market is also growing rapidly. The high population growth presents greater market opportunities for small and large companies. However, it is not the size of the population that actually constitutes a market but rather the purchasing power of the people. Hague-Rahman (2007:1) describes the demography of Nigeria as:

Nigeria, with its young democracy, a population of 125 million people (now over 140 million) made up of 250 ethnic groups, diverse languages and religious faiths, faces enormous challenges today. As one of the 20 poorest countries in the world, Nigeria has to put up with a worsening poverty situation particularly among the rural communities. About 72% of the population is now classified as poor and more than 35% of the population is living below the US$ 1 per day poverty level. Poverty is particularly widespread in rural areas where 40% of the rural population live below the poverty line.

More than 50% of the population do not have access to safe water and 10% of the population (or 12 million people) are undernourished. Thirty five percent of children under 5 years old are underweight and 42% are stunted compared to 30% and 41% respectively in sub-Sahara Africa. The problems of malnutrition are compounded as more than 5% of the rural population are affected by HIV/AIDS and more that 50 million Nigerians suffer from a combination of protein energy malnutrition, Vitamin A deficiency, iron deficiency anemia and iodine deficiency diseases. The majority of these are women and children. Currently, the incidence of poverty is 58% in female-headed households, more than double the level of 27% recorded in 1980.

A critical assessment of the described demography of Nigeria reveals many market opportunities. For example, as much as 60-70 million people in Nigeria needs safe drinkable water and protein, vitamins, iron and iodine. Perhaps, this explains the reason why Peak Milk claims to be fortified with 28 vitamins and minerals; Cowbell also claims to be fortified with 28 vitamins and minerals; Indomie is branded as "tasty nutrition, good for your body" and rich in vitamin A (good for eyes), vitamin B (good for brain), protein (good for kidney), and calcium (good for bones).

STABILITY OF THE MARKETING ENVIRONMENT

The stability of environment in which enterprises operate exists in different degrees.

1. **Stable environment:** This is a marketing environment in which various forces of economic, technology, law, and culture remain stable from year to year.

2. **Slowly evolving environment:** This is a slowly evolving marketing environment in which smooth and fairly predictable changes take place.

3. **Turbulent environment:** A marketing environment in which major and unpredictable changes occur often.

4. **Complex environment:** A marketing environment that could be stable, slow evolving, or turbulent.

Relationship between Controllable and Uncontrollable Variables

The relationships existing between controllable and uncontrollable variables are explained below:

1. The controllable variables (employee, company resources, the management team, departments and marketing mix) can be manipulated by the company. In contrast, the uncontrollable variables cannot be manipulated the company or marketers. Therefore, companies and marketers are expected to use the controllable variable to study and understand the uncontrollable variables, and then adapt to them (i.e. the uncontrollable variables).

2. The controllable variables are areas where the company may have **strengths** and **weaknesses**. The uncontrollable variables represent either **opportunities** or **threat** to the organizations. Therefore, companies and marketers must carry out SWOT analysis in order to match company's strength with environmental opportunities, and decrease the company weaknesses in the face of environmental threats.

ENVIRONMENTAL/SCOT ANALYSIS

Environmental analysis is a strategic tool used by marketers to identify and evaluate external and internal organizational factors that influence the organizational goals, activities as well as survival and growth strategies. Environmental analysis can also be regarded as the process of evaluating all external and internal elements that can affect the performance of the organization, and evaluating the level of threats or opportunities from the external elements, and weaknesses/challenges or strengths from the internal elements. Environmental analysis is a times called SWOT or SCOT analysis.

SWOT/SCOT

SWOT or SCOT is an acronym for Strengths, Weaknesses or Challenges, Opportunities, and Threats. SW or SC is related to the internal environment, while OT is related to the external environment. SWOT or SCOT is the outcome of environmental analysis.

SELF-ASSESSMENT QUESTIONS

1. “Marketing firms do not operate in vacuum.” Illuminate.

2. Discuss the extent to which the internal environmental factors can shape the decision and destiny of marketing organizations.

3. Your company’s manager felt that since it is impossible to control the external environmental factors, the company should turn a blind eye on them. As a marketing manager, discuss the appropriateness or otherwise of this decision on the marketing department and entire organization. (2010 Exam Question, IBBUL).

4. With relevant examples, explain the following:

a. stable marketing environment;

b. turbulent marketing environment.

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CHAPTER FIVE

MARKETING RESEARCH

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. a. Define marketing research.

b. Identify and explain marketing research process.

2. a. Define market forecasting;

b. List and explain market forecasting methods.

MARKETING RESEARCH DEFINED

Marketing essentially deals with effective identification of consumer needs and finding means of satisfying those needs. To identify and satisfy consumer needs, it is important to conduct marketing research.

Research is the systematic process of generating, analyzing and interpreting data or information for solving an identified problem, resolving critical issues and making informed decisions. Thus, marketing research can be regarded as the systematic process of generating, analyzing and interpreting data or information for solving an identified marketing problem, resolving critical marketing issues and making informed marketing decisions. Kotler and Keller (2007) see marketing research as the systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company. In another definition by the American Marketing Association {AMA} (1987), marketing research is the function that links an organization to its markets through the gathering of information.

FEATURES OF A MARKETING RESEARCH

A careful study of the above definitions of marketing revealed some features of a marketing research. These are:

1. **Marketing function**: Marketing research is one of the fundamental functions of a marketing department or firm. Thus, firms' marketing departments should be able to conduct simple marketing research. However, complex marketing research projects can be contracted to marketing firms that specialize in this area.

2. **Systematic process:** Research is a systematic process and marketing research is not an exception. The process includes identifying and defining a research problem, stating research objectives, questions and hypotheses, gathering data, analyzing data, presenting or reporting findings, and making decisions.

3. **Links a company to the market:** As earlier mentioned, *anticipation* and *identification* of consumer needs is the starting point of marketing and precedes

production. The marketing function that ascertain whether consumers have a need for a product or not, whether the need is substantial for desired profitability or not, and whether the consumers have the purchasing power or not, is marketing research. When consumers' needs exist and the purchasing power is strong, a company is said to have identified a market to serve with goods and services at a profit. By so doing, the company is linked to the market.

4. **Means of solving identified marketing problem**: When companies are confronted with problems associated with customers, products, price, distribution, communication/promotion, sales, and competition, etc they usually organize, fund and execute marketing research projects in order to unravel the root cause of such problems, and thereafter tackle them with the appropriate marketing strategies.

5. **Means of resolving critical marketing issues:** Marketing, like many other fields, is inundated with several theories dealing with two or more variables. Often, two or more variables are assumed to be directly or inversely related. However, such assumption may not be true in all cases, especially in practical business situation. For example, two critical marketing issues in every company – advertising and sales - are assumed to have direct or positive relationship with each other. But the fact remains that advertising is a cost element and may erode realizable profit without necessarily increasing sales. Therefore, this kind of marketing dilemma can be resolve through a case study of a particular company's advertising expenditure and sales for a given period, say 30 months.

6. **Means of making informed decision:** The ultimate goal of marketing research is to avail marketing managers with the executive summary of the research problems, methodologies, findings and recommendations for further managerial action. Such research report usually clears doubt and give mangers the confidence to make certain decision.

DIFFERENCES BETWEEN MARKETING RESEARCH AND MARKET RESEARCH

The terms *marketing research* and *market research* are often used interchangeably but they differ in meaning. The terms are used interchangeably because they are both related to each other to a large extent. However, technically they are distinct in many ways.

First, Market Research is concerned with getting information about customer, competition, and industry in general, *while* Marketing Research is concerned with getting Information about product and consumer preference.

Second, Market Research is a superset. It explores various market segments, market trend, market growth, market potential, competitive analysis, market forecast, and SWOT and PEST analysis for a particular market. On the other hand, Marketing Research is the subset of Market research. It covers the market related information of a particular company/business. It mostly explores various strategies (channel related, advertising, and promotion) adopted by a particular business house. In addition, it includes customers' preference for the company's products/services (See Figure 5.1).

Figure 5.1: Differences between Marketing Research and Market Research

Third, Marketing Research is the right term to be used when management or a researcher first identifies a marketing problem before conducting a research. Market Research is more appropriate when management or a researcher conduct a research about a market without knowing in advance what the problem at hand is, but mainly seeks to benefit from the data or information generated from the activity.

MARKETING RESEARCH PROCESS

Effective marketing research involves seven steps: defining the problem, stating the research objectives, developing research plan/design, gathering data, analyzing the data, presenting the findings, and making the decision. The steps are explained below:

1. Defining the Problem: The existence of a marketing problem calls for a research. That is, there must be a marketing problem before there can be marketing research. However, marketing problems are not glaring, thus they have to be searched and identified. What is glare are the symptoms of a marketing problem such as declining patronage, sales, market share and profits, and unhappy customers. Thus, a marketing research problem has to be identified and clearly and adequately defined. This is necessary because problem identified is half solved. At this juncture, we may ask: "what is a marketing research problem?"

Technically, a marketing research problem is the gap between what is known and what is desired or yet to be known in the field of marketing. It can also be regarded as the deficiency or cause(s) of deficiency between the desired result and the actual result on issues relating to marketing. However, it is good to note that the academia and practitioners view marketing problem differently. The first definition reflects the academia's view of a marketing research problem, while the second definition reflect the practitioners/firms' view of a marketing problem. Hair, Bush and Ortinau (2000) present the fundamental and philosophical differences between management (practitioners) and researchers using eight *attribute differences* as shown in Table 6:1.

Table 5.1: Fundamental and Philosophical Differences Between Management and Researchers

Attribute Differences	Decision Makers	Researchers
1. Research motivation	To make symptoms disappear	To discover the true facts and relationships
2. Disposition to knowledge	Want answers to questions	Want to ask questions
3. Orientation	Pragmatic, subjective	Scientific, objective
4. Responsibility	To make profits	To generate information
5. Use of the		

research	Political	Nonpolitical
6. Organizational position	Line/middle/top management	Supportive staff, specialist
7. Level of involvement	Highly involved, emotional	Detached, analytical
8. Training	General decision making	Scientific/technique application

Source: Hair, Bush and Ortinau (2000:62), Marketing Research: A Practical Approach for the New Millennium. Singapore: Irwin McGraw-Hill.

2. Stating Research Objectives, Questions and Hypotheses: At the outset of every research, there is need to define or state the research objectives. Without defining the research objectives, the research will have no direction and end up achieving nothing. Remember the saying "if you do not know where you are going, you will never get there."

The aim and objectives of a research specify the general and specific purpose of the research. *Aim* refers to primary goal of the study and is usually stated in one-sentence, while *objective* refers to specific goals of the study. The research objectives are usually itemized in sentences.

In stating research objectives, key action words such as *identify, evaluate, examine, determine, ascertain, verify, investigate, appraise, assess,* etc. are used. Ultimately, the aim and objectives of study usually point to the methodology of the study. Also, aim and objectives should be operational, measurable and achievable. If the stated research objectives are achieved, then the management or decision makers will have the information required to solve the identified marketing problem.

Research questions are interrogative statements about two or more variables. Research questions take queue from the research objectives, and vice versa. However, hypothesis is a tentative supposition subject to statistical testing. Put differently, hypothesis refers to intelligent guess about the relationship between two or more variables or events.

For clarity, the following examples highlight the linkage between research objective, research question and hypothesis.

- Research objective: To *investigate* the relationship between advertising and sales.
- Research question: *What* is the relationship between advertising and sales?
- Research hypothesis: Advertising exerts significant influence on the company's sales.

3. Developing a Research Plan/Design: *Data collection and analysis* are the hallmark of every research. For research finding to be reliable, the research data and analysis must also be relevant and accurate. To obtain research data that is relevant, accurate and reliable, the procedure for collecting and analyzing data must be adequately specified, validated, and documented in advance. Thus, a research design is a master plan of the methods and procedure that should be used to collect and analyze the data needed by the decision maker (Hair *et. al.*, 2000). It entails that the researcher must determine at the time of the commencement of research where, how, when, and from whom to collect data; it also entails spelling-out the design technique, appropriate statistical instrument for data analysis, the research budget and duration.

Research design is a major component of a research proposal. It usually occupies chapter three of Bachelor Degree, Master's Degree and Ph.D. projects/thesis' proposals or final research projects/thesis. A good research design consists of the type of research, population of study, sample size and sampling procedure, data collection technique, measurement of research variables, and method and procedure of data analysis.

4. **Gathering data:** At this stage, the researcher begins to implement the research plan. He first determines the source(s) of data to best answer the research questions. If the researcher is interested in determining consumers' perception or opinion about a company's product or service quality, prices and promotion, etc., then he/she collects raw data by asking consumers questions verbally (using structured or unstructured interview) or in written form (using questionnaire). It is very expensive to generate raw or primary data.

If, however, the researcher is interested in identifying the market demography, economic trends, market structure, market size, market share, market growth, etc., then he/she requires documented or processed data, called secondary data. Secondary data can be obtained from *internal secondary data sources* or *external secondary data sources.*

Internal secondary data sources refer to data collected by individual firms for accounting purposes, production purposes, and marketing activity reports.

External secondary data sources refer to data collected by outside agencies such as international institutions, governmental institutions, trade and professional associations or private research firms. Examples of international institutions are World Bank, International Monetary Fund, Transparency International, and United Nations, etc. Examples of governmental institutions in Nigeria are Central Bank of Nigeria, Federal Office of Statistics, Stock and Exchange Commission, Nigerian Stock Exchange, National Population Commission, National Communication Commission, Standard Organization of Nigeria, Corporate Affairs Commission of Nigeria, Bureau for Public Enterprises, etc. Manufacturers Association of Nigeria, Nigeria Institute of Management; and private research firms are some of the examples of professional associations. It is less expensive for the researcher to generate secondary data as they have already been collected and documented.

5. **Processing and analyzing data:** Good knowledge of statistics is required during data processing and analysis. Data obtained by means of questionnaire need to be summarized into a smaller form. The statistical tools used in summarizing data are measure of averages (mean, median and mode) and measure of dispersion (range,

variance, and standard deviation). These tools are also used to measure and rank research variables.

To test the research hypothesis and make inferences, it is mandatory to use inferential statistical tools. These are chi square, covariance, correlation analysis, ANOVA, MANOVA, and regression analysis statistical tools, etc.

6. **Presenting the findings (communication of result):** Through data analysis, the research findings are determined and the research objectives are effectively achieved. Results of the analysis are to be reported without bias. Such results are used to make generalization and to discuss the implications to the management.

No matter how perfectly the research project was designed and implemented, if the results cannot be effectively communicated to the client, the research project cannot be considered a success.

The parts common to all marketing research report are as follows:

i. Title page
ii. Table of Contents
iii. Executive Summary
iv. Introduction
v. Research objectives
vi. Concise statement of problem
vii. Review of related literature
viii. Research method and procedure
ix. Data analysis and findings
x. Conclusion and recommendations
xi. Limitations
xii. Appendixes

7. **Taking managerial decision:** Managers often welcome the outcome of research with mix feelings for two reasons. First, managers welcome research findings with happiness because it ought to provide managers with best course of action to take in order to solve the marketing problem at hand. Second, managers are also likely to treat the research findings with doubt because such findings could be marred by poorly designed research methodology and could mislead the company if implemented.

All things being equal, research is expected to provide the management with findings and courses of action (in the form of recommendation) to aid informed managerial decision. Research aids rational decision instead of subjective, trial-and-error, intuitive decision.

SELF-ASSESSMENT QUESTIONS

1. a. Attempt a definition of marketing research.

b. List and briefly explain the marketing research process.

2. Discuss any three (3) differences between “market research” and “marketing research.”

3. The company which you are serving as the marketing manager has just discovered a sharp fall in its market share and has called upon you to dig in to the root of the problem and proffer solutions for informed management decision. Describe how you will go about this exercise. (2010 Exam Question, IBBUL)

4. Discuss four (4) reasons why managers fail to implement research findings and recommendations.

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CHAPTER SIX

MARKET FORECASTING

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define market forecasting.
2. Highlight the importance of market forecasting.
3. List and explain types of forecasting.
4. Forecast future demand using quantitative techniques.

CONCEPT OF FORECASTING

Forecasting involves predicting or estimating what will happen or occur in future. It is good to note that *forecast* is not the same as *prediction*. Prediction is the language of soothsayers, while forecasting is the language of scientists. Prediction is made not based on past data, while forecast relies on past data to determine future occurrences. Prediction made by one person can hardly be verified by another because no scientific or mathematical techniques are used for prediction, while forecast is always verifiable because it adopts some techniques.

Marketing managers of business organizations frequently make demand/sales forecast to make decisions on whether to enter a particular market or not, or produce more or few products for a particular market. A good forecast gives a true picture of what the future holds – the prospects and the dangers. Hence, the need for prospective marketing managers to acquaint themselves with techniques of forecasting to be able to perform optimally in real situations.

RELEVANCE OF FORECASTING IN MARKETING

1. Forecasting complements marketing research. While marketing research identifies market opportunities, forecasting evaluates such opportunities in terms of profitability.
2. Forecast measures the sales potential of each market opportunity.
3. It measures the growth potential of each market opportunity.
4. It estimates the profit for each market segment.
5. Sales and profit forecasts are used by the manufacturing department to determine plant capacity and output level.
6. Sales and profit forecasts are used by the human resources department to determine the number and caliber of staff to hire.
7. Sales and profit forecasts are used by the purchasing department to determine what to supply to the market for a given period.

8. Sales and profit forecasts are used by the finance department to secure loan from a financial institution.

METHODS OF FORECASTING FUTURE DEMAND

There are several techniques and/or models for forecasting future demand. In this chapter, only the two major techniques of forecasting are discussed. These are *qualitative* forecasting techniques *and quantitative* forecasting techniques (see Figure 6.1).

Figure 6.1: Methods of Forecasting

QUALITATIVE FORECASTING MODELS

As the name implies, qualitative forecasting models use personal opinion and experience to estimate future demand and sales for a company or industry. Forecast made by means of qualitative models is less reliable because it lends itself to subjectivism, intuition, and irrationality. Six types of qualitative forecasting models are Delphi method, sales force composite, survey of buyers' intentions, and expert opinion.

1. **Delphi method:** Here, a group of independent experts in research is asked to do the forecast after data must have been obtained from the respondents (e.g. consumers). Members of the group are oblivious of others but their activities are coordinated by a company staff. All experts' forecast are assembled together and reviewed to establish consistency and variance. Any expert whose forecast varies considerably from others is invited for additional explanation. Afterwards, a summary of all the forecast are made and circulated to each member for further assessment and input. Finally, a consensus forecast is produced.

2. **Sales force composite**: In this case, each of the company's sales force is asked to estimate future market demand and sales for the area or market he/she covers. The shortcoming of this approach is that sales representatives may deliberately underestimate future sales to avoid high sales target being set for them. To overcome this problem, company reviews the forecasts to ensure that they are realistic. Finally, forecasts for all sales people in all the company branches are summed together to arrive at overall national forecast.

3. **Survey of buyers' intentions**: This approach is based on the philosophy that if market forecasting is all about determining buyers purchasing intentions in future, then buyers should be quizzed on whether they are likely to buy a given commodity in future or not. A *purchasing probability scale* is usually used to elicit information from the consumers {Figures 6.2(a) and 6.2(b)}.

Do you intend to buy a Nokia cell phone in the next six months?

0.00	0.20	0.40	0.60	0.80	1.00
No chance	Slight possibility	Fair possibility	Good possibility	High possibility	certain

Figure 6.2a: A Purchasing Probability Scale

Do you intend to buy a television within six months of securing employment?

0%	.20	.40	.60	.80	1.00
No chance	Slight chance	Fair chance	Good chance	High chance	certain

Figure 6.2b: A Purchasing Probability Scale

4. **Expert opinion method**: Marketing experts such as channel members (retailers, wholesalers, agents, dealers), suppliers, marketing consultants, and trade associations are a good source of reliable forecast. Given the nature of their jobs, marketing experts are better positioned to make forecast for firms than firms' marketing personnel. Hence, firms buy information and forecast from the marketing experts.

5. **Test marketing method:** This method is often used to forecast demand for new products. While using this technique, new products are placed in a shop or market and consumers' behaviors toward the product are observed. The data obtained through the observation are used to forecast future demand for the product.

Market testing can also be done by simply distributing few new products to some consumers in the target market. Consumers' reaction to the product in terms of demand are recorded and used to forecast future demand.

6. **Consumer panel survey:** Here, a panel of consumers is formed and questioned about their purchase plans. Their responses provide a hint for future demand.

QUANTITATIVE FORECASTING METHODS

Quantitative forecasting models use numerical data and mathematical/statistical techniques used to estimate future demand, sales or profit. Therefore, they are more objective and reliable than qualitative forecasting methods. Quantitative models are broadly divided into two: time series and causal models. (Our emphasis shall be on time series model)

Time series forecasting model

Companies that have been in existence for some time have data on sales, demand and profits for different periods (days, weeks, months, years, etc.). The arrangement of these data in a chronologically order (e.g. sales from January to December, or sales from 1991 to 2010) is what is called "time series."

Time series can be decomposed into four components: secular trend, seasonal variation, cyclical variation, and erratic/random variation.

i. **Secular trend:** This refers to the changes that occur in the pattern of demand or sales as a result of general tendencies. In other words, time series data or graph is not likely to maintain a regular movement or pattern in the long-run, rather a combination of upward and downward movements. This is because sales and demand are affected positively or negatively by several factors in the very long run.

ii. **Seasonal variation**: This refers to changes in sales or demand that only occur periodically, mainly as a result of changes in weather condition.

iii. **Cyclical variation:** Changes in the economic cycle – boom, burst, recession, depression, and recovery – affects demand and sales positively and negatively.

iv. **Erratic/Random variation:** Random variations are caused by factors such as war, earthquake, flood, fire outbreak, or other man-made and natural disasters.

Time Series Models

There are several models that use time-based data to project future sales and demand. Three of those models discussed in this book are moving averages, exponential smoothing, and trend projection.

i. **Moving Averages:** In this method, the average/mean value of market demand or sales for the past few months (3 past months) is used to forecast the future value of demand/sales.

Formula:

Where:

Y_1 = demand for the first week, month, quarter or year.
Y_2 = demand for the second week, month, quarter or year.
Y_n = demand for nth or last week, month, quarter or year.
N = Total number of items or number of data points.

Example 1: Use the data in Table 6.1 to calculate:

(a) 4-months moving average, and

(b) 3-months weighted moving average.

Table 6.1: Consumers Demand for Cartons of Detergent for 12 Months

Month	1	2	3	4	5	6	7	8	9	10	11
Demand (Carton)	200	195	197	210	220	215	239	232	240	202	28

Solution

(a) 4-Months Moving Average (MA)

Step 1: Add the demand for the first 4 months (Jan-Apr) and divide by 4.

(200 + 195 + 197 + 210) ÷ 4 = 401.

Step 2: Enter the result in the 5th month (i.e. May) and in column 4. Note that the first four (4) months (of the first 4 cells) in column 4 will remain empty.

Step 3: Repeat the process to obtain the result for the month of June. However, the initial value (i.e. 200) in that series (i.e. 200, 195, 197, 210) is dropped. We have three numbers left while 4 numbers are required at all time (remember it is 4-months moving average). So we add the number following the last in that first series which is 220. We now have 195, 197, 210, and 220.

(195 + 197 + 210 + 220) ÷ 4 = 411. (Enter the result in the 6th row for the month of April).

Step 4: Repeat the process to obtain the result for the remaining months of the year.

Table 6.2: Calculation of MA and WMA

Month		Demand (bags)	4-months Moving Average (MA)	3-months Weighted Moving Average (WMA)
Jan	1	200		
Feb	2	195		
Mar	3	197		
Apl	4	210		{(197x3)+(195x2)+(200x1)}÷6 = **196.8**
May	5	220	(200+195+197+210) ÷ 4 = **200.5**	{(210x3)+(197x2)+(195x1)}÷6 = **203.2**
Jun	6	215	(195+197+210+220) ÷ 4 = **205.5**	{(220x3)+(210x2)+(197x1)}÷6 = **212.8**
Jul	7	239	(197+210+220+215) ÷ 4 = **210.5**	{(215x3)+(220x2)+(210x1)}÷6 = **215.8**
Aug	8	232	(210+220+215+239) ÷ 4 = **221**	{(239x3)+(215x2)+(220x1)}÷6 = **227.8**
Sep	9	240	(220+215+239+232) ÷ 4 = **226.5**	{(232x3)+(239x2)+(215x1)}÷6 = **231.5**
Oct	10	202	(215+239+232+240) ÷ 4 = **231.5**	{(240x3)+(232x2)+(239x1)}÷6 = **237.2**
Nov	11	182	(239+232+240+202) ÷ 4 = **228.25**	{(202x3)+(240x2)+(232x1)}÷6 = **219.7**
Dec	12	170	(232+240+202+182) ÷ 4 = **214**	{(182x3)+(202x2)+(240x1)}÷6 = **198.3**

(b) **Weighted moving average (WMA):** This method differs slightly from 'moving averages' because it assign weights to each month. The *weight* for each month is then multiplied by demand for the corresponding month, the results are then summed and divided by the sum of all the weights. This is mathematically expressed in the formula below:

Formula:

Where: Y = monthly demand

1, 2, … n = (period 1, 2, 3, … to the nth period)

W = Weight assigned to each month (e.g. first month=1, second month=2, third month=3, etc.)

Step 1: Since we are required to compute 3-months WMA, we consider the first 3 months in column 1 (January, February, and March).

Step 2: Assign weights to the month in an ascending or descending order (Jan=1, Feb=2, Mar=3) or (Mar=3, Feb=2,Jan=1).

Step 3: Multiply the *weights* by their corresponding monthly *demand* (1 x 200, 2 x 195, 3 x 97). Then sum the results (591+390 +200=196).

Step 4: Sum the weighted values (1+2+3=6). Then divide the result obtained in step 3 by the result obtained in step 4, e.g. (196 ÷ 6 = 196).

Step 5: Enter the result/forecast in the 4^{th} month (i.e. April).

Step 6: Repeat the process. Feb=1, Mar=2,Apr=3.

Hence, = .

This is the demand forecast for May. And so on.

ii. **Exponential Smoothing:** This technique uses the weighted average of all the previous values (i.e. demand) to forecast for the next period. Hence, it is better than *weighted moving average technique* in which the weighted average values for few previous months are considered. The following formula is used for computing exponential smoothing.

Formula: $F_{t+1} = F_t + \alpha (Y_t - F_t)$

Where: F_{t+1} = current forecast.

F_t = Last periods forecast value

α = alpha (this is usually given).

Y_t = last period's actual demand value

The formula is fully defined in words as:

Example II: The demand for a particular item during the 10 months of a year is given in Table 6.3. Assuming the initial forecast value (F_t) is 108 and α is 0.2, forecast the demand for next year using exponential smoothing technique.

Table 6.3: A firm's market demand for a period of 10 months

Table 6.3: A firm's market demand for a period of 10 months

Month	1	2	3	4	5	6	7	8	9	10	11
Demand	113	101	98	107	120	132	110	117	112	125	120

Solution

Step 1: Obtain the formula "$F_{t+1} = F_t + \alpha (Y_t - F_t)$"

Step 2: Define the formula.

F_{t+1} = 't' stands for 'period 1'. So $F_{t+1} = F_2$. Since $F_1 = F_t = 108$, we determine F_2 (forecast for period 2), F3 (forecast for period 3) and so on.

$\alpha = 0.2$,

$Y_t = 113$

Step 3: Substitute the values in the formula.

$F_2 = 108 + 1 = 109$

Table 6.4: Calculation of Future Demand (i.e. year 2010) using Exponential Smoothing Method

Month		**Demand (Y)**	F_t
Jan	1	113	108
Feb	2	101	109
Mar	3	98	107.4
Apr	4	107	105.5
May	5	120	105.8
Jun	6	132	108.7
Jul	7	110	113.3
Aug	8	117	212.7
Sep	9	112	213.5
Oct	10	125	113.2
Nov	11	120	115.6
Dec	12	122	117

iii. **Trend Projection:** This method of forecasting relies on time series data to carry out secular trend projection (long-term tendency). In effect, this method is restricted to secular trend analysis while other types of time series forecasting - seasonal, cyclical and random variations cannot be forecasted using trend projection.

Least square formula used for trend projection is: $Y = a + bx$

Where Y = dependent variable (i.e. the trend value that is being predicted)

a = the intercept

b = the slope of the trend line (i.e. it shows the impact of the independent variable)

x = the independent variable (e.g. time)

The following formulae are used to obtain the values of parameters 'a' and 'b':

b =

a =

Where:

ΣY = adding all the dependent variable's values

ΣX = adding all the independent variable's values

ΣXY = adding all the products of 'X' and its corresponding 'Y'

ΣX^2 = adding all the X-square values

n = number of data points

= arithmetic mean of 'X' multiply by the arithmetic mean of 'Y'

= arithmetic mean of 'Y'

= arithmetic mean of 'X'

Example III: The sales of a firm are given in Table 6.5. below:

Table 6.5: A firm's sales for a period of 9 months

Year (x)	2001	2002	2003	2004	2005	2006	2007	2008
Sales (Units)	52	50	60	62	53	64	69	62

You are required to:

a. Use the principle of least square to fit a straight-line trend equation in the above data.

b. Forecast the sale for the years 2009, 2010 and 2011.

Solution:

a. **Straight line trend equation**

Step 1 = Reproduce straight line trend equation ($Y_t = a + bx$)

Step 2 = Also reproduce the parameters 'a' and 'b' of the trend equation

b = and a =

Step 3: Assign weight to the years (0, 1, 2, 3 ...nth). Let the base year be zero

Step: Find , , ΣXY, and ΣX^2. Substitute the values obtained in 'a' and 'b' formulae in step 2.

= , = = 59, ΣXY = 1736, $\Sigma X^2 = 140$.

b = = = = = 2

a = = 59 – (2 x 3.5) = 59 – 7 = 52

Table 6.6: Summary of straight-line trend equation

Year	**x**	**Sales (Y)**	**XY**	**X^2**	**Y_1 (e.g. Y_t=a+bx)**
2001	0	52	0	0	52 + (2 x 0) = 52
2002	1	50	50	1	52 + (2 x 1) = 54
2003	2	60	120	4	52 + (2 x 2) = 56
2004	3	62	186	9	52 + (2 x 3) = 58
2005	4	53	212	16	52 + (2 x 4) = 60
2006	5	64	320	25	52 + (2 x 5) = 62
2007	6	69	414	36	52 + (2 x 6) = 64
2008	7	62	434	49	52 + (2 x 7) = 66
Total	ΣX=28	ΣY=472	ΣXY=1736	ΣX^2=140	

b. Forecast firm's sales for 2009 and 2010

Y_{2009} = 52 + (2 x 8) = 52 + 16 = 68

Y_{2010} = 52 + (2 x 9) = 52 + 18 = 70

Y_{2011} = 52 + (2 x 10) = 52 + 20 = 72

Table 6.7: Sales forecast for 2009, 2010 and 2011

Year	X	Y_1 (e.g. Y_1=a+bx)
2001	0	52 + (2 x 0) = 52
2002	1	52 + (2 x 1) = 54
2003	2	52 + (2 x 2) = 56
2004	3	52 + (2 x 3) = 58
2005	4	52 + (2 x 4) = 60
2006	5	52 + (2x5) = 62
2007	6	52 + (2 x 6) = 64
2008	7	52 + (2 x 7) = 66
2009	8	52 + (2 x 8) = 68
2010	9	52 + (2 x 9) = 70
2011	10	52 + (2 x 10) = 72

SELF-ASSESSMENT QUESTIONS

1. a. Define forecasting.
   b. Differentiate between forecasting and prediction.
2. Explain the following types of forecasting.
   a. Delphi method
   b. Sale force composite method
   c. Survey of buyers intention
   d. Expert opinion method
   e. Test marketing method
   f. Consumer panel survey.
3. You are required to use the data in table 6.8 to compute/forecast:
   a. 4-months moving average, and
   b. 3-months weighted moving average.
   c. straight-line trend equations
   d. sales for the years 201, 2012 and 2013.

Table 6.8: A firm's sales for a period of 9 months

Year (x)	2003	2004	2005	2006	2007	2008	2009	2010
Sales (N'm)	33	41	51	53	34	55	60	53

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CHAPTER SEVEN

MARKET SEGMENTATION

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define market segmentation;
2. Identify and explain market segmentation levels;
3. Identify bases for segmenting a consumer market;
4. Identify the requirement for effective segmentation;

MARKET SEGMENTATION DEFINED

Consumers have diversity of needs that is largely shaped by factors such as religion, culture, level of education, income, age, weather conditions, and psychological variables such as colour and emotions, etc. In fact, no company can boast of having enough resources to serve all customers with diverse needs and wants, and who are often scattered in large and diverse markets. As a result, firms divide the entire consumer markets characterized with heterogeneous needs into large or small consumer market characterized with homogeneous needs. This is what market segmentation entails. Note that when a market is not segmented, it is called *mass marketing.* Mass marketing involves offering the same product and marketing mix to all consumers. It is the practice of mass production, mass distribution and mass promotion of a particular product to all buyers irrespective of their peculiar needs.

According to Kotler and Armstrong (2006), market segmentation is the process of dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviours who might require separate product or marketing mixes. Schiffman and Kanuk (2000) regard market segmentation as the process of dividing a market into distinct subset of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix. Note that a marketer does not create a segment because segments are natural phenomenal. Through segmentation research, a marketer identifies the segments and selects one or more segments to target and satisfy.

MARKET SEGMENTATION FORMS/LEVELS

1. Segment marketing: When a total market is divided into broad consumer groups with common or homogeneous needs, it is called segment market. For example, secondary school leavers may want to have university education but in different fields: technology, agriculture, arts, education, management and social sciences. Based on these identified needs, marketers can go ahead and segment the entire university education into University of Technology, University of Agriculture, and University of Education as shown in Figure 7.1. Each of these universities is established to provide specific university education.

Figure 7.1: Segment Markets

Another good example from business angle is the Mercedes-Benz Automobile Company, which manufactures different vehicles for road transportation – trucks, vans, buses, jeeps, and cars.

2. Niche marketing: Consumers that comprise one segment market may still have slightly different needs. Thus, a segment market can further be divided into groups of consumers with distinct needs. However, each of the niche group must share similar needs. Proceeding with our former example, consumers who need technology education can further be divided into specific areas such as engineering, environmental studies, mining, and applied sciences. On this basis, a university/faculty of technology can be established to meet the needs of the students that want to study engineering, mining and applied sciences as shown in Figure 7.2.

Figure 7.2: Niche Markets

Narrowing the example of Mercedes vehicles to cars only, different models such A-Class, C-Class, E-class and S-class, etc. are designed to accommodate the needs, tastes and preferences of different consumer groups, each with distinct homogeneous needs.

3. Local marketing: Within a niche market are consumers with peculiar needs. Local marketing is aimed at getting very close to few individual consumers who have similar needs that only very experienced and research-minded marketers can identify and satisfy. It also involves tailoring brands and promotions to the needs and wants of local customer groups – cities, neighborhoods, or even specific stores (Kotler and Keller, 2006). For example, among students who desire to study engineering are those who prefer mechanical, chemical, agricultural, electrical or material engineering. A marketer can satisfy the needs of engineering applicants by creating the aforementioned engineering departments, and admitting and training the students as depicted in Figure 7.3.

Note that the major difference between a *segment market* and *a niche market* is that the former has several competitors while the later attracts only one or two competitors. Competitors are rare in both *local* and *customized markets* (see Figure 7.3).

Figure 7.3: Local Markets

Another example is the establishment of Quranic University in Kano State, Islamic Universities in Katsina State and Kwara State to provide Islamic education and culture to the people of the Northern Nigeria who are predominantly Muslims. In addition, electronics, computers and cars are now being adapted to different local environment; therefore, models such as C-Class (America) and C-Class (UK) are now commonplace.

4. **One-to-one marketing:** This is the lowest level of segmentation. Here, a company tailors its marketing activities to meet the needs of just one individual customer, thus, the name one-to-one marketing. For example, an electrical engineering department with a professor in networking engineering can admit one PhD student per session or provide special networking services to business organizations, government ministries and private homes. Sterling Bank Plc promotes itself as "one customer bank" in her new advert lunched in 2009. There are two forms of one-to-one marketing: personalization and customization.

i. **Personalization:** This is the creation and use of database (i.e. data collected on customers' previous purchases) by a firm to provide a product or marketing mix suitable for an individual customer. That is, personalization is any attempt by the company to design a product that matches the need of an individual customer and no other person(s). This method is often used by the service companies.

Advantages of personalization

a. It surprises the customers at a delight. Everyone wants to be surprised.

b. It provides one with the opportunity of using *one-in-town* product.

c. It enhances customer satisfaction.

d. It enhances patronage and company's profit.

Disadvantages of personalization

a. Personalization is expensive to operate. It requires data and expensive software for implementation. Also, producing for each individual customer is devoid of internal economies.

b. It encourages invasion of privacy. Consumers are often bombarded with text and e-mail messages by companies operating personalization, which are considered as invasion of privacy, and could instigate legal actions.

ii. **Customization:** Customization happens when a customer specifies to the company goods and services (marketing mix) he or she needs. Customized products are often called *custom-made*. The FRSC special number plates fall into this category.

Advantages of customization

a. It provides one with the opportunity of using *one-in-town* product.

b. It enhances customer satisfaction.

c. It enhances patronage and company's profit.

d. It is strategic in the sense that it creates product differentiation and effective positioning.

Disadvantages of customization

a. It is costly to operate.

b. It makes purchase decision difficult by making the choice task very complex.

c. At times customers want everything in a product customized. However, customizing everything in a product is not impossible but very difficult and usually more expensive.

d. Customization raises the expectations of customers which may be difficult to satisfy.

Figure 7.4: Types of Segmentation and Their Differences

Source: Authors conceptualization (2011).

BASES FOR SEGMENTING A CONSUMER MARKET

Generally, descriptive and behavioral variables are used to segment consumer market. When descriptive variables are used, consumer markets can be segmented using geographic, demographic, and psychographic bases. However, if behavioural variables are used, the consumer market can be segmented on the bases of benefit sought, user status, usage rate, loyalty status, etc. At the extreme, two segmentation bases such as geographic and demographic bases can be used to have a deeper understanding of a particular consumer segments. This is called *hybrid segmentation*. Five major segmentation bases are discussed below.

1. **Geographic segmentation:** Here, the market is divided into geographic units such as continents (Africa, America, Europe, Asia, Australia), nations (Nigeria, Ghana, Niger, Mali. etc.), regions (North-West, North-East, North-Central, South-West, South-South, and South-East), cities (Lagos, Ibadan, Porthacourt, Abuja, Kano, Kaduna, Maiduguri, Sokoto, etc.) or neighborhoods. The philosophy behind geographic segmentation is that people who live in the same area are bound to share similar culture and experience the same weather which makes them to acquire similar needs and wants over time. Since each geographical location is characterized with unique culture and weather, people living in two different geographical areas will differ seriously or slightly in terms of needs. MTN Nig. Ltd. adopted this segmentation strategy when it first entered Nigeria market in 2001 by targeting cities first, then towns, and later, villages.

2. **Demographic Segmentation:** Demography is the study of population characteristics such as birth rate, death rate, income levels, age distribution, sex, gender, marital status, family size, occupation, education, religion, nationality and social class. Thus, demographic segmentation is the process of segmenting a consumer market using demographic variables such as age (childhood, adolescence, and adulthood), sex (male and female), marital status (single, married, divorced, widowed), family type/size (nuclear or extended), family life cycle (bachelorhood/spinsterhood, honeymooners, early parenthood, late parenthood, and dissolution), occupation (student, teachers, civil servant, medical doctor, engineer, journalist, lawyer,), etc.

A market can be divided using any of these demographic variables. For example, Friesland foods WAMCO Nig. Plc produces two tin milks – Peak Milk and Three Crown (157ml or 170ge each) – for two income groups. Peak milk (sold at higher retail price) is targeted at high income earners while Three Crown (sold at lower retail price) is aimed at middle income groups. Yet, it produces Peak *Milk Powder* in small sachets (22 ge) and sold at far lesser retail price to low-income earners.

It is good to note that sex and gender have different meanings in marketing. Sex is a natural construct – male and female. Gender is human construct. For example, some ladies act, behave, talk, and even dress like men. Such ladies are regarded as men by marketers and thus, targeted with men-like products.

3. **Psychological segmentation:** This is the process of segmenting the consumer market using psychological variables such as motivation (physiological needs, safety needs, social needs, esteem need, self-actualization needs), life style (union-oriented, sport-oriented, culture-oriented, religious-oriented, academic-oriented, political-oriented), attitude (positive and negative attitudes), perception (dogmatic or realist) and personality (achievers, ambitious, authoritarian, gregarious). For example, consumers can be segmented based on three motivational needs: need-for-power, need-for-affiliation, and need-for-achievement. Consumers who have high *need-for-achievement* can be targeted with expensive but high quality products. This is because people who have high *need for achievement* tend to be more self-confident, enjoy taking risks, actively research their environments, and value feedback. Those with high *need-for-power* can be targeted with prestigious or luxurious commodities with colours that portray superiority and authority such as black colour because they always want to exercise power over objects and people. Those with high *need-for-affiliation* are strongly influenced by the desire for socialization, for friendship, for acceptance and for belongingness. They like attending occasions and sharing gifts. Thus, they can be targeted with well decorated and fanciful products that can be presented as gifts.

4. **Socio-cultural segmentation**: Here, the marketer segments the consumer market using socio-cultural variables such as religion (Islam, Christianity, Buddhism, or Traditional Religion), language (Hausa, Igbo, Yoruba, and Nupe), marriage (polygamy and monogamy), and social class (lower, middle and upper), etc. Knowing very well that Nigeria is a multi-ethnic country and each ethnic group has its favourite dish, most restaurants segment their markets using major ethnic groups in Nigeria: Hausa, Yoruba and Igbo. 'Masa' and 'Tuwo Masara' is prepared for Hausa customers, 'Amala' for Yorubas and 'Akpu' for the Igbos. A good example is Pounded-Yam Restaurant along Yoruba Road, Kaduna, Nigeria.

5. **Behavioural segmentation:** Behavioural variables such as knowledge (what consumers know about a product), attitude (what consumers belief or expect in a product), uses (who are the users and how often do they consume a product), and responses (nature of consumers repurchase behaviour) can be used to segment a market. These broad behavioural variables can further be divided into more specific behavioural variables and used to segment a consumer market as shown Table 7.1 below:

Table 7.1: Behavioural Segmentation Variables

Behavioural Variable	**Segmentation**
Occasion	Regular occasion; special occasion
Benefits	Quality, service, economy, convenience, speed

User status	Nonuser, ex-user, potential user, first-time user, regular user
Usage rates	Light user, medium user, heavy user
Loyalty status	None, medium, strong, absolute
Readiness stage	Unaware, aware, informed, interested, desirous, intending to buy
Attitude	Enthusiastic, positive, indifferent, negative, hostile

Source: Kotler, P. and Armstrong, G. (2006:216), *Principles of Marketing* (11^{th} ed.), London: Pearson Education Inc.

6. **Hybrid segmentation:** In most cases, two or more segmentation variables are combined together to segment a consumer market. This segmentation approach is called hybrid segmentation. The two common hybrid segmentations are *geo-demographic segmentation* and *psychographic segmentation.*

a) **Geo-demographic segmentation**: This calls for the use of both geographic and demographic variables in dividing a consumer market into smaller groups with common needs, wants, and desires. For example, Nigerian market can first be segmented into cities (geographic segmentation) such as Lagos, Kano, Port-Harcourt, Abuja, etc. The population of each city can be considered in terms of sex (male or female), occupation (civil servant, banker, farmer, teacher, student), income (low, medium, high, unemployed), and age distribution (under 5, 6-10, 11-15, 16-20 years, etc.) and used as the second basis to further segment a market.

b) **Psychographic segmentation:** Psychographic segmentation requires the combination of either psychological and demographic variable, or psychological and geographical variables to segment consumer market.

CRITERIA FOR EFFECTIVE SEGMENTATION

To segment a market effectively, certain requirements must be fulfilled. These are identification, measurability, accessibility, substantiality, stability, differentiation, and action (IMASSDA).

1. **Identification:** Relevant characteristics that are used in segmenting a market should be identifiable. Most demographic and geographic factors are easily identifiable. However, psychographic and behavioural characteristics such as *benefit sought* and *life style* are difficult to identify.

2. **Measurability:** This suggests that a segment should be characterized with measurable attributes. Consumer attributes that are easy to identify are also very easy to measure. For example, demographic factors like age, sex, income and occupation can be easily identified and measured. However, psychographic variables like motivation and lifestyle are difficult to identify and even measure.

3. **Accessibility:** This entails that a target segment should be reachable and appropriately served by marketers in an efficient manner. A market segment that costs

too much to reach and serve may be less profitable.

4. **Substantial:** This requires that a target segment should have sufficient number of consumers. That is, a segment should contain large number of consumers so that companies can enjoy economies of scale from mass production.

5. **Stability:** This suggests that a target segment should be predictable over a long period of time. Put differently, an effective segment market is one whose needs are not likely to change in the short run but one whose needs and tastes are likely to even grow larger in the long run. For example, the need for primary, secondary and tertiary education is increasing annually in Nigeria.

6. **Differentiable:** Since no two segments are the same in terms of needs, then each segment is expected to respond differently to the same marketing mix program. When two different market segments respond uniformly to the same marketing offer, then the segmentation is not properly done and the two segments can best be called one segment.

7. **Actionable:** A target segment should be the type that the company can use its limited resources to design a marketing program for. By so doing, the marketer can attract, serve, satisfy and build lasting relationships with customers in ways that benefit the company and its stakeholders

THEORIES OF MARKET SEGMENTATION

Theory is a set of assumptions about how a particular phenomenon (e.g. an abstract concept or a physical object) behaves, or is related with other concepts or objects in a given situation. A good theory should be applicable, observable, predictive, true most times, explains relationship between/among two or more variables, and guide behavior and practice. Therefore, segmentation theories are sets of assumption and principles explaining ways through which market segments can be identified, accessed and satisfied at any given time by managers. The segmentation theories are explained below:

1. **Single-base versus multi-base segmentation theories**: The single-base theory assumes that consumers with similar needs are better understood and grouped together as a segment through use of a single segmentation basis at a time. To illustrate, segmentation on the basis of 'gender' can easily reveal fashion or cosmetics appropriate for men and female.

In contrast, multi-base theory assumes that consumer needs at a particular time is influenced by multiple factors, therefore a deeper understanding and aggregation of consumers with similar needs should consider two or more segmentation basis at a time. For example, a market segment may evolve through interplay of gender, culture, and age bases; the marketer's task is to be able to identify such segment through painstaking segmentation research.

2. **Breakdown versus Build-up segmentation theories:** The breakdown theory assumes that every market consists of consumers who are essentially the same in needs, so the task before managers is to identify groups which share particular differences.

The build-up theory assumes that a market consists of consumers that are all different in terms of needs, so the manager's task is to find consumers with similar needs. The build-up method is customer oriented as it seeks to determine common customer needs.

3. **Push versus pull segmentation theories**: The push theory assumes that certain forces or factors create the 'need and readiness to buy' among some consumers, and vice versa. That is, consumers are pushed by certain forces to want to buy. Therefore, the responsibility of a marketer is to locate a segment market using the key push factors. The push factors are usually internal or personal (e.g. socio-economic and psychological forces like income, attitudes, personality, etc).

The pull theory assumes that consumers with distinct needs are attracted or pulled to buy by certain forces. Therefore, marketers are required to streamline and distinguish their product and services to make them attractive to group of consumer that require them.

STEPS IN SEGMENTATION PROCESS

Segmentation involves five stages: selecting a market or product category for study, choosing a basis or bases for segmenting the market, selecting segmentation descriptors; profiling and analyzing segments, selecting target markets, and designing and implementing a marketing mix. The stages are explained below:

1. **Selecting a market or product category for study**: To commence segmentation, a broad market should be considered. For example, a country (e.g. Nigeria, Ghana) or city (e.g. New York, Lagos) can be the focus. Next, a product category (e.g. automobile, beverage, media, deco, and fashion businesses) should be selected.

2. **Choosing a basis or bases for segmenting the market**: Here, the marketer examines several segmentation bases and selects one or more basis/bases for application. A market may opt for single-base or multiple-base segmentation approaches.

3. **Selecting segmentation descriptors**: At this stage, the determinants of the selected segmentation bases are listed and defined. For example, if age is used a segmentation bases, the descriptors or determinants can be infants, pre-adolescence, youths, adults, and aged. Age may be re-classified as pre-nursery (0-1 years), nursery (2-4 years), primary (5-11 years), college (12-17), university (18-23 years), working class (24 -65years), and retired (66-100 years). Another segmentation basis, say family, can be classified as bachelorhood/spinsterhood (1 person per household), honeymooners (2 persons per household), early parenthood (2 parents with 1 or 2 children), late parenthood (2 parents with many children), and dissolution (grandparent(s)).

4. **Profiling and analyzing segments**: At this level, the marketer should evaluate each segment market in terms of market size, expected growth, purchase frequency, current brand usage, and brand loyalty. The sales and profit potentials should also be analyzed.

5. **Selecting target market(s)**: This is usually the end-result of a segmentation research – the stage where a company make a decision to serve certain market segment(s) with peculiar marketing mix and foregoing others.

6. **Designing and implementing a marketing mix**: Finally, a new product with appropriate price, distribution and promotion is package for the chosen market segment.

SELF-ASSESSMENT QUESTIONS

1. a. Define market segmentation;

b. Identify and explain market segmentation levels.

2. IBB University is interested in offering hotel services in Minna. Given her limited resources and market constraints, the University has decided to segment the Minna market. Requirement:

a. What possible variables can it use in segmenting the market?

b. Choose one of the segmentation variables and do the segmentation for IBB University.

c. Convince the management of IBB University that the segmentation is effectively done.

3. List and explain stages involved in market segmentation.

4. Explain theories of market segmentation.

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CHAPTER EIGHT

TARGETING AND POSITIONING

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define targeting;
2. Identify and explain targeting strategies;
3. Define positioning;
4. Identify and explain positioning strategies.

TARGETING DEFINED

Targeting is the process of evaluating several segment markets and choosing one or more segment(s) to serve. The prime factor that a company considers in selecting a segment market to serve is *the company's resources.*

Targeting strategies

There are three basic targeting strategies: undifferentiated, differentiated, and concentrated targeting.

1. Undifferentiated targeting: Here, a company targets many or all market segments with similar marketing mix. The philosophy behind this strategy is that consumers that comprise several market segments may still share some basic needs. Thus, a company can produce the same marketing offer for all market segments. Companies that embrace this strategy enjoy internal economies.

2. Differentiated targeting: Here, a company recognizes the heterogeneity of each market segment and develop separate marketing offers or programs for each segment. That is, a resolution by a company to serve several segments but each segment with its unique marketing mixes (product, price, promotion and distribution). While this strategy enables a company to serve each segment better and thus increases sales, it is costly to operate. For example, a company that decides to serve three family segments - singles, newly married, and married with children – with toilet soap product may produce three kinds of soaps for each segment market. *Singles* can be targeted with small-sized soap; *newly married couples* with medium-sized soap, and *married-with-children* with big or family-sized soap. In addition, each of these products must have its unique promotion, pricing and distribution strategy, which increases marketing costs. Premier Toilet Soap manufactured by PZ Cusson Nig. Plc comes in two sizes: small and big. While the big Premier soap is targeted at large families, the small Premier soap is targeted at singles and couples. Recently, it lunched *Premier Antiseptic Soap* for consumers or market segment that is/are health conscious. Thus, only companies with strong financial base can practice differentiated marketing strategy.

3. **Concentrated targeting:** Here, a company selects just one segment and targets it with a unique marketing mix. This strategy is suitable for small companies with limited resources. However, companies that adopt this strategy stand the risk of losing sales if competitors enter into the segment market or if consumers' needs suddenly change. For example, Milo is the old product that provides two in one – milk and cocoa. Promasidor Nig Ltd. – the producers of Cowbell Milk – enters into this market segment with their new product "Cowbell Chocolate flavour" which provides three benefit (3-in-1) (cocoa+milk+sugar). Friesland Foods later lunched a new product – Peak Choco – to compete with Milo and Cowbell Chocolate.

MARKET POSITIONING

Positioning is the last stage in designing a marketing strategy. Positioning complements the company's segmentation strategy and selection of target market(s). Kotler and Keller (2007) define positioning as the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market. To Kotler and Armstrong (2006), positioning involves implanting the brand's unique benefits and differentiation in customers' mind. Impliedly, it is the complex set of perception, impression, and feelings that consumers have for a product, compared to competitors.

Products can be positioned in the minds of consumers to provide quality, low cost, prestige, economy, speed delivery, superb after sales services, etc. For example, First Bank Nig. Plc is positioned as "…truly the first," African Petrol (AP) as "…leadership through quality", Oceanic Bank Int. Plc as "experience peace," and MTN as "your best connection."

Why positioning?

All companies that compete for customers require positioning strategy for several reasons, including:

1. When too many companies produce similar products, consumers become more confused and rely more on the product's image than on its actual attributes in making purchase decisions.

2. Consumers naturally position products in their minds without the help of marketers. The risk in allowing the consumers to position a product in their minds is that they can have a negative impression about a product. Hence, marketers must intervene by positively positioning a particular product in the minds of the consumers.

3. Consumers often hold one message in every promotion. Thus, promotion messages should be powerfully designed to stress the *added value* that a company's products or services provide.

Principles of positioning

The four principles of positioning are as follows:

i. **Set:** A company must establish a position in the minds of its targeted customers;

ii. **Hit**: The position should be singular, providing one simple and consistent message;

iii. **Differentiate**: The position must set a company apart from its competitors; and

iv. **Added value**: A company cannot be all things to all people; it must focus its efforts.

Developing a positioning strategy

Generally, developing a position strategy involves three steps:

i. **Identifying a competitive advantage**: To determine competitive advantage, a company must establish *point-of-parity (POP)* and *point-of-difference (POD).* POPs are product attributes and performances that consumers associate with most competing or substitute brands (a company and its competitors' brands). In other words, the minimal attributes and benefits consumers expect from a given product irrespective of the producer. Consumers perceive these associations as prerequisites in every product for it to worth purchasing. POP is the consumers' "zone or range of tolerance and acceptance." Thus, companies' products must contain these expected attributes as a foundation toward value creation.

PODs are product attributes and benefits that consumers associate with a particular brand and which is absent in competing brands. In other words, PODs are products that consumers view as having unique attributes and provide distinct benefits, compared to its substitutes. These distinct attributes, performance and benefits are the ones that offer *added or superior value* to customers. By providing superior value, the company has gained ***a competitive advantage.***

ii. **Selecting a positioning strategy:** Selecting brand positioning strategy calls for presentation and consideration of ***value proposition.*** Value proposition presents all or mix of benefits that consumer stand to benefit from a brand as indicated in Figure 8.1. It provides answers to customers' question "why should I purchase your brand?"

Figure 8.1: Possible Value Proposition

Source: Adopted from Kotler, P. and Armstrong, G. (2006: 241), *Principles of Marketing* (11th ed.), London: Pearson Education Inc.

More for More: This positioning strategy calls for offering a higher quality product than competing products and charging a higher price for the additional quality. In every product category you will find one product that is *best*. For example, among milk products, Peak Milk remains the best and so most expensive. Since consumers express their high economic status, prestige, and royalty and personality (i.e. achievers) by the kind of products they use, producers target these crops of consumers with highest quality product and charge prices that often exceed the actual worth of the added quality. After all, consumers that seeks status and prestige are ready to pay a price for products that the majority cannot afford.

More for The Same: This positioning strategy calls for increasing the quality of a company's existing product but leaving the old price unchanged. To beat competition (increase sale and market share profitably), a company can reposition itself by improving its product quality to an equal level with a competitor that adopts more-for-more positioning strategy.

The Same for Less: Here, the same product is sold at a lesser price. In other words, the strategy calls for reducing price (either through price slash or price discounts) for a company's existing product that has not been improved in any way. This is the same as *price skimming.*

Less for Much Less: This positioning strategy calls for production of a relatively low quality product and charging lesser price. It could also mean slight reduction in the attributes - quantity or quality - of an existing product in ways that only a careful observer will notice. However, the slight product modification is accompanied with wide price cut. Most Chinese electronics tailored for developing countries like Nigeria adopt this strategy. For example, newer Tiger portable generator (TG 950) has low quality compared to old ones but are sold at lower prices. This strategy is suitable for markets where consumers' purchasing power is very low.

More for Less: To gain market entry, new companies can offer relatively higher quality products at lesser price. This can be likened to *market penetration* strategy. Companies that adopt this positioning strategy incur loss; at best they can only break even. Thus it is but a short-term approach. In the long run, especially after the company's product has gained market acceptance, it can switch from *more-for- less* to *more-for-more* positioning strategy.

iii. **Communicating a positioning strategy:** When a positioning strategy is chosen, it must be communicated to the target market. This last stage also calls for proper selection and use of promotion strategy. For example, a company that settles for *more-for-more* strategy must design a superb promotion program and place them in the media that is mostly watched by the target group, e.g. the rich are likely to watch satellite televisions like AIT and CNN, etc.

SELF-ASSESSMENT QUESTIONS

1 a. Define targeting.

b. Identify and explain targeting strategies.

2. a. Define positioning.

a. State why it is necessary for a company operating in a competitive market to adopt a positioning strategy.

b. Highlight the principles of positioning.

c. Identify and explain the positioning strategies

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CHAPTER NINE

MARKETING MIX

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

i. Define marketing mix;
ii. Identify the 7Ps and 7Cs of marketing;
iii. Explain the 7Ps of marketing; and
iv. Explain the 7Cs of marketing.

THE MARKETING MIX

Marketing mix refers to a set of controllable tools or variables that a firm uses to influence the target market. The marketing mix comprises the traditional marketing mix (the 4Ps) and the enhanced or extended marketing mix (the 3Ps), all together making 7Ps of marketing. These 7Ps of marketing represents the producer or seller's view of the marketing mix, while the consumers view the marketing mix as the 7Cs as shown in table 9.1:

Table 9.1: Marketing Mix Variables

	7Ps **ORGANIZATIONS' VIEW**	**7Cs** **CUSTOMERS' VIEW**
1	Product	Customer solution
2	Price	Customer cost
3	Place	Convenience
4	Promotion	Communication
5	Physical evidence	Customer visibility
6	Processes	Competence
7	People	Customer care

THE 7Ps AND 7Cs OF MARKETING

1. Product versus Customer Solution

To a layman, a product is simply an output of a given company that is offered for sale. Technically, however, a product is more than a company's output. It is a set of tangible and intangible attributes, including packaging, colour, price, manufacturer's prestige, retailer's prestige, and manufacturers' and retailer's services which the buyer accepts as offering satisfaction (Stanton, 1981:30). Also, Kotler and Armstrong

(2006:252) define product as “anything that can be offered to a market for attention, acquisition, and use or consumption and that might satisfy a want or need.”

To fully comprehend Stanton’s definition of a product, the key terms used are explained below:

Tangibles: Products have certain features that can be sensed by the 5 organs: eyes, nose, ears, mouth/tongue and nervous systems (e.g. hand). For example, products like cars, computers, utensils, TVs, lamp, food, etc. can be seen, felt, heard, smelt, touched, and tested. Also, a product may have several attributes such as package (container), and colour (white, red, blue, green) etc. which offer satisfaction to consumers.

Intangibles: Products have major or minor intangible attributes. A product characterized with major intangibles is closer to *pure service*, and one that is characterized with minor intangibles is closer to *pure goods/product.* The intangible attributes of a product are those attributes that cannot be seen, or touched. Examples are after sales services such as servicing a car, installing and testing a satellite dish, etc.

Manufacturer’s and retailer’s prestige: A brand name is the most valuable assets of business organizations, often outlasting the organizations’ product. It takes time and costs money (high promotion budget) to build strong brands and good will. For example, Coca cola has been in business for decades and is one of the most expensive brands in the world; it costs several billion of dollars.

Manufacturer’s and retailer’s services: A product may include all services (i.e. cost of services) accompanying a product such as after sales services earlier mentioned.

Offering satisfaction: The hallmark of production and marketing is to satisfy consumer needs at a profit. That is, a company’s products should be capable of meeting and exceeding consumers’ expectation from the product in terms of attributes, services and prices.

As earlier stated, consumers view *product* as *customer solution*. Consumers do not just buy a product for the fancy of it *but mainly because they have a problem to solve.* Thus, consumer purchasing decision is a problem solving decision. Since no two consumers are the same in terms of needs and problems, firm’s should endevour to produce one product in different shapes, colour, and performance so as to be able to meet different consumers’ needs and solve different consumers’ problems. For example, apart from mobility, consumers may expect other priorities from a car: speed, uniqueness (one-in-town), economy, safety and durability.

2. Price versus Customer Cost

Price is the amount of money charged by a producer or seller for a given product and its accompanying services. To the producer, price serves as revenue. In fact, of all the marketing mix variables price is the only element that generates revenue for the company; other variables only produce cost.

We pay prices on daily basis without noticing it much because price is called by different names. For example, when we pay *fare* for transportation, *tuition/fee* for registration in a university, *toll* for motor park or road usage, *commission* for sales person, *interest* for money borrowed from a bank, *bill* for water and electricity consumption, etc., we are simply paying prices.

However, price to the consumer constitutes *cost*. That is, the amount of money he/she has to part with in order to receive something of value – product, services, idea, etc. This has a lot of implications for the marketing firm. First, when a firm reduces prices it has reduced customer cost. Price reduction can influence consumers to buy more especially if the consumers are price sensitive. Secondly, when a firm increases prices it has also increased customer cost. Price increments can influence consumers to buy less especially if the consumers are price sensitive. At the same time, prices can be fixed very high and still records higher sales especially if the firms target market is the very rich. High income earners are usually price insensitive.

3. Place versus Convenience

Place is the third element of the marketing mix. Narrowly defined, it refers to the placement of an entrepreneur's products where the consumers can easily have access to them and purchase them. Broadly defined, it refers to the movement of products from the factories where they are produced to the intermediaries and finally to the consumers.

Consumers view the *element of place* as *convenience*. That is, small businesses' products and services should be made available at places where consumers can easily see and purchase them without incurring high transportation cost or wasting much time and energy searching for the products. To do this effectively, the services of the intermediaries, otherwise called the middlemen becomes inevitable if the commodity is a physical product. However, for certain services such as banking services, the use of intermediaries may not be feasible since service production and consumptions take place simultaneously. Perhaps, this explains why commercial banks in Nigeria are taking their services available to almost the doorstep of consumers by opening branches everywhere.

4. Promotion versus Communication

After producing, pricing and placing product all right, there is also the need to inform the target consumers about the existence of the product, the price at which the product is sold, and the place(s) where the products can be seen and purchased. The marketing mix element that performs this vital function is *promotion*. Etzel, Walker and Stanton (1997:440) define promotion as "the element in an organization's marketing mix that serves to inform, persuade, and remind the market of a product and/or the organization selling it, in the hope of influencing the recipients' feelings, belief or behavior."

Promotion is perceived to be one sided and sounds egocentric. That is, firms often promote their products and organization for their own selfish interest and not for the interest of the ultimate consumers. To change this thinking, most marketers and marketing textbooks now talk about *marketing communication* instead of *marketing promotion*. A company *communicates message* about a product to target consumers but *promotes a product*. Also, marketing communication facilitates passing of information from the producer to the consumers on one hand, and the passing of information (feedback) from the consumers to the producers on the other hand. For marketing communication(s) to be effective (unique, impressive, and capable of achieving marketing goals), it/they must be characterized with the cognitive and emotional attributes. Thus, companies should pay utmost attention to the content, length and sound of the message they are communicating to the consumers.

Marketing communication mix

Marketing communication mix is also called promotion mix. It refers to a set of communication tools that a company uses to achieve its communication and marketing objectives. These are advertising, sales promotion, public relations, personal selling, and direct marketing.

i. Advertising

In business, advertising is regarded as a communication tool that enables business enterprises to inform and remind the public, through commercial broadcasting and print media, about its goods and services for the purpose of stimulating and sustaining awareness, interest, desire, trial, repeated purchase and ultimately, increasing company sales and profits. It can also be regarded as the process of setting communication objectives and budget, designing the message, choosing a medium or media, implementing or dissemination information, and evaluating its effectiveness in terms of message recall, product awareness, attitudinal change, and change in sales revenue, etc.
In particular, Kotler and Keller (2006:526) define advertising as "any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor." The advertising mediums are newspapers, television, direct mail, radio, magazines, and outdoor (e.g. bill boards, public spaces, etc).

ii. **Sales promotion**

Sales promotion is any temporary effort by a company that causes excitement and encourages immediate purchase of a firm's products and services. It can also be regarded as a variety of short-term incentives that encourage trial purchase of a product or services. It includes contest, games, lotteries, premiums and gifts, samples, fairs and trade shows, exhibits, demonstrations, coupons, rebates (cash refund offers) , entertainments, etc.

iii. Public Relations (PR) (or Marketing Public Relations[MPR])

Through marketing activities, firms apart from producing value-added goods and service to the public on continuous basis, also provide social responsibility services to address environmental and health issues of public concern. These breakthroughs and interventions are newsworthy, and therefore, need to be communicated to the public through newsletters, press conferences, press releases, newspaper articles, and radio and television programmes. A simple definition of public relations, therefore, is getting credits or being recognized for doing good to the society through effective communication to the public. That is, PR is about publicity.

Public relations may be viewed as a tool for managing relationships with different public groups or stakeholders – government agents, consumers, suppliers, media, labour unions, environmentalists, financial institutions, and host community - in a given market. Since public relations is multi-disciplinary, marketers now tag public-relations that is marketing-oriented as Marketing Public Relations (MPR). MPR is concerned with developing programmes that encourage purchase and satisfaction by communicating information and delivering impressions.

iv. Personal selling

This refers to a direct method of selling in which a company's sales representatives meet prospective buyers, communicate to them about the product, sell to them and offers installation and maintenance services. Put differently, it refers to face-to-face, telephone or internet interaction between the company's sales person(s) and one or more prospective buyers for the purpose of making presentations, answering questions and procuring orders.

v. Direct Marketing

The advancement in information and communication technologies has taken marketing communication to another level – direct marketing. Direct marketing is the use of cell phones, e-mail, internet, fax or mail to inform individual customers and solicit for their response about a given product or service. Forms of direct marketing are telephone marketing, direct-mail marketing, catalog marketing, direct-response television marketing, kiosk marketing and on-line marketing.

5. Physical Evidence *versus* Consumer Visibility

Because service is intangible (i.e. consumers cannot see, touch, smell, feel it), consumers always look around the environment or atmosphere where service is provided for evidence of quality (to evaluate the quality of services that is about to be received). Thus, the emergence of *physical evidence* as a marketing mix tool for influencing consumer purchasing decisions.

Physical evidence refers to the general appearance of the service environment: office building, office fittings, computers and other equipment, staff outfits, painting and other tangibles. Consumers view *physical evidence* as *consumer visibility*. Therefore, service companies must decorate their service environment not only with visible items but with latest, unique and attractive internal decors and working equipment to give new and old customers an impression of high and superb services quality prior to services delivery.

6. Processes *versus* Competence

Purchase and delivery of service usually involves many steps or procedures called service process. For example, to post a mail, one first buys a stamp from a Nigerian Postal Service (NIPOST) official, then gums the stamp on an envelope, and posts it in a mailing box. The process may be long like in hospital services, booking flight ticket, etc. It is important to note that the consumer is the *input* that is processed in the services process. Hence, time and convenience is of utmost concern to the service consumer.

What customers expect from the service company is competence in handling their (customers') complaints, orders, and emergencies. Thus, the service company must be very competent in these areas. Service processes must be simplified to be less time consuming on one hand and very convenient on the other hand. If consumers must join queue, let them join the queue sitting instead of standing. If consumers must wait for long, the company must devise ways of making their long stay look short and comfortable. Music, television programs, satellite dish programs, movies, and newspapers can be provided to entertain consumers and reduce waiting time.

7. **People *versus* Customer Care**

People refer to the service providers or employees providing services. Service itself and service providers are inseparable. For example, the barber must be present before he/she can perform haircut services to consumers. Also, the doctor must be present to carry out surgery on a patient. Since service provider must interact with the customer and carry out services directly on him/her, the employees' job skills and proficiency, friendliness, politeness, patience, and empathy in dealing with customers are very crucial.

Ultimately, apart from the front-liners and other executives being competent on their jobs the customer is essentially expecting *care.* Smiling at customers on arrival, beginning a transaction with "*good day and what can I do for you,*" and ending the transaction with "*thank you and have a nice day*" is a systematic way of providing and delivering high *customer care* and superb service quality. To do this effectively, service companies must imbibe the concept of *internal marketing* – training and motivating all staff in organization to *think* customer and *serve* customers well. That is, every employee is a marketer irrespective of department or management level.

SELF-ASSESSMENT QUESTIONS

1. List the 7P's and 7C's of marketing.
2. Explain the following:
    - i. Product versus Customer solution
    - ii. Price versus Customer cost
    - iii. Place versus Convenience
    - iv. Promotion versus Communication
    - v. Physical Evidence versus Consumer Visibility
    - vi. Process versus Competence, and
    - vii. People versus Customer Care.

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CHAPTER TEN

ELEMENT OF PRODUCT

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define product.
2. Define services
3. Identify types of product/offerings
4. List and explain the characteristic of services
5. Define product development
6. List and explain product development stages.
7. List and explain product life-cycle stages.

PRODUCT DEFINED

Product is a bundle of satisfaction. That is, a product refers to anything that is capable of satisfying customer needs, be it manufactured products, services, or farm produce.

Product is the most important element of the marketing mix. Other marketing mix variables – price, place, and promotion – come into being because of the existence of a product. Thus, without product there will certainly be nothing to price, distribute and promote.

Product/Service Levels

Before developing and launching any product or service, firms need to address five (5) product levels: core benefits, basic product, expected product, augmented product and potential product. These are illustrated in Figure 10.1.

Figure 10.1: Product Level

1. **Core Benefit:** "What is the primary function or benefit of my company's product?" This is a question every marketer must pose to himself/herself before embarking on production of goods and services. Every product must be capable of providing the primary function for it to be useful. The primary function of a car is transportation – moving people, goods and animals from one place to another. No matter how beautiful a car is, if it cannot move then it is useless.

2. **Basic product:** Here, the core benefit is transformed into actual product. For example, a car is first conceived to provide transportation (core benefits), then it is manufactured with the necessary features such as seats, boot, wind screens, side mirrors, etc.

3. **Expected product***:* These are items that when excluded from a product do not make a product dysfunctional but clearly reduce the product quality. Consumers usually expect some supplements when purchasing certain products. For example, consumers

expect spare tires, and jack when buying a new car. In Nigeria, cars are often sold without including spare tires, jack, etc. Also, motorcycles are sold without helmets. Firms can beat competition by including the *expected products* in their offerings with just a little upward price review. However, it is important to note that consumers' expectation is usually formed from their past purchasing and consumption experiences, from competitors' promises during promotion or through referrals (i.e. others who had earlier experience about a product).

4. **Augmented products***:* These refer to product supplements that consumers are not expecting from a given product. Thus, consumers are highly delighted when they find certain *unexpected supplements* included in a product. For example, umbrella, rain coat, books and pen are not ordinarily expected in a newly purchased car. A company can go ahead and include these unique and unexpected supplements in a new car to add more value to the car, surprise the consumers and influence them to purchase fast and more.

5. **Potential product***:* A company's augmented product will soon be discovered and copied by competitors. Hence, the marketer should look beyond the present in terms of possible augmentations that will make his/her product standout. Potential product encompasses thinking through new ways of satisfying consumers. It could be through new product development.

CLASSIFICATION OF PRODUCTS

Generally, products can be classified into three broad groups based on who will use the products, how, where and when the products will be used. The three categories of products are:

1. ***Consumer products:*** These are products directed at consumers for personal consumption. They include *consumer durables* such as clothing, fridge, televisions, cars, etc. and *consumer non-durables* (consumables) such as toiletries, food items, drinks, cosmetics, etc.

2. ***Industrial products:*** These are products directed at manufacturing or service companies for further processing into final products. They include *industrial durables* such as computers, production machineries, vehicles, buildings, etc. and *industrial non-durables* such as lubricants, raw materials, water, stationery, toiletries, etc.

Certain products are purchased and consumed by both consumer users and industrial users. How do we classify such products? The simplest way of classifying a product is by considering the reason behind the purchase. If *Peugeot 406* is purchased for business use then it is an industrial product. However, if the same car is bought for personal use then it is a consumer product.

3. ***Services:*** Service simply refers to product in an abstract form. More broadly, services refer to any task (or work) performed for another or the provision of any facility, product or activity for another's use and not ownership, which arises from

exchange transaction. Kotler and Keller (2006:372) regard services as “any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything”. Regular maintenance and repairs of offices, machineries, vehicles, and computers are example of services in industries; they are usually outsourced. Barbing, teaching, laundry, health, and restaurant services are examples of services received by consumers.

CHARACTERISTICS OF SERVICES

Services have six basic characteristics. These are intangibility, inseparability, perishability, heterogeneity, indivisibility, and non-ownership.

1. **Intangibility:** By their nature, services are physically intangible – they cannot be touched, tested, smelt or seen before they are bought. In addition to their intangibility, services can also be difficult for the mind to grasp and thus can be mentally intangible.
2. **Inseparability**: Pure services are provided by the service employees or persons and receive on the spot by the customer. Hence, it is difficult to separate services rendered from the service persons and customers. That is, services are produced by the firm and consumed by the customer concurrently or simultaneously. That is why ‘inseparability’ is also called ‘simultaneity’.
3. **Perishability**: Services cannot be produced now and stored for future consumption or to meet future demand. This implies that if service is not used when available, then the service capacity is wasted.
4. **Heterogeneity***:* It is impossible to standardize company services across board. For instance, no two teachers can teach the same way, no two tellers can attend to customers the same way and no two doctors can treat a patient the same way. Services are always subject to variations in performance, and developing realistic standards of performance is extremely difficult. This is because services depend on who provides them and when or where they are provided. Heterogeneity is also called variability.
5. **Indivisibility***:* Unlike goods that can be divided into units, service cannot be divided into units and sold because it is essentially abstract and intangible.
6. **Non-ownership***:* Service providers offer services to the consumers in an environment such as banking hall, stores, class rooms, hotel rooms, and hospital wards, etc. The service environment is usually decorated with fixtures and fitting such as chairs, beds, tap water, fans, towel, fridge, etc. for consumer usage. Consumers can use these items while receiving services but the usage does not confer ownership to the consumers. In other words, the consumers do not have legal title to the facilities they use while receiving services.

PRODUCT DEVELOPMENT

Product development refers to any slight or major improvement in the features of a given product; it could also mean a major innovation or a new product. Farrah (1998:102) describes product development as:

An activity leading to a product having new or different characteristics or consumer benefits. Such development ranges from an entirely new concept to meet a newly defined consumer "want" to the modification of an existing product or indeed its presentation and packaging. It forms part of a process which has to be continuous to arrest the decline era within the intrinsic life cycle of any existing product.

Generally, product development can be typified into three:

i. An entirely new product never in existence before and made to satisfy new needs (invention).

ii. An entirely new product to the company but not new to the market made to satisfy old needs (i.e. product imitation).

iii. A modification of either the package, color, quantity or branding of the existing product to satisfy old or new needs (product innovation).

Stages in Product Development

Product development involves nine stages: idea generation, idea screening, concept development and testing, marketing strategy, business analysis, product development, market testing, commercialization, and follow up.

1. ***Idea Generation:*** Idea generation marks the beginning of product development. Companies seeking for new product ideas look out for unmet customer needs. New product ideas can be generated from two general sources: the internal and external sources. Internally, product ideas can come from company employees, research and development department and other functional areas, or the top management. Companies can also search for new product ideas from external sources such as the customers, channel members, competitors, scientists, trade associations, government agencies, suppliers, academia, and private research institutes.

2. ***Idea Screening:*** At this stage, the company evaluates all new product ideas purposely to identify the ideas that meet the set standard or criteria and those that do not. Managers rely on experience to identify good product ideas from the bad ones. Other times, they use company objectives, plans and programs as a criteria for screening product ideas. New product ideas that meet the company set standards are accepted for concept development while those that fall short of the standard are eliminated. It is necessary to eliminate poor product ideas because a product developed from a poor idea could lead to absolute product failure, partial product failure, or relative product failure.

a. *Absolute product failure* is a situation whereby a company cannot cover its variable cost and thus incur total loss as a result of allowing poor product idea to be developed into a product and finally commercialized.

b. *Partial product failure* is a situation whereby a company covers all its variable costs and some fixed costs, thereby incurring some losses.

c. *Relative product failure* is when a company's sales is enough to cover its total cost (variable and fixed costs) but the profit realized still fall short of the targeted profit.

3. **Concept Development and Testing:** The ideas that meet company's standard are developed as product concepts. A product concept is a further development and detail description of an accepted product ideas in terms of expected benefits, function and performances. Concept development usually addresses three questions: who will use this product? What primary benefit should this product provide? And when will people consume this product? Concept development encompasses product idea, product concept, and product image.

a. *A product idea* refers to a possible product that the company is likely to offer to the market.

b. *A product concept* is a detailed description of the of a product idea in terms of expected benefits, function and performances.

c. *A product image* refers to the way and manner the consumers view, describe or perceive an actual or potential product.

Concept testing is to be carried out after concept development. It entails the presentation of the product concept to the targeted consumers and observing and recording their humble reactions. Product concepts can be presented symbolically (in the form of a mathematical model) or physically (in the form of a prototype). The new product model should be properly designed so that product testing will yield a reliable and dependable result.

4. **Marketing Strategy:** Marketing strategy is a means to achieving marketing objectives, which are targeted market share, targeted sales and profit. Hence, this stage is concerned with the development of short-term and long-term marketing strategies and plans. The company's strategic plan is divided into three major phases: short-run company goals, short-run company marketing strategies, and long-run company goals and marketing strategies.

a. *Short-run overall company goals* include the company's target market, size of the target market, market structure of the target market, targeted market share, and estimated demand, sales and profit for first few years.

b. *Short-run company marketing mix strategies* include the company's planned pricing methods, distributions strategies and promotion budget for the first few years.

c. *Long-run overall company strategies and marketing mix strategies* describe the company's market share, sales and marketing mix strategies over time.

5. *Business Analysis:* After developing a marketing strategy, the company projects the costs, sales, profit, and returns on investment for the product if it were to be placed

in the market. The ultimate goal of doing business analysis is to determine whether the new product concept will enable the company achieve its set goals and objectives. If they do, the company can proceed to next stage where the concept will be fully developed into a product.

6. ***Product Development:*** Before this stage, the product has existed only in the abstract form or a prototype that is not fit for consumption. In this stage, however, the abstract product is transformed into a physically, technically, and commercially feasible product, and thus ready for market consumption. Here too, the company's research and development department will develop few physical versions of the product concept in order to subject them to testing and determine their safety worthiness and profitability.

7. ***Market Testing:*** Not all newly developed products go through market testing. While it may be necessary to test-market an entirely new product, a modified product can be launched into the market without necessarily subjecting it to market testing. This is because the consumers are already aware of the product, thus only the improved features will be promoted to the consumers. Nonetheless, products that are delicate to human life like pharmaceutical products require market testing before commercialization.

8. ***Commercialization:*** If the market test is successful, then the product is commercialized. Depending on the market forecast, the company may decide to engage in mass production and distribution of the new product, or it may commence small production with selective distribution. Whichever is the case, the company must embark upon mass promotion in order to cause awareness among the consumers about the availability, features, price, and other augmented services of the new offering. Marketing cost represents the major cost during commercialization. Crucial decisions to be made during commercialization are where, when, how and for whom the company will launch the product.

9. ***Follow-Up:*** Once a product is commercialized and enters its life cycle, the external competitive environment becomes a major determinant of its destiny (Stanton, 1981). Thus, the need for companies to monitor the external environmental factors capable of affecting the new products' market demand, sales, and profitability. Companies need to monitor sales, profit or loss, and effectiveness of promotion the moment the new product is fully commercialized. Companies should also collect feedback on how the new product, its accompanying services and price are perceived by the consumers. The feedbacks will enable companies to identify areas/factors that pose serious potential threat to the product success and align the marketing strategies to withstand or forestall such unwanted occurrences.

PRODUCT LIFE CYCLE (PLC)

The term "Product Life Cycle" was used for the first time by Levitt in 1965. Product life cycle (PLC) is concerned with the life of a product in the market with respect to business/commercial costs and sales measures. To say a firm's product has a life cycle is to assert four things:

i. A product has a limited life;

ii. Product sales pass through distinct stages, each posing different challenges, opportunities and problems to the seller.

iii. Profit rises and falls at different stages of the product life cycle.

iv. Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each stage of their life cycle (Kotler, 2000:303).

Stages in Product Life Cycle

PLC is made up of five stages: product development, introduction, growth, maturity and saturation, and decline and possible abandonment. Each of this stage is characterized by factors such as sales, profit/loss, promotion, and presence of competitors as depicted in Figure 10.2.

Figure 10.2: Product Life-Cycle

These PLC stages are explained below:

1. Product development: Product development is the first stage in PLC. In this phase, sales are zero and the company's investment costs mount. However, a new product is best developed through series of nine stages: Generating New Product Idea, Idea Screening, Concept Development, Business Analysis, Product/Concept Development, Test Marketing, Commercialization and Follow-up.

In this stage, the corporate objective is that of research and development, thus the company's Research and Development Department handles most of the activities from idea generation to concept development. In underdeveloped nations, research is grossly underfunded and firms receive little or no support from government to carry out researches that may lead to major innovations and inventions. This is one of the reasons why underdeveloped countries have refused to attain technological advancement with its attendant benefits such as mass production of goods and services, sale of patent right, easy product modification in the home market with home-made technology, and creation of employment, etc. Majority of the commodities in the Nigerian markets are products of the multinational companies; they initiate majority of product developments while Nigerian companies follow behind as imitators.

2. Introduction stage: When a product is commercialized, it enters into an introduction stage of the PLC. The introductory stage is marked by low sales and loss. Losses and product failure rate are high at this stage mainly because of heavy expenses incurred during product development and heavy promotion embarked upon to create product awareness, as well as the challenges of finding buyers for the new product.

In this stage, firm's main marketing objective is that of creating general awareness about the existence, usefulness, market price and other features of the product that distinguish it from competitors' product. In achieving this corporate marketing objective, companies should adopt market penetration strategy, cost-plus pricing which ought to be relatively low, imbibe selective distribution, and heavy sales promotion to stimulate and encourage trial. Emerging medium of communication and advertising – internet, mobile phone, digital or electronic boards, etc – are effective means of reaching existing and potential customers; they complement the traditional means of advertising such as television, radio, billboards, newspapers, posters, etc.

3. **Growth stage:** At this stage, the company records high sales and improved profits as a result of rapid market acceptance of its new product. Consequently, competitors are motivated and attracted into the market especially if the estimated market demand, sales and profit for the industry are quite substantial. New competitors are most likely to introduce a new product with improved features, performances and other marketing mix variables thereby reducing the company's actual market share, sales, and profit.

This stage brings mixed feelings: celebration and frustration or fear. A company celebrates because its product has gained market acceptance, sales revenue, and rise in profit. Frustration sets in when competitors are duly attracted into the industry by company's success. Thus, a company's marketing objective shifts from spreading product awareness to profit and market share maximization. In achieving these twin objectives, market development, price penetration, and intensive distribution strategies should be adopted. Advertising should be repackaged to include "product conviction and purchase" rather than "building product awareness." Sellers should also shift to 'buy-my-brand' rather than 'try-my-brand' promotional strategy. Promotional expenses can be reduced and effective product services and warrantees offered.

4. **Maturity stage:** The company's product eventually enters the maturity stage due to the proliferation of the market with new and better products by the competitors. Depending on the industry's entry and exit barriers, most products stay longer at this stage. If the industry is such that the entry and exit barriers are low, few firms will remain in the business and keep producing a given product during bad times (e.g. economic recession) while many firms will stay in the business and keep producing the product during good times (e.g. economic boom). On the contrary, if both the entry and exist barriers are high, all firms in the industry have to stay back and strategize to survive during good and bad times. However, if the industry entry barrier is high but the exit barrier is low, only few firms can enter the market even during good times while any firm can exit the market during bad times thereby leaving few firms to share the market or consumers and profit, and thus compete favourably.

The stage is divided into three phases: growth maturity, stability/saturation maturity, and decaying maturity. During growth maturity, company sales and profit keep increasing but at a decreasing rate, potential consumers are no more available and hence, new distribution channels cannot be identified. During stability or maturity stage, company sales and profits are at peak and remain so for some time. Thereafter, the product enters the last stage of the maturity stage – declining maturity – and company sales and profit start to decline gradually usually as a result of consumers switching to other products. Also, marginal producers and retailers are forced to drop out of the market.

At this stage, companies have the liberty to adopt either defensive or offensive strategy. The former requires a company to maintain its market share by offering fairly improved products, matching price with competitors and lunching a new and better advertisement. The latter strategy suggests that companies should modify their market, product, and other marketing and promotional mix. In modifying the market, companies should seek for new users, develop new market segments and promote usage rate. Product modification suggests improvement in the quality, quantity, packaging, features and branding of a product. In addition, other marketing mix strategies such as cutting prices low, improving on channels of distribution and increased promotion may go a long way in repositioning the company's product, market share, sales volume, and profitability.

5. **Decline stage and possible abandonment stage:** At this stage, company sales and profit decline rapidly partly as a result of increased competition, advancement in technology, and change in consumer taste. Price-cut and increased promotion strategies often do not have any effect on sales and profit anymore. This situation may force the company to abandon the product and withdraw from the business or market. Yet, the company may decide to remain in the business knowing very well that smaller firms with lesser internal economies (or relatively higher cost of production) will automatically withdraw from the market. When this happens, few firms are left in the industry to share the exiting competitor's customers with resultant increase in sales and profit. Dropping a product and withdrawing from business provide the advantages of selling off the business assets (plant and machineries) and re-investing in a more viable business (divestment strategy). However, a product at this level can be re-modified to provide additional value to customers. Such modified products usually start a new life cycle – from introduction to decline stage. This is the secret of everlasting products like Coca-Cola, Adidas, Toyota, Peak milk, Tom-Tom, etc. Generally, there are four strategies available to firms at this stage of the PLC. These are:

i. **Expand:** Here, the company increases investment (e.g. spending on new product development, plant expansion and market development) in order to dominate the market and become a market leader. This is more of aggressive strategy.

ii. **Maintain:** In this case, the company keeps studying the industry/market indicators until uncertainties are resolved before taking further investment decisions (e.g. to expand or to divest). This is more of conservative approach.

iii. **Harvest:** This involves cutting business costs (cost of promotion, cost of hiring salespeople, cost of research and product development, and cost of plant expansion), maintaining sales revenue and increasing the company cash inflow. This is more of a retreat strategy.

iv. **Divest:** This strategy requires a company to sell off its assets (plant and machineries, and residual goodwill) to buyers as quickly as possible. This is more of a retreat strategy.

THE MARKETING IMPLICATIONS OF PRODUCT-LIFE CYCLE

There are two marketing implications of the Product Life Cycle. These are:

1. **Sustained Growth:** This model states that an organization needs to generate new products and services, or to enter new product and service market if it is to sustain its growth and profitability over time. Companies can also develop existing products and services so as to extend their lives (see Figure 10.3).

Figure 10.3: Extending the Product Life-Cycle

2. **Appropriate Marketing Strategy:** The model stresses that both the marketing objective and strategy for a given product change as the product enters a new stage of the product life cycle.

PRODUCT PACKAGING

Packaging is the process of developing a pack to collect, protect, beautify, label, promote and differentiate a product in the market place. It can also be regarded as the process of designing and producing a container or wrapper for a company's product in order to keep it safe, clean, attractive, and distinctive.

Types of Packages

The three forms of packaging are explained below:

1. **Primary package:** The main container holding a product. For example, the tube containing toothpaste or a bottle holding Paracetamol syrup.
2. **Secondary package:** The outer or subsidiary container of a product. For example, the paper wrapper where bottled-paracetamol syrup is kept. It may also take the form of metallic container like the shipping container.
3. **Tertiary package:** A special type of packaging used for handling bulk or heavy goods in warehouses or shipping. Examples are wood boxes/pallets and shrink wrap.

Functions/Roles/objectives of Packaging

The functions and objectives of packaging are:

1. To hold powder or liquid components of a product.
2. To protect and preserve a product.
3. To decorate a product so that it appears attractive to the customer.

4. To facilitate labeling of a product so that it looks distinctive.
5. To comply with stipulated laws on consumer rights and consumer protection.
6. To inform consumers about the product's name, ingredients, manufacture date, expiry date, manufacturer's address, usage instructions, and other important information.
7. To ease transportation of products.
8. To make product consumption easier and convenient to consumers.
9. To make a package have re-use value.

Disadvantages of Packaging

There are several problems associated with packaging, namely:

1. Inappropriate disposal of product packages leading to pollution of the environment with solid wastes.
2. Use of packaging materials that do not decay after disposal thereby blocking drainages and causing floods during raining seasons.
3. Extra cost incurred by companies to create awareness on safe ways to dispose product or providing dustbins, which erodes company profit.

BRANDING

A **brand** is generally regarded as a *name* given to a product by the manufacturers to distinct a product among competing brands. Technically, brand is more expansive than just a name; it includes anything that facilitates easy recognition and identification of a given product or organization such as trademark, logo, symbol, colour, design, tonality or a combination of these terms. Therefore, a brand can be defined as ascribing a name, logo, trademarks, symbols, colour, tonality, jingle and/or design to a particular product or organization for distinctiveness, recognition, value/quality assurance, originality check, reputation track, and ultimately, price determination.

Brand is the outcome of Branding. Thus, **branding** is the *process* of determining and selecting a unique name and image for a company and its product(s) and as well implanting the name and image in the minds and psyche of customers through effective use of integrated marketing communication tools in order to distinct the product or the organization among its peers, clearly and consistently reflect the value position of the product, and ease product identification, choice and purchases that increases company sales and profitability.

The terms associated with 'brand' are explained below:

1. **Brand name**: The use of letters, word(s) or numbers to vocalize a brand. For example, *'ABC' Transport* for letters, *Indomie* for word, *'Life is Good'* for words, and *'212' bread* for numbers.

2. **Trademark**: Registered brand names, logos or designs for legal protection against imitation, use or adoption by other companies.

3. **Logo**: Any special symbol associated with a particular brand name.

4. **Colour**: Property of a product/brand that reflects visual sensation based on how the product/brand emits light. That is, how the product appears to consumers in terms of red, black, white, green, blue, pink, yellow, brown, purple, or ash colours. Different brands are associated with different colours because every colour conveys distinct meaning. For example, blue is associated with authority and respect, green is associated with nature or pride, red with passion and excitement, yellow with novelty, orange with affordability, white with purity and thoroughness, silver/platinum with royalty and wealth, and black with power and authority.

5. **Tonality**: Musical sounds associated with a particular brand/product.

6. **Jingle**: A short song or tune used in advertising a brand.

7. **Design**: Logo, symbols, or package shapes that set a brand apart from other brands.

8. **Character**: This is a personified brand mark. A brand that is given human characteristics.

Characteristics of a Good Brand Name

A good brand name should possess the following characteristics:

1. **Memorable**: A good brand name should be easy to recall, pronounce and/or recognize by the customers. For example, Peak Milk, Bic Pen, and Dana Pharmaceuticals. Note that these brand names are short and, therefore, easy to recall.

2. **Attractive**: A good brand name should attract the attention of customers. For example, the brand 'Peak' Milk appears somewhat attractive.

3. **Meaningful**: A brand name should be associated with acceptable norms in virtually all cultures. It should be translatable to good things, ideas and personalities. For example, the brand 'Peak' could mean best, superior or highest quality product.

4. **Positionable**: A brand name should help communicate the position of a product. For example, the brand 'Peak' is truly positioned as the leading quality product in the manufactured milk industry.

5. **Distinctive**: A brand name should be capable of differentiating a company's product from competing brands. A good example is the uniqueness in sound and meaning of the brand 'Peak' as compared to competing brands like Loya, Lather, Three Crown, Cowbell, and…

6. **Likeable**: Customers should find a brand name appealing, interesting, and preferable. Undoubtedly, every customer wants to excel to the peak just like Peak, which make the brand 'Peak' likable.

7. **Transferable**: A brand name should be extendable or applicable to future products of the company. The brand 'Peak' can be extended to other beverage products

like tea, sugar, and soft drinks.

8. **Adaptable**: A brand name should be usable beyond one geographical market; it should also be updatable and futuristic. A brand like 'Peak milk' is in many countries of the world.

9. **Protectible**: A brand name should be the type that cannot be easily copied because it is covered by trademark, copy right and patent mark.

Role/Importance of Brands to a company

Brands are important to companies in the following ways:

1. Brands are enduring assets of a corporation. In other words, brands are everlasting assets of a company; they attract lots of goodwill; and may be valued more than some physical assets during takeover, acquisition and merger.
2. Brands help customers to enter and serve new market segments with extended brands. For example, cock drink is extended to 'Coca-Cola Zero' to cater for the market segment who needs sugarless cock drink.
3. Brands facilitate introduction of new product lines and categories.
4. Brands legitimize the production of a product and existence of a corporation.
5. Brands provide legal protection to the companies' brand creativities and assets.
6. Brand loyalty provides sustainable demand to a company.
7. Strong brands attract price premiums. That is, customers are often ready to pay extra price to acquire a strong brand they are loyal to.
8. A strong brand projects the image of a large and successful business.

Role/Importance of Brands to Customers

Brands provide the following benefits to customers:

i. Brands enable customers identify the source or manufacturer of a product. This piece of information assist customers as regard which company to hold responsible if a product fails to deliver on its promises or even harm the customer.

ii. Brands allow easy identification of desired product in a market place crowded with tens of similar products.

iii. Brands such as trademarks and designs help customer to distinguish original products/brands from the fake ones.

iv. Brands usually assure customers of consistent quality. For example, different products carrying same brand name are taken to be of same quality by the customers.

v. Brands are capable of making customer loyal and immune to competitors marketing stimuli because such brands have consistently satisfied customer needs over time.

vi. Brands help in communicating customers' role status and personalities.

LABELING

Labeling is a subset of packaging and a key feature of manufactured products. Labeling can be defined as the inscription of vital product information directly on the product container, or indirectly on a paper wrapped around and/or inserted inside the container or package. It can also be regarded as the process of determining and printing product information on the product's container and/or package to meet legal, professional and promotional requirements in order to guarantee customers' right to information, choice, and safety.

Functions/objectives of labeling

Labeling serves the following purpose:

1. **Product origin**: Labels indicate the source or manufacturer of the product as well as detail address (plot/house number, street, town/city, and country). These pieces of information allow different stakeholders to contact the manufacturer for business, philanthropic, community development, taxation, legal and private issues.
2. **Brand name**: Labels facilitate product branding for easy identification in the market place.
3. **Product originality**: Labels show trademarks of products, which may be difficult to imitate by the imitators or fake producers. This enables customers determine the originality of different brands.
4. **Product grade/quality**: Labeling laws demand that product grades or standards should be specified, which help customers in determining fair price for every product grade.
5. **Manufactured date**: Through labeling, customers are duly informed about the manufactured date of products to determine the freshness, goodness and safety of the products.
6. **Expiry date**: To avoid sale and consumption of unsafe products after their expiration, information on the expiration date for every manufactured consumables are labeled accordingly.
7. **Product ingredients**: Labels specify the ingredients used in manufacturing a particular product, including the relative measure of each ingredient. Customers who are allergic to certain ingredients used in producing a particular product would stop patronage of such product through the help of labeling.
8. **Usage instruction**: Labeling directs customers on how to use a particular product. Examples are how to prepare custard drink, how to couple a television antenna, and how to apply certain medication.
9. **Disposal instruction**: Due to environmental concerns, manufacturers are expected to clearly indicate, through labeling, safe ways of disposing packages of used

products.

10. **Promote the product**: Labeling is a means of promoting product to customers. Colourful and well designed labels usually attract customers and stimulate purchases.

11. **Possible side effects**: Labeling educates consumers on the negative sides of a product, especially medical products and electronic appliances.

SELF-ASSESSMENT QUESTIONS

1. a. Define product.

b. Identify types of product/offerings

2. a. Define services

b. List and explain the characteristic of services

3. a. Define product development

b. List and explain product development stages.

4. a. Describe the term "product life-cycle

b. List and explain product life-cycle stages.

5. Explain why brands are great assets to a firm.

6. Product packaging is very harmful to consumers and the environment. Do you agree?

7. What are the functions of packaging?

8. Compare and contrast branding and labeling.

9. Every product has a life cycle – the time of birth, growth and death. While all products in the market have witnessed birth, many witnessed death and some have lived on without dying. Discuss.

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CHAPTER ELEVEN

ELEMENT OF PRICE

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define price
2. State the objectives of pricing
3. Identify the pricing process
4. List and explain new product pricing strategies
5. List and explain existing product pricing strategies.

PRICE DEFINED

Price, in marketing sense, is the exchange of a firm or seller's product with customer's money. Price can be defined as the monetary value that a manufacturer or seller is ready to accept in exchange for its products.

General Pricing Objectives

i. **Survival***:* All companies have 'survival' as their major objective. In pursuing this objective, prices are fixed to cover variable costs and some fixed costs. This way, a company can remain in business. In worst situations, companies should be able to at least fix prices to cover variable cost.

ii. **Maximizing profit***:* Since profit is the excess of total revenue over total cost, companies usually fix prices not only to cover the unit cost of producing a given product but to enable them earn profit.

iii. **Market leadership***:* Companies intending to pursue market leadership usually set their prices low, especially if the product has elastic demand. Three conditions favour setting a low price:

i. When the market is highly price sensitive, and a low price stimulates market growth;

ii. When production and distribution costs fall with accumulated production experience; and

iii. When a low price discourages actual and potential competition (Kotler and Keller, 2006:406).

iv. **Product-quality leadership***:* Companies pursuing product leadership usually fix higher prices for their products or services. Since it costs a lot to produce a product or service with a high quality, companies charge higher prices in order to cover their high cost of providing *quality*. There's a common saying in Nigeria that *"good thing* *na money kill am."* Companies that fix higher prices usually have higher income earners as their target market. Higher income earners are insensitive to prices.

Specific Pricing Objectives

1. Prices can be set low by a company to prevent, survive and beat competition.
2. Prices can be set low to make customers more loyal to the company. Oliver (1997:392) cited in Peighambari (2007:18) define customer loyalty as:

A deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.

3. A company producing two or more products with complementary demand can reduce the price of one product to stimulate more demand for other products.

Process of setting price

Several factors need to be considered in setting price. For convenience, these factors are arranged sequentially and should be adhered to by entrepreneurs while setting prices:

1. Selecting the firm's pricing objective;
2. Estimating the firm's demand;
3. Estimating the firm's total cost (i.e. fixed and variable cost);
4. Analyzing the competitors' costs, prices, and offers;
5. Select a pricing method; and
6. Fixing the final price.

Setting prices for a new product

Depending on the nature of the product and market, an entrepreneur can set prices for his/her new product(s) in two ways: *market-skimming pricing* and *market-penetration pricing.*

1. **Market-Skimming Pricing***:* If an entrepreneur enters a market with a product that is entirely new to the market (e.g. an invention), he/she can afford to set higher prices. For example, when MTN entered the Nigerian telecom market in 2001, it offers a new product to the market – GSM services – at a very high price. Sim packs or lines were sold at N30,000; recharge cards at N1000 and above, and calls billing was based on minutes and not seconds. If a customer makes call for just one second, he still pays for one minute.

This method of pricing a new product is only attractive if there is high entry barrier into the market. That is, where the entrepreneur enjoys legal monopoly or where the cost of entry into the business and exit from the business is very high. Again, the commodity that is offered for sale must be a necessary good. For example, communication offered by MTN is a necessary good.

2. **Market-Penetration Pricing***:* If an entrepreneur enters a market with an existing or familiar product, he/she can charge a lower price than the competitors are charging for their products. By so doing, the entrepreneur can snatch away the customers of the competitors. For example, before Globacom entered the Nigerian telecom market in 2003, there were three GSM operators - MTN, Econet (now Eltel), and **M-tel.** To attract customers and penetrate deeper into the GSM market within short period of time, Globacom started per second billing which is far lower than the competitors' per minute billing. The effect was large customer defection from MTN, Econet and M-tel to Globacom.

This method of pricing a new product is only attractive if the consumers are highly sensitive to price changes so that a lower price can attract them and induce them to buy more. Also, the production, distribution and promotion cost must fall as sales increases.

Pricing strategies for existing products

Firms may not maintain a single price for their existing products for the whole target markets. Factors such as geographical location of each target market, market-segment requirements, delivery frequency, product accompanying services and other factors force the entrepreneur to charge different prices for one product sold in different markets.

The pricing strategies for existing products are geographical pricing, price discounts and allowances, price discrimination, cash rebates, and price cues. These are explained below:

1. **Geographical pricing:** While using geographical pricing, entrepreneurs charge different prices for a product that is offered to different segment markets. The entrepreneur may need to charge lower prices to market segments situated close to the entrepreneur's factory or store, and higher prices to distant customers or market segment in order to cover the higher cost of transportation.

2. **Price discounts and allowances:** Discount refers to the amount of money (in percentage) that is taken off the usual cost of a product or service. An entrepreneur may permit buyers to pay prices lower than the fixed price of a product to encourage early payment for their products sold at credit, increase purchases and off-season buying. However, discount increases sales volumes but erodes entrepreneurial profit.

3. **Cash rebates:** Unlike price discounts, rebates offer cash-winning-products to consumers to encourage purchase without necessarily cutting the stated list price.

4. **Price discrimination:** In a market where price determination through haggling/negotiation/bargaining is the norm, the entrepreneur can sell one commodity to different buyers at different prices. This is very common in the open-markets in Nigeria.

5. **Price cues (psychological pricing):** Retailing entrepreneurs who operate supermarkets often use this type of price cues. This pricing strategy stresses that listed prices should end in an odd number. A product priced at N399 instead of N400 is

regarded by buyers as a price in the range of N300 and not in the range of N400. Also, prices that end with “9” give the impression of a *discount*, and thus encouraging increased purchase.

6. **Dynamic pricing:** This is a practice in which company products vary frequently based upon demand, market segment, and product availability. In other words, higher demand for a company’s product usually attracts higher prices, and vice-versa. Similarly, high-income market segments are usually insensitive to price increment and therefore, can afford to pay higher price as compare to low income market segments. Yet, product scarcity due to interrupted supply of inputs may influence a company to hike product prices which is in line with the doctrine that low supplies of goods and service forces prices up.

SELF-ASSESSMENT QUESTIONS

1. a. Define price
   b. List and explain the general objectives of pricing
   c. List and explain the specific objectives of pricing
   d. Identify the pricing process
2. List and explain new product pricing strategies
3. List and explain existing product pricing strategies.

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CHAPTER TWELVE

ELEMENT OF PLACE

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define place
2. Describe channels of distribution
3. Highlight the functions of the marketing intermediaries

PLACE/DISTRIBUTION DEFINED

Place refers to the distribution of products to the consumers through the help of marketing intermediaries. Place, otherwise called marketing/distribution channels, can also be regarded as the network of organizations – warehouses, departmental stores, super markets, transporters – that creates time, place and possession utility for consumers.

The Marketing Channels (Types of marketing intermediaries)

The marketing channels, often called distribution channel refers to a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user (Kotler and Armstrong, 2006:382). The types of marketing intermediaries and their functions are presented in Table 12.1 below:

Table 12.1: Types of Marketing Intermediaries and their Functions

Intermediary	**Function**	**Purchases**	**Resells**	**Title to the good**	**Income**
Wholesaler	Merchants	In large bulk	In smaller bulks mainly to retailers	Takes title	Profit in form of higher prices
Retailer		In small bulk	In pieces mainly to consumers	Takes title	Profit in form of higher prices
Broker	Agents	Nil			

Manufacturer's Representatives Sales agents		(only links buyers to the producers/ sellers)	Nil (only links buyers to the producers/ sellers)	Nil	Commission
Transportation company Independent Warehouses Banks Advertising agents	Facilitator	Nil (only assists in the distribution process)	Nil (only assists in the distribution process)	Nil	Fees

RELEVANCE AND FUNCTIONS OF THE MARKETING INTERMEDIARIES

The marketing intermediaries or channel members are relevant to the producer and consumers in the following ways:

1. They assist in the gathering and dissemination of information about the availability, price, features and other attributes of a product to the consumers. They also gather and communicate information about the needs and preferences of the consumers to the producers which are used by the company to develop new products.
2. They assist in transporting and distributing firms' products from the factories to the final consumers.
3. They assist in negotiating price and other terms of offer to facilitate transfer of ownership and possession from the seller to the buyer.
4. They assist in linking the prospective buyers with the producers or sellers.
5. They provide warehousing services to meet future increased demands.
6. They help in financing the production of goods and services especially when they deposit money with a company for future supplies. They also help in financing retailers' business by selling to them on credit.
7. They develop and spread persuasive communication about a particular product or service in order to stimulate purchasing.
8. They bear the risk of taking title and possession to producers' goods.
9. They assist in matching the producers' supply with consumers' demand by transforming the assortments of products made by different producers into the assortments required by consumers.

CHANNEL FLOWS

The functions of the marketing intermediaries flow in two (2) different directions: one way flow (forward flow, or backward flow), and two-way flows. These are explained below:

1. **One-way flow**: These are channel functions that are either forward or backward directional.

i. **Forward flow***:* Activities such as transportation, promotion, transfer of title are all forward directional, starting from the supplier and ending with the customer.

ii. **Backward flow***:* Activities such as ordering and payment for goods are backward directional, starting from the customer and ending with the supplier.

2. **Two-way flow***:* These are channel functions that are both forward and backward directional, e.g. information, negotiation, finance and risk-taking functions.

Figure 12.1: Channel flow

CHANNEL LEVELS

Channels are in different levels, ranging from zero-level (direct marketing channel) to three-level (indirect marketing channels) for both consumer and industrial marketing channels. ***Direct marketing channel*** is when a manufacturer sells directly to the final consumer without employing the services of middlemen. ***Indirect marketing channel*** is when a manufacturer employs the services of the middlemen to distribute and sell her products to consumers and business users.

1. *Zero-level channel*: Here, the manufacturer sells directly to the final consumers without involving any marketing intermediary. Examples are manufacturer's owned stores, manufacturer's sales representatives, telemarketing, internet selling, etc.

2. *One-level channel:* In this case, the manufacturer sells to only one level channel – a retailer or many retailers – who in turn sell to the final consumers.

3. *Two-level channel:* This is when the manufacturer maintains only two sets of intermediaries – wholesalers and retailers. The manufacturer first sells to the wholesaler who in turn sells to the retailer and then later resells to final users.

4. *Three-level channel:* This contains three different intermediaries: wholesalers, agents, and retailers. In some industry, wholesalers sell to the jobbers who sell to small retailers. These are illustrated in fig. 12.2 below:

Figure 12.2: Consumer Marketing Channels

DISTRIBUTION STRATEGIES

Manufacturers can pursue any of the following distribution strategies:

1. **Exclusive distribution strategy**: This is a decision by a manufacturer to use a **single** marketing intermediary (wholesaler or retailer) for distribution functions of stocking, displaying, promoting and selling of company's products to final consumers. This strategy enables companies to have greater control of the distribution in terms of monitoring sales, obtaining timely feedback, and responding to customers' demands effectively. The disadvantages of this strategy is that the manufacturer's products are usually limited to one retailer in the market resulting into limited access to the products, increase cost of locating the retailer and limited sales. None the less, exclusive distribution is effective in introducing a new product into a new market, and as soon as the product gains market acceptance, the strategy is replaced with selective distribution.

2. **Selective distribution strategy**: Here, the manufacturer decides to use **few** numbers of marketing intermediaries to help sale products to final consumers. The advantage of this strategy is that the manufacturer's products are available in many retailing outlets which enhance product visibility, accessibility, purchases and sales. However, the manufacturer's control of distribution and retailing outlets in terms of pricing and supplies becomes more challenging as more retailers are engaged.

3. **Inclusive distribution strategy**: This strategy requires manufacturers to use all available distributors or retailing outlets to help sale the manufacturer's products especially daily needs. Apart from increasing product availability in the market, the strategy also facilitates market penetration, increase market share, increase sales and profitability. However, the strategy can cause price war if imitated by competitors.

SELF-ASSESSMENT QUESTIONS

1. Define place
2. Describe channels of distribution
3. Highlight the functions of the marketing intermediaries
4. Discuss marketing distribution strategies

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CHAPTER THIRTEEN

ELEMENT OF PROMOTION

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define promotion
2. List and explain promotion mix variables

PROMOTION DEFINED

Promotion is any form of communication a firm uses to inform its target customers about its product and services. Put differently, promotion is the most visible part of marketing that involves the use of advertising, personal selling, sales promotion, public relations and direct marketing to inform, persuade, and remind the market about a product, services, ideas, persons, events and other offers.

INTEGRATED MARKETING COMMUNICATION

Integrated marketing Communication (IMC) is a concept that explains the need for firms and marketers to use two or more elements of communication during any product promotion campaign and to ensure that all the promotion elements consist and convey uniform message about a product or an organization. The idea is that, each of the promotional elements of marketing can be an effective communication tool for certain groups of customers; that is, one element cannot be effective in all cases. IMC also suggests that, when one product message is communicated to target consumers via internet banner, billboard, football sponsorship, television adverts, press release, telemarketing, personal selling, and point-of-purchase displays, the message becomes more understandable, reinforced, persuasive and compelling to the audience. Thus, Kotler and Armstrong (2006) define IMC as the careful integration and coordination of many communications channels to deliver a clear, consistent and compelling message about the organization or its product. *Clear message* means that the promotion campaign should contain simple and short sentences, languages understandable by the audience, and simple illustrations that can be easily decoded by the target audience to influence purchase decisions. *Consistent message* means that promotional campaigns through advertising, sales promotion, personal selling, public relation and direct marketing channels should convey the same message. *Compelling message* means that a promotion campaign should be convincing and persuasive enough to stimulate buying actions.

MARKETING COMMUNICATION PROCESS

Communication, which is the process of using words, sounds, or visual cues to exchange information between two or more people, is made up of a set of sequential steps called communication process. Thus, communication process refers to the parties, tools and functions involved in every effective communication. By extension, marketing communication process (MCP) describes the stages marketers follow in developing and transmitting product messages to the target consumers, and obtaining feedback in an environment that may be polluted with noises, which could distort the intended meaning of a message. MCP includes sender, encoding, message, decoding, receiver, response, feedback, and noise.

i. **Sender**: This refers to the communicator and in most cases, the marketer. The promotion message usually originates from the marketer. A customer becomes the *sender* when he/she gives feedback or initiates marketing communication.

ii. **Encoding**: This refers to the process by which a sender/marketer *codes* his/her intentions, ideas and thoughts in symbols (alphabets, words, figures, pictures, graphs, sounds, intonations, signs) that can be easily decoded and understood by the target customers/audience. It is important to note that customers can also encode message.

iii. **Message**: This refers to a set of symbols (a copy, an illustration, audio, and audio-visual presentations) that the sender or marketer transmits to the target consumers/recipients.

iv. **Media**: This has to do with the *channel* through which message is transmitted to the consumers. Examples of the media channels are radio, television, billboard, internet, and newspapers.

v. **Decoding**: This is concerned with the *interpretation* of the encoded message. In other words, decoding is the process by which the receiver or target customer assigns meaning to the symbols encoded by the sender. Marketers may perform decoding function when customers initiate the marketing communication.

vi. **Receiver**: This refers to the *target audience* or *recipients* of the message sent by the sender. In marketing communication, this party represents the *customer* but may also be the marketer.

vii. **Response**: The *reaction* of the receiver to marketing message in terms of purchases, referrals, or enquiries.

viii. **Feedback**: The listening ability of the sender or marketer to gather information about the consumers' response. It may also be regarded as a portion of the sender/customer's response that is communicated to the marketer.

ix. **Noise**: All forms of distractions that distort the intended meaning of a message during encoding, transmission and decoding stages of communication.

MARKETING COMMUNICATION MIX

Marketing communication mix is also called promotion mix. It refers to a set of communication tools that a company uses to achieve its marketing communication objectives. These are:

i. Advertising;
ii. Sales promotion;
iii. Public relations;
iv. Personal selling; and
v. Direct marketing.

ADVERTISING

A popular adage says: "if you do not blow your trumpet, nobody will do it for you". This explains why companies pay for space and time in mass media like television, radio, newspaper and magazine in order to tell their product stories to the target market. Therefore, advertising can be defined as any sponsored commercial announcement about a specific company's product, services, idea, or event in mass media to specific market segment(s) in order to create awareness, patronage and sales. Put differently, advertising is any prepared and controlled product commercial sponsored by a company and communicated to the target customer audience through electronic or print media with the primary aim of influencing consumers to buy. Advertising involves purchase of media space and time by any company to facilitate promotion of its products, services, ideas, persons, and events to a large number of target audiences for the realization of sales goals.

Features of advertising

The characteristics of advertising that makes it distinct or similar to other promotional tools are itemized and explained below:

1. **The message source**: This refers to a firm that sponsors an advertisement. It may also refer to individual(s) employed by a firm to present and/or act the message, for example, popular celebrities such as sport stars and movie stars.
2. **The signature/advertiser:** This refers strictly to a firm whose products are advertised.
3. **Mass media**: The medium of communication, for example, newspaper house, television station, radio station, magazine publishers, and outdoor platforms (e.g. bill boards, public spaces, etc).
4. **Advertising agency**: This refers to an independent company that specializes in designing advertisement messages.

5. **Recipients/audience**: The recipients of the advertisement message are the members of the target market. For examples, members of the market for whom the advertisement is packaged.

6. **Non-personal**: Advertising differs from personal selling in the sense that it does not involve face-to-face interaction between sales persons and prospects.

7. **One-way communication**: Advertising is a one-way communication from the manufacturer to the consumers, while personal selling involves two-way communication between manufacturer's sales representatives and prospective consumers (i.e. presenting the product and responding to questions).

8. **Controlled message/presentation**: What to say during the advertisement, who and how to say the message are usually designed, acted, recorded, programmed and tested before real implementation. So, it is not flexible like personal selling and public relation tools that can extend or reduce the presentation time to suit a particular situation.

9. **Message contents**: This addresses the issue of what to say in advertisement to gain the attention, concentration, understanding and response of the targeted consumers. The options available to the advertiser are rational appeal, emotional appeal or moral appeal approaches. In *rational appeals*, the unique benefits of a product are presented such as quality, economy, and performance. *Emotional appeals* adverts use presentation styles that stimulate the positive emotions of the consumers (love, humour, and happiness) and put them in a state of wanting to buy in order to experience or share love and happiness. This is common with car, beverage and décor adverts. Emotional appeals advert at times arouse the negative emotions of the consumers (fear, shame) to make them see reasons to buy. This is common with antiseptics' adverts and sanitary pads. *Moral appeal* adverts try to caution the target consumers on the right and wrong behaviors and how such behaviours affect people and environment. Adverts on climate protection and child labour are good examples.

10. **Message format**: This has to do with the arrangement and presentation of an advertisement in terms of the headline or caption, copy (main message), illustration (picture), colour, sound (music and jingle), voice, gesture, movement, and posture, etc.

11. **Message structure**: Most product have positive and negative sides, the advertising dilemma is: "do you present either the positive benefits or the negative effects of a product (one-sided argument) in an advert? Or both (two-sided argument)?". In practice, one-sided argument is the most widely used especially where the recipients are not highly educated. However, two-sided approach becomes necessary when companies are mandated by law to present the side effects of a product to the public during advertisement as obtainable in drugs, packaged foods, and herbicides.

Objectives of Advertising

Advertising is generally aimed at informing, persuading, reminding or reinforcing consumers about a particular offer.

1. **Informative advertising**: This is aimed at creating awareness about a new product in terms of brand name, features, functions, performance, price and retail outlets. It is heavily used when introducing a new product. However, it can also be used in increasing awareness for an existing product, especially when an existing product is introduced in a new market.
2. **Persuasive advertising:** This is aimed at creating strong likeness, preference, and conviction that leads to the purchase of a product or services. Persuasive advertising is adopted when a company's product is faced with increased intense competition. To beat competition, *comparative advertising* in which a company compares the features of one brand with others can be used.
3. **Reminder advertising**: Here, the aim is to encourage repeat purchase of a company's existing product or services. Brand advertising without any accompanying messages on billboards, TV, and newspaper are good examples. Reminder advertising is used for mature products.
4. **Reinforcement advertising**: This is aimed to assure present customers that they have taken right decision in purchasing the company's product in the past and the same purchasing decisions should be made now and in the future.

Advantages of Advertising

Advertising provides numerous advantages to firms, current and prospective consumers, and advertising agencies. Some of the advantages are stated as follows:

1. Advertising facilitates mass dissemination of product information to consumers at the same time since it relies on mass media like television, radio and newspaper.
2. It can be repeated severally over a long time thereby increasing the chance of reaching and influencing members of the target market.
3. It can be transmitted via any media vehicle (radio, television, or newspaper) depending on the prevailing situation (e.g. advertising objective, company resources, and target audiences' access to radio and television networks).
4. Television adverts has added advantage of incorporating product, the presenter, the verbal message, sound, and other artistic work, which make communication more effective.
5. It complements sales promotion programmes. That is, sales promotion progammes like trade fairs, displays, coupons, and rebates need to be advertised for them to be effective.

6. It often generates publicity. That is, effective advertisements are carried as news.

7. It supplements personal selling. That is, salespeople find it easy to sell when product awareness has been created among the prospects.

8. It is flexible in the sense that it can be designed to *inform*, redesigned to *persuade*, and further re-designed to *remind consumers.*

9. It influences purchases and boost sales.

10. It is a profession that creates jobs for many people.

11. It educates people and makes them live better life.

12. It entertains and reduces body stress.

13. It generates revenue to the government, especially when advertising agencies are levied taxes.

Disadvantages of Advertising

Advertising may fail to yield the desired results as enumerated below:

1. Advertising is usually very expensive, and only financially strong companies can afford to use it.

2. Most adverts are puffs (exaggerated opinion and not facts) that mislead consumers to buy products that cannot satisfy their needs. In true sense, some of the advertised products cannot offer value for money.

3. In trying to reduce risk to life through advertising, immoral behaviour is further encouraged in the society. For example, the advertisement of condom to avoid HIV and other sexually transmitted diseases tends to encourage fornication and adultery.

4. Advertising influences people to buy more than they can afford at a time, thereby encouraging waste of scarce resources and throwing people into a state of penury, lack, frustration, and debtors.

5. Advertising inflates prices of goods and services in the market at the expense of consumers. This is because advertising is an expenditure that has to be recovered by a firm through apportioning the cost to unit prices of goods and services.

6. Advertisers often use deceptive and misleading messages in the name of creativity, which favor the sellers but work against the interest of the consumers.

7. Advertising to minors or children can be very dangerous. Clearly, a child without income and developed capacity of reasoning and deciding can, after being stimulated by an advert, resort to stealing.

8. Some adverts are fraudulent in nature, for examples, false promises, false testimonials, false comparisons, and partial disclosures.

9. Some adverts can be offensive and irritating. For example, using nudity to advertise female sanitary pad, underwear, and contraceptives can be irritating or unacceptable in some culture.

DIFFERENCES BETWEEN ADVERTISING AND ADVERTISEMENT

Advertising and advertisement, like many marketing terms (e.g. consumer vs. customers, communication vs. promotion, and needs vs. wants), are used interchangeably in daily communication despite sharp conceptual distinction. The distinctions between the two terms are contained in Table 13.1.

Table 13.1: Distinctions between Advertising and Advertisement

Advertising	Advertisement
Advertising is a process of compiling an advertisement.	Advertisement is the end product of advertising.
Involves activities *before* an advertisement (e.g. target market, objectives and budget), *during* advertisement (e.g. implementation), and *after* advertisement (e.g. monitoring, measuring and evaluating the effectiveness of advertisement).	Advertisement refers to every single announcement on television or radio.
Advertising is a broader concept; it encompasses advertisement.	Advertisement is a narrower concept; it is embedded in advertising.

GUIDELINES ON ADVERTISEMENTS AND PROMOTIONS IN NIGERIA

The guidelines on advertisements and promotions in Nigeria are contained in the Nigerian Communications Commission (NCC) Act of 2003. Under section 2 of the Act, important terms are identified and explained as follows:

§ ***Advertisement:*** "any message, the content of which is controlled directly or indirectly by the advertiser, expressed in any language and communicated in any medium with the intent to influence their (consumers) choice, opinion or behavior".

§ ***Promotion:*** "any message, the content of which is controlled directly or indirectly by the advertiser, expressed in any language and communicated in any medium with the intent to influence their (consumers) choice, opinion or behavior in order to receive a reward or benefit".

§ ***Commission:*** "Nigerian Communication Commission".

§ ***Licensee:*** "any person who holds an operating license issued by the Commission".

Minimum Standards and Requirements for Advertisement

Section 3(a) of the NCC Act which deals with "**standards and requirements**" partly states that:

i. The licensee shall attach a detailed report of the advertisement clearly specifying the goods and/or services and the target consumers.

ii. The licensee shall, if the goods and services on which an advertised claim or representation depends can be tested by survey or data, provide such data which must be reasonably competent and reliable, reflecting the true and accepted principles of such research.

iii. The licensee must adhere to set standards for quality and grade of service set by the commission. Etc.

Section 3(b) of the NCC Act which deals with "**pricing**" states that:

i. The licensee must communicate all prices and financial implications clearly and have no hidden or disguised price adjustments, discounts, unrealistic price comparisons or exaggerated claims as to worth or value. Advertising with complicated price structures and information shall not only appear in transient types of media such as radio and television but must be accompanied with detailed print media explanations, and on the licensee's website. The transient media must specifically instruct consumers to see the print mediums for details.

Section 3(c) of the NCC Act made the following pronouncements regarding "**advertorial medium**":

i. The licensee shall be required to make advertisements and advertisements for promotion only via print, radio, mail, licensee's website, text messages, electronic mail (where permitted by recipient to send such promotional material), and/or visual media, with accuracy and clarity of the goods and services being offered.

ii. No advertisement or advertisement for a promotion shall contain any obscenities or profanities unsuitable for young persons and children or contain any racial or prejudicial content relating to national origin, religion, sex, gender or age.

Section 3(d) of the Act deals with "**comparative advertising**" and states:

i. Advertisement must not unfairly discredit, disparage or attack other products, services, advertisements or companies, or exaggerated the nature or importance of competitive differences.

ii. No licensee shall imitate the slogans or illustrations of another advertiser in such a manner as to mislead the consumer.

Laws on "**internet connections**" are contained in Section 3(e) of the NCC Act. It states:

i. Licensees offering internet connections should state the internet connection speed available to end-users as well as specific upload and download speed. If the connection speed quoted is only obtainable under special circumstances, then the circumstances should be clearly stated.

SELF-ASSESSMENT QUESTIONS

1. Define advertising and state its features?
2. Why is advertising the most visible aspect of marketing?
3. Compare and contrast advertising and marketing.
4. Argue for or against: “advertising do more good than bad to the society”.
5. Compare and contrast advertising and advertisement.

SALES PROMOTION

Sales promotion is any short-time marketing prgramme by a company that causes excitement and encourages immediate purchase of a firm’s products and services. It can also be regarded as a variety of short-term incentives that encourage trial purchase of a product or services. It includes contests, games, lotteries, premiums and gifts, samples, fairs and trade shows, exhibits, demonstrations, coupons, rebates (cash refund offers) and entertainments, among others.

Sales promotion is usually used together with advertising. *Advertising* offers reasons to buy a given product or services while *sales promotion* offers incentives to buy now.

Objectives of Sales Promotion

Sales promotion seeks to achieve the following major objectives:

i. **Trial purchase**: A free sample to consumers can stimulate trial-purchase now and repeat-purchase later.

ii. **Build long-term customer relationship**: When free management-advisory or consultancy service is offered to retailers and consumers, it tends to build and cement long-term relationship between a company and its customers.

iii. **Introduce a new product**: Sales promotion is used to accelerate the introduction and acceptance of new products and services. For example, product samples encourage trial of new products, which may lead to repeat-purchase by the consumers; trade fare enables a company to demonstrate and introduce a new product into a new a geographical area.

iv. **Create demand for seasonal goods:** Sales promotion can boost sales especially during periods of low demand. For example, discounts and allowances encourage off-season buying. The off-season for umbrella is harmattan season – period of no-rain and little sunlight; demand for umbrella during this season is naturally low but can be increased through sales promotions.

v. **Increase repurchase rates:** Sales promotion often stimulate current users of a particular product to buy more of the product during sales promotion programmes such as bonuses, premiums, rebates, contests, games, and sweepstakes, etc.

vi. **Reward loyal customers:** It is important to appreciate and reward customers who stick to company products despite competitive appeals. Free gifts, bonuses and patronage rewards are good examples of sales promotion techniques that reward customers.

vii. **Attract new customers:** Sales promotion can be effective in attracting new customers from the competitors, especially if the switching cost is low and other switching barriers are non-existence or less cumbersome. This is a common practice in the Nigerian GSM industry, where consumers often abandon subscription or sim-cards of Company ABC and switch-on to a new Company XYZ in order to enjoy free calls for say, three months.

viii. **Increase sales:** The ultimate objective of sales promotion to a company is to increase sales and profit in the short-run and in the long-run. The short run gains are the additional sales from sales promotion period that exceed what obtains in non-sales promotion periods; examples are price-cut sales promotion techniques. The long run sales benefits results from the use of free gifts (which is a cost to the company) that gradually increase brand equity, company image and reputation, and translates to customer retention, loyalty and sustainable patronage.

Characteristics of Sales Promotion

i. **Short-term:** Sales promotion activities usually have lifespan of three months to six months. In rare cases, the duration may be shorter than three months (e.g. trade shows, displays and galore) or longer than six months (e.g. trade promotions).

ii. **Reward:** Rewards are embedded in sales promotion to show appreciation to customers for their patronage. Good examples are 'patronage reward' for consumers who purchase firm's product regularly, and 'sales reward' given to employees who meets sales target or quota. Rewards cement strong and lasting relationship between a firm and its customers, as well as employees.

iii. **Incentives:** This is very similar to reward package but different in the sense that it is targeted at the new prospects in order to win their patronage.

iv. **Advertising:** Sales promotion activities require publicity about the conditions or requirements for consumer participation as well as the duration of the programmes. Thus, radio and television advertisements are used to create publicity about a sales promotion activity.

v. **Targeted at consumers, distributors, sales force, and industries:** Majority of sales promotion programmes are targeted at the final consumers (e.g. soap users); many are targeted at the marker intermediaries (e.g. soap retailers); others are targeted at company sales people.

SELF-ASSESSMENT QUESTIONS

1. Compare and contrast sales promotion and advertising.
2. What are the main objectives of sales promotion?

PUBLIC RELATIONS

Public Relation (PR), as the name implies, is concerned with the study of how organizations should relate with the public groups such as consumers, labour unions, government, investors, community and the like in order to continue to gain public support, endorsement and trust for the business to succeed. Public Relations Institute of Australia (2010) defines PR as a deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its publics. PR is the management process whose goal is to attain and maintain accord and positive behavior among social groupings on which an organization depends in order to achieve its mission.

The definition of PR above suggests that PR share the following features:

i. **Management process:** PR is not just an event but also a cyclical chain of events that involves analysis of public interests and concerns, setting communication objectives, choosing the medium of communication, implementing the plans and evaluating performance against targets.

ii. **Deliberate activity:** PR is not impromptu and haphazard task, but a conscious exercise or assignment. It is intended rather than spontaneous. In fact, PR is a management function, which entails that a position, tasks, responsibilities, and resources must be created, assign or appropriated to it in every organization.

iii. **Planned activity:** PR is a systematized, organized and coordinated set of activities aimed at building corporate reputation. PR plans are long-term in nature.

iv. **Sustained effort:** Since public interest is enduring and metamorphosing, PR strategies and efforts has to be refined and re-sharpened periodically to address existing and emerging public interests and concerns that may affect the organization negatively.

v. **Create mutual understanding:** PR involves two-way communications between the organization and the public. This is to enable companies get the public views, opinions, concerns, complaints, interests and demands about its activities (product, employment, pollution, waste management, pricing, etc), and react by way of providing explanations and justification for certain action as well as plans to adjust policies and practices to cater for the needs and concerns of the public. In other words, PR should be beneficial to both parties – the organization and the public.

vi. **Achieve organizational mission and objectives:** PR is a means to an end and not an end in itself. It is a tool used by business managers to stimulate positive and favourable interest in their organization in order to gain public acceptance, support, partnership and patronage required to achieve predetermined goals such as employee job satisfaction, product quality, sales turnover, environmentally friendly product, customer satisfaction, profit maximization, shareholders value maximization, market leadership, and social responsibility, etc. The extent to which organizations are able to achieve their set goals (performance) will determine its image and reputations in the eyes of the public.

vii. **The organization:** Organizations are entities that engage in PR. They hire PR experts to work in PR Departments. PR officials create publicity and manage crisis or disturbances from the public by means of information dissemination, among others.

viii.**The public:** This refers to any group that has interest in an organization – customers, employees' union, government, community, financiers, investors, shareholders, and environmentalists. Customers' interest is on fair price and product safety; employees' are interested in fair wages, job security and industrial safety; government expects companies to comply with tax laws and product standards; communities are worried about pollution, waste and land allocation and make demands for social responsibility, scholarship and employment quota; financiers are after prompt payment or settlement of debts and interests; investors and shareholders are interested in annual profit, dividend and stock price; and environmentalists wants organizations to preserve and not destroy animals, plants, trees, ozone layer, and rivers.

PRINCIPLES OF PUBLIC RELATIONS

Principles of public relations provide professional rules to guide PR practices. Page (n.d.) identified six principles of PR:

i. **Tell the truth**: A company should provide the public with accurate information on its mandate, functions/activities, ideals, and practices.

ii. **Prove it with action**: Company reputation is build through performance. That public perception of an organization is determined 90% by doing and 10% by telling.

iii. **Listen to the customer**: Company excel through customer, therefore, the PROs should ask and listen to customers about their needs and wants, and channel the information to the management for effective decisions.

iv. **Manage for tomorrow**: Begin to build goodwill with the public today for the benefit of tomorrow, especially when things turn bad.

v. **Conduct PR as if the whole company depends on it**: PRO should have inputs in the long-term corporate goals and strategies of an organization. He/she should analyzed the impact of corporate plans and strategies on the public and advise the management accordingly.

vi. **Realize a company's true character is expressed by its people:** Every employee of an organization is naturally involved in PR on behalf of the organization. This is because the public opinion about an organization is shaped by the words and deed of its workforce.

vii. **Remain calm, patient and good-humored**: When a crisis arises, the PRO should remember that, cool heads communicate best.

Other principles of PR, as presented by Cobot (2012), are as follows:

i. **Organizations exist only by public consent**: This principle stresses the importance of the public or stakeholders to the organizations. Public interests and powers may influence an organization's objectives favourably or unfavourably. To succeed, every organization must win public consent – the public must accept and support you as a company; they must approve and permit the company's being and operation; and they must identify with, recognize and patronize the company.

ii. **Mutually beneficial relationships require two-way communication**: This principles stresses that organizations strive to hear the public's story about all its activities. The principle opines that communication is effective, fair and balanced when there is feedback. Thus, organizations are expected to listen to public complaints, concerns and interests relating to the organization activities and respond to it accordingly.

iii. **It's not our job to put a clean shirt on a dirty body**: This principle is against cover-up, propaganda, deception, hype or spin. Hype may be beneficial in the short-run but when discovered can erode public trust forever. 'Putting a clean shirt on a dirty body' means that particular information does not represent the reality or the situation on ground. Organizations should pursue excellence and Total Quality Management (TQM) principles to have clean bodies on which clean shirts can be worn at all time.

iv. **Act, then communicate**: Public Relations simply means **perform**, then **relate** (tell) the performance to the public. In fact, when a company performs well, the public will notice it and spray information or positive word-of-mouth around to other members of the public.

v. **Clarity is more important than cleverness**: This principle cautions PROs to design messages according to the communication objectives, use language and symbols that recipients or customers can easily decode, and chose the media that will deliver the message to the target public. In trying to be clever, the right message and media may not be used thereby defeating the aim of the communication.

vi. **Activity does not equal result**: This principle complements the "act, then communicate" principle earlier discussed. PR activities should not represent cost elements, but should convincingly contribute to the organizations' sales, profit, donation, and other objectives of pursuit.

vii. **Never refuse an opportunity to tell your own side of the story**: Costly mistakes are bound to happen in every organization, and when they do the press and the public want an explanation – the company's side of the story. PROs often avoid bad news about their organization and would rather respond "no comment" than provide some explanation. It's better to comment that "investigation on the immediate and remote causes of the accident/incident are on-going and details of the initial findings will be release to the public" than say "no comment". An organization may set 100 good records in many years of its operation, and just one bad incidence may overshadow the past good deeds.

viii. **Manage expectations**: During publicity, promises are made to the public which raises public or consumers expectations. Consumers' responses to the publicity in terms of purchase usually avail them the opportunity of comparing the promises/expectations with the reality (product performance); they get disappointed when the product or service performance fall short of expectations. Thus, it is important to uphold the principle of "tell the truth".

ix. **Practice public relations proactively whenever possible**: In PR, it is more important to be proactive (attack) than reactive (defend).

x. **Be a bridge, not a barrier**: In other word, a PRO should be a relationship builder and not propagandist. He should advocate two-way balanced/symmetry communication that creates mutual relationships over and above one-way communication that uses hype, publicity, and manipulations. Two-way communication *connects* the public to the organization and vice versa, however, one-way communication tries to *protect* the organization from the public's disturbances.

Difference between PR and Publicity

PR and Publicity are often used interchangeably despite the differences in their technical meanings as itemized in Table 13.2 below.

Table 13.2: Difference between PR and Publicity

Public Relations	Publicity
PR is a deliberate engagement in newsworthy events such as sponsorship, corporate social responsibility/investment, and launching innovative products to create good public image about the company.	Publicity is concerned with company news by third party that helps in building good company reputations. It also involves third party assessment and stories about the company.
This is broader in contents and tools. It includes publicity, public information, and public feedback.	It is narrower than PR in the sense that it is a component of PR.
PR strategies covers long-term.	Publicity strategies are short-term in nature.
PR is largely controlled by the organization.	Publicity is not under full control of the company.

Importance of PR

PR provides the following benefits to the organization and/or its customers:

i. It gives more credibility, believability and reliability to company goods and services;

ii. It helps in building and maintaining mutual relationship between the company and the customers;

iii. It is cheaper than other traditional communication tools such as advertising, personal selling, and sales promotion.

iv. It instills trust in the minds of the customers;

v. It generates sales leads through articles in the trade journals about new products;

vi. It helps in developing new prospects for the new markets, for example, individual who hear or read news about the product make enquiries and eventually buy the products;

vii. It instigates sales calls by individuals who read or heard about a new product;

viii.It facilitates endorsement of company product by a third-party;

ix. It makes available free or cheap literature on companies' products, prices, distributors, and its other operations;

x. It helps companies with weak financial base to avoid heavy advertising costs and still get their products sold;

xi. It helps in building company and product image on a continuous basis;

xii. It can be instrumental in damage control to product image;

xiii.It is an effective tool in protecting the image of the company and its product;

xiv.It can be used to overcome consumer resistance to products; and

xv. It is useful in changing consumer attitudes, behavior and perceptions.

Disadvantages of PR

PR has certain disadvantages:

i. The media time and space cannot be guaranteed;

ii. Measuring PR performance or results can be difficult;

iii. Company has no absolute control over publicity material; and

iv. It is subjective to abuse by desperate PR professional who may resort to hype, propaganda and deception.

SELF-ASSESSMENT QUESTIONS

i. Differentiate between PR and publicity.

ii. State the advantages and disadvantages of MPR.

iii. Explain the general principles of PR.

PERSONAL SELLING

This refers to a direct method of selling in which a company's sales representative meet prospective buyers, communicate to them about the product, sell to them and offers installation and maintenance services. Put differently, it refers to face-to-face, telephone or internet interaction between the company's sales person(s) with one or more prospective buyers for the purpose of making presentations, answering questions and procuring orders.

Objectives of personal selling

Personal selling helps companies achieve the following objectives:

i. **Prospecting:** All activities that involve looking for the right buyers.

ii. **Targeting:** Selecting the right time and place to meet and present offerings to the prospective buyers.

iii. **Communicating**: Informing the prospective consumers about the company's offerings.

iv. **Selling:** The actual presentation of products and services to consumers. It involves dealing with objections, answering questions and finally, closing sales.

v. **Servicing**: Salespeople offer a range of services to customers: delivery, financial, installation and repairs services.

vi. **Information gathering**: This involves gathering information for the firm for marketing research purposes.

Importance of Personal Selling

1. **Communication**: It facilitates direct, face-face or interactive communication between the salesperson and the prospect(s)/customer(s) regarding a company's product(s).
2. **Flexibility**: It enables the salesperson to change the selling tactics in line with the customer's mood, appearance, gender, culture, and other important socio-economic and personality variables.
3. **Demonstration**: Through personal selling, sales people can demonstrate how a new product can be coupled and uncoupled, used, operated, switched-on and off, and serviced.
4. **Installation services**: Salespeople are usually trained to perform installation services, usually free of any charges.
5. **After-sales services**: Salespeople pay repeated visits to customers who have earlier purchased products in order to fix minor problems or give valuable advice on how best to use the product to minimize recurrence of technical faults.

6. **Relationship building**: Personal selling is an effective promotional strategy for building and sustaining marketing relationships with esteemed profitable customers by way of understanding customers' first name, knowing customers address and keeping contact especially during festive periods, and being very friendly.
7. **Gathering information**: Through personal selling, a company can use its salespeople to gather relevant and reliable primary data on consumer behaviour and market situation in order to gain better understanding of the consumers in terms of their needs, preferences, purchasing power, and competitive strategies among others.
8. **Closing sales**: This means the act of making a customer pay for the promoted product, which is the greatest challenge, yet the most important task in the selling process. Thus, personal selling has the advantages of promoting a product and turning the product to cash on the spot.
9. **Market Penetration (effective distribution)**: The right salespeople can be used to penetrate into the market. A good example is the use of salesgirls to distribute goods in societies or cultures that practice *purdah* – where married women are not permitted to associate with the outside world (except for strong cogent reasons) while men other than their husbands are banned from entering such houses.
10. **Price negotiation**: Personal selling facilitates price haggling between the sales person and the customer.
11. **Refine customer's view:** When a customer has negative view about a company's product, personal selling can be used to counter such view by highlighting the unique benefits of such a product.

Personal Selling Approaches/Context/environment

Personal selling can take place in different environment: on air, in the store, and in the field.

i. **Telemarketing**: A personal selling approach that relied solely on phones for prospecting, presentation, closing sales, and follow up. The advent of General System for Mobile (GSM) has made telemarketing inevitable to selling organizations. Examples of telemarketing are outbound and inbound telemarketing discussed under types of salespeople.

ii. **Over-the-counter or retail selling**: A personal selling approach that occur within a retail store. Usually, the buyer approaches the stores to make purchases, while the salesperson (over-the-counter seller) is present to attend to the customer. Types of retail selling are order taker and order getter; these concepts are explained under types of salespeople.

iii. **Field Selling**: Paying cold calls or fixed appointments to offices and homes of prospects/customers in order to strike a sale deal. It means walking about to meet people and make sales.

Draw Backs of Personal Selling

The main disadvantages of personal selling are highlighted below:

1. **High cost of wages**: Since a salesperson can only attend to one prospect/customer at a time and few numbers of customers per day, companies usually resort to hiring large number of sales people to facilitate reasonable sales which often leads to increased wages and cost of operations.
2. **Low sales per head**: A salesperson can only attend to one prospect/customer at a time and few numbers per day, leading to low sales revenue.
3. **Cost of training**: To guarantee effective selling and its attendant benefits, the salespeople have to be trained and retrained which increased cost of operation.
4. **Spread product message slowly**: Personal selling tool cannot spread product message as fast and as widely as other marketing communication tools like advertising and public relations.

Team Selling

Team selling refers to a group of salespersons with specialized product, engineering, clerical, marketing and financial related skills working towards a common sales goal, usually sales growth.

Advantages of Team Selling

1. It enables comprehensive handling of any objection from the customer since all experts – product engineer, professional seller, clerk, and distributor – are members of the team.
2. It gives customers the impression that the company is big since it (the company) could afford team selling. This builds customer confidence.
3. It facilitates learning of other important skills by the members of the team.
4. It is not boring selling in company of colleagues.
5. It facilitates building of relationship with customers since after-sales expert is part of the team.
6. It facilitates gathering of information about the customers since clerk or administrator is among the team.

Disadvantages of Team Selling

1. It can be costly to operate, especially by small businesses.
2. It can result into conflict among members.

Conditions that Favour Team Selling

1. When products are customized for few individual customers.
2. When selling a very complex product.
3. When several individuals are involved in taking sales decisions in respect of a company's product.
4. When competitors are achieving better sales results and dominating the market due to well-coordinated sales force.

When the cost of team selling can be recovered from one single successful major sales.

SELF-ASSESSMENT QUESTIONS

1. Personal selling is both an art and science. (a) How can a sales person combine both the art and science of personal selling in achieving his/her sales target? (b) What are the relevance of sales people to the company and consumers?
2. What are the objectives of personal selling?
3. Under what conditions should a firm adopt team-selling approach?
4. How is team-selling important to firms and customers?
5. What are the disadvantages of team selling?
6. List and explain the personal selling approaches.

DIRECT MARKETING

The advancement in information and communication technologies has taken marketing communication to another level – direct marketing. Direct marketing is the use of cell phones, e-mail, internet, fax or mail to inform individual customers and solicit for their response about a given product or service. Forms of direct marketing are telephone marketing, direct-mail marketing, catalog marketing, direct-response television marketing, kiosk marketing and on-line marketing.

Objectives of Direct Marketing

i. **Customized message:** Database is created for each customer and used to design individualized communication messages for him/her.

ii. **Build long-term relationships:** Customized offerings are made to each customer according to his/her peculiar needs. Also, seasonal greetings such as birthday, *Eidl Fitr/Kabir* and Christmas greetings are communicated to each customer which he/she (the consumer) may regard as very caring, and friendly.

iii. **Solicit for consumer response:** Consumer can lay complaints, make purchases, or make enquiries via direct marketing.

Indirect Marketing Communication

This refers to marketing communication tools/elements other than direct communication tools that facilitate transmission of message from one source to many audience/consumers at a given time. Examples are advertising, sales promotion and public relations.

Direct marketing process

The steps involved in direct marketing are:

i. **Set goals and objectives**: This is the planning stage where a marketer is required to set communication objectives – informing, persuading, researching (data gathering), and reminding prospects and customers.

ii. **Identify the target audience**: Which market is the company interested in serving and communicating? A company may choose to communicate business organizations or household consumers, large or small scale business organizations, and high income or low income consumers about its product and services.

iii. **Determine the response mechanism**: Being an interactive form of marketing communication, it is important to decide on the feedback mechanism – telephone calls, email, Short Message Service (SMS) or texting, kiosk marketing, mailing, etc.

iv. **Select the marketing channels**: A decision need to be taken on how product will be delivered to customer after placing order by phone calls, SMS, or email. Goods ordered through direct marketing can be delivered to customers via postal services, sales reps, retailers and agents.

v. **Design and produce the campaign**: The message that needs to be communicated to the consumers' needs to be developed in terms of structure, contents and source.

vi. **Implementing and evaluate performance for continuous improvement**: Directing marketing programmes need to be evaluated periodically after implementation. The evaluation may reveal performance gap that can be improved in order to achieve predetermine objectives of direct marketing.

Forms of Direct Marketing

Marketers can use any of the following direct marketing tools to supplement indirect communication tools in order to achieve the organization's marketing communication objectives most effectively.

i. **Direct mail marketing**: This involves mailing letters, flyers, posters and materials (e.g. product samples) by marketers to prospective and exiting customers through postal services. Mailed letters are used for sale offers while flyers and posters are used for product announcements. Direct mail may be used to request for customer information and to also build relationship with customers. In using this method, a marketer should obtain mailing lists of targeted customers, prepare a print message, parcel the message attractively, and address and post the parcel to targeted customer. Letters and flyers can also be delivered via fax mail and e-mail.

ii. **Telemarketing (telephone marketing)**: Telemarketing is the use of phones by marketers to establish voice contacts so as to promote, obtain immediate and interactive feedbacks, and sell goods to prospects or customers. Telemarketing is indispensable by business organization, either small or large, because virtually every adult now possesses and uses phone in both developed and developing nations like Nigeria.

Two forms of telemarketing are available to marketers: outbound telemarketing and inbound telemarketing.

a. **Outbound telemarketing**: Obtaining a call list and dialing customers' numbers in order to promote and sell company's product. It is useful for direct selling, generating and screening leads, data base marketing, and supporting sales force.

b. **Inbound telemarketing:** A form of telemarketing in which a call center or unit is created within a company's sales department and call-receiving personnel are hired and trained to receive and respond to phone calls from customers stimulated by the on-going advertising, sales promotion, sponsored events, and/or public relations programmes. Marketers can encourage customers to participate and engage in inbound telemarketing by circulating contact or response numbers to the prospective and existing customers via television, radio, newspaper, bill board, and email advertising.

i. **Short Message Service (SMS)**: This technique involves writing and sending uniform or customized promotional text messages to individual customers via General System for Mobile (GSM) phone lines, and soliciting for customers' response. It differs from telemarketing in the sense that a single promotional text message can be sent to hundreds of customers at a time, yet each customer can view the message at his/her convenient time.

ii. **Catalogue marketing**: Literally, a catalogue means exhaustive or comprehensive list of items that consumer may want to buy or sellers may want to sell. Thus, catalogue marketing is a direct marketing technique where by marketers prepare and distribute catalogues (long list of products and their corresponding prices, functions and possible means of delivery) to consumers and the consumers respond by mailing purchase offers/orders, while goods are delivered by the company using a courier. Catalogue marketing is done both in print and online, hence the name print catalogue and web-based catalogue respectively.

iii. **Kiosk marketing**: Traditionally, a kiosk is a small shop designed for selling special items, or a public telephone booth. The concept of kiosk marketing has a slightly different meaning – information and ordering machines placed in departmental stores, super markets, trade shows, and public places like airports, stadia, railway stations, schools, and busy streets. In kiosk marketing, customers can feed in their personal information (text, photographs, bio-metrics) into the machine, view product information stored in the machine, order for products (customize or un-customized), receive a printed copy of the transaction, and await product delivery via the machine, mail or salespeople. In other words, kiosk machines do not dispense tangible products ordered but may dispense intangible products like snapped and edited pictures, movies, and music; in fact, kiosk machines are now connected to the internet thereby expanding its functional roles and capabilities on daily bases. Different companies in different industries have contracted and collaborated with electronic and ICT engineering companies for different designs of kiosk machines that can perform the basic tasks of kiosk marketing most effectively. For example, the automated teller machine (ATM) is a good example of kiosk marketing in the banking industry.

iv. **Direct-Response advertising**: This refers to a direct marketing technique in which long adverts that end with "call-this-number-now" are aired on a mass media like television and radio in order to inform, persuade and stimulate direct response from the target customers. In fact, some television stations, called 'shopping channels', are now fully dedicated to advertising of consumer and industrial products. What differentiate traditional advertising with direct-response advertising is that contact/response/call-us-back numbers are not featured in the former but clearly featured in the latter.

Three types of direct-response advertising are explained below:

a. **Direct-response television advertising**: A direct-response advertising via television channels and usually targeted at television viewing consumers. Its advantage lies in the fact that the advertised product can be visualized in addition to the audio message. It can reach wider audience.

b. **Direct-response radio advertising**: A direct-response advertising via radio channels and usually targeted at radio listeners. The major disadvantages are that the advertised product cannot be visualized; telephone numbers and web-addresses are not easily memorized or written down by farming, driving, or trading customers. However, it is effective in advertising a product to rural dwellers who do not enjoy electricity supply, especially in developing countries; it is also less costly to the advertising company compare to direct-response advertising; and it can reach wider audience.

c. **Direct-response print advertising**: This is the type of direct-response advertising that appears in the print media and on bill boards. It is advantageous because print response numbers on the newspapers and bill boards can be easily copied for immediate or future product enquiries or placement of orders.

v. **Online/internet marketing:** By definition, internet is an electronic communication network that connect computers worldwide for the purpose of sharing information. Thus, internet marketing can be regarded as a process and set of techniques for promoting and selling products online. It is any means used by a company to market its products and services online.

Put differently, internet marketing is an electronic communication platform or network for creating web sites, advertising products and services directly to prospects and customers, gathering customer data, receiving direct response from targeted customers for orders, delivering downloadable products, making or receiving payments, and building lasting relationships with customers.

SELF-ASSESSMENT QUESTIONS

1. (a) Define direct marketing, (b) State importance of direct marketing to business organizations, and (c) State the objectives of direct marketing.

2. The advent of internet and GSM has made traditional means of promotion such as television, billboards and radio advertising, and personal selling less effective. Do you agree?

3. List and explain forms of direct marketing.

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CHAPTER FOURTEEN

E-MARKETING

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Define E-Marketing
2. Highlight the new market trends
3. Explain key terms associated with e-marketing
4. Identify and explain types of products that can be purchased online
5. Explain the e-marketing techniques
6. Explain the advantages of e-marketing

DEFINITION OF E-MARKETING

E-marketing can be viewed as a marketing activity, a marketing process, a marketing element, and a form of direct marketing.

1. **E-marketing as a marketing activity:** E-marketing means marketing of a firm's products and services via internet and World Wide Web (WWW) platforms.

2. **E-marketing as a marketing process**: E-marketing is the planning and execution of the development, pricing, delivery, and communication of a firm's products and services through the internet or WWW to facilitate exchange for mutual satisfaction.

3. **E-marketing as a marketing element**: E-marketing is a direct marketing channel through which business enterprises share information about their products and services with customers online in order to boost sales and profit.

NEW MARKET TRENDS

1. From market place to market space
    1. From analogue economy to digital economy
    2. From cash economy to cashless economy
    3. From internet age (PCs) to wireless age (Smartphones)
    4. From email marketing to social media marketing
    5. From traditional marketing to e-marketing
    6. From marketing mix to e-marketing mix (remix)
    7. From local reach to global reach
    8. From small sales to large and mega sales

Key Terms Associated with Internet Marketing

1. **Intranet**: This refers to a private computer network that uses internet technology to connect people within a building or an organization. Such connectivity allows employees of an organization to share work information for smooth operations and decision making. It usually excludes and denies members of the public (non-members of the organization) access to log in and use the network. E-business falls under this category; it is facilitated by intranet. Through intranet, marketers can relate with managers and employees in other functional areas of the organization.

2. **Extranet**: This refers to a private computer network that uses internet technology to connect and allow an organization's key stakeholders – customers, supplies, and distributors – access and shares some of its information. E-business and e-marketing fall under this categorization; they are facilitated by extranet. Thus, extranet enables marketers to communicate with co-workers, customers and distributors.

3. **E-marketing (digital marketing)**: Electronic marketing (e-marketing) refers to the use of internet and digital ICT to conduct marketing activities which include identifying customer needs, informing the market about company's products and prices, facilitating payments, delivering virtual goods, and building customer relationship to ensure customer satisfaction profitably. Specifically, digital or e-marketing activities include e-commerce marketing, social media marketing, display advertising, mobile marketing (m-marketing), search engine optimization, search engine marketing, influencer marketing, content automation, campaign marketing, e-books marketing, optical disc and games, and many others.

4. **M-marketing**: The use of mobile phones linked to internet to conduct marketing activities which include shopping (buying), selling, making and receiving payments, advertising, prospecting, and so on. M-marketing is facilitated through Wireless Application Protocol (WAP). WAP is more or less a web browser for mobile devices. Nowadays, mobile computers, phones, tablets and iPad are predominantly used by customers for shopping, banking, and purchases. This is made possible because GSM service providers now provide internet services at competitively affordable prices. Also, most private and public organizations (international hotels, banks, tertiary institutions) have Wi-Fi internet services which give authorized people access point (AP) to internet. However, for security reasons, most organizations prefer to use desktops for all forms of e-marketing.

5. **E-commerce**: This refers to the business of buying and selling products and services using internet and other digital information and communication technologies. Business organizations engage in e-commerce when they source for supplies and logistics from other business entities, and when they perform selling activities in order to translate products to cash sales. Customers are involved in e-commerce when they take necessary steps to buy goods on line. Example of e-commerce or online-shopping

platforms/websites in Nigeria are Jumia (www.jumia.com.ng), Konga (www.konga.com), Kaymu Nigeria (www.kaymu.com.ng), Taafoo (www.taafoo.com), DealDey (www.dealdey.com), Wakanow (www.wakanow.com), Adibba (www.adibba.com), Shopaholic (www.shopaholicng.com), Buy Correct (www.buycorrect.com), Mall for Africa (www.mallforafrica.com), and Yudala (www.yudala.com).

6. **M-commerce**: Commercial transactions facilitated by mobile devices linked to internet. Marketers, especially sales people, should be acquainted with m-commerce in order not to lose business, as customers transact all day and all time using mobile gadgets.

7. **E-business**: This is the use of intranet and ICT to carry out day-to-day internal operations of an organization in a more coordinated, organized, effective and efficient way. E-business enables marketing department to relate electronically with finance department in terms of funding, purchasing department in the areas of needed raw materials and logistics, research and development department in the aspects of customer data and desired new products, and human resource department in terms of desired sales people, PR officers, advertisers, and training requirements.

Types of Products that can be purchased and sold online (types of e-marketing products)

1. **Virtual products (downloadable products)**: These are products that can be purchased and delivered online. Examples are music, movies, games, computer software, accounting software, statistical software, news services, phone applications, electronic journal (e-journals) and electronic books (e-books).

2. **Transactional-related products**: These are service goods that can be purchased on-line but the actual consumption of the goods take place off-line. Examples are purchase of airline tickets and car rentals online. After purchasing airline ticket, customers have to appear physically in the airport for ticket confirmation, issuing of boarding pass, and actual boarding.

3. **Physical products (soft and hard goods)**: This refers to tangible goods such as plastic containers, utensils, textiles, and electronics. Textiles and fashion wears are called soft physical products, while metal and plastic products are called hard physical products. Physical products can be purchased and paid for online, but deliveries are made via traditional mediums like shipping, postal, rail, and sales rep.

E-marketing techniques

1. **Affiliate marketing**: 'Affiliate' means the source of traffic. 'Traffic' means the number of internet users that visit a company's websites for information, enquiries, or ordering. Internet users can be directed from third party's website to a particular company's site through pop-ups, newsletters, social networks, and blog. Thus, affiliate marketing is an online marketing technique in which a marketing company contracts or

engages other companies (called affiliates) to help direct web visitors or internet user to the marketing company's website for a fee or commission.

Affiliate marketing can also be regarded as an agreement between two websites, in which one site (the affiliate) agrees to features content or an advert designed to drive traffic to another site, and in return, the affiliate receives a percentage of sales or some other form of compensation generated by that traffic.

2. **Referral marketing**: Slightly different from affiliate marketing in the sense that the affiliated websites/companies are not paid commission. Referral marketing is operated on the basis of trust between two companies.

3. **Search engine marketing/advertising (SEM/SEA):** Millions of people search for products, services, places and organizations online, therefore, it is important for a business organization to not only seize this opportunity to be present on web by creating a website, but to make it easier for the prospective customers to locate the organization's site and its product in few seconds. Search engines (SE) lead prospecting customers to websites of companies that provide a particular service by simply typing the service desired (keywords such as "cheap hotels in Ikeja, Lagos) and clicking to obtain search results.

By definition, SE is a program that does searches on the internet; that is, a program that generates different sources of information for further direct contact. Example of SE are Google, Yahoo, Blog, Goto, Lycos, Bling, Baidu, Ask.com, Excite, Yandex, MSN, Munax, Qwant, DuckDuckGo, Exalead, and Gigablast.

Precisely, SEM/SEA can be defined as the process of attracting and acquiring customers online by purchasing adverts on search engines. In other words, SEM/SEA involves the promotion of a company's website by increasing its visibility and easy accessibility in Search Engine Result Page (SERP). SEM/SEA operates with Search Engine Optimization (SEO) and Price-Per-Clique (PPC) adverts. SEO allows a company to earn traffic through unpaid free search listing. PPC allows a company to buy traffic through paid search listings.

4. **Search engine optimization (SEO):** As the name implies, SEO is a search engine technique that enable a particular firm's website or address to appear first on SERP. SEO may be regarded as the process of elevating websites ranking in the unpaid results of search engine. The technique is simply aimed at improving a website's ranking in the natural search results.

SEO is a free and most effective internet marketing technique that leads internet users to any company's website they are interested in visiting. SEO work effectively with keyword or keyword phrases. A keyword is a search terminology that an internet user input into a search engine to identify or locate a website of interest. Different but related keywords should be employed when using SEO approach. For example, a user looking for literature on "importance of social media marketing" can type in keywords like "advantages of social media marketing", "benefits of social media marketing", "significance of social media marketing", and "pros and cons of social media marketing". Important elements of SEO are the keywords, contents, page title, meta tags, and page rank.

5. **Email marketing (email newsletters):** The process in which marketers obtain email addresses (mailing list) of prospects, and thereafter advertise product(s) directly to each customer's email via internet. The recipients of email adverts can respond to the sender (the marketer); thus, it is interactive in nature. Email adverts or newsletters are expected to be very appealing to the target customers; hence, it should be designed with colorful texts, graphics, and pictures.

6. **Web-site advertising:** Literally, a website is the storefront of an organization on the net. Each website has unique web address or identity used in locating an organization on the net and obtaining information about it in terms of its mandates, functions, objectives, products, staffs, branches, annual events, and other vital information. Such information are contained in several pages (web pages) joined together (hyperlinked) as a page. Thus, web-site advertising is the use of web-sites to market a company's offers. For example, a click on a marketing related subject (e.g. products) on the home page of an organization will open a webpage showcasing the company products with prices, vendors, retailers, incentives, after-sales services, accessories, and other product benefits. An informed consumer may respond to the stimuli by placing order (filling and submitting order forms online).

Millions of people who visit internet daily may be unaware about a particular company's website advertising. To overcome this challenge, marketers use different techniques (pop-up, pop-down, banner, and email) to attract and build web traffic of web users or visitors, influence 'call-to-action' after going through the adverts on the website, and persuade customer to take decision on either to 'book now' (place order) or simply 'sign up' (give personal information). Customers that sign up can be targeted again using varieties of internet marketing techniques in future. *A web traffic is the amount of data sent and received by visitors to a web site.*

7. **Social media marketing (SMM):** Unlike traditional media that uses television, radio, newspapers and magazines to provide one-way static communication from a firm or a marketer to the public, social media uses internet to provide two-way interactive and dynamic communication between the firm or marketer and the public. By definition, social media is an internet-based tool or a website that facilitates sharing of views, opinions, articles, contents, and information; it also enables interaction and engagement with prospects.

Marketers use social media platforms (Facebook, YouTube, Twitter, WhatsApp, LinkedIn, Goggle+, Instagram, MySpace, Pinterest, Reddit) and website to promote a product or organization to the target prospects. Social media marketing helps companies in generating exposure to a business, generating traffic or increasing number of subscribers, generating leads, building new business partnership, selling more products and services, and reducing marketing communication and distribution expenses. Social media marketing is indispensable to both small and large companies given the size of the users (e.g. almost 3 billion people use Facebook globally as at 2023), reach (e.g. global coverage), speed (instant delivery of messages), word-of-mouth (customers redirecting messages to their friends), and response/interaction.

It is important to note that social media are communication vehicles, and each social media platform has its capabilities and limitations. Some permit text messages of limited character, while others permit videos, photo and audio clip of limited duration or size. Table 14.1 below shows a list of some social media platforms with their corresponding capabilities.

Table 14.1: Capabilities of the Social Media Applications

SOCIAL MEDIA	**CAPABILITIES**
YouTube	Video sharing
Twitter	Text sharing
WhatsApp	Text, pictures, audio, and video sharing
Facebook	Text, video and photo sharing
Vimeo	Video sharing
Instagram	Photo and video sharing
SoundCloud	Music sharing

8. **Social media participants**: Social media participants, otherwise called the social media ladder, can be classified into seven, namely in-actives, spectators, joiners, collectors, critics, conversationalists, creators.

i. **The in-actives**: This refers to non-users of social media. They are neither on Facebook nor any social media platform. Social media marketing will not be effective for this group.

ii. **Spectators**: This refers internet users that do not have social media account, but consume social media contents such as reading others' tweets, watching YouTube video from friends, and reading blogs. Marketers can target this group via 'joiners', 'collectors' or 'critics'.

iii. **Joiner**s: This refers to internet users that are connected to social media websites, and consume the social media contents. The internet user maintains a profile with a social media site. Marketers can target members of this group directly since they are connected to a social network.

iv. **Collectors**: Internet users that organize contents for themselves and others. *Collectors* may be helpful in helping marketers circulate product promotion to many users of social media.

v. **Critics**: Internet users contribute to discussion on the online social media forum, and edit articles. Members of this group are quite knowledgeable and like to respond to issues via social media. Marketer can maintain constant interaction with this group; get product development ideas, and covert them to regular customers.

vi. **Conversationalists**: Social media users that like to update their profile periodically and communicate their opinion or views on product or brands to consumers, businesses and friends.

vii. **Creators**: Individuals that create social contents used by others. Members of this group are proactive instead of reactive. They share product experience with others on the social media even when the product has not been advertised to them.

9. **Display advertising (DA)**: As the implies, DA is a type of online marketing that combines texts, images (logo, photographs, pictures), flash, audio and video elements to promote a product, idea or organization. In fact, banner adverts, text adverts and pop-ups are examples of display advertising.

10. **Banner advertising (BA):** Popularly called banners, BA literally means a rectangular piece of cloth with promotional inscriptions usually hung in a public place. However, banner advertising is a special advert that appears on the web-page, aimed at informing public about a company's offers and on-going sales promotions that customers can participate in. It appears horizontally on top or bottom of a computer screen with a rectangular shape and dotted with graphic designs, animation, and slogans. A browser (customer) can be directed to the advertiser's web site to view more information after clicking on the banner.

11. **Pop-ups/pop-under advertising**: Pop-ups advertising are forms of online adverts intended to attract web-traffic or capture email addresses as data base for future contact. The adverts *pop-up* or suddenly appears immediately or few moments after a web user accesses a particular website or opens a web page. That is, a dialogue-box-like menu that appears on a screen when one is working on a particular webpage.

Pop-under advertising is slightly different in the sense that the advert window or page is hidden behind the web-page and only became visible when the browser/prospect closes or minimizes the web-page.

12. **Interstitial adverts:** These are online adverts that appear on the screen between the periods when the user start to download a document to the time when the download is complete. In other words, they are web-page adverts that are displayed before the requested content page fully appears or while the content page is loading.

13. **Overlays:** A type of internet advertisements that appears above a content and removable by clicking on a close button.

Advantages of e-marketing

1. **Real time**: Electronic/Internet/online marketing services are available all day and all time (24/7). For example, online shopping is opened 24/7.

2. **Convenience**: It is convenient to use by customers because it eliminates geographic barriers. In traditional marketing, a customer has to transport himself/herself from his/her house to the market when there is need for shopping.

3. **Efficiency**: It is cost effective to both marketers and customers. Marketers incur lesser cost in online advertising as compare to television and radio advertising. Customers incur lesser cost of searching and buying goods online; they only pay for internet access or connectivity services (data bundle) which is cheaper compare to the cost of visiting a market place.

4. **Global reach and visibility**: It facilitates global coverage such that both small and large companies can target and serve customers globally with greater sales revenue and profit. Prior to the advent of internet market, global advertising on the traditional mass media was undertaken by large multi-national corporations because is very expensive.

5. **Direct communication**: It facilitates direct communication with individual customers. That is, it facilitates one-to-one communication between a firm and each of its customers.

6. **Mass communication**: It also facilitates mass communication in forms of one-to-many or many-to-many. One promotional message can be targeted at many prospective customers.

7. **Audio-visual message**: Online adverts are very appealing to customers because it shares some features of radio, television, newspaper, and poster advertisements.

8. **Mail listing**: Email newsletters can be targeted at specific customers through mail listing.

9. **Timeliness**: It provides immediate delivery of messages.

10. **Interactive**: It facilitates interaction between the marketers and prospective customers. Marketers send promotional messages to the customers, while customers give feedbacks or respond to the promo; vice-versa.

SELF-ASSESSMENT QUESTIONS

1. Define E-Marketing
2. Highlight the new market trends
3. Explain key terms associated with e-marketing
4. Identify and explain types of products that can be purchased online
5. Explain the e-marketing techniques
6. Explain the advantages of e-marketing

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